

ABOUT THE COMPANY: Incorporated in 1997, Gem Aromatics is an established manufacturer of specialty ingredients, including essential oils, aroma chemicals, and value-added derivatives, with a proven track record of over two decades. It offers a diversified product portfolio ranging from mother ingredients to advanced derivatives, with applications across industries such as oral care, cosmetics, pharmaceuticals and wellness.

KEY BUSINESS INSIGHTS: The company can keep up with the changing trends in the flavours and fragrance space by tweaking its product portfolio. The company needs minimal adjustments to the existing infrastructure to do the same as highlighted by the management. The company's customers are highly concentration with the top customer constituting 10% of revenue and top 5 constituting 40% of revenue, this concentration has reduced over the years. In this domain of flavours and fragrance customers tend to be sticky as the end user does not prefer change in products and the due diligence in terms of certifications and approvals is quite tedious. In case of US tariffs 25% of products are exempted by tariffs. Most of the other remaining products won't be affected as they are sent as intermediates and finished products are then exported out of US, because of the duty drawback mechanism. The top customer from US has five manufacturing facilities outside US.

VIEW:

The company has had a stable financial performance with revenue growing from 425 Cr to 504 Cr from FY 23 to FY 25 with a CAGR of 8.92% and PAT growing from 45 Cr to 53 Cr in the same time period with a CAGR of 9.32%. The company has major geographical advantage for procurement of mint and phenol. The company is B2B focused and has marquee cliental. The company has established itself in a niche domain and has cracked mint and mint derivatives category with an aspiration to move to other categories. The issue is fairly priced at 29X PE and 5X PB as compared to 99X PE and 5X PB average of its listed peers. However, pending litigations on the key manufacturing facility in Budaun remains a concern. We recommend **SUBSCRIBE** the issue for investors with **high-risk** appetite.



ISSUE DETAILS

Price Band (in ₹ per share)	309-325
Issue size (in ₹ Crore)	451.25
Fresh Issue (in ₹ Crore)	175
Offer for Sale (in ₹ Crore)	276.25
Issue Open Date	19-08-2025
Issue Close Date	21-08-2025
Tentative Date of Allotment	22-08-2025
Tentative Date of Listing	25-08-2025
Total Number of Shares (in lakhs)	85.00
Face Value (in ₹)	2
Exchanges to be Listed on	BSE & NSE

APPLICATION	LOTS	SHARES	AMOUNT (₹)
Retail (Min)	1	46	14,950
Retail (Max)	13	598	1,94,350
S-HNI (Min)	14	644	2,09,300
S-HNI (Max)	66	3036	9,86,700
B-HNI (Min)	67	3082	10,01,650

BRLMs: Motilal Oswal Investment Advisors Ltd

PROMOTERS: Vipul Parekh, Kaksha Vipul Parekh ,
Yash Vipul Parekh

BRIEF FINANCIALS

PARTICULARS (Rs. Cr)	FY25	FY24	FY23
Share Capital	9.37	9.37**	1.79
Net Worth	283.98	230.55	179.53
Revenue from Operations	503.95	452.45	424.79
EBITDA	88.45	78.35	66.19
EBITDA Margin (%)	17.55	17.32	15.58
Profit/(Loss) After Tax	53.38	50.10	44.67
EPS (in Rs.)	11.39	10.69	9.53
Net Asset Value (in Rs.)	60.61	49.21	38.32
Total borrowings	222.37	111.13	89.36
P/E [#]	29	NA	NA
P/B [#]	5	NA	NA

** In July 2023, Stock Split from Face Value of Rs 10 to Rs 2 and Bonus shares issued in the ratio 17:4

OBJECTS OF THE OFFER

The Company proposes to utilize the net proceeds towards funding the following objects:

- Prepayment and/or repayment, in full or in part, of all or a portion of certain outstanding borrowings availed by the company and the company Subsidiary, Krystal Ingredients Private Limited (140.00 crores)
- General corporate purposes

