

Retail Research	IPO Note
Sector: Specialty Chemicals	Price Band (Rs): 309 - 325
14 th August 2025	Recommendation: SUBSCRIBE for long term

Gem Aromatics Ltd.

Company Overview:

Gem Aromatics Ltd. (GAL) is a manufacturer of specialty ingredients including essential oils, aroma chemicals and value-added derivatives. The company offers 70 products across four categories, namely, mint and mint derivatives; clove and clove derivatives; phenol and other synthetic & natural ingredients. Products manufactured by the company are used across a broad spectrum of industries such as oral care, cosmetics, nutraceuticals, pharmaceuticals, wellness & pain management and personal care. In FY25, the company supplied products to 225 customers domestically and 44 customers cumulatively across 18 foreign countries globally, covering geographies including the Americas, Asia, Africa and Australia. Some of the prominent customers include Colgate-Palmolive (India), Dabur India, Patanjali Ayurved, SH Kelkar, Rossari Biotech, dōTERRA, etc. GAL operates three manufacturing facilities located in Budaun (Uttar Pradesh), Silvassa (Daman and Diu) and Dahej (Gujarat).

Key Highlights:

1. Wide product range: GAL has a strong presence in essential oil-based products and derivatives that are manufactured from mint, clove, eucalyptus oils and other essential oils. The diversified product range helps cater to a wide range of customers and drive brand equity given the fragmented nature of the F&F (Flavour & Fragrance) market.

2. Strong R&D capabilities: The company has an in-house R&D team comprising of 13 scientists which helps in development of new formulations as well as product and process improvements to achieve better quality and efficacy for its existing products.

3. Long standing relationship with customers: The company boasts of several marquee Indian and global clientele and enjoy long-standing relationships. The process of being inducted as a F&F supplier involves various assessments, including, composition of product offers, quality control various quality certifications and established track record, which acts as major entry barriers for new players. GAL's long-term relationships with customers provides revenue visibility and cross selling opportunities of existing as well as future product suite.

4. Strategically located manufacturing facilities: GAL's three manufacturing facilities are strategically located across India which results in easier availability of raw materials and reduce shipping cost and time. Company's Budaun facility in UP is located in the heart of the Mint cultivation belt of India whereas the Dahej facility provides access to phenol, with one of the largest phenol suppliers in the vicinity. Silvassa facility is located near Jawaharlal Nehru Port in Nhava Sheva, Maharashtra which helps reduce time for exports and also reduce import costs for raw materials from Indonesia, Germany, China, Rwanda and Madagascar.

Valuation: GAL is an established manufacturer of specialty ingredients for F&F market with diversified product portfolio and strong customer profile. The company has grown at a decent rate over FY23-25 with Revenue/EBITDA/PAT CAGR of 8.9%/15.6%/9.3% respectively. EBITDA margin has improved ~200 bps during this period. Total capacity of GAL has grown at 12.5% CAGR between FY23-25. The company is enhancing its manufacturing capacity in Dahej while also widening its product portfolio (new product category citral with products including safranal and damascene) which will aid in deriving sustainable growth. The company's business is working capital heavy due to (a) extended receivable days on exports (b) higher inventory of mint due to limited procurement period (c) higher SKUs to cater to client's requirements. At the upper price band of Rs 325, GAL is valued at post issue capital FY25 PE of 31.8x which looks attractive than its peers. We recommend investors to SUBSCRIBE to the issue at the cut-off price for long term.

Issue Details	
Date of Opening	19 th August 2025
Date of Closing	21 st August 2025
Price Band (Rs)	309 – 325
Issue Size (Rs cr)	451
Fresh Issue (Rs cr)	175
Offer for Sale (Rs cr)	276
No. of shares (@ upper band)	1,38,84,615
Face Value (Rs)	2
Post Issue Market Cap (Rs cr)	1,623 – 1,698
BRLMs	Motilal Oswal Investment Advisors Ltd.
Registrar	KFin Technologies Ltd.
Bid Lot	46 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Prepayment and/or repayment, in full or in part, of all or a portion of certain outstanding borrowings availed by company and its subsidiary, Krystal Ingredients Private Limited	140.0
General corporate purposes*	-
Total proceeds from fresh issue*	-

