

Rating: Subscribe for Long Term

Issue Offer

Total issue size: INR 4,512 Mn (10.22 Mn shares) - OFS of INR 2,762 Mn (4.84 Mn shares) and a Fresh Issue of INR 1,750 Mn (5.38 Mn shares).

Issue Summary

Price Band (INR)	309-325
Face Value (INR)	2
Implied Market Cap (INR mn)	16,977.1
Market Lot	46
Issue Opens on	August 19, 2025
Issue Close on	August 21, 2025
No. of share pre-issue	46,852,523
No. of share post issue	52,237,138
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≤50
NIB Portion	≥15
Retail Portion	≤35

Book Running Lead Managers

Motilal Oswal Investment Advisors Ltd

Registrar

Kfin Technologies Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	75.00%	57.99%
Public & Others	25.00%	42.01%

Objects of the issue

Prepayment and repayment, in full or in part, of all or a portion of certain outstanding borrowings availed by company and subsidiary, Krystal Ingredients Pvt Ltd and for the General Corporate Purposes.

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Gem Aromatics Ltd incorporated in October 1997, is a manufacturer of specialty ingredients such as essential oils, aroma chemicals and value-added derivatives. With over 20 years of experience, the company offers products grouped into four categories – mint and derivatives, clove and derivatives, phenol and other synthetic and natural ingredients. These products are widely used in oral care, cosmetics, nutraceuticals, pharmaceuticals, wellness, pain management and personal care. In FY25, Gem Aromatics served 225 customers including 44 international clients across 18 countries in the Americas, Asia, Africa and Australia. The company follows a B2B model, selling directly to customers, through its U.S. subsidiary Gem Aromatics LLC or via distributors and has in-house R&D team of 13 scientists driving innovation and developing advanced formulations in value-added derivatives.

Investment Rationale:

Diversified and Niche Product Portfolio: Gem Aromatics manufactures about 70 products across mint, clove, phenol, and other specialty ingredients, with a strong focus on value-added derivatives that provide higher margins and set it apart from smaller players. Its diversified portfolio caters to multiple industries such as oral care, cosmetics, pharmaceuticals, nutraceuticals, wellness, and personal care, reducing reliance on any single segment and ensuring stable demand.

B2B Business Model with Long-term Customer Relationships: Company operates largely on a B2B model, ensuring bulk orders, predictable volumes, and efficient distribution. Its long-standing customer relationships generate repeat business and recurring revenues, reflecting reliability and quality, while providing a stable foundation for sustainable growth.

Strategically Located and Technology-Driven Manufacturing Facilities: Gem Aromatics operates three strategically located manufacturing facilities in Uttar Pradesh, Dadra & Nagar Haveli and Daman & Diu and Gujarat with a combined installed capacity of 4,746 MTPA. The Budaun unit is in the heart of India's mint cultivation belt, ensuring abundant access to raw materials; the Silvassa unit is close to JNPT port, enabling faster exports and lower import costs; and the Dahej facility is near major phenol suppliers and a robust effluent discharge ecosystem, ensuring both cost and environmental efficiency.

Valuation & Outlook: Gem Aromatics Ltd has a well-diversified product portfolio across mint, clove, phenol and other specialty ingredients supported by an in-house R&D team and advanced technologies that enable innovation and higher-margin value-added derivatives. Its strategically located manufacturing facilities ensure raw material access, cost efficiency and strong export capabilities while the B2B model with long-standing customer relationships provides revenue stability. However, the business remains exposed to raw material price volatility, regulatory changes and global demand fluctuations. **At the upper band of INR 325, the issue is valued at a P/E ratio of 31.8x, based on annualized PAT of FY25 EPS of INR 10.2. Total issue size: INR 4,512 Mn (10.22 Mn shares) - OFS of INR 2,762 Mn (4.84 Mn shares) and a Fresh Issue of INR 1,750 Mn (5.38 Mn shares). We are recommending a "Subscribe for Long Term" rating for this issue.**

Financial Information:

Particulars (INR Mn)	FY25	FY24	FY23
Revenue	5,056	4,542	4,251
Growth (% YoY)	11%	7%	
EBITDA	885	784	661.9
Margins	17%	17%	16%
PAT	534	501	446.7
Margins	11%	11%	11%
Debt	2,224	1,111	894

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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