

Chemicals: Supply Deficits Continue to Drive Earnings Growth

Q2FY27 Quarterly Results Preview

Sector View: Positive

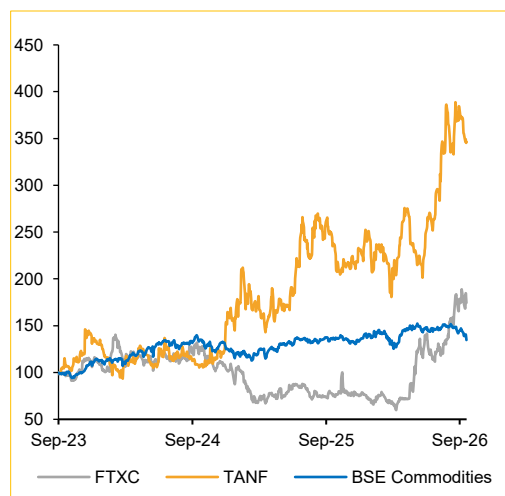
Recommendation			
Company	CMP* (INR)	TP** (INR)	Rating**
Tanfac Industries	3,179	3,750	BUY
Fineotex Chemical	55.9	51.0	BUY

*CMP as on October 08, 2026

**TP and Rating as per previous report

Relative Performance (%)			
	1Y	2Y	3Y
BSE Commodities	(0.4)	0.6	36.4
TANF	47.4	229.1	200.7
FTXC	129.7	40.0	74.3

Rebased Price Chart



Sector Outlook

Feedstock Volatility Continues to Drive Elevated Realisation

We expect a **healthy YoY revenue and net income growth in Q2 FY27E**, driven by elevated realisation. However, the Q1FY27 benefit from selling low-cost inventory at elevated price is forecast to largely fade, implying **QoQ margin compression** as higher-cost raw material flows through. **Fluorochemicals is expected to remain the strongest**, supported by firm refrigerant gas price (**R-32 spreads +8%**). **Agrochemicals remain under pressure** amid below-normal rainfall (13% below normal). **Aromatics are likely to remain strong YoY but soften QoQ**; the phenol-benzene gap at **~INR 28/kg** remains well above Q2FY26 levels (**~INR 10/kg**), but is down from **~INR 42/kg** in Q1FY27. Select dyes & pigments chemicals, such as **H-Acid**, remain outliers as China's safety and environmental curbs have caused a supply deficit. Overall, we expect Q2FY27E to be a **healthy YoY quarter, albeit softer sequentially**.

We remain **positive** on India's **USD-234 Bn chemicals sector**, which is expected to rise at **~8.4% CAGR**. This is supported by **China+1 diversification, import substitution, shift to value-added chemicals, Europe's structural cost disadvantage** and **India's tariff advantage over China** (13% vs 28% in the US; 0% vs ~13% post EU-FTA in Europe). We see **BESS, explosives, semiconductors, refrigerant gases, dyes & paints and agrochemicals** to be key sub-segments in focus.

We believe TANF and FTXC are fundamentally well-positioned for long-term growth.

Strong Refrigerant Gas Demand Keeps R-32 Spreads Elevated

Refrigerant gases are likely to remain the **strongest pocket** of the fluorochemical chain in Q2FY27E. R-32 spreads remained near record level at **~INR 700/kg (+8% QoQ)**, while HF price moderated QoQ. Despite elevated sulphur-linked feedstock cost, sustained refrigerant demand and firm realisation are likely to support HF performance. We remain constructive on the segment over medium-term, with **TANF well-positioned to outperform**, supported by contracted capacities, backward integration and the upcoming **R-32 plant**, expected to be commissioned by CY27-end.