**To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.*

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	3,51,39,379	75.0
Public & Others	1,17,13,144	25.0
Total	4,68,52,523	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	2,87,64,379	55.1
Public & Others	2,34,72,759	44.9
Total	5,22,37,138	100.0

Source: RHP, SSL Research

Key Financials

Particulars (Rs cr)	FY23	FY24	FY25
Revenue from Operations	424.8	452.5	504.0
EBITDA	66.2	78.4	88.5
PAT	44.7	50.1	53.4
EBITDA Margin (%)	15.6	17.3	17.6
PAT Margin (%)	10.5	11.1	10.6
ROE (%)	24.9	21.7	18.8
ROCE (%)	23.0	21.6	16.4
P/E (x)*	34.1	30.4	28.5
EV/EBITDA (x)*	24.2	20.6	19.7
P/BV (x)*	8.5	6.6	5.4
Total Debt / Equity	0.5	0.5	0.8

Source: RHP, SSL Research

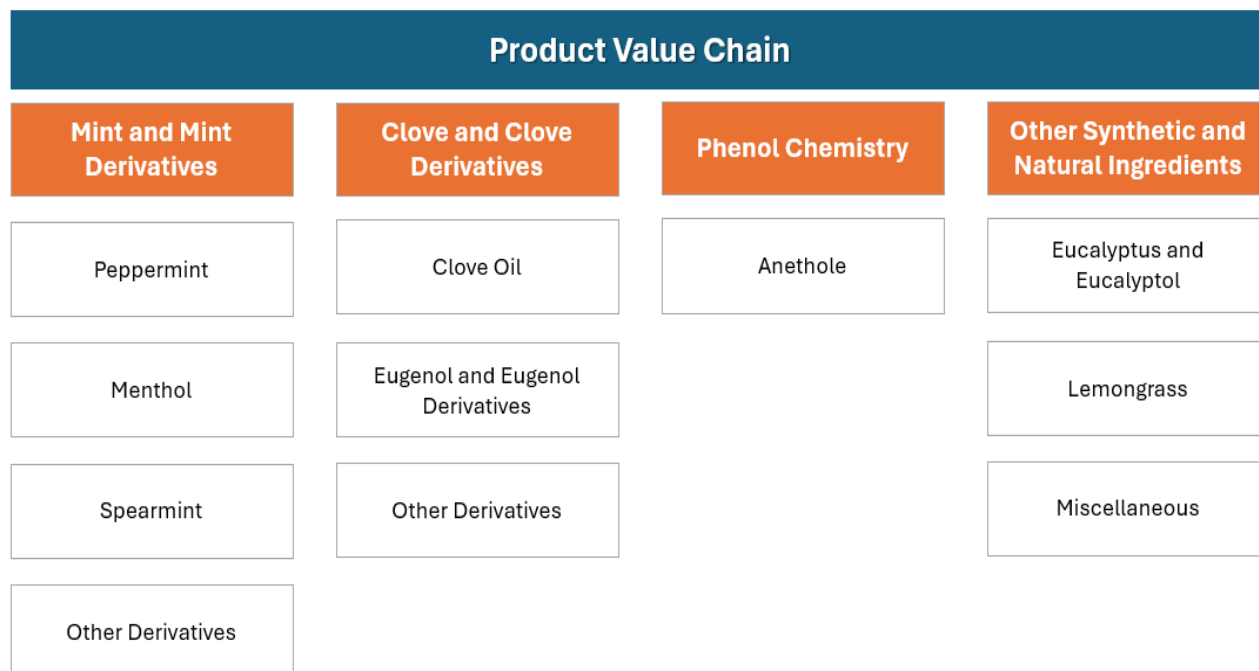
*Note: Pre-issue P/E (x), P/BV (x) and EV/EBITDA (x) based on upper price band

