



CERTIFICATE ON OUTSTANDING DUES TO CREDITORS AND MSME'S AND OVERDUES TO MATERIAL CREDITORS

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 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 stated below with respect to amount outstanding to creditors of the Company as on September 30, 2024.

We 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 September 30, 2024, and Financial Year ended on March 31, 2024, 2023 and 2022,, the Restated Statements of Profit and Loss, and the Restated Cash Flow Statement for the half year ended on September 30, 2024 and Financial Year ended on March 31,2024, 2023 and 2022 the Summary Statement of Significant Accounting Policies and other explanatory information (collectively, the "**Restated Financial Information**"), 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 ("**ICDRRegulations**") and the reports issued thereon.
- (ii) Obtained and reviewed the schedule of creditors along with outstanding balances due to creditors of the Company, prepared by management of the Company, as on March 31,2024 and compared the amount outstanding as per such schedule with the Restated Financial Information, along with ledger accounts of creditors, minutes of the meetings of the Board of Directors of the Company, minutes of annual general meetings and extraordinary general meetingsof the Company, minutes of the meetings of various committees of the Board of Directors, and other documents that we have deemed necessary in this regard.
- (iii) Minutes of the meeting of the Board of Directors of the Company dated March 06, 2024 for approval of the materiality threshold for the identification of material creditors ("**Materiality Policy**")

Based on such review, we hereby certify and confirm that, except as disclosed below, as on September 30, 2024, there are no outstanding dues by the Company, to micro, small and medium enterprises, and other creditors:

(Rs. in Lakhs)

S.No.	Type of creditor	No. of cases	Amount outstanding (in Rs.)
1.	Dues to micro, small and medium enterprises	33	188.48
2.	Dues to material creditors – MSME	1	33.01
3.	Dues to material creditors – Others	1	106.20
4.	Dues to other creditors	50	130.14
	Total	85	457.83

Further, the Board of Directors of the Company have, pursuant to the resolution dated 06 March 2024, approved that a creditor of the Company, shall be considered to be material (“**Material Creditor**”), for disclosures in the, red herring prospectus (“**RHP**”) and the prospectus (“**Prospectus**”) in relation to the Issue (collectively, the “**Offer Documents**”), if amounts due to such creditor exceed 5% of the outstanding Trade Payables for the latest period included in the Restated Financial Information (“**Materiality Policy**”). A copy of the Materiality Policy is enclosed herewith as **Annexure A**.

The trade payables of the Company as on September 30, 2024, as per the Restated Financial Information, amounted to Rs. 457.83 lakhs. Accordingly, a creditor has been considered to be a Material Creditor, if the amounts due to such creditor as on September 30, 2024 exceeded Rs. 22.89 Lakhs.

Based on the Materiality Policy, we certify that the following details in relation to Material Creditors of the Company as of September 30, 2024 and nothing has come to our attention which has caused us to believe that the below-mentioned information is not true, complete, accurate, and not misleading:

(Rs. in Lakhs)

S. No.	Name of material creditor	Amount (Rs.)
1.	Strongwire Industries	33.01
3.	Ahmedabad Strips Pvt Ltd	106.20
	Total	139.21

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 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.

ANNEXURE A

Policy on Materiality:

For identification of material creditors, such creditors of the Company, shall be considered to be material for the purpose of disclosure in the Offer Documents and on the website of the Company, if amount dues to any one of them exceeds 5% of the outstanding trade payables as per the latest restated standalone financials statement of the Company

Disclosures in Offer Documents regarding material creditors and SMEs

- 1) For creditors identified as material based on the abovementioned Policy, following disclosure would be made in the Offer Documents:
 - a) consolidated amount due to such material creditors; and
 - b) aggregate number of such creditors.

- 2) For outstanding dues to any party which is a Small-Scale Undertaking ("SSI") or a Micro Small and Medium Enterprises ("MSME"), the disclosure will be based on information available with the Company regarding status of the suppliers as defined under Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006, as has been relied upon by the auditors. Consolidated information for such identified SSI/MSMEs and creditors shall be provided in the Offer Documents in the following manner:
 - a) consolidated amounts due to such entities; and
 - b) aggregate number of entities.

The Company shall make relevant disclosures before the Audit Committee/ Board as required by the applicable law from time to time.

It is clarified that the above policy on materiality of creditors shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and / or such other applicable regulatory authority with respect to listed companies and the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents and the website of the Company and should not be applied towards any other purpose.

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.

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

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.

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
For J. H. Gandhi & Co,

Chartered Accountants

FRN: 0116513W


Sd/-



Jasmit H. Gandhi
(Proprietor)

Membership No.: 044844

UDIN: 25044844BMLMIN5229

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