Gem Aromatics Limited

18-August-25

Subscribe- Long Term

Manan Goyal
manangoyal@rathi.com

MANAN GOYAL Digitally signed by MANAN GOYAL Date: 2025.08.18 15:49:30 +05'30'

Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	4,513
Fresh Issue (No. of Shares in Lakhs)	53
Offer for Sale (No. of Shares in Lakhs)	85
Bid/Issue opens on	19-Aug-25
Bid/Issue closes on	21-August-25
Face Value	₹ 2
Price Band	309-325
Minimum Lot	46

Objects of the Issue

- **Fresh Issue: 1,750 million**
  - Prepayment or repayment of all or a portion of certain outstanding Borrowings availed by the company
  - General Corporate Purpose.
- **Offer for sale: 2,763 million**

Book Running Lead Managers
Motilal Oswal Investment Advisors Limited
Registrar to the Offer
KFin Technologies Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	140
Subscribed paid up capital (Pre-Offer)	93
Paid up capital (Post - Offer)	104

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	75	51
Public	25	49
Total	**100**	**100**

Financials

Particulars (₹ In million)	FY25	FY24	FY23
Revenue from operations	**5,040**	**4,525**	**4,248**
Operating expenses	4,155	3,741	3,586
EBITDA	**885**	**784**	**662**
Other Income	17	18	3
Depreciation	73	63	48
EBIT	**828**	**739**	**617**
Interest	81	63	56
Profit before tax	**747**	**676**	**561**
Tax	213	175	114
Consolidated PAT	**534**	**501**	**447**
EPS	**10.2**	**9.6**	**8.6**
Ratios	**FY25**	**FY24**	**FY23**
EBITDAM	17.6%	17.3%	15.6%
PATM	10.6%	11.1%	10.5%
Sales growth	11.4%	6.5%	

Sector- Chemical **Company Description**

Gem Aromatics Ltd 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. They offer a diversified portfolio of products, ranging from the Mother Ingredients to various Value-Added Derivatives. Their products find application across a broad spectrum of industries such as oral care, cosmetics, nutraceuticals, pharmaceuticals, wellness and pain management, and personal care. Company is one of the prominent essential oils and value-added derivatives manufacturers in India, based on value and volume manufactured, specializing in products derived from mint and clove oil. Their track record, diverse product portfolio, and brand recall have helped them establish several leadership positions within their product portfolio. For instance, in India, they have a dominant presence in essential oil-based products and derivatives that are manufactured from mint, clove, eucalyptus oils, and other essential oils.

The largest segments under essential oils are Orange oil, Mint oil, Clove oil, and Eucalyptus oil. Company is present in three of the four major categories. During FY 2025 in India, they were one of the largest procurers of Piperita oil, and one of the largest processors of DMO, Clove oil, Eugenol, and Eucalyptus Oil in terms of volume manufactured. As on FY 2025, their share of DMO and Eugenol in India was 12% and 65%, respectively, in terms of volume manufactured. Their in-house manufacturing and R&D capabilities have contributed towards their track record of product innovation and launches and assisted them in maintaining consistent product quality. With over two decades of experience, they have developed expertise in advanced organic synthesis through the application of complex chemistries such as Grignard's, amide coupling, Friedel-Crafts reactions, cross-coupling chemistry, photochemical reactions, and methoxylation using green chemistry.

Their advanced capabilities also extend to high-pressure reactions, continuous processes, fixed-bed systems, and process automation. They offer 70 products across four product categories, namely: (i) mint and mint derivatives; (ii) clove and clove derivatives; (iii) phenol; and (iv) other synthetic and natural ingredients. They are among the leading suppliers in many of the product lines in which they operate. With a focus on servicing customers and manufacturing quality products, they commenced operations in Fiscal 1999 in the mint and mint derivative category with products like spearmint and piperita.

Valuation

Gem Aromatics Limited is a well-established manufacturer in India, engaged in the production of specialty ingredients such as essential oils, aroma chemicals, and value-added derivatives. The Company offers an extensive and diverse product portfolio, which continues to expand through ongoing product development and strong in-house research and development capabilities. Over the years, it has built long-standing and trusted relationships with a wide base of reputed customers, both within India and across international markets. In addition, the Company operates strategically located manufacturing facilities that are designed to support large-scale production while also emphasizing environmentally sustainable and efficient manufacturing practices.

At the upper price band company is valuing at P/E of 31.8x to its FY25 earnings, with EV/EBITDA of 21.6x and market cap of ₹ 16,977 million post issue of equity shares.

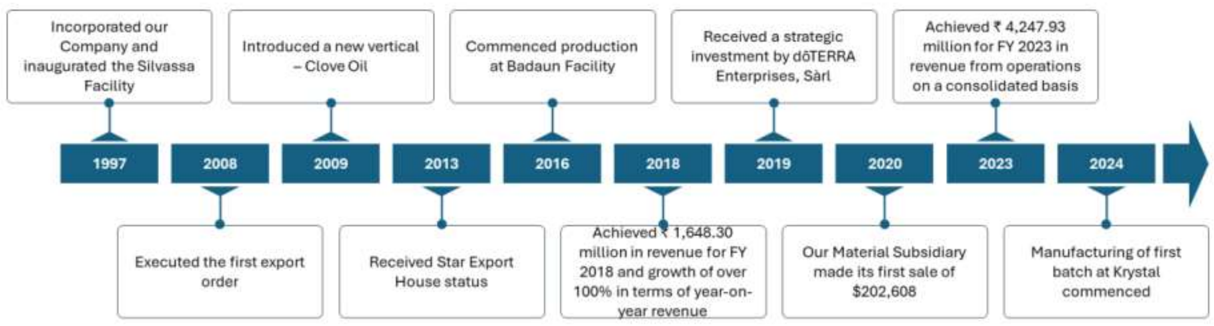
We believe that the IPO is fully priced and recommend a **"Subscribe-Long Term"** rating to the IPO.

