SECY/S.E./2026-27 November 10, 2026

BSE Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers,
25th Floor, Dalal Street,
Mumbai – 400 001

Scrip code: 506854

Dear Sir/Madam,

Sub: Earnings Call Transcripts

Pursuant to Regulations 30 and 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform the Exchange that the transcript of the Company's Analyst/Investor Conference Call held on November 03, 2026, to discuss the Unaudited Financial Results for the second quarter and half year ended September 30, 2026, is attached herewith.

The transcript is also available on the website of the Company:
https://tanfac.com/investors/investor-information/calls-conferences-and-transcripts

Kindly take the same on record.

Thanking you,

Sincerely yours,
For TANFAC Industries Limited

Vinod Kumar Srinivasan
Digitally signed by Vinod Kumar Srinivasan
Date: 2026.11.10 21:16:51 +05'30'

Vinod Kumar S
Company Secretary & Compliance Officer

Enclosure: As above

“TANFAC Industries Limited

Q2 FY27 Earnings Conference Call”

November 03, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 3rd November 2026 will prevail.

MANAGEMENT: MR. AFZAL MALKANI – MANAGING DIRECTOR – TANFAC INDUSTRIES LIMITED
MR. HEMANGO GUPTA – CHIEF EXECUTIVE OFFICER – TANFAC INDUSTRIES LIMITED
MR. N.R. RAVICHANDRAN – PRESIDENT AND CHIEF FINANCIAL OFFICER – TANFAC INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to TANFAC Industries Limited Q2 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and it may involve risks and uncertainties that are difficult to predict.

I would now like to hand the conference over to Mr. Afzal Malkani, Managing Director of TANFAC Industries Limited. Thank you, and over to you, sir.

Afzal Malkani: Thank you. Good morning, everyone, and a very warm welcome to TANFAC Industries Q2 and H1 FY27 Earnings Call. Joining me today are Mr. Hemango Gupta, our Chief Executive Officer; Mr. N. R. Ravichandran, our President and Chief Financial Officer; and SGA, our Investor Relations advisers.

The first half of FY27 has been an important period for TANFAC. As we continue to make progress on our growth initiatives while navigating a challenging external environment. We are pleased to announce that Q2 FY27 was a landmark quarter for TANFAC as the company achieved its highest ever quarterly revenue of approximately INR230 crores, growing 37% Y-o-Y. For the first half, revenue grew by 21% to approximately INR418 crores.

Despite elevated raw material prices, higher energy costs and ongoing geopolitical uncertainties, we delivered healthy revenue growth, supported by an expanding product portfolio and stronger customer relationships. This performance is encouraging and reflects the progress we are making in expanding our business across existing and newer fluorochemicals applications.

During the quarter, we increased our solar grade DHF manufacturing capacity from 20,000 metric ton per annum to 25,000 metric ton per annum through debottlenecking, representing a 25% increase in installed capacity by incurring nominal capital expenditure. We have added few new products in our fluorinated inorganic fluorides portfolio, expanding our offering to existing and new customers.

These developments reflect our continued focus on diversifying our product offering and serving broader range of industrial applications. As these products are still in the early stages of commercialization, we remain focused on scaling up production, enhancing operational efficiencies and improving capacity utilization.

On the gross margin front, in our AHF business, our gross profit per ton has remained largely stable. The moderation in gross profit margin percentage is primarily attributable to higher product realizations, which have increased the revenue base and consequently lowered the margin percentage despite stable gross profit per ton.

While elevated sulphur prices have impacted input costs, we are beginning to see signs of price moderation, which is encouraging. Additionally, the initial ramp-up phase of certain newly introduced products where gross margins are yet to reach their optimal levels, we remain focused on improving cost pass-through, optimizing operating efficiencies and scaling up newly introduced products.

As these products achieve higher volumes and raw material price recede, we expect profitability to improve progressively. Another important area of focus during the quarter was raw material procurement and supply chain management.

Given the ongoing geopolitical developments in West Asia and the potential risk of disruption to international supply chains, we undertook bulk procurement of critical raw materials, primarily fluorspar towards the end of the quarter, leading to a higher-than-normal working capital. This was a precautionary measure to ensure adequate raw material availability and continuity of operations. We also continue to strengthen our supplier relationships and procurement practice while maintaining a close focus on operational efficiency and cost optimization.

Moving to another key development, I'm pleased to share that we successfully completed our preferential issue of approximately INR100 crores in September '26, including an investment of approximately INR61 crores from our promoter, Anupam Rasayan. With this, following our INR250 crores QIP completed in June, we have raised approximately INR350 crores during the first half of FY27.

The successful completion of this fund raise has further strengthened our financial positions and provides us with greater flexibility to support our ongoing expansion plans and future growth initiatives. On the strategic front, our upcoming HFC-32 refrigerant gas project continues to progress as scheduled with target commissioning in Q3 FY27. This remains one of our most important near-term growth initiatives and marks a significant step in our downstream expansion journey.

Looking ahead, we expect the second half of FY27 to deliver a strong performance than the first half, supported by the scale-up of newly introduced products, improved operating leverage and anticipated moderation in raw material prices. Further, the commencement of commercial production from our refrigerant gas project is expected to provide an additional growth driver towards the end of the financial year.

