



**CERTIFICATE ON BASIS OF OFFER PRICE**

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

Dear Sirs,

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

We, J.H. Gandhi & Co., Chartered Accountants, Expert of the Company, have received a request from the Company to provide certain calculations of the basis for the Issue price of the Equity Shares in the issue.

In this regard, we have reviewed the Restated Financial Information of the Company, comprising of the Restated Statement of Assets and Liabilities as on September 30, 2024 and as at March 31, 2024 March 31, 2023 and March 31, 2022 the Restated Statements of Profit and Loss, and the Restated Cash Flow Statement for the half yearly ended as on September 30, 2024 and year ended March 31, 2024 and for the financial year ended March 31, 2023 and for the financial year ended March 31, 2022, the Summary Statement of Significant Accounting Policies and other explanatory information (collectively, the "Restated Financial Information"), prepared in accordance with the Companies Act, 2013, as amended (the "Companies Act") and Accounting Standards as prescribed by the Institute of Chartered Accountants of India ("ICAI") 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.

Accordingly, we certify that the following information is true, correct, and complete as per audited financial statements:

**1. Basic and Diluted Earnings per Equity Share ("EPS")**

Year ended	Basic and Diluted EPS	Weights
March 31, 2022	2.28	1
March 31, 2023	10.29	2
March 31, 2024	12.82	3
<b>Weightage Average EPS</b>		<b>10.22</b>
As at September 30, 2024*		3.41

\*Not Annualised

Pursuant to a resolution of the Shareholders passed at the LGM held on January 29, 2024, the Company had issued bonus shares in the ratio of 411 (four hundred and eleven) Equity Shares for every 100 (hundred) existing Equity Shares held. Accordingly, the earnings per Equity Share have been adjusted for the aforementioned bonus issue.

**Note:**

- The face value of each Equity Share is ₹ 10.
- Basic Earnings per share = Profit for the period / Weighted average number of equity shares outstanding during the period/year.
- Diluted Earnings per share = Profit for the period / Weighted average number of potential equity shares outstanding during the period/year.
- Weighted average is the aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. ((EPS x Weight) for each year) / (Total of weights)

- v. Weighted average number of Equity Shares is the number of Equity Shares outstanding at the beginning of the period/ year adjusted by the number of Equity Shares issued during the period/ year multiplied by the time weighing factor. The time weighting factor is the number of days for which the specific shares are outstanding as a proportion of the total number of days during the period/ year
- vi. The figures disclosed above are based on the Restated Financial Statement of the Company.
- vii. Earnings per Equity Share (Basic and Diluted) = Restated profit for the period/year attributable to the equity holders of the Company/Weighted average number of equity shares outstanding during the period/year. The weighted average number of Equity Shares outstanding during the year is adjusted for bonus issues.

**Note:** EPS has been calculated in accordance with Accounting Standard 20 – “Earnings per share”.

**2. Price Earning Ratio (P/E) in relation to Price Band of ₹ [●] to ₹ [●][●] per Equity Share of Face Value of ₹ 10/- each fully paid-up:**

Particulars	P/E at the Floor Price (number of times)	P/E at the Cap Price (number of times)
Based on basic EPS for Fiscal 2024	[●]	[●]
Based on diluted EPS for Fiscal 2024	[●]	[●]

*Note: The price/earnings (P/E) ratio is computed by dividing the price per share by earnings per share.*

**Industry Peer Group P/E Ratio**

Particulars	P/E
Highest	46.94
Lowest	21.08
Average	31.41

The highest and lowest industry P/E has been considered from the industry peer set provided later in this chapter. The industry average has been calculated as the arithmetic average P/E of the industry peer set disclosed in this chapter. CMP of the peer group is as per the closing price as on February 06, 2025 as available on [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com).

**3. Return on Net Worth (“RONW”):**

**As per the Restated Financial Information:**

Year Ended	RONW (%)	Weight
March 31, 2022	10.21%	1
March 31, 2023	31.53%	2
March 31, 2024	28.21%	3
As at September 30, 2024*	6.99%	
<b>Weighted Average</b>	<b>26.32</b>	

\*Not Annualised

Note:

The figures disclosed above are based on the Restated Financial Statement of the Company. Return on Net worth has been calculated as per the following formula:

- 1) Return on Net Worth (%) = Net Profit after tax attributable to owners of the Company, as restated / Net worth as restated as at year end.
- 2) Weighted average = Aggregate of year-wise weighted RoNW divided by the aggregate of weights i.e. (RoNW x Weight) for each year/Total of weights.
- 3) Net worth is aggregate value of the paid-up share capital of the Company and other equity, excluding revaluation reserves if any, as per Restated Financial Statements.

#### 4. Net Asset Value per Equity Share:

Particulars	₹ per share
Net Asset Value per Equity Share as of March 31, 2022	22.34
Net Asset Value per Equity Share as of March 31, 2023	32.63
Net Asset Value per Equity Share as of March 31, 2024	45.45
Net Asset Value per Equity Share as of September 30, 2024	48.87
After the Offer <sup>(ii)</sup>	
- At Floor Price	[●]
- At Cap Price	[●]
Offer Price per equity share	[●]

Note: Net Asset Value has been calculated as per the following formula:

i. NAV = Net worth excluding revaluation reserve

ii. The figures disclosed above are based on the Restated Financial Statement of the Company

iii. Net Asset Value per Equity Share = Net worth as per the Restated Financial Statements / Weighted average number of Equity Shares. The weighted average number of Equity Shares outstanding during the year is adjusted for bonus issue

