

IPO Report

Choice

**“Subscribe for Long Term” to
Gem Aromatics Ltd.**

Fully priced issue



Salient features of the IPO:

- Gem Aromatics Ltd.** (GAL) is an established manufacturer of specialty ingredients, including, essential oils, aroma chemicals and value-added derivatives in India with a track record of over two decades. The company serves domestic as well as international clients, such as Colgate-Palmolive (India) Ltd., Dabur India Ltd., Patanjali Ayurved Ltd., SH Kelkar and Company Ltd., Rossari Biotech Ltd., Symrise Pvt. Ltd., dōTERRA, Ventos So Brasil Eireli and Anhui Hautian Spices Co. Ltd.
- The public issue is a combination of fresh issue (Rs. 175cr) and OFS (Rs. 262.6 - 276.2cr). GAL will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, it will be utilizing Rs. 140cr for prepayment/repayment of certain borrowings; and residual proceeds will be used for general corporate purposes.

Key competitive strengths:

- Established manufacturer of essential oils and value-added derivatives
- Diversified product portfolio with continuous product development
- Long standing relationship with well-established customers
- Strategically located manufacturing facilities
- Experienced promoters and management team

Business strategy:

- Expand manufacturing capacities for existing and new products
- Expand the product portfolio
- Scaling production of complex compositions
- Focus on sustainability and improving operational and business efficiency
- Expand the geographical reach

Risk and concerns:

- General slowdown in the global economic activities
- Revenue dependence on mint and mint derivatives product category
- High working capital requirements
- Subject to exchange rate fluctuations
- Subject to seasonal fluctuations in availability of raw materials
- Competition

Valuation Overview and IPO Rating

GAL offers a diversified portfolio of 70 products, ranging from the specialty ingredients to various value-added derivatives, which finds applications across a broad spectrum of sector, such as, oral care, cosmetics, nutraceuticals, pharmaceuticals, wellness & pain management and personal care.

At the upper end of its price band, the company is seeking a valuation of P/E multiple of 31.8x (based on FY25 EPS of Rs. 10.2), which is at premium to its peers. Its financial performance is consistent, with an EBITDA margin of 17.6% and a PAT margin of 10.6% in FY25. GAL has plans to expand the product portfolio as well as their customer base. Thus, we recommend a “**Subscribe for Long Term**” rating for this issue.

Issue details	
Price band	Rs. 309 - 325 per share
Face value	Rs. 2
Shares for fresh issue	0.538 - 0.566cr shares
Shares for OFS	0.85cr shares
Fresh issue size	Rs. 175.00cr
OFS issue size	Rs. 262.65 - 276.25cr
Total issue size	1.388 - 1.416cr shares (Rs. 437.65 - 451.25cr)
Bidding date	19 th Aug. – 21 st Aug. 2025
Implied MCAP at higher price band	Rs. 1,697.71cr
Implied enterprise value at higher price band	Rs. 1,743.94cr
Book running lead manager	Motilal Oswal Investment Advisors Ltd.
Registrar	KFin Technologies Ltd.
Sector	Flavours and fragrance
Promoters	Vipul Parekh, Kaksha Vipul Parekh, Yash Vipul Parekh, and Parekh Family Trust

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.694 – 0.708cr shares
Non institutional portion (Big)	10%	0.139 – 0.142cr shares
Non institutional portion (Small)	5%	0.069 – 0.071cr shares
Retail portion	35%	0.486 – 0.496cr shares

Indicative IPO process timeline	
Finalization of basis of allotment	22 nd Aug. 2025
Unblocking of ASBA account	25 th Aug. 2025
Credit to demat accounts	25 th Aug. 2025
Commencement of trading	26 th Aug. 2025

Pre and post - issue shareholding pattern		
	Pre-issue	Post-issue
Promoter & promoter group	75.00%	55.06%
Public	25.00%	44.94%
Non-promoter & Non-public	0.00%	0.00%
Total	100.00%	100.00%