QoQ Broad-based Price Correction, YoY Price Remains Elevated

Particular	Units	Q2FY27	Q1FY27	QoQ (%)	Q2FY26	YoY(%)
Brent	USD/barrel	96	103	(6.7%)	69	39.7%
Naphtha	USD/barrel	88	101	(12.9%)	64	38.2%
Natural Gas	USD/mln.btu	2.9	2.9	(1.1%)	3.0	(4.4%)
Sulphur	USD/tonne	1,050	935	12.3%	300	250.4%
Ethylene	USD/tonne	987	1,210	(18.4%)	834	18.4%
Propylene	USD/tonne	1,036	1,191	(13.1%)	743	39.4%
Benzene	INR/kg	112	115	(2.3%)	85	32.3%
Toluene	INR/litre	141	123	14.2%	103	36.6%
Ammonia	USD/tonne	681	792	(14.0%)	490	38.9%
Methanol	INR/kg	63	87	(27.5%)	35	81.2%
Acetic Acid	INR/kg	75	76	(1.2%)	46	61.6%
Acetone	INR/kg	150	172	(12.6%)	84	78.6%
Acrylonitrile	INR/kg	153	227	(32.6%)	99	55.0%
Phenol	INR/kg	140	157	(11.1%)	95	47.1%
Polypropylene	USD/tonne	1,170	1,309	(10.7%)	945	23.8%
Oleic Acid	INR/kg	175	168	4.0%	125	39.6%
Caustic Soda	INR/kg	34	41	(15.8%)	35	(2.9%)
Soda Ash	INR/kg	30	29	2.3%	29	2.3%
Urea	USD/tonne	399	694	(42.4%)	488	(18.2%)

Source: CMIE, Choice Institutional Equities

Initiating Coverage



[Click Here to Read TANF Initiating Coverage Report](#)



[Click Here to Read FTXC Initiating Coverage Report](#)

[Click Below for Q1FY27 Result Review](#)

[Q1FY27 Chemicals Result Review: Structural Growth Intact; Supply Chain Volatility Persists](#)

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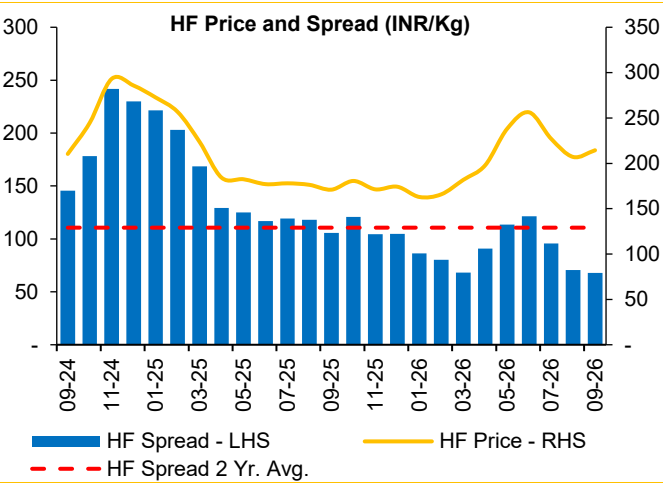
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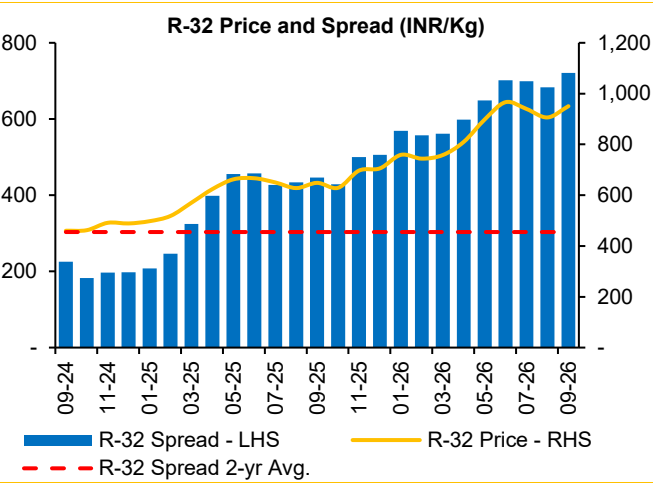
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Q2FY27 HF Price Down ~6% QoQ



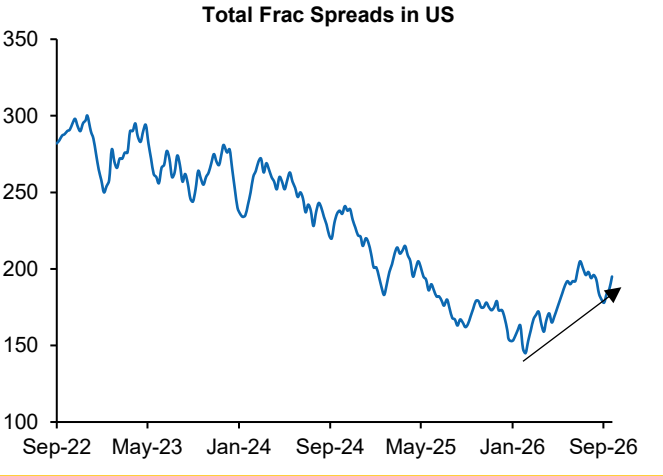
Source: Industry, Choice Institutional Equities
Note: Spread indicates gross spread ex-power & fuel costs