Description of Business

Installed capacity and capacity utilization

The following tables set forth the annual installed capacity of the Manufacturing Facilities for the product in the Fiscal 2025, 2024 and 2023:

Particulars	Fiscal 2025			Fiscal 2024			Fiscal 2023		
	Installed Capacity p.a. (in metric tons)	Actual Production (in metric tons)	Capacity Utilization (%)	Installed Capacity p.a. (in metric tons)	Actual Production (in metric tons)	Capacity Utilization (%)	Installed Capacity p.a. (in metric tons)	Actual Production (in metric tons)	Capacity Utilization (%)
Budaun Facility									
Mint and mint derivatives	2,800	2,226	79.5%	2,200	2,194	99.7%	1,825	1,457	79.8%
Clove and clove derivatives	400	240	60.0%	400	229	57.3%	400	154	38.6%
Other synthetic and natural ingredients	300	191	63.7%	300	245	81.6%	300	275	91.5%
Phenol	300	116	38.7%	300	14	4.7%	300	1.1	0.4%
Silvassa Facility									
Mint and mint derivatives	500	304	60.7%	500	498	99.6%	500	257	51.4%
Clove and clove derivatives	600	445	74.3%	600	344	57.3%	500	287	57.3%
Other synthetic and natural ingredients	200	103	51.4%	200	150	75.0%	200	183	91.5%
Phenol	200	45	22.6%	200	8	3.8%	200	0.9	0.5%
Dahej Facility									
Clove and clove derivatives	46	25	54.6%	3.8	0.5	12.9%	-	-	0.0%



The table below sets forth a break-up of their revenue from sale of products across their product categories, each category comprising both natural and synthetic ingredients, for the periods indicated:

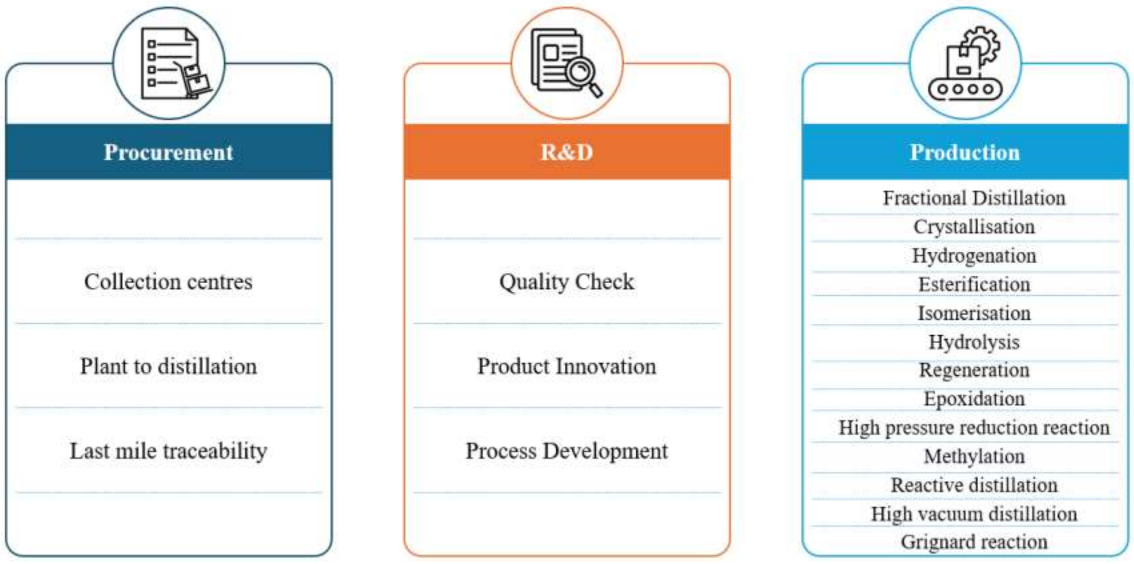
Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (₹ in million)	% of revenue from operations	Amount (₹ in million)	% of revenue from operations	Amount (₹ in million)	% of revenue from operations
Mint and mint derivatives	3,483	69.1	3,298	72.9	2,973	70.0
Clove and clove derivatives	953	18.9	683	15.1	641	15.1
Phenol	141	2.8	18	0.4	2	0.0
Other synthetic and natural ingredients	373	7.4	465	10.3	571	13.4
Total	**4,949**	**98.2**	**4,464**	**98.7**	**4,186**	**98.6**

The following table sets forth a breakdown of their revenue from operations, in absolute terms and as a percentage of total revenue from operations, for the periods indicated:

Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (₹ in million)	% of total revenue from operations	Amount (₹ in million)	% of total revenue from operations	Amount (₹ in million)	% of total revenue from operations
Sale of products – domestic sales	2,396	47.6	2,222	49.1	1,523	35.9
Sale of products – export sales	2,553	50.7	2,242	49.6	2,663	62.7
Other operating revenues	90	1.8	61	1.3	62	1.5
Total	**5,040**	**100.0**	**4,525**	**100.0**	**4,248**	**100.0**

