



CERTIFICATE ON KEY PERFORMANCE INDICATOR

To,
The Board of Directors
Royal Arc Electrodes Limited
72 B, Bombay Talkies Compound, S.V. Road, Malad West,
Mumbai, Maharashtra- 400064.

Dear Sirs,

Re: Proposed initial public offering of equity shares of the face value of Rs. 10 each (the "Equity Shares") by the Company and such issuing, (the "Issue").

We, **J.H.Gandhi & Co**, Chartered Accountants, Expert of the Company, have performed the procedures agreed with you and enumerated below with respect to certain identified operational key performance indicators ("KPIs") of the Company as on respective dates and for the respective period mentioned in annexure (the "Periods"), set forth in the accompanying schedules. Our engagement was undertaken in accordance with the "Guidance Note on Reports in Company Prospectuses (Revised 2019)", issued by the Institute of Chartered Accountants of India.

Accordingly, we have:

- (i) Reviewed the Restated Financial Information of the Company, comprising of the Restated Statement of Assets and Liabilities as at half yearly ended September 30, 2024, and Financial Years ended on March 31, 2024 2023 and 2022, and, the Restated Statements of Profit and Loss, and the Restated Cash Flow Statement for the half yearly ended September 30, 2024, and Financial Years ended on March 31, 2024 2023 and 2022 and, the Summary Statement of Significant Accounting Policies and other explanatory information (collectively "**Restated Financial Information**") prepared in accordance with the Companies Act, 2013, as amended (the "**Companies Act**") and Accounting Standards ("AS") as prescribed by the Institute of Chartered Accountants of India and restated in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**ICDR Regulations**").
- (ii) Obtained and reviewed (a) Registers of the Company; (b) Minutes of the meetings of the Board of Directors of the Company, its committees, and the shareholders' meetings; (c) Accounting records; and (d) All other relevant records, correspondences with regulatory/ statutory authorities.

The procedures were performed solely to assist you in certifying the KPIs of the Company Entities as included in the Business chapter of DRHP. Our Engagement to certify has been performed in accordance with our Engagement Letter signed on March 21, 2024

The procedures were performed to assist you in evaluating the accuracy, and validity of KPIs and are summarized as follows:

Detailed headings of KPIs are attached in Annexure A.

Compared the amounts identified to a schedule prepared and derived by the management of the Company from its accounting records for the period indicated and found such amounts to be in agreement. We determined that the schedule was mathematically correct.

On the basis of the procedures set forth above, nothing came to our attention that caused us to believe the KPIs were not accurate, and valid. At your request, we have also read the items identified by you on the attached copy of the draft red herring prospectus ("RHP") received by us on **August 2, 2024** and have compared the amounts to the corresponding amounts set out in the Annexure and found them to be in agreement.

We have conducted our examination in accordance with the "Guidance Note on Reports in Company Prospectuses (Revised 2019)", issued by the Institute of Chartered Accountants of India, in so far it relates to Expert issuing certificates on information included in the draft red herring prospectus, red herring prospectus and prospectus. We hereby confirm that while providing this certificate we have complied with the Code of Ethics and the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements, issued by the Institute of Chartered Accountants of India.

We confirm that the information in this certificate is true, fair, and correct, and is in accordance with the requirements of the Companies Act, 2013, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, and other applicable law, and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context. We confirm that the information in this certificate is adequate to enable investors to make a well-informed decision, to the extent that such information with respect to us is relevant to the prospective investor to make a well-informed decision.

This certificate is for information and for inclusion (in part or full) in the draft red herring prospectus ("DRHP"), red herring prospectus ("RHP") and the prospectus ("Prospectus") filed in relation to the Issue (collectively, the "Offer Documents") or any other Issue-related material, and may be relied upon by the Company, the Lead Manager and the legal advisors appointed by the Company and the Lead Manager in relation to the Issue. We hereby consent to the submission of this certificate as may be necessary to Securities and Exchange Board of India ("SEBI"), the Registrar of Companies, Mumbai ("RoC"), the relevant stock exchanges, any other regulatory authority and/ or for the records to be maintained by the Lead Manager and in accordance with applicable law. We hereby consent to this certificate being disclosed by the Lead Manager, if required (i) by reason of any law, regulation or order of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defense in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We confirm that we will immediately communicate any changes in writing in the above information to the Lead Manager until the date when the Equity Shares commence trading on the relevant stock exchanges where the Equity Shares are proposed to be listed. In the absence of any such communication from us, the Lead Manager and the legal advisors, each to the Company and the Lead Manager, can assume that there is no change to the above information until the Equity Shares commence trading on the relevant stock exchanges pursuant to the Issue.