With that, I invite our CEO, Mr. Gupta, to share his perspective on our fluorinated product portfolio, emerging opportunities and product development initiatives. Thank you, and over to you, Mr. Gupta.

Hemango Gupta: Thank you, Mr. Malkani. Good morning, everyone. I will take you through some of the developments and the demand we are seeing across our key applications, our product development initiatives and the progress on the HFC-32 project. We see opportunities wherein fluorine-based chemistry finds wider application in specialty polymers, electronic chemicals and the new generation refrigerant gases apart from pharmaceutical ingredients and agro molecules.

There are also opportunities arising from import substitution and customers looking to diversify their supply chains. Our focus is on developing application-specific products to address these requirements. We get an edge to serve customers by virtue of our expertise in handling fluorine for past 4 decades. This makes TANFAC among select few companies in the world specializing in the handling of fluorinated molecules. These are specialized industrial applications with product quality, technical specifications and consistent supply play an important role.

At the same time, import substitution and the increasing focus among customers on diversifying their supply chains present ample opportunities for domestic manufacturers like TANFAC. In renewable energy, our solar grade DHF business continues to be an important area of focus. Solar grade DHF is used in high-purity etching and cleaning processes during solar cell manufacturing.

During the quarter, demand for solar grade DHF remained robust, and we continue to focus on production ramp-up and fulfilling customer requirements. Our objective is to build on these opportunities by offering a wider range of application-specific products. Our focus is not simply to add more products to the portfolio, but to develop value-added products that meet specific customer requirements in terms of purity, consistency and application performance.

Beyond expanding our product range, our focus is also on increasing the value addition within our existing portfolio. Our R&D and pilot plant infrastructure supports product development and the scale-up of products towards commercial manufacturing. We have already developed several products at the lab stage and scaling up various organic and inorganic products from the R&D to the commercial production.

Another important area is our ongoing research and technology development. Our R&D is focused on refrigerants, fluoropolymers, fluoromonomers and electronic chemicals. We are also exploring vapour phase fluorination technologies for application in electric vehicles, energy storage, advanced surface protection and aerospace. Currently, we have 10 products under development in these various advanced applications.

We are also collaborating with academic and research institutions to bolster new product development and identify additional applications for our existing products. These efforts are aimed at strengthening our technical capabilities and creating a broader pipeline of fluorinated products over the longer term.

Coming to our HFC project, as we approach commissioning in Q3 financial year '27, our focus is on ensuring operational readiness and a smooth transition to commercial production. Overall, our priorities over the coming quarters will be to strengthen our product capabilities, translate product development into commercial opportunities and ensure disciplined execution across our manufacturing operations. We believe these efforts will support our objective of building a more diversified and a higher-value fluorochemicals business over the coming years.

With that, I would now request our President and Chief Financial Officer, Mr. Ravichandran, to take you through the financial performance for Q2 and H1 financial year '27 in greater detail. Thank you, and over to you, Mr. Ravichandran.

N. R. Ravichandran: Thank you, Mr. Gupta. Good morning, everyone. I will now take you through the company's financial performance for the second quarter and first half of FY27. Starting with the quarterly performance, revenue from operations for Q2 FY27 stood at INR230 crores compared with INR169 crores in Q2 FY26, registering year-on-year growth of 37%.

On a sequential basis, revenue increased by approximately 23% from INR187 crores in Q1 of FY27. The growth was mainly driven by higher realizations and contributions from newly introduced products. For the first half of FY27, revenue from operations increased by 21% year-on-year to INR418 crores compared with INR345 crores in H1 of FY26.

Coming to gross profitability. Gross profit for Q2 FY27 stood at INR75 crores compared with INR66 crores in the corresponding quarter of last year. However, gross margins moderated to 32.5% compared with 39% in Q2 of FY26 and 37% in the preceding quarter.

Profit after tax increased to INR19 crores from INR17 crores in Q2 of FY26, registering year-on-year growth of approximately 11%. For the first half of FY27, profit after tax stood at INR36 crores, which is in line with INR36 crores in the corresponding period last year.

Now coming to our balance sheet and financial position. The successful completion of our equity fund raises during the first half has significantly strengthened the company's capital base, providing greater financial flexibility to support our ongoing expansion projects and future growth initiatives.

Coming to our key financial ratios. The company's adjusted return on equity for H1 FY27 stood at approximately 18%, while adjusted return on capital employed stood at approximately 19%. These ratios exclude the net proceeds from the QIP and the preferential issue to better reflect returns on the company's existing capital base.

Our fixed asset turnover ratio stood at approximately 3.5x on an annualized basis for H1 FY27 compared with 3.4x in FY26, reflecting improved revenue generation relative to our fixed asset base. Overall, while profitability and operating cash flows were impacted by higher input costs and working capital requirements during the first half, our financial position remains well supported.

Going forward, our financial priorities remain focused on improving working capital efficiency, optimizing operating costs and maintaining financial discipline while supporting our ongoing expansion plans.

That is it from my side. We now be happy to take your questions. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Meet Gada from Shanghvi Family Office.

Meet Gada: Good resilient quarter in challenging times. My first question would be that what is the status of R-32 project in terms of stage of completion? And when does the trial production start? And what would be the ramp-up expectations? Also, what kind of utilization one should expect in FY27, '28 and '29?

And the other question would be, how has been the activity from the industry lately like in terms of import bookings or manufacturing pace as we enter the last 2 months of quota determination period? And what kind of impact do we have in CY '27?