Q2FY27 R-32 Price Up ~5% QoQ



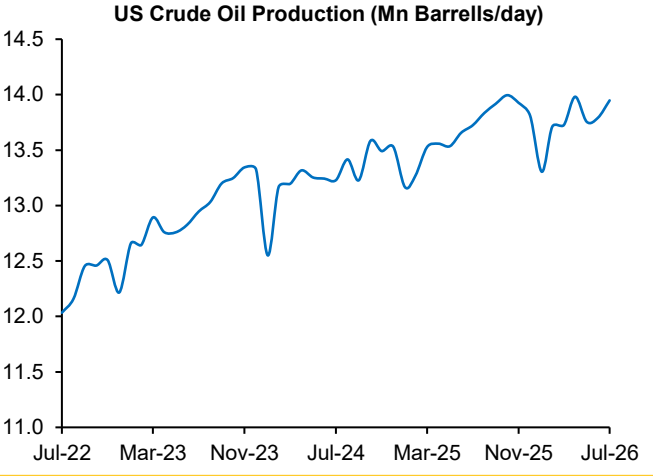
Source: Industry, Choice Institutional Equities
Note: Spread indicates gross spread ex-power & fuel costs

Rebound in Frac Spreads since Feb-26 Low Signals
Improving Upstream Oilfield Activity in the US