Risk Factors

- **Customer concentration:** The company derived ~56% of revenues from top 10 customers in FY25. Loss of any of these customers due to loss of contracts or inability to negotiate favourable terms, failure to meet their quality specification, technological changes may adversely affect revenues and profitability.
- **Product concentration:** GAL generated ~69-73% revenue from the sale of mint and mint derivatives product category in FY23-25. Any reduction in demand or usage of mint and mint derivatives product category may impact the company's revenue and profitability.
- **On-going litigations:** The company is involved in an on-going litigation in the Supreme Court of India with respect to the land on which Budaun facility is located. Any adverse ruling on the matters might affect the manufacturing activities. The Budaun facility constitutes ~71% of total production capacity.
- **Supply chain disruption:** GAL do not enter into any long-term agreement with farmers/suppliers and typically source such raw materials on a purchase order basis. Any failure by suppliers to meet obligations could adversely affect the business operations. Also, the company has significant dependence on top 10 suppliers for supply of raw materials (~53% in FY25).
- **Geo-political risk:** The company derives a substantial portion of revenue from foreign countries/customers. Revenues from these markets may decline as a result of increased competition, pricing pressures or fluctuations in the demand or supply of products.
- **High working capital:** The business is working capital intensive due to extended receivable days on exports, higher inventory requirement for mint due to shorter procurement period and higher SKUs.

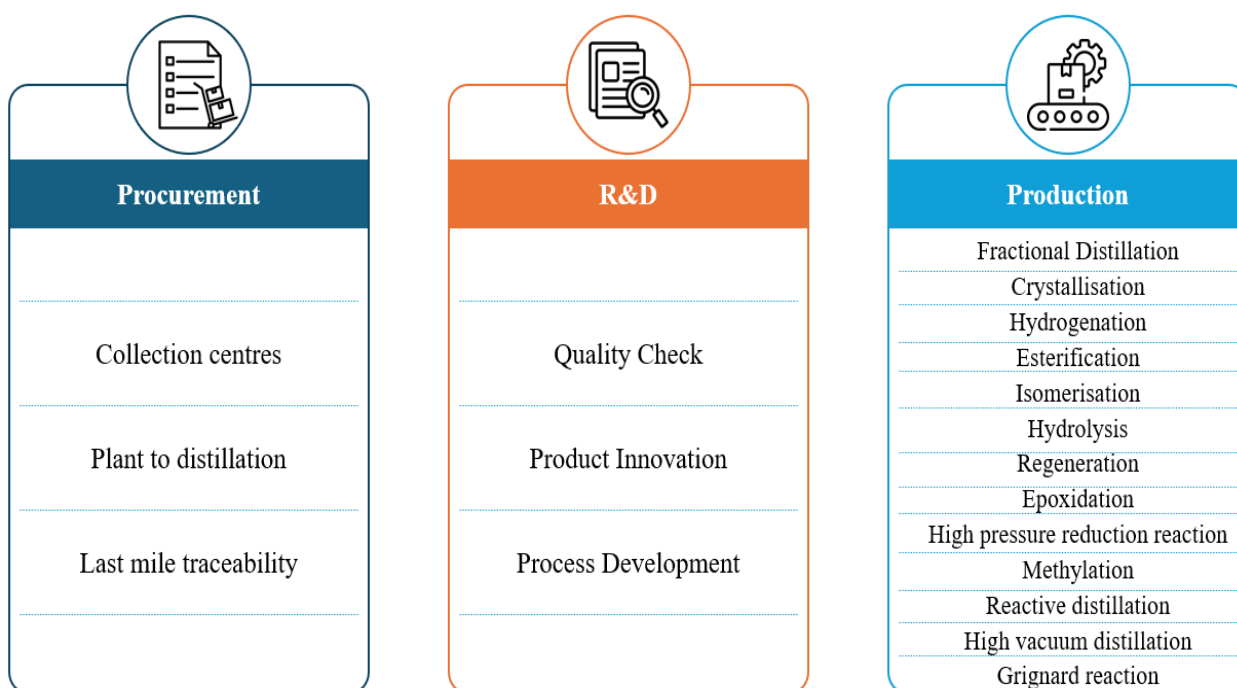
Growth Strategies

- Expand manufacturing capacity in the Dahej facility and widen product portfolio by adding products such as safranal and damascene under new product category, being citral.
- Widen product offerings by expanding chemistry capabilities in order to expand addressable market size and capture higher client wallet share.
- Expand geographical reach through growing exports. Plan to expand warehousing capabilities in the American, Asian and Australian markets.
- Improve sustainability, cost efficiency and productivity by implementing clean technologies as well as effective & efficient operational technique.