Hemango Gupta: The first question, Mr. Meet is the status of the R-32 project. So everything is on track. 90% of the work has been completed. And as on September '26 end, we have already committed about INR360 crores, which represents about 90% of the total project cost. So that is the current status of R-32 plant for us, HFC-32. And the second question was that you asked about what is the utilization rate, right, of HFC-32.

So in this financial year, I think we are expecting to utilize about 20% of that utilization in the last quarter only because we'll get that benefit only in the last quarter, mainly. And next year, we expect about 95% of utilization. And the coming years, almost 95% to 100%, 90% to 100% of -- in the range of this only, yes. That is our answer.

And about the commercial activities, you were asking about the imports and other things. I think it is going on normal. The Chinese prices are elevated. Indian prices are lower than the Chinese prices. So there is no benefit as such in importing. So Indian domestic demand is being catered by the Indian manufacturers mostly.

And remaining very little import is expected is coming in. It's not much. So it's going on smoothly. I don't see anything -- any overturns or new things or any significant changes happening in the last 2 months of this calendar year, yes.

Meet Gada: Got it. My other question would be that the gross and EBITDA margins are down sharply during the quarter on Y-o-Y and Q-o-Q basis. How should one look at the margins for H2? And how do the margin shape up for FY28 and '29 given the increased contribution from R-32, which is a better margin product and it would be helpful if you can quantify the same.

Afzal Malkani: On an absolute basis, if you see our gross profit per ton largely remained stable. However, the decrease in margin in percentage terms are primarily attributable to higher HF realization, which has increased the revenue base and consequently lower the margin percentage. While elevated sulphur price have impacted input cost, we are beginning to see signs of moderation, which is encouraging.

Additionally, some of our newly introduced value-added products are currently in the initial stage of commercialization, where margin tends to be relatively subdued. But as volumes scale up and operations stabilize, we expect this product to contribute more positively to our overall margins. So we expect EBITDA margins to normalize back to 15% to 16% range from this quarter and with further substantial margin expansion anticipated once our value-added HFC-32 capacity achieves commercialization.

So as for the next half of FY27, with anticipated reduction in raw material price and scaling up of new value-added products, along with contribution of HFC-32 in the last quarter, the margin for the second half will be around 18%. And for the full year on an average basis, it would be around 16% and if you are asking for FY28, then in FY28 on a conservative basis, given the full

year production of HFC-32, the EBITDA margin will be in the range of -- as an overall average would be around 24% to 26%. I hope it answered your questions.

Meet Gada: Yes, sir. And what was the AHF realization for the quarter? And what would be the mix of spot and contracted volumes where you could pass on the cost inflation?

Afzal Malkani: Total AHF capacity utilization in percentage terms in H1 is around 78%, out of which 1/3 is in the solar grade and remaining is in the AHF and commercial grade DHF.

Meet Gada: Got it. Got it. One last question, if I would squeeze in. What would be the current AHF capacity for TANFAC? Like as per my understanding, it is 20,000 tons pure AHF and 12,500 for solar grade DHF. So is it the right understanding?

Afzal Malkani: No. If you see, total our AHF capacity is 30,000 metric ton. We have a 2 plant of 15,000 metric ton each. So we produced 30,000 metric ton AHF. But out of 30,000 metric ton AHF, we are consuming 10,000 AHF as a captive consumption for the solar grade. That is now going to increase. We did some debottlenecking in the solar grade. And now going forward, we will use for the captive consumption around 12,500 metric ton for the solar grade. But to answer your question, AHF capacity is 30,000 metric ton per annum.

Meet Gada: Understood. And one last question. How are you planning to source MDC for R-32? Have we contracted the same as we near the project completion?

Hemango Gupta: See, in MDC, there is nothing challenging to source. Domestically, there are active -- about 8 MDC producers. And the capacity is huge. Chloromethane's capacity is huge. So MDC production is close to around -- they can -- actually installed capacity is around 550,000 metric tons. And demand is not more than 400,000 metric tons including the demand -- captive demand for HFCs also. So, this creates an excess supply of about 150,000 tons in domestic only.

And then there are manufacturers in Europe and China, which they regularly supply to Indian market in some form or the other. So actually, I don't see a challenge in sourcing MDC in domestic as well as importing it. So we are having some contracts. We are creating some contracts and also both domestic and international. So I don't see there's any significant challenge in sourcing MDC as such.

Moderator: The next question is from the line of Meet Vora from JM Financial.

Meet Vora: First was on -- sir if I look at the overall demand of R-32, probably U.S. demand is relatively muted. Other Asian market demand is relatively steady, even India demand is steady, and China has not increased their R-32 quota. So how should one think about volumes of R-32 for FY27 and '28?

Hemango Gupta: Volumes in terms of our volumes or overall volumes?

Meet Vora: Our volumes. In terms of your volumes, so probably for FY27, one quarter, we might do a 3,000, 4,000 tons or what should be the number for that quarter?

Hemango Gupta: We expect to be in the range of about 2,000 to 3,000 tons in FY27. So it depends on how fast we stabilize in 10 days or 20 days, that's the only difference. And then the coming financial year, we should be utilizing about 85% to 90% of our plant. That should not be an issue.