Manufacturing process

Set out below is a general process flow for essential oils and aroma derivatives and isolates:



Strengths:

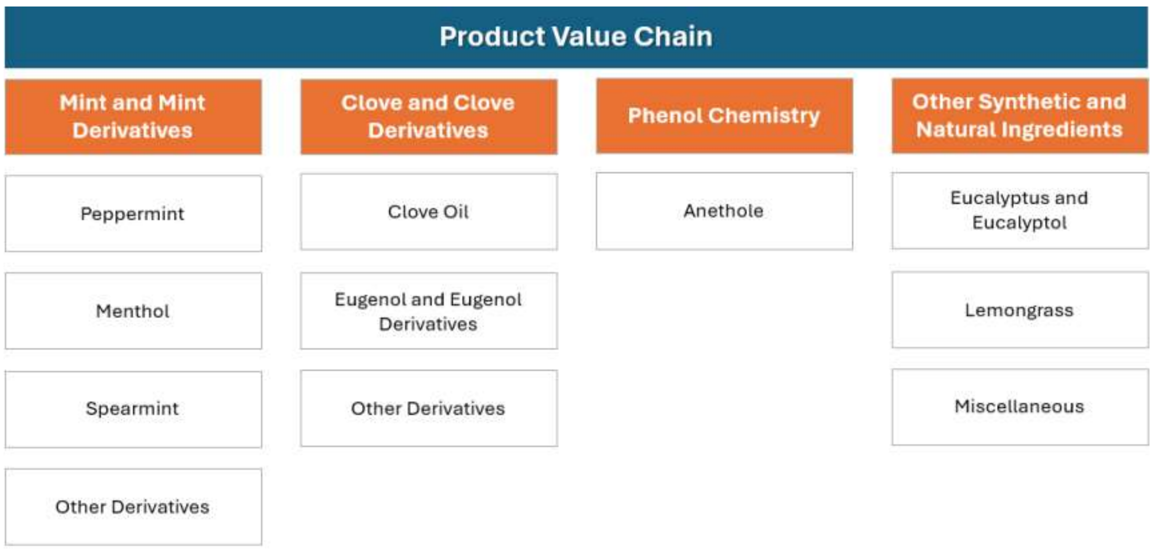
- **Established manufacturer of specialty ingredients, including, essential oils, aroma chemicals and Value-Added Derivatives in India.**

  Company 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. Within the product categories in which they operate, they offer a diversified portfolio of products, ranging from the Mother Ingredients to its various Value-Added Derivatives. In India, they have a dominant presence in essential oil-based products and derivatives that are manufactured from mint, clove, eucalyptus oils and other essential oils. During FY 2025 in India, they were one of the largest procurers of Piperita oil, and one of the largest processors of DMO, Clove oil, Eugenol and Eucalyptus Oil in terms of volume manufactured. As on FY 2025, their share of DMO and Eugenol in India was 12% and 65%, respectively, in terms of volume manufactured. They are among the large producers of Mint oil in India. The Indian Eucalyptus Oil production market is highly consolidated with their Company having over 58% of the market. The Indian Flavours and fragrances market was estimated at USD 2.7 Bn in 2025e and is expected to reach at USD 4.1 Bn by 2030. Unlike in the global developed market formulated flavours and fragrances has a lower share in the market.

  Aroma chemicals and Essential oils see a higher uptake due to their usage in incense sticks a unique market specific to India, with some specific single aroma requirements. Highest growth of CAGR 8.8% is expected in Essential oils as they are perceived natural, environment friendly without any adverse effect on health. The largest segments under essential oil are – Orange oil, Mint oil, Clove oil, and Eucalyptus oil. They are present in three of the four major categories. Company is among the prominent manufacturers of essential oil-based products and derivatives in India, specializing in products that are derived from mint, clove, eucalyptus oils and other essential oils. On the basis of competition, currently, the firms including Firmenich SA, Givaudan, Symrise AG, and International Flavors & Fragrances, Inc, account for more than 60% share of the global market. All other companies, both internationally and locally, make up the remaining 40%.Some of the other companies includes Sensient Technologies Corporation, Mane SA, Takasago International Corporation, Frutarom, Roberter SA, and among others. They supply their essential oil products to all the above mentioned companies/ flavour & fragrance ingredient houses.

- **Wide product range with continuous product development and R&D capabilities.**

  Company have a wide and differentiated product category, which includes 70 products as of March 31, 2025, and is spread across their four product categories, namely, (i) mint and mint derivatives; (ii) clove and clove derivatives; (iii) phenol; and (iv) other synthetic and natural ingredients. They also have established manufacturing capabilities for new product categories like citral and are in the process of expanding their production capabilities in the same by expanding the capacity of their Dahej Facility. They have developed advanced processes for producing downstream products using Citral as a base through their dedicated R&D Facility. They have 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. Company have engaged skilled manpower with expertise in both chemistry and engineering, ensuring that the processes are not only scientifically sound but also efficient and cost-effective from a production standpoint. Company have also placed orders for and are in the process of installing equipment at their Dahej Facility, specifically designed to manufacture the full range of Citral-based products. This infrastructure will ensure a smooth transition from pilot trials to full-scale production, allowing them to meet growing demand while maintaining quality and efficiency. Within the product categories in which they operate, they offer a diversified portfolio of products, ranging from the Mother Ingredients to its various Value-Added Derivatives.



