



**CERTIFICATE ON FINANCIAL INDEBTEDNESS**

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 following procedures:

- (i) reviewed the Restated Financial Information of the Company, comprising of the Restated Statement of Assets and Liabilities as at half yearly ended at September 30, 2024 and Financial Years ended on March 31, 2024 & 2023 and 2022, 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 the Summary Statement of Significant Accounting Policies and other explanatory 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") and the reports issued thereon (collectively, the "Restated Financial Information"),
- (ii) obtained and reviewed (a) documents pertaining to the financial indebtedness of the Company, including, *inter alia*, sanction letters issued by the banks/financial institutions, loan agreements, deeds of hypothecation, bank statements, and balance confirmations on outstanding loan amount received from relevant lenders, (b) balance confirmations received from the banks and financial institutions; and (c) other relevant records, representations, and documents produced before us.

On the basis of such verification and according to the information and explanations given to us, we confirm the following:

The summary of the borrowings sanctioned to the Company, and outstanding, as at September 30, 2024 is stated in **Annexure A**.

The principal terms of the loans and assets charged as security by the Company are stated in **Annexure B**.

The Company has not provided any guarantees for the repayment of any loans availed by other entities.

Further, we confirm that the Company has not defaulted, at any point of time, in the repayment of any installment or interest due on any of the loans outstanding as on the date or rescheduled any of these loans.

We also confirm that, as of the date of this certificate, none of the banks or institutions from whom the Company has availed of debt facilities, have accelerated payment of the facility in full or in part on account of default in the repayment in any installment or interest due or for violation of any other terms of any of the outstanding loans/debt facilities granted to the Company.

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, so far it relates to Expert issuing certificates on information included in the 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.

This certificate is for the information of the Book Running Lead Manager to the public issue and may be relied upon by the Company, the Book Running Lead Manager, and the legal advisors appointed by the Company and the Book Running Lead Manager in relation to the Issue. We hereby consent to the submission of this certificate as may be necessary to the 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 Book Running Lead Manager in accordance with applicable law. We hereby consent to this certificate being disclosed by the Book Running 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 defence 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 Book Running 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 Book Running Lead Manager and the legal advisors, each to the Company and the Book Running 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 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  
(Proprietor)

Membership No.: 044844  
UDIN: 25044844BMLMIO9875  
Place: Mumbai  
Date: 14/01/2025



Encl: As above

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

**ANNEXURE A**

**Secured Loans:-**

| <b>Category of borrowing</b>  | <b>Name of Lender</b> | <b>Sanctioned Amount as on March 31, 2024 (Rs. in lakhs)</b> | <b>Sanction date</b> | <b>Outstanding amount (Rs.in lakhs) as on 30.09.2024</b> | <b>Rate of Interest</b>   |
|---|-----------------------|--|----------------------|--|---|
| Vehicle Loan  | HDFC Bank             | 22.00  | Sept 29, 2021        | 0.68   | 7.95%   |
| Combined Credit Facilities (including CC, Working Capital Loan, PCFC, LCBD, Buyer's Credit, Guarantee/Bonds facilities) | HSBC Bank*            | 1,300.00   | August 13, 2024*     | 187.53   | Mutually Agreed rate as per sanction letter between the lender and borrower |
| <b>Total</b>  |                       | <b>1,322.00</b>  |                      | <b>188.21</b>  |   |

\* Rate will be fixed with reference to the prevalent bank's benchmark rate of appropriate tenor as per the sanction letter of HDFC Bank and HSBC Bank.

**Unsecured Loans:-**

| <b>Category of borrowing</b>        | <b>Name of Lender</b>                               | <b>Outstanding amount (Rs.in lakhs) as on 30.09.2024</b> |
|-------------------------------------|---|--|
| Credit Card                         | HSBC Bank   | 1.19   |
| Unsecured Loan from related parties | Bipin Sanghvi,<br>Hardik Sanghvi,<br>Swagat Sanghvi | 13.07  |
| <b>Total</b>                        |   | <b>14.26</b>   |



**ANNEXURE B**

| <b>Sr No.</b> | <b>Type of Security</b>       | <b>Details (Security &amp; Other Conditions)</b>  | <b>Facilities Covered</b>  |
|---------------|-------------------------------|---|----------------------------|
| 1             | <b>Primary</b>                | <ul style="list-style-type: none"><li>• The loan is primarily secured by way of hypothecation of Jeeps Car which is repayable in 36 equal monthly installments of Rs. 68,889/- @ interest rate of 7.95% p.a. payable at monthly rests.</li></ul>  | Term Loan (Vehicle Loan)   |
| 2             | <b>Primary and Collateral</b> | <ul style="list-style-type: none"><li>• Working Capital Facilities are secured by way of exclusive charge on Industrial property located at Plot No. 6, Survey No.91/Paiki-4 of Village Zaroli, Bhilad Road, Valsad, Gujarat - 396105.</li><li>• Also, the said facilities are secured by way of a second charge on the current and movable fixed assets of the company.</li><li>• Further, the said facilities are secured by way of a Personal Guarantee from the directors Bipin Sanghvi, Hardik Sanghvi, and Swagat Sanghvi, and for Rs 13,00,00,000/-</li><li>• 10% Deposits under Lien</li><li>• All other facility details, terms &amp; conditions, documents, security and covenants, declarations and undertakings (except as amended/modified) shall remain the same and in full force and effect at all times.</li></ul> | Combined Credit Facilities |