Meet Vora: Okay. And in terms of pricing, so R-32 pricing still remains elevated in China and India. And probably in December, there is close to 40,000 ton capacity coming online in India. And so how should one think about pricing for calendar year '28 considering that India is entering the last year of baseline, probably we have contracted as well as spot volumes. So contracted -- plus spot, what should be the mix? What should one take as a pricing average for this year?

Hemango Gupta: See, our contracted prices earlier were in the range of $5.5. But after the -- because they are formula based and the raw material prices have gone up. So now the prices will be close to $7 -- around $7 we'll be selling those formula based. Our contractual price is close to $7. And the spot price, the market which we have will play as per the market. So the market remains elevated at $7 plus, we'll sell at $7 plus. If it goes around $6.8, $6.7 levels, we'll go at that price. So that remains as per the spot.

Meet Vora: And what is the mix, 70%-30% roughly?

Hemango Gupta: Should be 65%-35% kind of thing, yes, 65%-35%, 60%-40%. 5% here and there.

Meet Vora: Yes. So if probably the raw material costs cool off next calendar year, then probably the pricing would again come down. But for now, based on the contractual volume, $7 looks...

Hemango Gupta: Around next 3,- 4 months, I think they will remain in this range because they are based on the weighted average of the quarters and all those kind of things. So yes.

Meet Vora: Okay. And the other question was on -- so we are now entering probably next month, we would be commissioning R-32. So we'll start generating strong cash flows from that plant. How should one think about reinvestment of these cash flows? Are we entering into fluoropolymers, fluoromonomers, next-generation gases like you were talking about in your initial commentary? How should one think about the next growth projects.

Afzal Malkani: See, at this crucial point of time, our immediate focus is to commission the HFC-32 project soon. While in near term, we are planning to expand our existing AHF capacity from 30,000 metric ton to 45,000 metric ton, so addition of 15,000 metric tons without cannibalizing our existing external sales with our captive raw material need for HFC-32.

So adding up AHF third plant and second is to double our solar grade capacity from existing 25,000 metric ton to 50,000 metric ton for the potential demand coming from the solar industry. In addition to that, further in medium term, we are also planning to enter into new value-added products, which will be the greenfield project for electronic chemicals, fluoropolymers and next-generation gases. So to conclude, we have a good capex pipeline for next 5 years, which will take care of our incremental growth.

Hemango Gupta: Yes, I hope that answers your question.

Meet Vora: Yes, sure. So probably for now, the AHF capacity will lead to margin improvement, not absolute revenue increase, but probably next couple of months, we will decide on what should be the next big capex for us?

Hemango Gupta: Correct. The priority-wise, we need to first bolster our AHF production. So we have to put up a new AHF plant and also double our solar grade. So that is the first priority. Meanwhile, in coming 3, 4 months, we'll further decide on priority-wise, which has to be taken first, electronics or -- so it all depends on a lot of variables like lab development and commercialization, which is -- that is also one of the factors.

The second is the customer tie-ups. The third is the technological tie-up. So these 3 factors will decide which we will take first while we are committed to go into all 3, but which one to come first will be decided by all these variables in the next 3 or 4 months.

Moderator: The next question is from the line of Rajesh Gupta from SBI Securities.

Rajesh Gupta: Sir, my question with regards to the earlier question on the margin, considering this for the current quarter is just above 13% and we were guided earlier 16% to 19% for third quarter and blended for FY27, nearly 20%. So how confident you are that this number, which is for third quarter will we get it -- will be increase to 16% for FY27. I think the heavy lifting would be required for the next 2 quarters to reach to 16% kind of margin. So your comment on that?

Afzal Malkani: So if you see, in the Q3, there is additional demand from the solar grade industry as well as in the AHF market. We are reasonably confident that -- and as I mentioned earlier that we are also expecting this raw material price to recede and commercialization of the new 2, 3 products, which we started in Q2 that is now going to ramp up in Q3, we expect that we should at least our earlier margin range of around 15% to 17% from this H2 FY27 onwards. And we are reasonably confident on that.

Rajesh Gupta: Okay. And now considering the fact that your new capacity is going to get commissioned of R-32, so what kind of revenue guidance you're giving for the investors for FY27? And when you will use full capacity in FY28, what kind of number one can look at for the FY28 and after that?

Afzal Malkani: So, if you see, we expect -- as I mentioned, we expect the revenue performance to be stronger in second half of FY27 compared to the first half, supported by the higher demand, as I mentioned, in the solar grade DHF as well as in the AHF. Additionally, with the planned commissioning of our HFC-32 plant in Q3 FY27, so from Q4 FY27 onwards, it will start contributing the revenue.

So we can say earlier this -- our guidance of 30% growth for FY27. But looking at the current demand scenario, we are revising our guidance to around 35% to 40% growth for the full year in FY27. And if we talk about in FY28, as you are asking, so that is, I think, a 60% growth, we can say 55% to 60% growth compared to FY27 in FY28. I think I hope it answered your question.

Rajesh Gupta: Yes. And my last question would be on your capex side. What is the remaining capex for FY27? And what kind of capex you are planning for FY28?

Afzal Malkani: So currently, if we talk about the FY27, then out of around INR395 crores, we have already incurred a capex of around INR360 crores. So balance is INR40 crores plus another additional debottlenecking and other fluorinated value-added product capex is around INR30 crores to INR40 crores. So balance capex is around INR70 crores to INR80 crores in the current financial year. So total capex would be in the range of INR440 crores to INR450 crores, including all.