FINANCIAL STATEMENTS

Profit & Loss Statement

Particulars (In Crores)	FY2023	FY2024	FY2025
INCOME			
Revenue from operations	424.79	452.45	503.95
Other Income	0.30	1.77	1.69
Total Income	425.09	454.23	505.64
YoY Growth (%)	-	6.85%	11.32%
Cost of Materials Consumed	316.51	344.42	364.14
Change in Inventories	0.87	-3.27	11.80
Employee Benefit Expenses	10.81	11.13	12.83
Other Expenses	30.42	21.81	26.73
EBIDTA	66.19	78.35	88.45
EBIDTA Margin (%)	15.58%	17.32%	17.55%
Depreciation and amortisation expense	4.76	6.26	7.34
EBIT	61.73	73.86	82.80
EBIT Margin (%)	14.53%	16.33%	16.43%
Finance cost	5.64	6.27	8.08
Profit before tax	56.09	67.59	74.72
Tax expenses			
Current tax	12.18	18.48	21.45
Deferred tax	-0.76	-0.44	-0.69
Tax Related to Prior Years	-	-0.54	0.58
Total tax expenses	11.42	17.49	21.33
Profit for the year	44.67	50.10	53.38
PAT Margin (%)	10.51%	11.03%	10.56%
Earnings per share			
Basic earnings per share (₹)	9.53	10.69	11.39

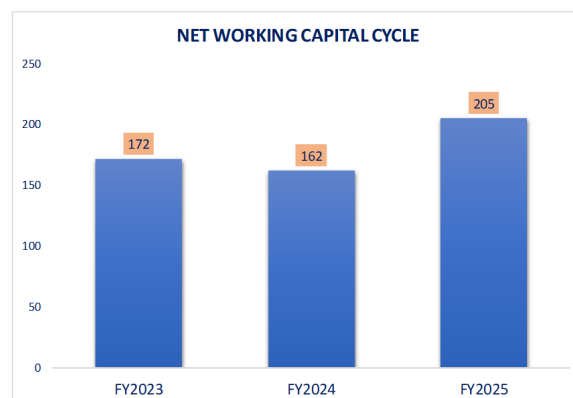
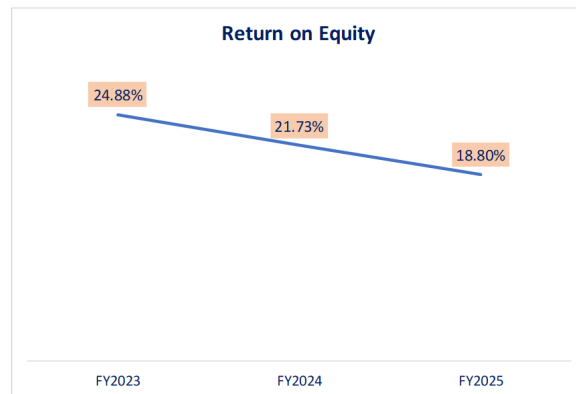
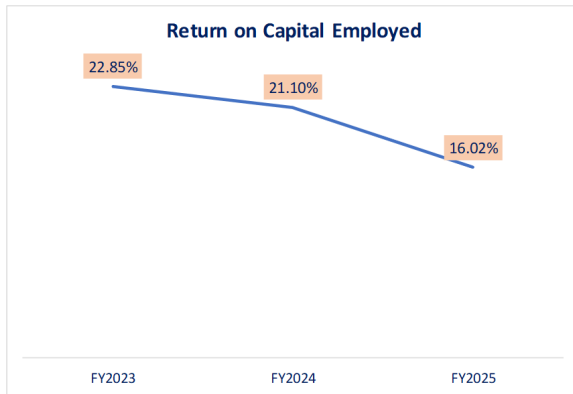
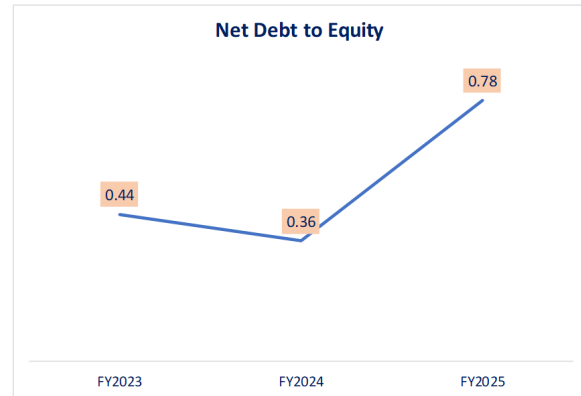
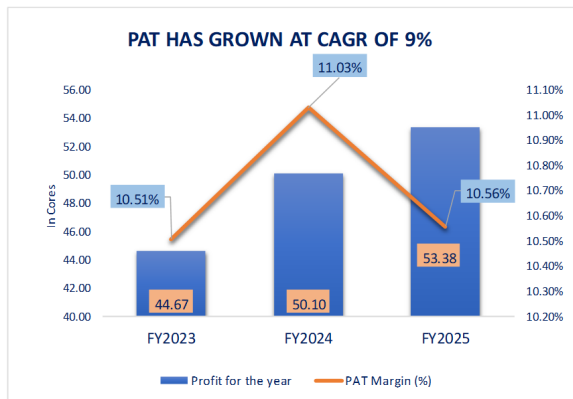
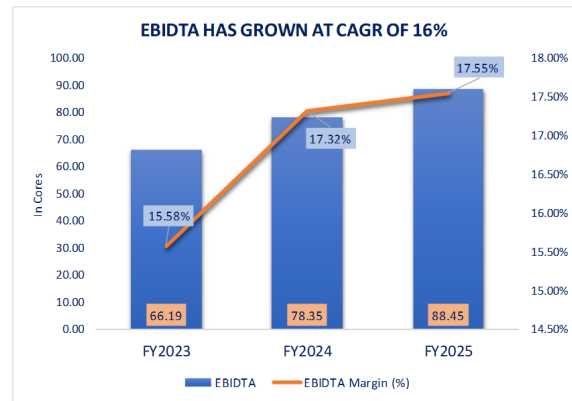
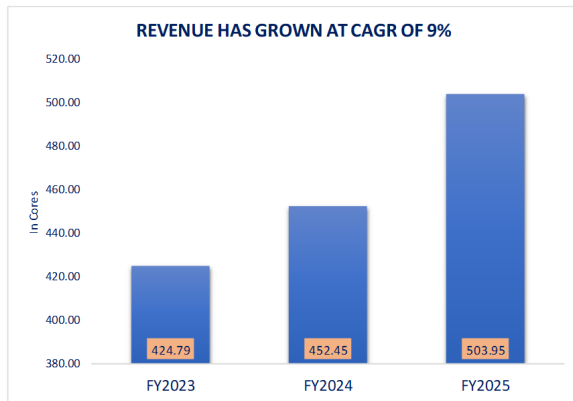
Cashflow Statement

