GEM AROMATICS LTD.

August 18, 2025

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Speciality Chemical
Offer for sale (Shares)	8,500,000
Fresh Issue (Shares)	5,384,615
Net Offer to the Public	**13,884,615**
Issue Size (Rs. Cr.)	429-451
Price Band (Rs.)	309-325
Offer Date	19-Aug-25
Close Date	21-Aug-25
Face Value	2
Lot Size	46

Issue Composition

	In shares
Total Issue for Sale	13,884,615
QIB	6,942,308
NIB	2,082,692
Retail	4,859,615

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	75.00%	51.00%
QIB	25.00%	35.71%
NIB	0.00%	3.99%
Retail	0.00%	9.30%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The Company Gem Aromatics IPO proposes to utilise the Net Proceeds from the Issue towards the following objects:

1. Prepayment and/or repayment, in full or in part, of all or a portion of certain outstanding borrowings availed by our Company and our Subsidiary, Krystal Ingredients Private Limited; and
2. General Corporate Purposes.

Book Running Lead Manager

- Motilal Oswal Investment Advisors Limited

Name of the registrar

- KFin Technologies Limited

About the company

Incorporated in October 1997, Gem Aromatics Limited is a manufacturer of speciality ingredients, including essential oils, aroma chemicals, and value-added derivatives, with over two decades of expertise in the industry. Its product portfolio spans Mother Ingredients to advanced derivatives, catering to applications in oral care, cosmetics, nutraceuticals, pharmaceuticals, wellness, pain management, and personal care. The company offers seventy products across four categories: (i) mint and derivatives, (ii) clove and derivatives, (iii) phenol, and (iv) other synthetic and natural ingredients. In Fiscal 2025, Gem Aromatics served 225 customers, including 44 international clients across 18 countries spanning the Americas, Asia, Africa, and Australia. Products are sold directly on a B2B basis, with exports facilitated through direct sales, its U.S. subsidiary Gem Aromatics LLC, and third-party agencies. As of March 31, 2025, the company employed a 13-member in-house R&D team, leveraging advanced technologies to enhance value-added derivative formulations.

Strength

Established manufacturer of specialty ingredients, including essential oils, aroma chemicals, and Value-Added Derivatives in India: Gem Aromatics Limited, incorporated in 1997, is an established Indian manufacturer of specialty ingredients, including essential oils, aroma chemicals, and Value-Added Derivatives, with more than two decades of expertise. The company has a strong presence in essential oil-based products derived from mint, clove, eucalyptus, and other oils. In FY 2025, it emerged as a leading procurer and processor of essential oils and derivatives in India. The company holds a market share of 12% in DMO, 65% in Eugenol, and over 58% in Indian Eucalyptus Oil production. It is also a key player in the expanding Indian flavors and fragrances market, estimated at Rs. 22,500 crore (USD 2.7 billion) in 2025 and projected to reach Rs. 34,200 crore (USD 4.1 billion) by 2030, driven primarily by demand for essential oils. The company supplies to all major global flavors and fragrances leaders, including Firmenich SA, Givaudan, Symrise AG, and International Flavors & Fragrances, Inc.

Wide product range with continuous product development and R&D capabilities: As of March 31, 2025, the company's portfolio comprised 70 products across four key categories: mint and derivatives, clove and derivatives, phenol, and other synthetic and natural ingredients. It is also expanding into new categories such as citral, with dedicated R&D and manufacturing at its Dahej Facility. Its in-house R&D, driven by 13 scientists, supports product innovation, process efficiency, and development of new formulations and derivatives. Key innovations include synthetic anethole, citral chemistry, and forward integration in menthol and guaiacol. A major breakthrough was the creation of Eugenol derivatives from Guaiacol using an in-house catalyst. With backward integration for critical inputs like catalysts, Gem Aromatics ensures robust quality, cost control, and product diversification in a fragmented market.

Long-standing relationships with well-established customers in India and globally: Gem Aromatics has strong relationships with leading Indian and global clients, including Colgate-Palmolive, Dabur India, and dōTERRA Global Limited. The flavors and fragrances (F&F) market has high entry barriers, given significant R&D needs, IP protection, and customer stickiness. The company benefits as FMCG clients prefer long-term suppliers. Its top 10 customers contributed between 56.06% in FY 2025 and 65.81% in FY 2023 of

revenues, while repeat business consistently accounts for over 94% of annual revenues. These enduring ties are built on customization, consistent quality, and competitive pricing. A valid supply agreement with dōTERRA further ensures minimum annual order volumes, strengthening revenue visibility.

Strategically located manufacturing facilities with focus on sustainability: The company operates three strategically located manufacturing facilities in Uttar Pradesh, Dadra & Nagar Haveli and Daman & Diu, and Gujarat, with an aggregate installed capacity of 5,346 MTPA as of March 31, 2025. The Budaun facility is in India's primary mint cultivation belt, while Silvassa and Dahej facilities are close to ports and industrial hubs, ensuring raw material efficiency and export competitiveness. The Dahej Facility is a multipurpose plant, enabling wide product ranges and contract manufacturing. Advanced automation and technology adoption have helped secure quality and environmental certifications, including ISO and FSSAI. Sustainability remains a focus, with the Budaun plant operating on a zero liquid discharge system.