Since the company operate in a fragmented market, it is critical to be able to provide a holistic product portfolio to their customers and drive their brand equity. They have a wide product portfolio across the demand spectrum and are not dependent on a single demand factor. They believe that their diversified product categories at various price points have enabled them to achieve an effective presence and have enhanced their relationship with their customers. Company estimate that their portfolio breadth leaves them well placed for future growth, and that they are well positioned to continue to expand their product range to keep pace with the dynamic customer requirements and also to expand their addressable market size. Their in-house manufacturing and R&D capabilities have contributed towards their track record of product innovation and launches and assisted them with maintaining consistent product quality. They aim to maintain a high standard in their manufacturing operations and R&D is critical to their growth and success. Their 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. While they initially undertook their R&D activities at their Silvassa Facility, their Company has a dedicated in-house R&D Facility in Maharashtra, which is a fully equipped R&D facility as well as a pilot plant with all the facilities and equipment needed for a simple scale-up procedure.

- **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 their 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 their operations, they have 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 the toothpaste market include Colgate, Close-up, Pepsodent, Sensodyne, Oral-B, Meswak, Dabur Red Toothpaste, Patanjali, Himalaya, among others.

There is substantial presence of their Company in the oral care segment with customers such as Colgate, Dabur, Patanjali. Company have a valid supply agreement dated April 11, 2019 entered into amongst their Company and dōTERRA Global Limited (formerly known as dōTERRA GH Ireland Limited) ("dōTERRA") ("Supply Agreement") and an addendum to the Supply Agreement dated November 4, 2023 ("Addendum to Supply Agreement"). During the past three Fiscals, they have supplied 15 products to dōTERRA, basis the provisions of the Supply Agreement. Further, the provisions of the Supply Agreement ascertain annual minimum quantities for the sale of their products to dōTERRA and provide standard liability clauses in relation to quality and delivery of their products. In the last three Fiscals, they have served 451 customers, which includes marquee domestic and global customers. While company have not entered into any firm agreement or any collaborations with the customers, they believe that the strength of their customer relationships is attributable to their ability to customize to customer specifications and requirements, as well as their track record of consistent delivery of quality and cost-effective products over the years. As a result of their deep-rooted association with their customers, their Company often receives new product requirements from such customers which in turn, helps them to expand their product base.

- **Strategically located Manufacturing Facilities with focus on sustainability.**

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, their Manufacturing Facilities had a total installed capacity of 5,346 MTPA, across a wide range of products. One of the primary raw materials, Natural Mint oil, is available in abundance in India. Their 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). Their Silvassa Facility is strategically located close to Jawaharlal Nehru Port in Nhava Sheva, Maharashtra and helps reduce time for export shipments. This also reduces their import costs for raw materials that are imported from Indonesia, Germany, China, Rwanda and Madagascar. Their Dahej Facility will provide them access to phenol, with one of the largest suppliers of phenol in the vicinity. The Dahej Facility has an already established effluent discharge eco-system which will provide them an advantage in effectively discharging effluents that may be generated in manufacturing of certain products. The Dahej Facility is strategically located close to Mumbai-Delhi Expressway and Jawaharlal Nehru Port, Hazira.

Their product expertise is built on the complex combination of technology capabilities and sophisticated chemistry. Their primary technology capabilities include distributed control system ("DCS") process automation, fixed bed reaction technology, high pressure reaction technology, continuous reaction technology, and high vacuum distillation technology (wiped film/short route). In line with their focus on enhancing operational efficiency by leveraging the latest technology, their manufacturing operations involve a degree of automation, thereby reducing the margin of error and inefficiencies typically associated with manually operated processes. In addition, their production capacity and equipment have helped them to maintain cost efficiency. Their streamlined efforts to achieve process excellence and improvement have led to various certifications including ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and 22000 FSSC 22000 (version 6) consisting of ISO 22000:2018, ISO/Ts 22002-1:2009 and Additional FSSC 22000 requirements (version 6) for Unit II of their Budaun Facility. They have also obtained a certification of Good Manufacturing Practice for their Budaun Facility and FSSAI registrations for their Manufacturing Facilities, as well as relevant Kosher and Halal certifications for certain specified products. Further, their customers also have exacting quality standards and adhering to such standards is a pre-requisite for them to be able to obtain repeat orders from such customers, owing to which, two customers have undertaken two audits and have approved their Manufacturing Facilities and processes in the past three Fiscals.

Key Strategies:

- **Expansion of manufacturing capacities for existing and new products.**

Company manufacture their products in their three Manufacturing Facilities located in in Budaun, Uttar Pradesh, Silvassa, Dadra and Nagar Haveli and Daman and Diu and Dahej, Gujarat.

Set out below are certain market drivers and trends according to the F&S Report:

In order to meet the expected rise in consumer demand across their product categories, they have undertaken further capital expenditure as indicated in the table below, primarily towards enhancing their manufacturing capabilities across their range of product categories.

Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (₹ in million)	% of the Gross property, plant and equipment* & Intangible Assets	Amount (₹ in million)	% of the Gross property, plant and equipment* & Intangible Assets	Amount (₹ in million)	% of the Gross property, plant and equipment* & Intangible Assets
Capital expenditure	1,051	55.6	391	46.5	144	31.9

Company intend to streamline their operations and enhance their manufacturing capacity and further widen their product portfolio by adding products such as safranal and damascene under their new product category, being citral. They will have one of the largest capacities of about 500 MT for cooling agents in India as part of their planned expansion. For the same, company is in the process of expanding the capacity of their Dahej Facility. Company continue to focus on further integrating their operations to benefit from economies of scale and improve operating margins. Company is focused on adopting the best practices and standards across their Manufacturing Facilities, drawing on their management's expertise and experience. The management team closely oversees their operational performance against established and target metrics and takes appropriate action as required. By planning for a high utilization rate and with the commissioning of additional capacities, they strive to continue reducing their cost of production and achieving economies of scale.