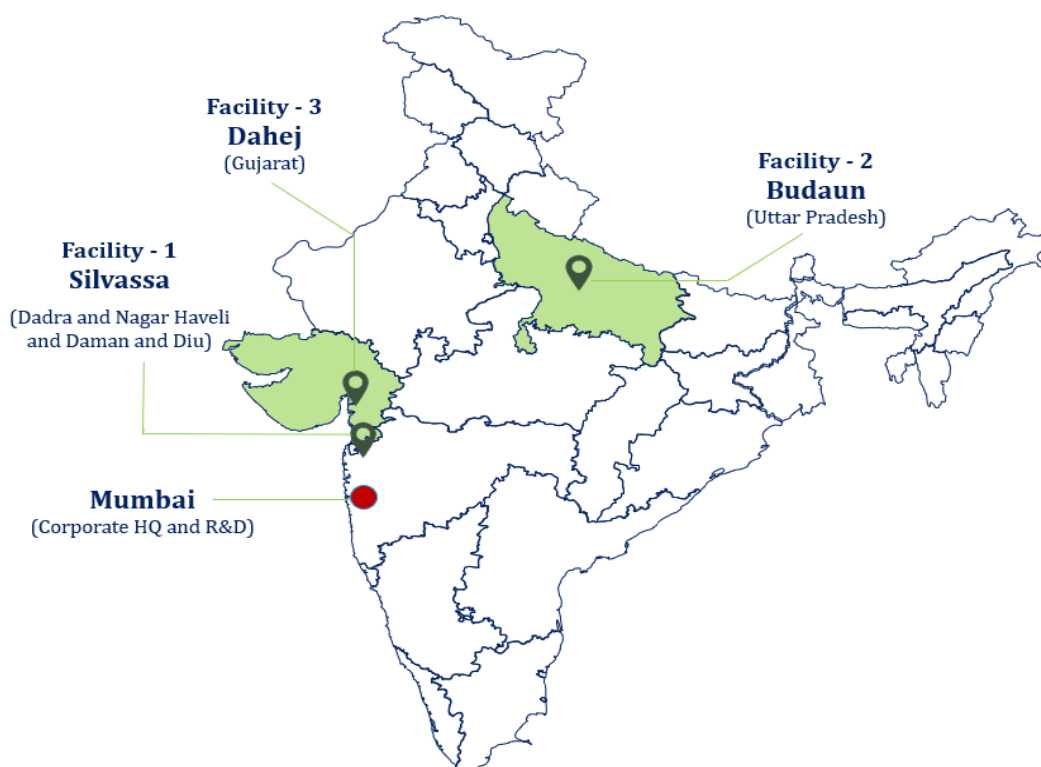
Source: RHP, SSL Research

Manufacturing Process



Source: RHP, SSL Research

Manufacturing Facilities



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Source: RHP, SSL Research

Export Markets



Source: RHP, SSL Research

Product-wise Revenue Split

Particulars	FY23		FY24		FY25	
	Rs cr	as % of revenue	Rs cr	as % of revenue	Rs cr	as % of revenue
Mint and mint derivatives	297	70.0	330	72.9	348	69.1
Clove and clove derivatives	64	15.1	68	15.1	95	18.9
Phenol	0	0.0	2	0.4	14	2.8
Other synthetic and natural ingredients	57	13.4	47	10.3	37	7.4
Total^	419	98.6	446	98.7	495	98.2