Experienced promoters and management team: Gem Aromatics is promoted by Vipul Parekh, Kaksha Vipul Parekh, and Yash Vipul Parekh, who bring extensive experience in business expansion and global market development. Kaksha Vipul Parekh has been recognized with multiple awards for export excellence and contributions to the SME sector. The board and senior management team possess strong expertise in finance, management, and chemical engineering. As of March 31, 2025, the workforce comprised 280 full-time employees and 15 contract workers. The company emphasizes employee development through continuous in-house training, fostering skill enhancement and adoption of the latest technologies and processes, thereby driving operational efficiency and long-term growth.

Strategy

Widening product offerings through chemistry capabilities to expand addressable market and client wallet share: The company continues to focus on R&D to expand its product portfolio and scale up production of complex compositions. R&D investments rose from Rs. 0.83 crore (0.22% of total expenses) in FY 2023 to Rs. 1.46 crore (0.34% of total expenses) in FY 2025. The company plans to further expand its R&D team to support new product development, including anethole launched in 2023 and new categories such as citral at the Dahej Facility. These initiatives aim to meet evolving customer needs, strengthen quality, improve profitability, and capture higher client wallet share by offering high-growth, high-margin products backed by customer insights.

Continuing focus on sustainability, cost reduction, and operational efficiency: Gem Aromatics is committed to sustainability, productivity, and cost efficiency through the adoption of clean technologies and advanced manufacturing techniques. Its R&D initiatives include a green process for producing anisole with zero hazardous effluent discharge, water being the only byproduct. With this, the company will hold the second-largest anisole manufacturing capacity in India using a vapor-phase, eco-friendly method. Operational efficiency is further strengthened through automation, reduced lead times, and stringent quality control. Large-scale production supports economies of scale and competitive per-unit costs. Company-wide SAP systems ensure effective resource coordination, while data analytics capabilities—managed by a four-member team as of March 31, 2025—are being enhanced to better understand customer behavior and drive sales.

Expanding geographical reach through growing exports: The company is steadily expanding its global footprint by strengthening its distribution network and exports. With a pan-India presence, it exports to key international markets including the USA, China, Singapore, Brazil, France, Thailand, Spain, Germany, and the United Kingdom. In FY 2025, the USA accounted for 31.04% of total revenue, making it the largest foreign market. This geographical diversification reduces dependence on any single region and mitigates economic risks. Looking ahead, the company plans to expand warehousing infrastructure across American, Asian, and Australian markets to further enhance exports, strengthen distribution, and improve profitability.

Risk Factor

- In FY 2025, the top 10 customers contributed 56.06% of revenue; loss of any could impact profitability.
- Mint and derivatives contributed ~69–73% of revenue over FY 2023–25; lower demand may affect growth.
- Ongoing Supreme Court case over Budaun Facility land may impact operations if ruled adversely.
- No long-term raw material contracts; supply disruptions may affect business and margins.
- Lack of firm customer commitments; loss of key clients could materially impact financials.

Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Clean Science	966.64	264.41	25.27	46.98	8.91	133.29	1	1187.30	12617.11
Privi Speci.	2101.19	187.00	55.69	44.02	8.68	282.48	10	2451.65	9576.81
Camlin Fine	1666.53	-139.05	3.23	65.14	4.40	47.81	1	210.40	3953.86
S H Kelkar & Co.	2112.72	73.24	9.44	23.08	2.37	91.89	10	217.85	3015.50
Yasho Industries	675.64	6.11	10.13	172.03	5.01	348.09	10	1742.65	2101.13
Oriental Aromat.	928.26	34.33	7.09	45.80	1.65	197.00	5	324.70	1092.73
Gem Aromatics Ltd.	503.95	53.38	10.22	31.80	3.70	87.86	2	325.00	1697.71

***Peer companies financials are TTM based**
****Gem Aromatics Ltd. based on Actual Fy25**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs. 325, the stock is priced at pre issue P/E of 28.52 x on FY25 EPS of Rs 11.39. Post issue, the stock is priced at a P/E of 31.80x on its EPS of Rs. 10.22. Looking at the P/B ratio at Rs.325 pre issue, book value of Rs.60.61 of P/Bvx 5.36x. Post issue, book value of Rs.87.86 of P/Bvx 3.70x.

Considering the P/E valuation, on the lower end of the price band of Rs.309, the stock is priced at pre issue P/E of 27.12x on FY25 EPS of Rs.11.39. Post issue, the stock is priced at a P/E of 30.24x on its EPS of Rs.10.22. Looking at the P/B ratio at Rs. 309 pre issue, book value of Rs. 60.61 of P/Bvx 5.10x. Post issue, book value of Rs.87.86 of P/Bvx 3.52x.