Particulars (In Crores)	FY2023	FY2024	FY2025
Cash generated from operating activities	32.84	55.87	0.60
Income tax paid (net of refunds)	-17.53	-15.74	-25.52
Net cash generated from operating activities	15.31	40.13	-24.92
Net cash used in investing activities	-14.36	-51.05	-92.54
Net cash used in financing activities	6.44	15.36	102.64
Net increase/ (decrease) in cash and cash equivalents before effect of rate exchange			
	7.38	4.44	-14.82
Balance as at beginning	6.50	10.57	15.88
Effect of exchange rate change	-3.31	0.87	0.06
Cash and cash equivalent as at year end	10.57	15.89	1.13

Balance Sheet

Particulars (In Crores)	FY2023	FY2024	FY2025
Property, plant and equipment	26.33	40.28	43.34
Right-of-use assets	9.41	9.26	11.01
Capital work in progress	10.87	30.56	125.50
Other intangible assets	0.07	0.07	0.09
Investments	0.00	0.00	2.81
Other financial assets (Non-current)	0.00	0.89	0.87
Income tax assets	2.98	3.29	4.24
Deferred tax assets (net)	2.80	2.97	2.91
Other non-current assets	1.33	0.82	2.89
Total non-current assets	51.39	88.10	191.73
Inventories	142.51	174.48	166.12
Trade receivables	79.64	45.33	140.99
Cash and cash equivalents	10.57	15.88	18.13
Bank balances other than cash	0.22	0.48	1.02
Loans	0.14	0.03	0.10
Other financial assets	0.00	0.33	1.11
Other current assets	11.19	30.45	33.33
Total current assets	244.37	280.46	342.79
TOTAL ASSETS	295.76	368.57	534.52
Equity share capital	1.79	9.37	9.37
Other equity	177.75	221.18	274.61
Total equity	179.53	230.55	283.98
Borrowings	0.28	23.99	68.68
Lease liabilities	0.35	0.29	2.07
Total non-current liabilities	0.78	24.28	70.75
Borrowings	89.08	87.13	153.69
Lease liabilities	0.35	0.49	0.43
Trade payables - micro & small enterprises	2.22	5.01	3.55
Trade payables - others	18.93	13.91	19.68
Other financial liabilities	3.28	0.60	1.02
Other current liabilities	1.01	3.53	3.53
Provisions	0.10	0.10	0.08
Current tax liabilities	0.50	0.29	0.45
Total current liabilities	115.46	113.74	179.79
TOTAL EQUITY AND LIABILITIES	295.76	368.57	534.52

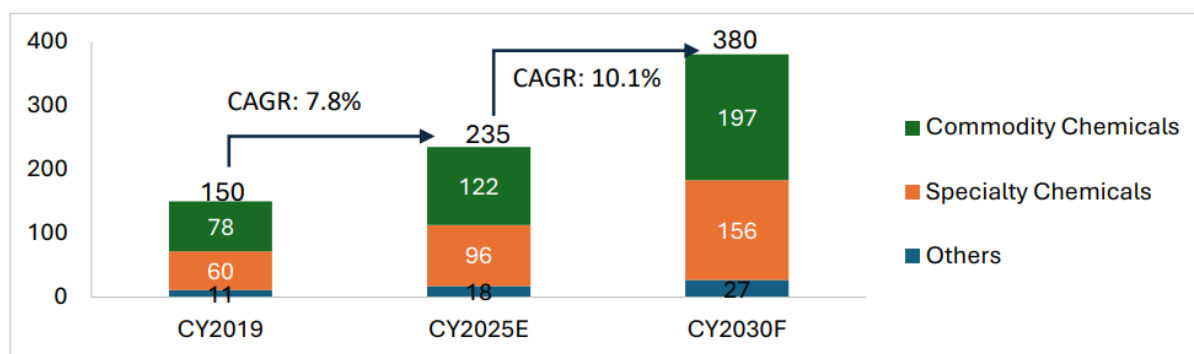
PERFORMANCE THROUGH CHARTS



INDUSTRY REVIEW

INDIA CHEMICAL INDUSTRY

- The Indian chemicals market is valued at USD 235 Bn in year CY 2025e (~4% share in the global chemical industry) with the commodity chemicals accounting for more than ~50%. It is expected to reach ~USD 380 Bn by CY 2030, with an anticipated growth of ~10% CAGR. Specialty chemicals industry forms ~40% of the domestic chemical market, which is expected to grow at a CAGR of around 10-12% between 2025 and 2030.
- The Specialty chemicals industry is driven by both domestic consumption and exports. India's specialty chemical companies are gaining favour with global MNCs because of the geopolitical shift after the outbreak of Covid-19 as the world looks to reduce its dependence on China.
- In CY 2019, China accounted for ~15-17% of the world's exportable specialty chemicals, whereas India accounted for merely 1-2% indicating that the country has large scope of improvement and widespread opportunity. Post Covid scenario, India's share in specialty chemicals sector has doubled up and increased to 4%. It is anticipated that Specialty chemicals will be the next great export pillar for India.