Rajesh Gupta: And any number for FY28, if you can give?

Afzal Malkani: '28, just for example, we have guided for this AHF and solar grade which we made -- capex of around INR250 crores plus other value-added products. Apart from this, currently, we have not announced anything on that. So currently, we see INR250 crores is the minimum capex.

If we announce in the month of January, we are planning to go for the forward integration. But at that time only will decide in which segment we are going. But currently, on a conservative side, next year guidance would be INR250 crores for the AHF and solar grade DHF.

Moderator: The next question is from the line of Animesh Jain from Dalal & Broacha.

Animesh Jain: So my first question is, what is your view on solar grade since we are the only player in the India. So are we anticipating any competitor? And we have also increased our capacity by 5,000 MT by debottlenecking. So how we are going to sell this? Have we done any contract on this with our earlier player? That's my first question.

Afzal Malkani: So currently, we have not executed the -- another contract with the existing player. But yes, in the near future, we may do because currently, this demand is not an issue. So whenever it comes immediately, we will be able to do back-to-back agreement before going for the next capex, maybe in the month of January. Whenever we do the capex definitely, we will do the back-to-back agreement immediately at the time of announcement of the project itself.

Because currently, if you see Indian solar cell manufacturing capacity is 30 gigawatt, which is expected to increase at 100 gigawatt in next 3 years due to which the solar grade demand, which is currently 25,000 metric ton, which is expected to grow to 1 lakh metric ton once all the capacity of solar comes on ground.

And also considering the government PLI schemes, many new players are also entering into the solar cell manufacturing. But only manufacturers that establish the capacity using domestically manufactured equipment only will be eligible to supply the electricity to the government and this subsidy-linked requirement.

So therefore, this demand from the end user industry is increasing from 25,000 metric ton to 1 lakh metric ton. We also did a debottlenecking and increase our capacity from 20,000 metric ton to 25,000 metric ton. And in the second round of next expansion, we will further increase from 25,000 metric ton to 50,000 metric ton, which is we feel at this point of time, it is sufficient for that.

And new player because it requires almost substantial capex of around INR90 crores to INR100 crores and also require the technology and all. So currently, in the near future, we don't anticipate any competition to come in the solar grade because it requires substantial investment and gestation time of around project time line of around 1 year.

Animesh Jain: Okay. And my second question is why there is a sudden fall in our ROE and what is your future guidance about our ROE?

Afzal Malkani: If you see on our ROE, this is due to the recent infusion of QIP and preferential allotment of INR100 crores. So total is INR350 crores infusion happened in H1 FY27. So if we exclude the fundraise amount from the other equity, which is not part of current operations, then adjusted ROE would be around 17% (Errata: Actual percentage to be read as 18%) compared to 19%. So there is a fall of only 2% (Errata: Actual percentage to be read as 1%). So I think we need to adjust this INR350 crores.

Animesh Jain: Okay. And my third question is, sir, we have built up inventory of fluorspar. So how many months of fluorspar consumption does the current stock cover and compared with how many months it will take to our normal inventory.

Afzal Malkani: So currently, due to this geopolitical environment currently, we have increased our normal inventory of fluorspar was around 3 months. But now currently, we have imported one consignment. And due to this, our inventory has increased to around 6 to 7 months.

But if you see, there is an increase in inventory of INR50 crores, but there is a simultaneous increase in the creditors also by the same amount from -- if you see creditors increased from INR25 crores to INR75 crores. But this is only due to this current situation only. So I think in next 1 or 2 quarters, we will be back to our normal inventory holding of 3 to 4 months. Depending on the situation, we will take a call, yes. Because in the lead time in fluorspar has increased.

Recently, what happens that lead time in procuring fluorspar has increased due to this increase in the transit time due to these challenges regarding container availability. So that's why we have decided to keep this buffer inventory to ensure the stability in the production.

And also, if you see our track record, then in last 4 years, our plant has never stopped due to the raw material shortage, and we never want this to ever happen at TANFAC. And fluorspar contributes 70% of our total raw material in terms of the value. So it's very important to hold the inventory at this point of time, at least.

Moderator: The next question is from the line of Jayesh from Veto Capital.

Jayesh: I have a question here. First is why the inventory has built up by INR54 crores in this quarter? My second question would be why working capital days got increased by 13 days from 91 days to 104 days.

Afzal Malkani: Okay. So if you see, this is inventory, whatever increase happened in the inventory that is knocked up by increase in the creditors. Creditors, if you see inventory days increased from 48

days to 64 days. But there is a simultaneous increase in payables from 13 days to 36 (Errata: Actual number to be read as 33) days.

So, it is knocked off. But yes, on the receivable front, this time September becomes a major revenue contributing month for us and portion of the payment against the sales falls during the subsequent quarter due to which receivable days increased from 57 days to 72 days. So this 13 days increase happened due to receivables only. But just would like to add is that however, out of this increased receivable, 70% receivable was collected in the month of October, subsequent month.

So, I think currently, it is a normal receivable only. There is again a reduction of 15 days in the receivables, which you can see in the coming quarters. So from next quarter onwards, there will be no additional working capital increase in this. It will be again normal back to our earlier quarters only..

Moderator: The next question is from the line of Karan Kamdar from Choice Institutional Equities.