Source: RHP, SSL Research

^Remaining percentage consists other operating revenues

Geography-wise Revenue Split

Particulars	FY23		FY24		FY25	
	Rs cr	as % of revenue	Rs cr	as % of revenue	Rs cr	as % of revenue
Sale of products						
India	152	35.8	222	49.1	240	47.5
USA	177	41.6	149	32.9	156	31.0
China	23	5.5	22	4.8	13	2.7
Brazil	14	3.2	21	4.7	32	6.4
Singapore	15	3.5	4	0.9	0	0.0
Rest of the world	38	8.9	28	6.3	53	10.5
Other operating revenue						
Other operating revenue	6	1.5	6	1.3	9	1.8
Total	425	100.0	452	100.0	504	100.0

Source: RHP, SSL Research

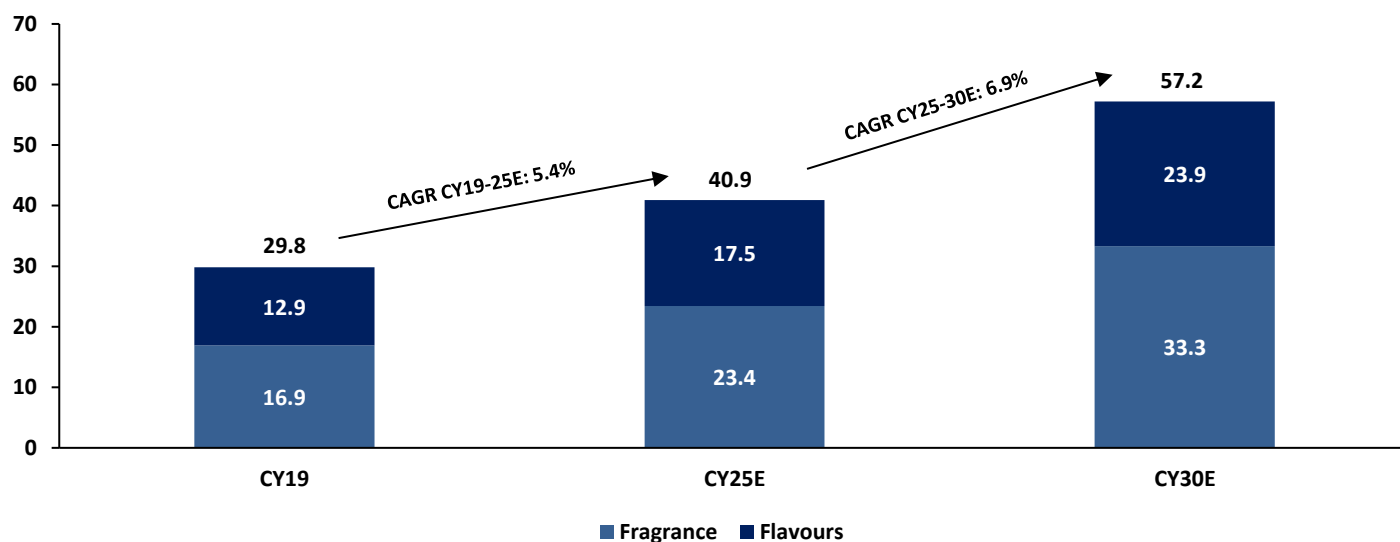
Capacity Metrics

Product Category	FY23		FY24		FY25	
	Installed Capacity (MTPA)	Capacity Utilisation (%)	Installed Capacity (MTPA)	Capacity Utilisation (%)	Installed Capacity (MTPA)	Capacity Utilisation (%)
Budaun Facility						
Mint and mint derivatives	1,825	79.8	2,200	99.7	2,800	79.5
Clove and clove derivatives	400	38.6	400	57.3	400	60.0
Other synthetic and natural ingredients	300	91.5	300	81.6	300	63.7
Phenol	300	0.4	300	4.7	300	38.7
Silvassa Facility						
Mint and mint derivatives	500	51.4	500	99.6	500	60.7
Clove and clove derivatives	500	57.3	600	57.3	600	74.3
Other synthetic and natural ingredients	200	91.5	200	75.0	200	51.4
Phenol	200	0.5	200	3.8	200	22.6
Dahej Facility						
Clove and clove derivatives	-	-	4	12.9	46	54.6
Total	4,225		4,704		5,346	