Source: Frost & Sullivan Research

INDIAS OPPORTUNITY IN SPECILATY CHEMICALS

- India's chemical industry is one of the most diversified globally, and the specialty chemicals segment represents a significant growth area. With the global shift towards sustainability, technological advancements, and changing market dynamics, India is uniquely positioned to capitalize on these opportunities.
- The rise in domestic demand for specialty chemicals is driven by the growth of end-user industries such as pharmaceuticals, personal care, and textiles. Increased healthcare spending and the expansion of the pharmaceutical industry are boosting demand for specialty chemicals used in drug formulation and manufacturing.
- India has a significant opportunity to increase its share in the global specialty chemicals market through exports. India's cost advantage due to lower labour and production costs makes it an attractive supplier of specialty chemicals as well as conscious efforts of companies to diversify their supply chain to reduce dependence on China.
- The production linked incentive scheme incentivizes domestic manufacturing of specialty chemicals, boosting production capacity and competitiveness. The outlay of PLI scheme is around 1.97 Lakh Crore for 14 key sectors. Till Nov 2023, over Rs. 1.03 lakh crore of investment was completed through PLI scheme.

COMPETITIVE STRENGTHS OF THE COMPANY

WIDE PRODUCT RANGE WITH CONTINUOUS PRODUCT DEVELOPMENT AND R&D CAPABILITIES

- The company has a wide and differentiated product category, which includes 70 products as of March 31, 2025, and is spread across four product categories, namely, (i) mint and mint derivatives; (ii) clove and clove derivatives; (iii) phenol; and (iv) other synthetic and natural ingredients. The company also has established manufacturing capabilities for new product categories like citral and are in the process of expanding its production capabilities in the same by expanding the capacity of the company Dahej Facility.
- The company has developed advanced processes for producing downstream products using Citral as a base through its dedicated R&D Facility. The company has effectively moved through several stages of product development, including lab trials, pilot trials, and scaling up to full manufacturing, ensuring high efficiency and quality at each step.
- The company's R&D team is capable of understanding and handling complex chemistries, including, Grignard's, amide coupling, Friedel-Crafts reactions, cross-coupling chemistry, photochemical reactions, and methoxylation using green chemistry, while on the technology side, has capabilities to undertake operations such as continuous and high-pressure reaction technology, fixed-bed reactions, process automation, and high-vacuum fractional distillation, among others.

LONG STANDING RELATIONSHIP WITH WELL-ESTABLISHED CUSTOMERS IN INDIA AND GLOBALLY

- The formulated flavours and fragrance/ F&F blends segment is dominated by global suppliers as this segment requires considerable investment in Research and product development. Intellectual property safeguarding, loyal customer base, strong branding are some of the major requirements apart from R&D in this segment, which act as major entry barriers for new players. FMCG companies risk losing customers in the event of any change in fragrance or flavour profile of the product. Thus, once onboarded and having delivered results as a supplier, FMCG companies are reluctant to change suppliers.
- The process of being inducted as a supplier by key marquee players, who are FMCG companies making their own flavours and fragrances and flavours and fragrances houses who are making flavours and fragrances for FMCG and other industries, who use the company products as a raw material, involves various assessments, including, composition of product offers, quality control various quality certifications and established track record.
- In over two decades of the company operations, it has established long-standing relationships with several well established Indian and global customers such as Colgate-Palmolive (India) Limited, Dabur India Limited, Patanjali Ayurved Limited, SH Kelkar and Company Limited, Rossari Biotech Limited, Symrise Private Limited, dōTERRA, Ventos So Brasil Eireli and Anhui Hautian Spices Co. Ltd. Some of the major players in toothpaste market includes Colgate, Close-up, Pepsodent, Sensodyne, Oral-B, Meswak, Dabur Red Toothpaste, Patanjali, Himalaya, among others.

STRATEGICALLY LOCATED MANUFACTURING FACILITIES WITH FOCUS ON SUSTAINABILITY

- As on date of this Red Herring Prospectus, the company operate three Manufacturing Facilities located in Uttar Pradesh, Dadra and Nagar Haveli and Daman and Diu and Gujarat and as on March 31, 2025 had 177 manufacturing personnel. As of March 31, 2025, the company Manufacturing Facilities had a total installed capacity of 5,346 MTPA, across a wide range of products.
- One of the primary raw materials which is Natural Mint oil is available in abundance in India. The company's Budaun Facility is located in the heart of the Mint cultivation belt of India which includes Mentha Arvensis, Piperita, Spearmint and Mentha Citrata (Bergamot Mint) (species of flowering plant in the Mint family).
- The company's Silvassa Facility is strategically located close to Jawaharlal Nehru Port in Nhava Sheva, Maharashtra and help reduce time for export shipments. This also reduces the company import costs for raw materials that are imported from Indonesia, Germany, China, Rwanda and Madagascar.