Karan Kamdar: Sir, my first question is on products launch and the unutilized plant. So how are you planning to do the capex? And how is the time line coming along? And secondly, on commercial operations and customer qualifications. So once the plant is online, how long would it take for the first sale to take place?

Afzal Malkani: Can you repeat the question? I couldn't hear it clearly.

Karan Kamdar: Yes. So what I mean is that how long -- we have a lot of unutilized funds from the QIP & Preferential Allotment in the statement of deviation. When do we expect those capex to be incurred? And what is pending for the plant time line to come online? And secondly, on commercial production and customer qualification. So once the commercial production starts, how long will the first sale take place? And how is the customer qualification progress?

Hemango Gupta: See the first question is we have already said that 90%, we have already utilized.

Afzal Malkani: So if you see, unutilized amount is INR157 crores, which is mainly committed towards ongoing project, which will be utilized by the end of this financial year. And to answer your second question, Mr. Gupta will take it regarding the qualifications of pilot and all.

Hemango Gupta: See, we have already started the qualifications with some customers. At a couple of places, we have already been qualified. And some places, the samples are under evaluation. So generally, it takes 2 to 3 months to get the evaluation and approval process done. So we are in process.

And I think from January onwards or December onwards only, we'll start selling our commercial production in the market. In the trade market, there are no qualifications as such required. Only qualifications are required in big approvals like OEMs and all. So that we are doing. So commercial production trade segment, we can start selling from December. And from January onwards, we'll start selling to OEMs also.

Karan Kamdar: Got it, sir. And sir, I believe we had an MOU of 5,000 metric tons for R-32. When will that convert and...

Hemango Gupta: I think that will get converted.

Karan Kamdar: Sorry, please go ahead.

Hemango Gupta: We'll get it done before this financial year gets closed and our commercial production starts. So in next 1, 1.5 months, you can expect that to convert into a contract.

Karan Kamdar: Got it, sir. Last question, if I may, how do you see this escalating geopolitical conflict in the Middle East? And since it is a very huge market for India, especially we become a net exporter, do you think the current market dynamics could favor us? And where do you see growth coming in?

Hemango Gupta: See, as of now, it is favoring us. And I don't see any major challenges in the U.S. market for Indian producers to sell because we have an advantage over China in terms of the antidumping duties, which China is facing in U.S. market in refrigerant gases, which Indian manufacturers do not face.

So currently, we don't see anything in the -- largely, I can't comment on the future because -- it depends a lot on the variables on the election process, the leadership thinking, how the geopolitical situation takes place. So it is too early for us also to comment. We can just make guesses, but we can't form an opinion, 100% opinion kind of thing. So we can't comment on that.

Moderator: The next question is from the line of Harshil Mantri from Mantri Financials.

Harshil Mantri: Congratulations on the good set of numbers. My first question is if you can elaborate on the funding arrangement for our upcoming R-32 project, including the proposed debt and equity mix?

Afzal Malkani: So if you see, out of this INR395 crores of -- out of which we have raised INR350 crores, INR250 crores by way of QIP and INR100 crores by preferential. So INR350 crores by way of equity and remaining around INR50 crores by way of debt.

Harshil Mantri: Okay. And the next question is about the -- if you can also elaborate on the breakup of revenue growth, that is contribution from volume growth and improvement in product realization.

Afzal Malkani: Particularly if you talk about in Q2, then there is a 37% growth. Out of this total growth, 85% to 87% is realization growth and 12% to 15% is volume growth.

Harshil Mantri: Okay. And my last question is, I just wanted to know that what is contributing the increase in other expenses from INR16.5 crores to INR20 crores from last quarter to this quarter?

Afzal Malkani: So if you see the increase in other expense, yes, it is from INR16 crores to INR20 crores. But if you see increase in revenue also by almost a 37% increase in revenue also. But yes, this increase

in other expense during the quarter was primarily attributable to higher outward freight costs, increased bank charges related to LC and others and adverse impact from foreign exchange also we can say. But as a percentage terms, I think it is okay, but these are the 3 factors.

Moderator: The next question is from the line of Samarth Goel from Choice Institutional Equities.

Samarth Goel: Congratulations on a good set of numbers. Sir, my first question is, in terms of spreads, can you throw some light how have been the HF spreads been during the last quarter, like in terms of growth or decline year-on-year? Like I basically want to understand was there a spread compression? Or was there a denominator effect in the margins? Can we look into that?

Afzal Malkani: So you can see we won't be able to give any per kg or related to margin details. But we can say due to this margin, there is no question of demand. If you see we have achieved the volume and total 36% growth is there, out of which 15% is also volume growth is there. And solar grade, we are currently working at around 90% to 95% capacity utilization. This is also expected to further increase.

So there is no question of demand as we registered a growth in terms of volume also by at least 15% during the quarter, mainly due to this reduction in the margin is due to this, we were not able to immediately pass on this increase in the cost, particularly in the solar grade because there is a lag of around 45 days, which is, I think, we are expected to benefit in the coming quarters on that.

Samarth Goel: Got it, sir. Okay, sir. Sir, one other question is on -- again coming to the volumes part. Like we all know that other competitors have also put in new HF capacities. So sir, moving forward, what are the new avenues you're looking to sell these HF plants? In which direction are you thinking about new export markets or other clients or other segments?