Source: RHP, SSL Research

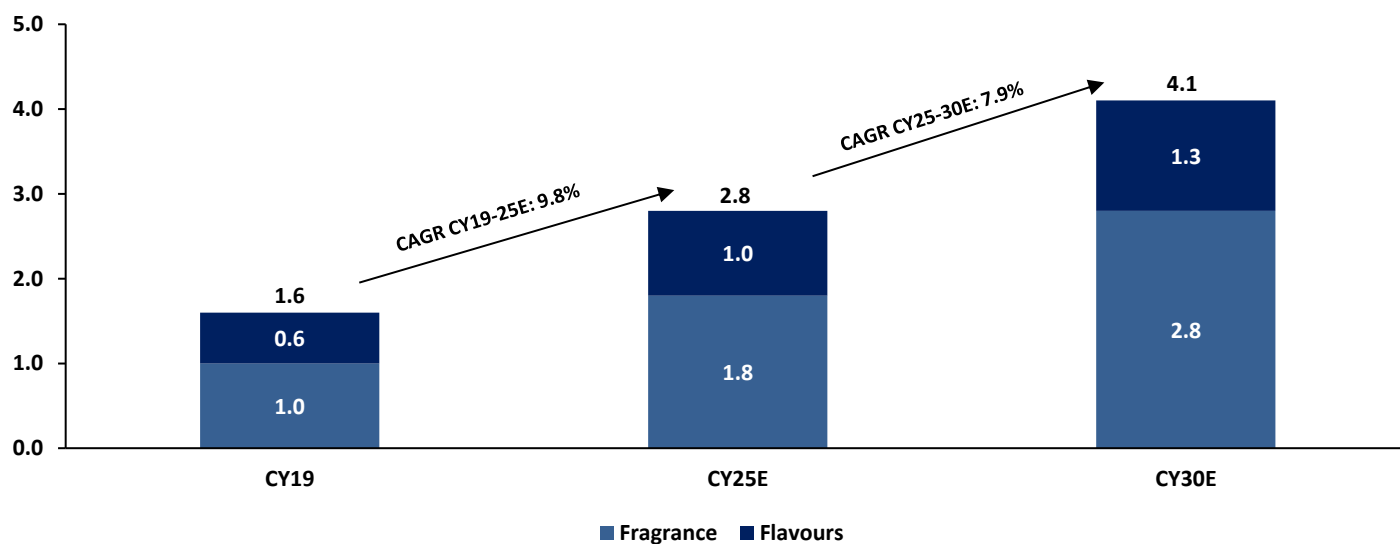
Industry Overview

Global Flavours and Fragrances Market Value, CY19-30E (USD bn)



Source: RHP, SSL Research

India Flavours and Fragrances Market Value, CY19-CY30E (USD bn)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
Particulars (Rs cr)	FY23	FY24	FY25
Revenue from Operations	425	452	504
YoY growth (%)	-	6.5%	11.4%
Cost of Materials Consumed	317	341	376
Gross Profit	107	111	128
Gross margin (%)	25.3%	24.6%	25.4%
Employee Cost	11	11	13
Other Operating Expenses	30	22	27
EBITDA	66	78	88
EBITDA margin (%)	15.6%	17.3%	17.6%
Other Income	-	2	2
Interest Exp.	6	6	8
Depreciation	5	6	7
PBT	56	68	75
Exceptional item/Extraordinary item	-	-	-
Tax	11	17	21
PAT	45	50	53
PAT margin (%)	10.5%	11.1%	10.6%
EPS	9.5	10.7	11.4