Industry Outlook

The global chemicals market is valued at around USD 5,800 billion in 2025 and is projected to reach USD 7,200 billion by 2030, reflecting a CAGR of 4.4%. Asia Pacific is expected to be the fastest-growing region, while Europe and North America remain mature markets with slower expansion. The specialty chemicals segment, defined by high-value, low-volume products, is projected to grow at 5–6% CAGR to reach USD 1,257 billion by 2030. Growth is driven by rising electric vehicle adoption boosting battery chemicals, and advanced technologies such as 5G and AI fueling semiconductor chemical demand. India, with its diversified chemical industry, stands out as a key beneficiary of these trends. The country's specialty chemicals segment is poised for strong growth, supported by demographic advantages, a growing middle class, rising exports, and global supply chain diversification away from China. Sustainability initiatives and technological advancements further strengthen India's position. With revenues growing at an average of 15% annually over the past five years, India's chemical sector is among the fastest advancing globally, with specialty chemicals emerging as its most lucrative growth driver.

Outlook

Gem Aromatics Limited offers a strong IPO case with leadership in essential oils, a diversified product portfolio, global clientele, and strategically located sustainable facilities. Its R&D-driven expansion into high-margin products and growing exports position it well in the rising specialty chemicals market. However, risks include revenue dependence on top customers and mint-based products, ongoing litigation, and absence of long-term supplier contracts. Overall, the company presents solid growth potential with notable concentration risks.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	19-August-25
BID/ISSUE CLOSES ON	21-August-25
Finalisation of Basis of Allotment with the Designated Stock Exchange	22-August-25
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	25-August-25
Credit of Equity Shares to Demat Accounts of Allottees	25-August-25
Commencement of trading of the Equity Shares on the Stock Exchanges	26-August-25

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-25 (12 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	503.95	452.45	424.79
Total expenditure	415.50	374.10	358.61
Operating Profit	**88.45**	**78.35**	**66.19**
OPM%	17.55	17.32	15.58
Other Income	1.69	1.77	0.30
Total Net Income	**90.14**	**80.13**	**66.49**
Interest	8.08	6.27	5.64
PBDT	**82.06**	**73.86**	**60.85**
Depreciation	7.34	6.26	4.76
PBT	**74.71**	**67.59**	**56.09**
Tax	21.33	17.49	11.42
PAT	**53.38**	**50.10**	**44.67**

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-25	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Property, Plant and Equipment	43.34	40.28	26.33
Right-of-use assets	11.01	9.26	9.41
Capital work in progress	125.50	30.36	10.87
Other intangible assets	0.09	0.07	0.06
Financial Assets			
Investments	0.00	0.00	0.00
Other financial assets	2.81	0.87	0.89
Income tax assets	4.24	3.29	2.98
Deferred tax assets (net)	1.86	1.16	0.73
Other non-current assets	2.89	2.82	0.13
Total non-current assets	**191.73**	**88.10**	**51.39**
Current asset			
Inventories	166.12	174.48	142.51
Financial Assets			
Trade receivables	140.99	45.33	79.64
Cash and cash equivalents	1.13	15.88	10.57
Bank balances other than (ii) above	1.02	0.48	0.00
Loans	0.10	0.03	0.14
Other financial assets	0.09	13.82	0.32
Other current assets	33.33	30.45	11.19
Total current assets	**342.79**	**280.46**	**244.37**
Total Assets	**534.52**	**368.57**	**295.76**
Non-current liabilities			
Financial Liabilities			
Borrowings	68.68	23.99	0.28
Lease liabilities	2.07	0.29	0.49
Total Non- Current liabilities	**70.75**	**24.28**	**0.78**
Current liabilities			
Financial Liabilities			
Borrowings	153.69	87.13	89.08
Lease liabilities	0.41	0.49	0.35
Trades Payable - total outstanding dues of micro enterprises and small enterprises	3.55	5.01	2.22
Trades Payable - total outstanding dues of creditors other than micro enterprises and small enterprises	19.68	13.90	18.93
Other financial liabilities	1.02	0.60	3.28
Other current liabilities	0.92	3.53	1.01
Provisions	0.08	0.10	0.10
Current Tax Liability (Net)	0.45	2.99	0.50
Total Current liabilities	**179.79**	**113.74**	**115.46**
Total	**250.54**	**138.02**	**116.23**
Net worth represented by:			
Equity Share Capital	9.37	9.37	1.79
Other equity	274.61	221.18	177.75
Net Worth	**283.98**	**230.55**	**179.53**

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park , A Wing 401 / 402 ,
4th Floor ,Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court,Gate No.- 4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

Investments in securities market are subject to market risks, read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. The securities quoted are for illustration only and are not recommendatory. SMC is a SEBI registered Research Analyst having registration number INH100001849. CIN : L74899DL1994PLC063609.

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s)in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance if this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions. All disputes shall be subject to the exclusive jurisdiction of Delhi High court.