In no event shall our total liability; to the company or any other person relying on this; for any and all claims, losses, or damages arising out of or in connection with this professional assignment exceed the total amount of fees received by us under this agreement. This limitation of liability applies to all causes of action, including but not limited to breach of contract, negligence, and any other tort or statutory claims.

On the basis of information and explanation provided to us by the company under the assurance, we hereby indemnify the book running lead manager, from losses arising as a result of the aforementioned representations made by me/us in order to disclose details of the same in the issue documents to the extent of fees received by us in agreement with the company.

We confirm that the information in this certificate is true and correct and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

This certificate is issued for the sole purpose of the Offer, and can be used, in full or part, for inclusion in the red herring prospectus, prospectus and any other material used in connection with the Offer, and for the submission of this certificate as may be necessary, to any regulatory/ statutory authority, stock exchanges, any other authority as may be required and/ or for the records to be maintained by the BRLM in connection with the Offer and in accordance with applicable law, and for the purpose of any defense the BRLM may wish to advance in any claim or proceeding in connection with the contents of the offer documents.

All capitalized terms used herein and not specifically defined shall have the same meaning as described to them in the Offer Documents.

Yours faithfully,

For and on behalf of
J.H.Gandhi & Co
Chartered Accountants
Statutory Auditor
FRN: 0116513W



Jasmit H. Gandhi

Jasmit H. Gandhi
(Proprietor)
Membership No.: 044844
UDIN:25044844BMLMIQ209
Place: Mumbai
Date: 14/01/2025

Encl: As above

Cc: Fedex Securities Private Limited (the "Lead Manager")
3rd Floor, B Wing, Jay Chambers, Dayaldas Road,
Vile Parle East, Mumbai – 400057

Annexure-A

(₹ in Lakhs unless otherwise specified)

Particulars	September 30,2024	March 31, 2024	March 31, 2023	March 31, 2022
Revenue from operations ⁽¹⁾	4560.47	9,978.75	9,694.02	6,290.97
Growth in revenue from operations (%) ⁽²⁾	N.A.	2.94%	54.09%	-
Gross Profit ⁽³⁾	1242.64	3,385.93	3,004.28	1,593.74
Gross Profit Margin(%) ⁽⁴⁾	27.25%	33.93%	30.99%	25.33%
EBITDA ⁽⁵⁾	565.47	1811.72	1542.35	550.51
EBITDA Margin(%) ⁽⁶⁾	12.40%	18.16%	15.91%	8.75%
Restated Profit after tax (PAT) ⁽⁷⁾	317.50	1,192.63	956.82	212.13
PAT Margin ⁽⁸⁾	6.96%	11.95%	9.87%	3.37%
RoE(%) ⁽⁹⁾	7.24%	32.85%	37.43%	10.70%
RoCE(%) ⁽¹⁰⁾	8.92%	37.73%	41.81%	12.63%
Net Debt / EBITDA Ratio ⁽¹¹⁾	0.26	(0.04)	(0.10)	1.40
Debt Equity ratio ⁽¹²⁾	0.04	0.00	0.05	0.38
Domestic Revenue	3894.65	8,537.45	7,981.66	4,606.27
Domestic Revenue as a percentage to revenue from operations	85.40%	85.56%	82.34%	73.21%
Export Revenue	665.83	1,441.30	1,712.36	1,684.70
Export Revenue as a percentage to revenue from operations	14.60%	14.44%	17.66%	26.78%
Working Capital Days ⁽¹³⁾	113	91	49	93

Particulars	September 30,2024	March 31, 2024	March 31, 2023	March 31, 2022
Inventory Days ⁽¹⁴⁾	56	50	33	84
Trade Receivable Days ⁽¹⁵⁾	81	76	62	76
Trade Payable Days ⁽¹⁶⁾	24	29	46	76