Retail application money at higher cut-off price per lot	
Number of shares per lot	46
Application money	Rs. 14,950

Peer Comparison:

Company name	FV (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs.)	6M return (%)	12M return (%)	Revenue (Rs. cr)	EBITDA (Rs. cr)	PAT (Rs. cr)	EBITDA margin (%)	PAT margin (%)
Gem Aromatics Ltd.	2.0	325.0	1,697.7	1,746.4	-	-	504.0	88.5	53.4	17.6%	10.6%
Sacheerome Ltd.	10.0	187.0	418.9	420.0	-	-	108.0	23.0	16.0	21.3%	14.8%

Company name	4Y top-line growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y PAT average margin	4Y average RoE	4Y average RoCE	4Y average receivable days	4Y average payable days	4Y average inventory days	Net-worth
Gem Aromatics Ltd.	17.0%	21.6%	19.6%	16.5%	10.5%	22.0%	20.8%	54	17	131	459.0
Sacheerome Ltd.	19.1%	36.7%	47.4%	16.8%	11.0%	21.0%	33.0%	63	74	90	512.9

Company name	Total debt	Cash	EPS (Rs.)	BVPS (Rs.)	D/E	RoE	RoCE	P / E	P / B	EV / Sales	EV / EBITDA	MCAP / Sales
Gem Aromatics Ltd.	225.9	177.2	10.2	87.9	0.49	11.6%	16.0%	31.8	3.7	3.5	19.7	3.4
Sacheerome Ltd.	3.0	1.9	7.1	229.0	0.01	3.1%	39.0%	26.2	0.8	3.9	18.3	3.9

Note: Financials considered for the period between FY22-25; Source: Choice Broking Research

Key highlights of the industry and the company:

- The global flavours & fragrances market was estimated at USD 41bn in 2025 and is expected to reach at USD 57bn by 2030 reflecting a CAGR of 6.9%.
- The Indian flavours & fragrances market was estimated at Rs. 236bn in 2025 and is expected to reach at Rs. 358bn by 2030, reflecting a CAGR of 8.5%.
- Incorporated in 1997, GAL offers a diversified portfolio of products, ranging from the specialty ingredients to various value-added derivatives, which finds applications across a broad spectrum of industries, such as, oral care, cosmetics, nutraceuticals, pharmaceuticals, wellness and pain management, and personal care. The company offers 70 products across the four product categories.
- It operates three manufacturing facilities located in Budaun (Uttar Pradesh), Silvassa (Dadra & Nagar Haveli and Daman & Diu), and Dahej (Gujarat). In FY25, the combined manufacturing capacity stood at 5,346 tonnes.
- In terms of volume manufactured during FY25, GAL was one of the largest procurers of piperita oil and one of the largest processors of DMO, clove oil, eugenol and eucalyptus oil in India.
- During FY1999, the company ventured into the manufacturing of mint & mint derivatives like spearmint and piperita, and further ventured into the manufacturing of clove & clove derivatives in 2009. In continuation with focus on expanding the product portfolio, GAL is in the process of introducing products under the new category, Citral.
- In FY25, it supplied products to 225 customers domestically and 44 customers cumulatively across 18 foreign countries, covering geographies like the Americas, Asia, Africa and Australia.

Revenue bifurcation by product category			
Product	FY25	FY24	FY23
Mint & mint derivatives	348.33	329.79	297.26
Clove & clove derivatives	95.25	68.30	64.09
Phenol	14.09	1.75	0.16
Other synthetic & natural ingredients	37.26	46.54	57.10
Other operating revenues	9.03	6.06	6.19

Revenue bifurcation by geography			
Geography	FY25	FY24	FY23
Domestic sales	239.62	222.20	152.27
Export sales	255.31	224.19	266.33
Other operating revenues	9.03	6.06	6.19

Financial statements:

Restated consolidated profit and loss statement (Rs. cr)						
	FY22	FY23	FY24	FY25	Growth over FY22-25 (CAGR)	Annual growth over FY24
Revenue from operations	314.33	424.79	452.45	503.95	17.04%	11.38%
Cost of materials consumed	(271.76)	(316.51)	(344.42)	(364.14)	10.25%	5.73%
Changes in inventories of finished goods, work-in-progress & stock-in-trade	33.53	(0.87)	3.27	(11.80)	-170.60%	-461.11%
Gross profit	76.10	107.41	111.30	128.01	18.93%	15.02%
Employee benefits expenses	(9.32)	(10.81)	(11.13)	(12.83)	11.24%	15.21%
Other expenses	(17.62)	(30.42)	(21.81)	(26.73)	14.91%	22.57%
EBITDA	49.16	66.19	78.35	88.45	21.62%	12.89%
Depreciation & amortization expenses	(4.33)	(4.76)	(6.26)	(7.34)	19.24%	17.23%
EBIT	44.83	61.43	72.09	81.11	21.85%	12.51%
Finance costs	(3.11)	(5.64)	(6.27)	(8.08)	37.45%	28.90%
Other income	2.64	0.30	1.77	1.69	-13.91%	-4.85%
PBT	44.37	56.09	67.59	74.72	18.98%	10.53%
Tax expenses	(13.18)	(11.42)	(17.49)	(21.33)	17.41%	21.96%
Reported PAT	31.19	44.67	50.10	53.38	19.62%	6.55%

Restated consolidated balance sheet statement (Rs. cr)						
	FY22	FY23	FY24	FY25	Growth over FY22-25 (CAGR)	Annual growth over FY24
Equity share capital	1.79	1.79	9.37	9.37	73.80%	0.00%
Other Equity	136.37	177.75	221.18	274.61	26.28%	24.16%
Non-current borrowings	-	0.28	23.99	68.68	-	186.25%
Non-current lease liabilities	0.84	0.49	0.29	2.07	35.02%	626.32%
Non-current provisions	0.04	-	-	-	-	-
Deferred tax liabilities	0.03	-	-	-	-	-
Current borrowings	76.92	89.08	87.13	153.69	25.95%	76.39%
Current lease liabilities	0.36	0.35	0.49	0.41	4.42%	-16.12%
Trade payables	17.48	21.14	18.91	23.23	9.94%	22.84%
Other current financial liabilities	2.40	3.28	0.60	1.02	-24.96%	70.76%
Current Provisions	-	0.10	0.10	0.08	-	-20.83%
Other current liabilities	0.55	1.01	3.53	0.92	18.52%	-73.94%
Current tax liabilities	2.88	0.50	2.99	0.45	-46.36%	-85.12%
Total liabilities	239.68	295.76	368.57	534.52	30.65%	45.03%
PP&E	25.85	26.33	40.28	43.34	18.81%	7.61%
Right-of-use assets	9.88	9.41	9.26	11.01	3.67%	18.86%
Capital work-in-progress	1.29	10.87	30.36	125.50	360.28%	313.41%
Other non-current intangible assests	0.02	0.06	0.07	0.09	56.50%	41.54%
Non-current income tax assets	-	2.98	3.29	4.24	-	28.78%
Other non-current financial assets	0.29	0.89	0.87	2.81	114.05%	222.78%
Deferred tax assets	-	0.73	1.16	1.86	-	59.86%
Other non-current assets	0.27	0.13	2.82	2.89	120.01%	2.38%
Trade receivables	39.51	79.64	45.33	140.99	52.82%	211.04%
Cash & cash equivalents	6.50	10.57	15.88	1.13	-44.17%	-92.88%
Other bank balances	-	0.00	0.48	1.02	-	115.37%
Other current financial assets	0.97	0.32	13.82	0.09	-55.07%	-99.36%
Other current assets	20.89	11.19	30.45	33.33	16.85%	9.47%
Inventories	134.13	142.51	174.48	166.12	7.39%	-4.79%
Current loans	0.08	0.14	0.03	0.10	6.34%	197.06%
Total assets	239.68	295.76	368.57	534.52	30.65%	45.03%