BALANCE SHEET			
Particulars (Rs cr)	FY23	FY24	FY25
Assets			
Net Block	26	40	43
Capital WIP	11	30	126
Right of use assets	9	9	11
Other Non-current Assets	5	8	12
Current Assets			
Current Investment	-	-	-
Inventories	143	174	166
Trade receivables	80	45	141
Cash and Bank Balances	11	16	2
Short-term loans and advances	-	-	-
Other Current Assets	12	44	33
Total Current Assets	244	280	343
Current Liabilities & Provisions			
Trade payables	21	19	23
Other current liabilities	5	7	2
Short-term provisions	-	-	-
Total Current Liabilities	26	26	26
Net Current Assets	218	254	317
Total Assets	270	342	509
Liabilities			
Share Capital	2	9	9
Reserves and Surplus	178	221	275
Total Shareholders' Funds	180	231	284
Minority Interest	-	-	-
Total Debt	89	111	222
Long Term Provisions	-	-	-
Lease Liabilities	1	1	2
Other Long-Term Liabilities	-	-	-
Net Deferred Tax Liability	-	-	-
Total Liabilities	270	342	509

Cashflows (Rs cr)	FY23	FY24	FY25
Cash flow from Operating Activities	15	40	(25)
Cash flow from Investing Activities	(14)	(51)	(93)
Cash flow from Financing Activities	6	15	103
Free Cash Flow	1	1	(130)

RATIOS			
	FY23	FY24	FY25
Profitability (%)			
Return on Assets	15.1	13.6	10.0
Return on Capital Employed	23.0	21.6	16.4
Return on Equity	24.9	21.7	18.8
Margin Analysis (%)			
Gross Margin	25.3	24.6	25.4
EBITDA Margin	15.6	17.3	17.6
Net Profit Margin	10.5	11.1	10.6
Short-Term Liquidity			
Current Ratio (x)	2.1	2.5	1.9
Quick Ratio (x)	0.9	0.9	1.0
Avg. Days Sales Outstanding	68.4	36.6	102.1
Avg. Days Inventory Outstanding	163.9	186.7	161.3
Avg. Days Payables	21.5	18.5	20.4
Fixed asset turnover (x)	11.9	9.1	9.3
Debt-service coverage (x)	0.6	0.6	0.4
Long-Term Solvency			
Total Debt / Equity (x)	0.5	0.5	0.8
Interest Coverage Ratio (x)	10.9	11.8	10.2
Valuation Ratios			
EV/EBITDA (x)	24.2	20.6	19.7
P/E (x)	34.1	30.4	28.5
P/B (x)	8.5	6.6	5.4
EV/Sales (x)	3.8	3.6	3.5

*Valuation ratios are based on pre-issue capital at the upper price band

Source: RHP, SSL Research

Peer Comparison – Financials (FY25)

Particulars (Rs cr)	Gem Aromatics Ltd.	Clean Science & Technology Ltd.	Privi Speciality Chemicals Ltd.	Camlin Fine Sciences Ltd.	Yasho Industries Ltd.	S H Kelkar & Company Ltd.	Oriental Aromatics Ltd.
CMP (Rs)	325	1,187	2,450	210	1,744	218	326
Sales	504	922	2,101	1,667	676	2,123	935
EBITDA	88	399	458	220	117	296	94
Net Profit	53	292	184	(132)	6	95	34
Mkt Cap.	1,698	12,617	9,571	3,954	2,102	3,011	1,096
Enterprise Value	1,743	12,602	10,644	4,445	2,632	3,669	1,436
EBITDA Margin (%)	17.6	43.3	21.8	13.2	17.3	13.9	10.1
Net Margin (%)	10.6	31.7	8.8	(7.9)	0.9	4.5	3.7
RoCE (%)	16.4	26.8	15.5	11.1	7.0	10.2	7.2
RoE (%)	18.8	20.0	16.7	(14.6)	1.5	7.5	5.2
P/E (x)	31.8	43.2	52.0	-	344.0	31.7	31.9
EV/EBITDA (x)	19.7	31.6	23.2	20.2	22.5	12.4	15.3
EV/Sales (x)	3.5	13.7	5.1	2.7	3.9	1.7	1.5

For Gem Aromatics Ltd., Market Cap, P/E(x), EV/EBITDA (x) and EV/Sales (x) are calculated on post-issue equity share capital based on the upper price band.

CMP of 14th August 2025 for peer companies

Source: RHP, SSL Research

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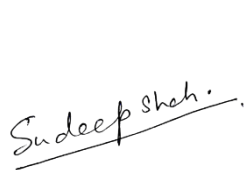
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