RISK FACTORS

CUSTOMER CONCENTRATION

- The company derives a significant portion of its revenue from top 10 customers. In Fiscal 2025, the company derived 56.06% of the company total revenue from operations from the top 10 customers. The loss of any of these customers may adversely affect its revenues and profitability.
- The loss of all or a significant portion of sales to any of the company's top 10 customers, for any reason (including the loss of contracts or inability to negotiate favourable terms, failure to meet their quality specification, technological changes, a decline in market share of these customers in their respective industries or high growth segments, disputes with these customers, adverse changes in their financial condition, insolvency or bankruptcy of these customers, decrease in their sales, facility closures, any action undertaken by the government affecting business of these customers, or labour strikes affecting their production), could have an adverse impact on its business, financial condition, results of operations, and cash flows.
- While the company has not encountered any loss of top 10 customers in the past three Fiscals, there can be no assurance that it would not lose any of them in the future.

PRODUCT CONCENTRATION

- The company derive a substantial portion of its revenue from the mint and mint derivatives product category. In Fiscal 2025, 2024 and 2023, the company derived 69.12%, 72.89% and 69.98% of its revenue from operations from the mint and mint derivatives product category.
- Any reduction in demand for products under the mint and mint derivatives product category may adversely affect its revenues and profitability.
- While the company has not experienced any decline in the sale of its products in the mint and mint derivatives product category in the last three Fiscals, there is no assurance that the company will not face any decline in the future.

LITIGATION IN SUPREME COURT

- The company is involved in an on-going litigation in the Supreme Court of India with respect to the land on which the company Budaun Facility is located. Any adverse outcome in such proceedings may have an adverse effect on its business, results of operations, financial condition and cash flows.
- As on the date of this Red Herring Prospectus, the company is involved in an on-going litigation where the State of Uttar Pradesh, Department of Finance and Revenue has filed a special leave petition before the Supreme Court of India ("SLP") aggrieved by the order dated October 7, 2021 passed by the High Court of Allahabad allowing a writ petition filed by the company, restraining the State of Uttar Pradesh, Department of Finance and Revenue from proceeding against the company.
- The SLP is filed against the company, M/s Kanha Vanaspati Limited and the State Bank of India in relation to recovery of alleged outstanding trade tax and entry tax under the U.P. Trade Tax Act, 1948 from M/s Kanha Vanaspati Limited amounting to ₹ 176.48 million. Budaun Facility Land was mortgaged by M/s Kanha Vanaspati Limited with the State Bank of India and in order to repay the dues of the State Bank of India, the Budaun Facility Land was sold by M/s Kanha Vanaspati Limited to the company as a one-time settlement for ₹ 26.10 million in order to settle dues of the State Bank of India amounting to ₹ 328.90 million. The State of Uttar Pradesh, Department of Finance and Revenue in its SLP has alleged that the transaction is a sham transaction to defraud the revenue department.

PEER COMPARISON

Name of the company	Revenue from Operations (in ₹ Cr)	Face Value (Rs per share)	EPS (in Rs)	NAV (Per share Rs)	RoE (%)	P/E*	P/B*
Gem Aromatics Limited	503.95	2	11.39	60.61	18.80	28.53^	5.36^
Clean Science and Technology Limited	966.64	1	24.88	133.29	18.67	46.61	8.70
Privi Speciality Chemicals Limited	2,101.19	10	47.87	282.47	16.95	50.80	8.61
Camlin Fine Sciences Limited	1,666.53	1	-8.03	46.23	-16.01	NA	1.17
Yasho Industries Limited	668.50	10	5.32	348.09	1.46	324.95	4.97
S H Kelkar and Company Limited	2,123.40	10	5.4	90.66	5.83	41.98	2.50
Oriental Aromatics Limited	928.26	5	10.2	196.2	0.05	32.11	1.67

Financials are of FY2025 Data ^ Calculated at upper price band of 325. *Calculated at closing of 12th August 2025



Canara Bank Securities Ltd.
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