- **Widen their product offerings by expanding chemistry capabilities in order to expand their addressable market size and capture higher client wallet share.**

Company intend to continue to focus on their R&D initiatives to expand their product portfolio and focus on scaling production of complex compositions. Over the years, through their in-house R&D initiatives they have increased the number of products developed in-house. They are well positioned to leverage their experience and reach to further explore the existing opportunities as well as new products. They are also in the process of developing new products. Company intend to continue to develop products under existing product categories as well as introduce new product categories and improve processes to meet existing and prospective customer demands, enhance the quality of their products, and meet increasing compliance requirements. Company intend to expand the production capabilities of their new product category, being citral, for which they are in the process of expanding the capacity of their Dahej Facility. Company also intend to expand their R&D team and hire additional experienced personnel. They continue to seek opportunities to introduce new products. For instance, they launched anethole in 2023. In addition, to develop and manufacture their own products, relying on their in-house R&D capabilities, they intend to continue to engage with their customers to increase their product portfolio which has potential for increased growth and better margins, thereby increasing their profitability.

Set out in the table below are their R&D expenditure for the periods as indicate:

Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (₹ in million)	% of total expense	Amount (₹ in million)	% of total expense	Amount (₹ in million)	% of total expense
R&D expenditure	15	0.3	18	0.5	8	0.2

- **Continuing focus on sustainability and reducing operating costs and improving operational and business efficiency.**

Company intend to improve their sustainability, cost efficiency and productivity by implementing clean technologies as well as effective and efficient operational techniques. Their operations team, comprising experienced members, adopts best practices in line with industry standards across their Manufacturing Facilities. In line with their philosophy of being an environmentally conscious and responsible business, their R&D focus is tuned to develop evolving technologies in green manufacturing. While, generally, the manufacturing of anisole and derivative products of anisole results in the discharge of sulphate-based hazardous effluents, the green manufacturing process developed by their Company results in zero discharge of hazardous effluents and water would be the only by-product. To this end, they have already developed certain vapour phase continuous reactions. Company believe that their green manufacturing initiatives, in addition to being environmentally friendly, will also be efficacious in terms of cost and yield. They will have the second-largest capacity in India manufacturing Anisole with a capacity of 7,000 MT via clean green vapor phase method. By employing clean technologies of producing Anisole from Phenol, their Company distinguishes its manufacturing process from conventional manufacturing processes and optimizes the use of non-toxic raw materials, resulting in lower effluent generation. They also constantly aim to identify opportunities to implement product improvements to optimize production processes. For instance:

- **Automation:** In line with their focus on bringing in operational efficiency, their manufacturing operations involve a degree of automation, and accordingly reducing the margin of error and inefficiencies typically associated with manufacturing processes operated manually. In addition, their extensive equipment and degree of automation has helped us to maintain their cost efficiency.

- **Reducing lead time in manufacturing:** Company is continuously working to make their manufacturing processes more efficient. Company expect that the modification of product mix helps them achieve an optimal ratio and minimises material movement within the plant and leads to production efficiency.

- **Expanding geographical reach through growing exports.**

As of March 31, 2025, company have a clientele with an established pan-India presence. They seek to continue to develop their distribution network and increase their geographical reach through reinforcing and expanding their distribution channels. They participate in industry-specific conferences and events, both domestically and globally, to enhance their Company's visibility and facilitate engagement with potential customers. In terms of their international presence, company intend to expand their warehousing capabilities in the American markets, Asian markets and Australian markets. Company have presences in the United States of America, China, Singapore, Brazil, France, Thailand, Spain, Germany and United Kingdom. They estimate that with their product offering and quality, they will be able to generate significant sales from their exports.

The following table sets forth a breakdown of their revenues from operations from the different geographies, in absolute terms and as a percentage of total revenue from operations, for the periods indicated:

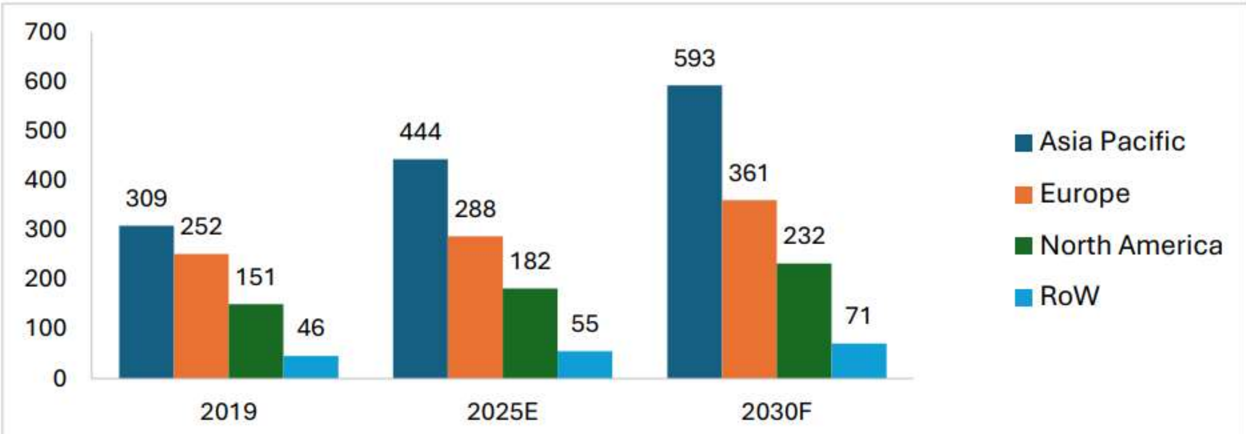
Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (₹ in million)	% of revenue from operations	Amount (₹ in million)	% of revenue from operations	Amount (₹ in million)	% of revenue from operations
Sale of Products						
India	2,396	47.6	2,222	49.1	1,523	35.9
- Uttar Pradesh	927	18.4	945	20.9	126	3.0
- Assam	279	5.5	183	4.0	245	5.8
- Maharashtra	274	5.4	207	4.6	498	11.7
- Goa	290	5.8	257	5.7	173	4.1
- Others	626	12.4	631	13.9	482	11.4
USA	1,564	31.0	1,487	32.9	1,768	41.6
China	135	2.7	217	4.8	233	5.5
Brazil	323	6.4	213	4.7	135	3.2
Singapore	0	0.0	41	0.9	148	3.5
Rest of the world	531	10.5	285	6.3	378	8.9
Other Operating Revenue						
Other operating revenue	90	1.8	61	1.3	62	1.5
TOTAL	**5,040**	**100.0**	**4,525**	**100.0**	**4,248**	**100.0**