Source: Choice Equity Broking

Financial statements (Contd...):

Restated consolidated cash flow statement (Rs. cr)						
	FY22	FY23	FY24	FY25	Growth over FY22-25 (CAGR)	Annual growth over FY24
Cash flow before working capital changes	49.38	71.90	78.03	90.03	22.17%	15.37%
Working capital changes	(43.44)	(39.06)	(22.16)	(89.42)	27.21%	303.57%
Cash flow from operating activities	(5.20)	15.31	40.13	(24.92)	68.55%	-162.09%
Purchase of plant & equipment	(14.19)	(14.38)	(39.14)	(105.09)	94.94%	168.48%
Cash flow from investing activities	(14.01)	(14.36)	(51.05)	(92.54)	87.61%	81.27%
Dividend paid	-	-	-	-	-	-
Cash flow from financing activities	18.09	6.44	15.36	102.64	78.34%	568.22%
Net cash flow	(1.12)	7.38	4.44	(14.82)	136.29%	-433.60%
Opening balance of cash	8.17	6.50	10.57	15.88	24.82%	50.24%
Effect of exchange rate changes	(0.55)	(3.31)	0.87	0.06	-148.45%	-92.87%
Closing balance of cash from continuing operations	6.50	10.57	15.88	1.13	-44.20%	-92.89%

Financial ratios				
Particulars	FY22	FY23	FY24	FY25
Profitability ratios				
Revenue growth rate	-	35.14%	6.51%	11.38%
Gross profit growth rate	-	41.14%	3.62%	15.02%
Gross profit margin	24.21%	25.29%	24.60%	25.40%
EBITDA growth rate	-	34.62%	18.38%	12.89%
EBITDA margin	15.64%	15.58%	17.32%	17.55%
EBIT growth rate	-	37.02%	17.36%	12.51%
EBIT margin	14.26%	14.46%	15.93%	16.09%
Reported PAT growth rate	-	43.24%	12.16%	6.55%
Reported PAT margin	9.92%	10.52%	11.07%	10.59%
Turnover ratios				
Inventory receivable turnover ratio	2.34	3.07	2.85	2.96
Trade receivable turnover ratio	7.96	7.13	7.24	5.41
Accounts payable turnover ratio	17.98	21.99	22.59	23.92
Fixed asset turnover ratio	8.49	10.16	7.15	3.88
Total asset turnover ratio	1.31	1.59	1.36	1.12
Cash Conversion				
Inventories days	156	119	128	123
Trade receivables days	46	51	50	67
Trade payables days	(20)	(17)	(16)	(15)
Cash conversion cycle	181	153	162	176
Liquidity ratios				
Current ratio	2.01	2.12	2.47	1.91
Quick ratio	0.68	0.88	0.93	0.98
Total debt	76.92	89.36	111.13	222.37
Net debt	70.42	78.79	95.24	221.24
Debt to equity	0.56	0.50	0.48	0.78
Net debt to EBITDA	1.43	1.19	1.22	2.50
Cash flow ratios				
CFO to PAT	(0.17)	0.34	0.80	(0.47)
CFO to Capex	(0.37)	1.06	1.03	(0.24)
CFO to total debt	(0.07)	0.17	0.36	(0.11)
CFO to current liabilities	(0.05)	0.13	0.35	(0.14)
Return ratios				
RoIC (%)	22.97%	29.72%	24.71%	26.66%
RoE (%)	22.57%	24.88%	21.73%	18.80%
RoA (%)	13.01%	16.69%	15.08%	11.82%
RoCE (%)	21.40%	23.74%	22.11%	15.99%

Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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