Hemango Gupta: See, we sell about 12,000 tons, 12,500 tons of HF into solar grade. So we don't find any big challenge in selling of HF as the demand from surface treatment has also increased, and we are also selling into the HF grade. And coming on, our R-32 is coming, HFC is coming, where it will consume almost 13,000 tons to 15,000 tons of HF. So we'll, in fact, find a shortage in HF and we have to put up a new HF plant. We are planning to add on the HF capacity in the coming months.

Moderator: The next question is from the line of Preet Jain from Niveshaay.

Preet Jain: Congratulations on good set of numbers. Sir, basically, my first question is on the gross margin side. So basically, are the sulphur prices being passed on with a lag of 30, 45 days? So in current quarter, have we passed on the prices of previous quarter increase in prices?

Afzal Malkani: So if you see in the sulphur prices in last 1 year, it is sulphur price has increased by 5x. I think if you see from INR25 in last October, November, sulphur price of INR25 per kg in November 2025. And if you see in the last month, in the month of September, it was around INR120 per kg. So it was almost 5x. So every quarter, whenever we were able to pass on the increase of the

earlier quarter, there was again fresh increase during the quarter. So there is always a lag of around 45 days in all the quarters.

So that's now currently, as I mentioned, currently, it is stable or rather than it is slightly on a decreasing trend as it started. So there we will get 2 benefits. One is whatever increase happened that also we will be able to pass on, particularly in the solar grade, which is contractual in terms. And second is whenever reduction has happened, then also there is a lag of around 45 days in solar grade. So overall, there will be a benefit from both the side now on that.

Preet Jain: Okay. Sir and my next question is on solar grade DHF. So basically, we have increased our capacity from 20,000 metric ton to 25,000 metric ton by debottlenecking. So I want to know the actual sales volume of solar grade DHF in Q2 versus Q1 and average realization of solar grade DHF. Basically, what is the end product price?

Afzal Malkani: So you see, in the volume capacity utilization in Q1 was around 80% to 85%. That is now increased to 90% to 95%. And whatever debottlenecking we did in the Q2 and we increased the capacity from 20,000 metric ton to 25,000 metric ton, there will be also full utilization of this additional capacity, which is increased due to this debottlenecking and capacity utilization for solar grade will be 95% for total 25,000 metric ton divide by 2, we can say in H2. Total capacity is 25,000 metric ton. So you can say divide by 2. So 12,500 metric ton, so 100% of production and sales will be there for the solar grade.

Preet Jain: Okay. And sir, one more question on the fluorspar side. So basically, we have done -- as we do annual procurement of fluorspar. So have we procured the fluorspar at current higher end prices or we have procured fluorspar only for 3, 4 months and then we will go on for next procurement where prices will cool off?

Afzal Malkani: For the fluorspar, we generally do the contract annually only. So currently, whatever is this pending quantity is that, they have taken, we have preponed and we have built at our factory only. But I think, yes, in future, there might be a slight increase, but not significant increase in that. But as I mentioned, we are covered for 6 to 7 months. So this fluorspar price increase is not going to affect us even if it happens in the near future.

Moderator: The next question is from the line of Siddharth Gadekar from Equirus.

Siddharth Gadekar: Sir, first thing on our contracts, we have said that due to the increase in cost, our realizations would be closer to $7 now. So what is the kind of cost increase that we have seen across the board?

Hemango Gupta: Siddharth, honestly speaking, about 10% to 12% increase I'm seeing on the cost basis, 10% to 15%, you can say. I can't give you the exact numbers because of some confidential reasons, but this is the range.

Siddharth Gadekar: But assuming if the prices start to normalize and come back to pre-war levels for FY28, our realization...

Hemango Gupta: When the prices normalize, the lower price inventory will come next month, right, because it comes by ship. So with the price reduced today, it will reach my factory and it will taken in my costing maybe 35, 40 days later. So I'm talking as on today basis.

Siddharth Gadekar: FY28, assuming if costs are back to the normalized level, then what kind of realizations can we see?

Hemango Gupta: They come back to normal and given the demand-supply situation, I think it should hover somewhere between $6.5 to $7.5.

Siddharth Gadekar: Okay. Got it. Sir, and in terms of FY28 volumes, we should be closer to 15,000, 16,000 tons or higher?

Hemango Gupta: Yes, as I told you, we'll utilize our capacity by 90% almost.

Moderator: The next question is from the line of Aditya Sahay from Fusion Capital.

Aditya Sahay: My question is regarding the sulphur volatility. So I wanted to understand exactly like, let's say, in a month, the prices of sulphur moves up by 15%, 20%. So how are the contracts and how exactly is the pass-through? And like do we absorb some part of it? Or is it fully in the contract to pass on?

Hemango Gupta: See, it is not immediately passed on. They are passed on with a lag. So the formula is generally worked in the contract with the quarter weighted average price basis or the monthly average price basis. With some customers, it's quarterly; with some customers, it is monthly. So generally, a 30-day lag is there where the prices before they have been passed on to the customers. And same is for the reduction also, the vice versa is also true.

Aditya Sahay: So hypothetically, if the sulphur still rises, you would see some impact still in Q3 for...

Hemango Gupta: In sizing it remains the same. So last year's increase, you will pass on this month. And then this month's increase, we'll pass on next month. So if it reduces this month, we'll pass on that reduction in next month. So this is how it happens. With some customers, it is quarterly; some customers, it is monthly.