**The number of days is rounded off to the nearest days.*

Notes:

1. Revenue from Operations means the revenue from operations as appearing in the Restated Financial Statement.
2. Growth in revenue from operations (%) is calculated as a percentage of revenue from operations of the relevant period/year minus revenue from operations of the preceding period/year, divided by revenue from operations of the preceding period/year.
3. Gross Profit is calculated as the difference between revenue from operations less cost of raw material consumed less change in Inventories of work in progress, finished goods and Stock in Trade.
4. Calculated as Gross Profit divided by revenue from operations
5. EBITDA is calculated as restated profit / (loss) for the period / year, plus interest expense, total taxes, and depreciation and amortisation expense.
6. EBITDA Margin (%) is calculated as EBITDA divided by revenue from operations.
7. Profit after Tax means restated profit / (loss) for the period/year as appearing in the Restated Financial Statement.
8. Profit after Tax Margin refers to the percentage margin derived by dividing Profit after Tax by revenue from operations.
9. Return on Equity (%) is calculated as restated profit after tax for the period/year divided by average shareholder's equity.
10. Return on Capital Employed is calculated as EBITDA less depreciation and amortization less bank charges divided by Capital Employed.
11. Net Debt to EBITDA Ratio is a measurement of leverage, calculated as Net Debt divided by EBITDA (Total Debt–Cash & Equivalents divided by EBITDA)
12. Debt Equity ratio is calculated as Debt divided by shareholder's equity. Shareholder's equity is calculated as sum of share capital and reserves and surplus.
13. Working Capital days is calculated refers to total current assets days minus total current liabilities days
14. Inventory days is calculated by dividing the average inventory by COGS and then multiply the result by the number of days in the period i.e. 365 days for the Fiscal and 180 days for the stub period ended on September 30, 2024.
15. Trade receivable days is calculated by dividing the average accounts receivable by the total sales and then multiply the result by the number of days in the period i.e. 365 days for the Fiscal and 180 days for the stub period ended on September 30, 2024.
16. Trade Payable Days is calculated by dividing the average accounts payable balance by cost of goods sold (COGS), and then multiplying by the number of days in the period i.e. 365 days for the Fiscal and 180 days for the stub period ended on September 30, 2024.

Explanation for the KPI metrics

KPI	Explanations
Revenue from Operations	Revenue from Operations is used by our management to track the revenue profile of our business and in turn helps assess the overall financial performance of the Company and size of the business
Growth in revenue from operations (%)	Growth in Revenue from operations provides information regarding the growth of the business for the respective period.
Gross Profit	Gross Profit provides information regarding the profits from manufacturing of products by the Company.
Gross Profit Margin (%)	Gross Profit Margin is an indicator of the profitability on sale of products manufactured sold by the Company.
EBITDA	EBITDA provides information regarding the operational efficiency of the business.
EBITDA Margin (%)	EBITDA Margin is an indicator of the operational profitability of the business before interest, depreciation, amortisation, and taxes and financial performance of the business.
Restated Profit after Tax (PAT)	Restated Profit after Tax is an indicator of the overall profitability and financial performance of the business.
PAT Margin (%)	PAT Margin is an indicator of the overall profitability and financial performance of the business as a % to revenue from operations.
Return on Equity ("RoE") (%)	RoE provides how efficiently our Company generates profits from the shareholders' funds.
Return on Capital Employed ("RoCE") (%)	ROCE provides how efficiently our Company generates earnings from the capital employed in the business.
Net Debt / EBITDA Ratio	It represents how many years it would take for our Company to pay back its debt if net debt and EBITDA are held constant.
Debt Equity ratio	This gearing ratio compares shareholders' equity to company debt to assess the company's amount of leverage and financial stability.
Working Capital Days	Working capital days indicates the working capital requirements of our Company in relation to revenue generated from operations, it defines the number of days taken by the company for converting the purchase to collection.
Inventory Days	Inventory Days provides number of days in which inventory turnaround in particular period / year.
Trade Receivable Days	Trade Receivable Days is the number of days that a customer invoice is outstanding before it is collected.
Trade Payable Days	Trade Payable Days is the number of days that a company takes to pay its bills and invoices to its trade creditors.