Industry Snapshot:

Global Specialty Chemicals Market

Specialty chemicals are low-volume and high-value products which are sold based on their quality or utility, rather than composition. Thus, they may be used primarily as additives or to provide a specific attribute to the product. Specialty chemicals are more likely to be prepared and processed in batches. The focus is on value addition to the end-product and the properties or technical specifications of the chemical. Rapid industrialisation in India and China is expected to drive demand for specialty chemicals. The Asia Pacific (APAC) dominates the market across the world, with a share of 41%, owing to a huge customer base, leading to high demand for specialty chemicals, increasing industrial production, and robust growth of the construction sector in the region. APAC is followed by Europe and North America.

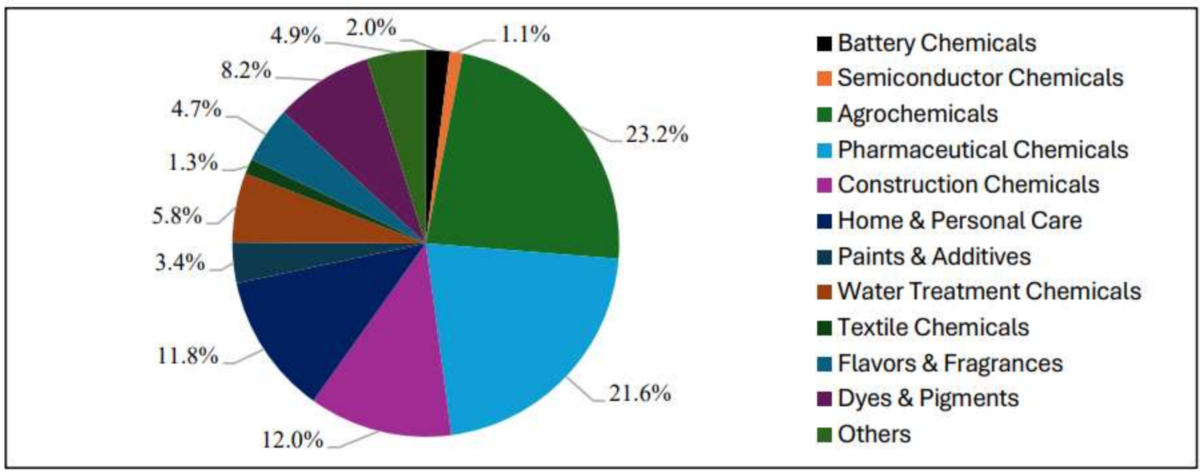
Exhibit 3.1.1 : Global Specialty Chemicals Market by Geography, 2019, 2025E, 2030F Value (US$ 758, US$ 969 Bn, US$ 1257)



Global Specialty Chemical Market Segmentation – by Industry and Application Type

The global specialty chemicals industry can be segmented by the final end-user industry that these chemicals find applications in. Every end-industry varies in complexities of specialties required, and thus offer unique opportunities for specialty chemical players in terms of technology, competitive landscapes, profitability and corporate collaborations for growth and market penetration. There's significant overlap in this characterization method. Market-oriented groups frequently encompass multiple functional chemicals serving the same market, whereas functional chemicals are typically utilized by various markets. This differentiation is primarily for the sake of convenience when discussing strategic aspects of business segments, rather than indicating a substantial variance in the products themselves.