Afzal Malkani: Yes. But currently, we don't see if it is further increasing at least.

Hemango Gupta: It is stable at least for the time now.

Afzal Malkani: Maybe a start.

Aditya Sahay: Got it. And my second question is with the uncontracted 35% capacity of R-32,. So are we planning to sell it on spot or looking for some quarter….

Hemango Gupta: Yes, that will be a spot -- though we have sales contract in place, but they are all on spot prices.

Aditya Sahay: Sorry, can you repeat that?

Hemango Gupta: See, we have the sales contracts in place for those 35% also with various customers, but those prices are on spot basis.

Moderator: The next question is from the line of Bhavika Singhvi from Niveshaay.

Bhavika Singhvi: Sir, I think most of my questions have been answered. Just one clarification on the gross margin. As you have mentioned that the newly introduced products are operating at lower margin, and that's led the pressure, while Solar grade has experienced 45 days of delay on the passing raw material inflation.

So can you bifurcate like is the margin pressure primarily coming from the solar grade DHF because we are already operating at, as you mentioned, around 90% to 95% capacity utilization? Or any like newly introduced products have also contributed to this decline? Just a clarification on that, if you can provide.

Hemango Gupta: Bhavika, very good question. The point here is, see, though we have been able to pass on the raw material prices to the customer, the absolute margins still remain intact, if you see. But since the raw material prices have been elevated, so our selling prices have also gone up. So the selling price is going up and the absolute margin remaining intact, the percentage margins you are seeing it dip.

So that is the reason you are seeing this. So with the new products, actually, they are contributing very less because they are still in the approval and evaluation phases, so initially for the penetration basis, we have to offer some lower prices to the customers in those cases.

Once the product is established, and you can increase with the market trending prices. So that is a small thing. But largely, it is because the percentage terms, it's looking down, but absolute margin remaining same and the pricing has increased because of the elevated raw material prices. So this is, in a nutshell, the absolute margin is remaining intact.

Afzal Malkani: Yes. And just to add in that, the proportion of this new product contribution will increase in H2 significantly.

Hemango Gupta: Yes.

Bhavika Singhvi: Okay. So will we be able to see same margin pressure happening in H2 because the utilization for new products will be less? So will that be the same or we can see like having improvement in H2 when the pass on and all will happen, like if I'm not wrong, like because I'm just…

Afzal Malkani: No, in the H2, this new product volume will increase. So I think, yes, there will be an increase in the profitability. So there should not be any pressure due to this in the coming quarters for the new product.

Bhavika Singhvi: Got it. And sir, also just a clarity on the realization for the solar grade. So like are we seeing because you said the demand has increased. So just wanted to understand how the realization has been going in the solar grade? Like do we see it being stabilizing or it's like improving in the coming quarters as well.

Afzal Malkani: In solar grade, it is continuously increasing in last 8 months, every month due to increase in the raw material price, and it is linked with the key raw material like sulphur and fluorspar. So it is continuously increasing trend in last 7 to 8 months. And demand is also increasing in this.

Moderator: The next question is from the line of Rohit Nagraj from 360 ONE Capital.

Rohit Nagraj: Sir, in terms of AHF, currently, what is the capacity? And how will it be utilized in terms of volumes across solar grade DHF, the fluorinated intermediates and the R-32. Just wanted to understand whether there will be any capacity which will be left for any incremental volume growth over the next 2 years once the R-32 capacity is operating at 70%, 80%, 90% utilization as you suggested earlier?

Hemango Gupta: See, we have about 30,000 tons of installed capacity wherein we can produce about 31,000, 32,000 tons of AHF after some debottlenecking. So out of which about 12,000 tons will go into solar and about 13,000 tons will go into R-32 in future.

So that will give us 25,000 tons another 3,000 to 4,000 - 5,000 tons we keep on selling to our existing customers in surface treatment and pharmaceuticals and agro molecules where we have some good price customers, so we can choose and select on the high-margin customers.

And then we are planning to add on another AHF capacity, it's due to be announced in coming months and along with the doubling of our solar grade capacity also. So new AHF along with the double of solar grade so that we do not cannibalize our customers, while our product goes into R-32 because we are seeing a stiff demand coming in from solar and some surface treatment customers.

Rohit Nagraj: Perfect. Just one clarification. Out of the current H1 revenues, how much do we earn from our parent, Anupam Rasayan? And how that revenue is likely to shape up going forward?

Afzal Malkani: So I think in the H1, if you see, it will not be significant, maybe INR2 crores to INR3 crores maybe, not significant revenue.

Moderator: Due to time constraints, that was the last question for today. I now hand the conference over to Mr. Afzal for closing remarks. Please go ahead.

Afzal Malkani: Yes. Thank you, everyone, for joining us today and for your continued interest in TANFAC. We sincerely appreciate the continued support and confidence of our shareholders, analysts and investors. We are also grateful to the investors who participated in our recently concluded preferential issue and your trust in TANFAC's long-term vision and growth strategy is deeply valued, and we remain committed to deploying the capital prudently to drive sustainable growth and long-term value creation.

Should you have any further queries, please feel free to reach our Investor Relations partner, SGA. Thank you once again for your continued support and wish you all a very Happy Diwali. Thank you.

Moderator: Thank you. On behalf of TANFAC Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.