Source: Primary Vision, Choice Institutional Equities

US Field Crude Oil Production Up 163 bps YoY

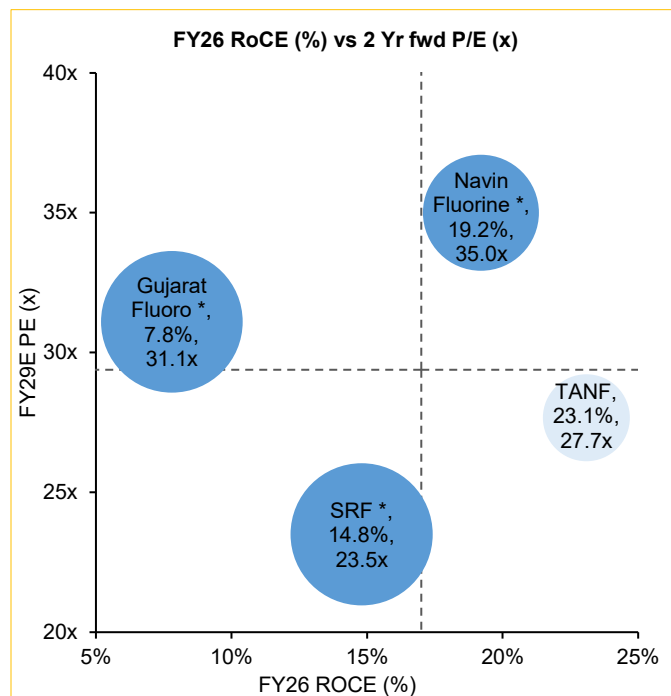


Source: EIA, Choice Institutional Equities

Relative Analysis											
Companies	CMP	Mcap (INR Bn)	Rev	EBITDA	PAT	ROCE (%)	ROE (%)	PE		EV/EBITDA	
			CAGR (FY26–FY29E)	CAGR (FY26–FY29E)	CAGR (FY26–FY29E)			FY28E	FY29E	FY28E	FY29E
TANF	3,179	67	39%	52%	52%	23%	20%	30.0x	27.7x	18.5x	17.1x
SRF *	2,490	738	14%	15%	20%	15%	14%	28.2x	23.5x	16.6x	14.3x
Gujarat Fluoro *	4,438	487	29%	37%	39%	8%	8%	39.6x	31.1x	21.6x	17.3x
Navin Fluorine *	8,421	432	21%	21%	23%	19%	20%	40.8x	35.0x	26.8x	23.4x
Mean			21%	24%	27%	14%	14%	36.2x	29.9x	21.7x	18.3x
Median			21%	21%	23%	15%	14%	39.6x	31.1x	21.6x	17.3x
FTXC	56	65	48%	50%	43%	14%	13%	26.2x	20.5x	16.4x	14.3x
Atul *	5,932	175	11%	17%	14%	11%	11%	19.2x	17.5x	11.2x	10.1x
Aarti Industries *	478	173	15%	23%	28%	6%	7%	24.0x	19.9x	12.4x	10.9x
Vinati Organics *	1,121	116	20%	18%	16%	17%	15%	20.5x	16.8x	13.7x	11.4x
Galaxy Surfactants *	2,404	85	10%	15%	19%	12%	10%	20.9x	18.7x	12.0x	11.3x
Rossari Biotech *	409	23	NA	NA	NA	12%	12%	12.2x	NA	7.0x	NA
Mean			14%	18%	19%	12%	11%	19.3x	18.2x	11.3x	10.9x
Median			13%	18%	18%	12%	11%	20.5x	18.1x	12.0x	11.1x

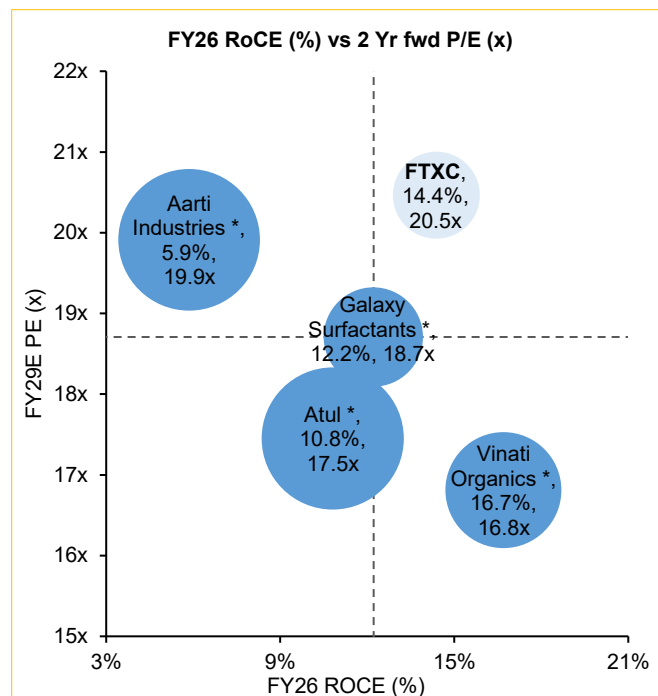
Source: FactSet, Choice Institutional Equities
Note: * Not Covered, Data as of October 08, 2026

TANF Peer Comps: Valuation Snapshot



Source: FactSet, Choice Institutional Equities
 Note: * Not Covered, data as of October 08, 2026.
 Bubble size represents relative market cap

FTXC Peer Comps: Valuation Snapshot



Source: FactSet, Choice Institutional Equities
 Note: * Not Covered, Data as of October 08, 2026.
 Bubble size represents relative market cap

Q2FY27E CIE Estimates

TANF						Comments
INR Mn	Q2FY27E	Q2FY26	YoY %	Q1FY27	QoQ %	
Revenue	1,972	1,687	16.9%	1,872	5.4%	
EBITDA	304	269	13.1%	286	6.4%	
EBITDA Margin %	15.4%	15.9%	(52 bps)	15.3%	15 bps	
PAT	159	172	(7.5%)	168	(5.7%)	
PAT Margin %	8.1%	10.2%	(212 bps)	9.0%	(94 bps)	
Adj. EPS (INR)	7.35	7.94	(7.5%)	7.79	(5.7%)	
FTXC						Comments
INR Mn	Q2FY27E	Q2FY26	YoY %	Q1FY27	QoQ %	
Revenue	4,026	1,377	192.4%	3,766	6.9%	
EBITDA	589	310	89.8%	591	(0.4%)	
EBITDA Margin %	14.6%	22.5%	(790 bps)	15.7%	(108 bps)	
Att. PAT	365	260	40.3%	384	(5.0%)	
Att. PAT Margin %	9.1%	18.9%	(981 bps)	10.2%	(114 bps)	
Adj. EPS (INR)	0.31	0.22	40.3%	0.33	(5.0%)	

Source: Companies, Choice Institutional Equities

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Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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