Exhibit 3.3.1: Global Specialty Chemicals Market, Industries & Applications, CY2025E, Value (~ USD 969 Bn)



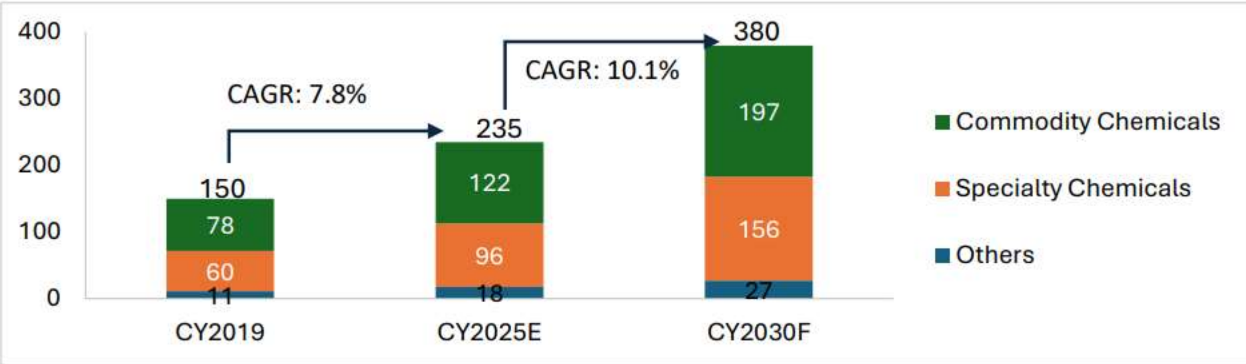
Specialty chemicals - Value added products

Specialty chemicals are value added products that are used for specific applications that often involves high R&D investment and technical know-how. There are over 40-50 value chains covering a broad spectrum of products within this industry. The capability to handle multiple value chains that overlap with one another are available only with large conglomerates, while a single or double value chain is what most medium to small scale players are efficient with. This sector is witnessing a monetary corpus towards expansion investments. India is the largest beneficiary for this segment since the US and European manufacturers are facing pressures from institutional investors to ensure supply security by focussing on China+1. This has forced several western manufacturers to re-base their supply chain away from China. Increasing labour costs and significant currency fluctuations along with the fear of resurgence of global pandemic has forced downstream industries to seek alternative manufacturing options such as India.

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.

Exhibit 4A.1: Indian Chemicals Market, CY2019, 2025e and 2030f (USD Bn)



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. Home and personal care chemicals, water treatment chemicals, construction chemicals, agrochemicals etc. are areas where specialty chemicals find their applications. The growth of the market is in conjunction with the overall growth of the Indian economy.

India's Opportunity in Specialty 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. Following are the key opportunity drivers for India:

- **Growing domestic demand:** 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.

- **Export potential:** 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.

- **Government initiatives and support:** 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.

- **Technological advancements:** Adoption of advanced technologies such as digitalization, automation, and green chemistry is transforming the specialty chemicals industry in India. Investment in R&D and technological advancements can lead to the development of innovative and high-performance specialty chemicals. Green chemistry and eco-friendly processes align with global sustainability goals, attracting environmentally conscious customers.

India the next chemical manufacturing hub

Traditionally, the European Union (EU) and United States (US) were the key chemical hubs globally. Together they contributed to nearly 40% of global chemical sales till 2006. However, the Great Recession of 2008 changed everything. Developing countries started faring better than the relatively mature economies of the West. Over the last decade, the core of the chemical industry has shifted from the West to Asia, with China being the key benefactor. Manufacturers in the Asian region enjoy low labour costs, relatively relaxed environmental norms and government subsidies. China's chemicals industry continues to surpass all other nations. This is reflected in rising China's share in global chemical sales, which increased from 24% in 2010 to 37% in 2018. During this phenomenal growth period, the focus of China was more on infilling the huge and rapidly growing domestic demand. The domestic chemicals industry in China is witnessing a slowdown as a result of slower economic growth. The Chinese government is imposing strict norms on chemical manufacturers forcing them to shut-down their plants. As a result of this many multinationals are shifting their base to India. Triggered by the evolving geopolitical scenario in China there is a trend to diversify from the existing core manufacturing markets, firms are seeking to make their supply chains more resilient.

With its strong value proposition, India is the preferred destination. The COVID-19 pandemic exposed vulnerabilities in global supply chains, particularly the heavy reliance on China for specialty chemicals. Lockdowns, factory shutdowns, and logistical challenges in China led to supply shortages and increased prices worldwide. Companies across the globe started adopting the "China+1" strategy to mitigate risks associated with over-dependence on China. India emerged as a favourable alternative due to its growing manufacturing capabilities, strategic location, and government support.

The US-China Trade war led specialty chemical players to look beyond China as a raw material supplier and manufacturing hub. In order to reduce the risk in their supply chains, global companies are concentrating on a China+1 approach. Because of its cost advantage over China and its supportive laws and reforms, including the enabling of 100 % FDI in the chemical industry, India is uniquely positioned to gain from the shift away from China. Indian chemicals sector is set for rapid growth, with specialty chemicals expected to be the most lucrative segment. India attracts investment as companies diversify away from China. Chemical industry revenue has been growing at an average rate of 15% in the last 5 years. The Indian chemicals sector stands out as one of the most rapidly advancing industries globally.

- **Accounting ratios**

Particulars	Fiscal 2025	Fiscal 2024	Fiscal 2023
Revenue from Operations (₹ million)	5,040	4,525	4,248
Growth in revenue from operations (%)	11.4%	6.5%	35.1%
Gross Profit (₹ million)	1,280	1,113	1,074
Gross Margin (%)	25.4%	24.6%	25.3%
EBITDA (₹ million)	885	784	662
EBITDA Margin (%)	17.6%	17.3%	15.6%
Profit for the Year (₹ million)	534	501	447
Total Income (₹ million)	5,056	4,542	4,251
PAT Margin (%)	10.6%	11.0%	10.5%
Return on Equity (%)	18.8%	21.7%	24.9%
Return on Capital Employed (%)	16.0%	21.1%	22.9%
Gross Fixed Assets Turnover Ratio (in times)	2.5	4.8	7.7
Net Debt to Total Equity (in times)	0.8	0.4	0.4
Net Working Capital Cycle (days)	206	163	173

Comparison with listed entity

Name of the company	Face Value (₹ per share)	Revenue from Operations (in ₹ million)	Basic EPS	Diluted EPS	RONW (%)	NAV (per share ₹)	P/E
Gem Aromatics Limited	2	5,040	10.2*	10.2*	18.8	60.6	31.8**
Listed Peers							
Clean Science and Technology Limited	1	9,666	24.9	24.9	18.7	133	57.3
Privi Speciality Chemicals Limited	10	21,012	47.9	47.9	17.0	282	50.5
Camlin Fine Sciences Limited	1	16,665	(8.0)	(8.0)	(16.0)	46	NM
Yasho Industries Limited	10	6,685	5.3	5.3	1.5	348	374.9
S H Kelkar and Company Limited	10	21,234	5.4	5.4	5.8	91	42.3
Oriental Aromatics Limited	5	9,283	10.2	10.2	0.1	196	37.0

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on July 11, 2025.
2) */** P/E and EPS of company is calculated on basis FY25 earnings and post issue no. of equity shares issued.

Key Risk:

- Company derive a significant portion of their revenue from their top 10 customers. In Fiscal 2025, company derived 56.06% of their total revenue from operations from top 10 customers. The loss of any of these customers may adversely affect their revenues and profitability.

- Company derive a significant portion of their revenue from top customer dōTERRA Global Limited (formerly known as dōTERRA GH Ireland Limited) ("dōTERRA") with whom they have entered into a supply agreement, the term of which is ending on December 31, 2028. If dōTERRA chooses not to source their requirements from them, there may be a material adverse effect on their business, financial condition, cash flows and results of operations.

- Company derive a substantial portion of their revenue from the mint and mint derivatives product category. In Fiscal 2025, 2024 and 2023, they derived 69.12%, 72.89% and 69.98% of their 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 their revenues and profitability.

- Company is involved in an on-going litigation in the Supreme Court of India with respect to the land on which their Budaun Facility is located. Any adverse outcome in such proceedings may have an adverse effect on their business, results of operations, financial condition and cash flows.

- Company have not entered into any long-term contracts with their suppliers from whom they procure raw materials consumed by them for their manufacturing process and failure by their suppliers to meet their obligations could adversely affect their business, results of operations, financial condition and cash flows.

- Company have significant dependence on their top 10 suppliers for supply of raw materials. In Fiscal 2025, top 10 suppliers contributed towards 52.92% of their total expenses. The loss of any of these suppliers or and failure by these suppliers to meet their obligations may adversely affect revenues and profitability.

Valuation:

Gem Aromatics Limited is a well-established manufacturer in India, engaged in the production of specialty ingredients such as essential oils, aroma chemicals, and value-added derivatives. The Company offers an extensive and diverse product portfolio, which continues to expand through ongoing product development and strong in-house research and development capabilities. Over the years, it has built long-standing and trusted relationships with a wide base of reputed customers, both within India and across international markets. In addition, the Company operates strategically located manufacturing facilities that are designed to support large-scale production while also emphasizing environmentally sustainable and efficient manufacturing practices.

At the upper price band company is valuing at P/E of 31.8x to its FY25 earnings, with EV/EBITDA of 21.6x and market cap of ₹ 16,977 million post issue of equity shares.

We believe that the IPO is fully priced and recommend a **"Subscribe-Long Term"** rating to the IPO.

DISCLAIMER:

Analyst Certification

- The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

Anand Rathi Ratings Definitions

- Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (Top 100 companies)	**>15%**	**0%-15%**	**Below 0%**
Mid Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small caps (251st company onwards)	>25%	0%-25%	Below 0%

Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015, BSE Enlistment Number – 5048 date of Regn 25 July 2024) is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd (BSE), National Stock Exchange of India Ltd. (NSEIL),Multi Commodity Exchange of India Limited (MCX),National Commodity & Derivatives Exchange Limited (NCDEX), and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. (CDSL), ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

General Disclaimer: -

This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Contd.

- **Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates**
- **Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report**

Sr. No.	Statement	Answers to the Best of the knowledge and belief of the ARSSBL/ its Associates/ Research Analyst who is preparing this report
1	Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest.	No
2	ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report?	No
3	ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company	No
4	ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report?	No
5	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months	No
6	ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months	No
7	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
9	ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report	No
10	ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company.	No
11	ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company.	No

Other Disclosures pertaining to distribution of research in the United States of America

This research report is the product of Anand Rathi Share and Stock Brokers Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated person(s) of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances, and trading securities held by a research analyst account.

Research reports are intended for distribution only to Major U.S. Institutional Investors as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act of 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this research report is not a Major U.S. Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated, and/or transmitted onward to any U.S. person which is not a Major U.S. Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major U.S. Institutional Investors, Anand Rathi Share and Stock Brokers Limited has entered into a Strategic Partnership and chaperoning agreement with a U.S. registered broker-dealer: Banc Trust Securities USA. Transactions in securities discussed in this research report should be affected through Banc Trust Securities USA.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon, either on their own account or on behalf of their clients.
5. As of the publication of this report, ARSSBL does not make a market in the subject securities.
6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.

As of the publication of this report, ARSSBL does not make a market in the subject securities.

Registration granted by SEBI, Enlistment as RA and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Additional information on recommended securities/instruments is available on request.

Compliance officer-Deepak Kedia, email id - deepakkedia@rathi.com, Contact no. +91 22 6281 7000.

Grievance officer-Madhu Jain-email id- grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.
Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.