#### 5. Comparison of KPIs with Listed Industry Peers

The following table provides a comparison of the KPIs of the Company with our peer group. The peer group has been determined on the basis of companies listed on Stock Exchanges, whose business profile is comparable to our businesses in terms of our size and our business model

(₹ in Lakhs)



Parameters	Ador Welding Limited				Gee Limited				Rasi Electrodes Limited				ESAB India Limited			
	For the period ended Sept emb er 30, 202 4	Fis cal 202 4	Fis cal 202 3	Fis cal 202 2	For the period ended Sept emb er 30, 202 4	Fis cal 202 4	Fis cal 202 3	Fis cal 202 2	For the period ended Sept emb er 30, 202 4	Fis cal 20 24	Fis cal 20 23	Fis cal 20 22	For the period ended Sept emb er 30, 202 4	Fisc al 202 4	Fisc al 202 3	Fisc al 202 2
Revenue from operations <sup>(1)</sup>	54,889.00	88,838.00	77,676.00	66,148.00	16,520.15	36,914.30	39,566.18	32,340.69	4,188.37	8,382.74	8,752.50	6,838.08	66,826.00	1,24,332.00	1,09,080.00	89,630.00
Growth in Revenue from Operations <sup>(2)</sup>	24.21%	13.78%	17.43%	NA	-10.49%	-6.70%	22.34%	NA	-0.07%	-4.22%	28.00%	NA	7.50%	13.98%	21.70%	NA
EBI TDA <sup>(3)</sup>	3,620.00	10,299.00	9,308.00	6,385.00	607.94	3,024.47	2,469.02	2,949.71	246.29	512.69	530.82	392.15	11,867.00	23,417.00	19,448.00	12,518.00
EBI TDA Margin % <sup>(4)</sup>	6.60%	11.65%	11.98%	9.65%	3.68%	8.19%	6.24%	9.12%	5.88%	6.12%	6.06%	5.73%	17.76%	18.83%	17.83%	13.97%
PAT #	2,655.00	6,319.00	5,929.00	4,516.00	454.92	1,285.57	850.94	1,507.49	189.64	320.39	300.60	204.69	8,761.00	16,298.00	13,568.00	8,431.00
PAT Margin % <sup>(5) #</sup>	4.84%	7.15%	7.63%	6.83%	2.75%	3.48%	2.15%	4.66%	4.53%	3.82%	3.43%	2.99%	13.11%	13.11%	12.44%	9.41%
Net Worth <sup>(6)</sup>	47,348.00	36,238.00	32,351.00	28,209.00	20,805.86	20,428.83	19,300.18	18,586.59	3,449.25	3,258.97	2,942.39	2,643.42	34,749.00	30,606.00	26,027.00	24,422.00
Capital Employed <sup>(7)</sup>	48,532.00	39,982.00	33,426.00	27,939.00	20,837.49	28,814.72	28,247.33	26,568.89	3,468.36	3,371.66	3,261.96	3,598.68	34,645.00	30,225.00	25,659.00	24,199.00
RoE % <sup>(8) #</sup>	11.21%	17.44%	18.33%	16.01%	4.37%	6.29%	4.41%	8.11%	11.00%	9.83%	10.22%	7.74%	50.42%	53.25%	52.13%	34.52%
RoC E <sup>(9)</sup>	15.99%	22.40%	24.61%	18.95%	5.84%	9.10%	7.25%	9.54%	11.32%	12.88%	14.18%	9.02%	68.63%	72.91%	71.16%	47.05%

#Here for the purpose of Calculating ratios profit or loss before exceptional and extraordinary items are considered.

#Here for the purpose of Calculating ratios, profits without considering comprehensive income have been considered.

#.In the peer group comparison consolidated[SS1] Financials are considered in case of Ador Welding limited and standalone financials considered in case of Gee limited, EASB India Limited and Rasi Electrodes Limited..

Source: The financial information for listed industry peers mentioned above is sourced from the audited financial statements of the relevant companies for the Financial Year ended March 31, 2024, March 31, 2023 and March 31, 2022, as available on the websites of the Stock Exchanges. The comparison is not a recommendation to invest/ disinvest in any entity, including our Company, and should not be construed as investment advice within the meaning of any law or regulation, or used as a basis for any investment decision.

- (1) Revenue from Operations means the Revenue from Operations as appearing in the Restated Financial Statements.
- (2) Growth in Revenue from Operations (%) is calculated as Revenue from Operations of the relevant period minus Revenue from Operations of the preceding period, divided by Revenue from Operations of the preceding period.
- (3) EBITDA is calculated as Profit before tax + Depreciation & amortisation + Finance Cost - Other Income.
- (4) EBITDA Margin (%) is calculated as EBITDA divided by Revenue from Operations.
- (5) PAT Margin (%) is calculated as PAT for the period/year divided by revenue from operations.
- (6) Net worth is the aggregate value of the paid-up equity share capital of the Company and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, excluding revaluation reserves if any, as per Restated Financial Information.
- (7) Capital Employed is calculated as total equity plus total borrowings and deferred tax liabilities minus intangible assets.
- (8) Return on Equity (%) refers to restated profit for the year/period attributable to equity shareholders of our Company divided by Net worth attributable to the equity shareholders of the company.
- (9) Return on Capital Employed is calculated as earnings before interest and taxes divided by Capital Employed.

-Earnings before interest and tax is calculated as restated profit / (loss) for the period/year plus total tax expense / (credit) plus finance costs

## 6. Comparison of accounting ratios with listed industry peers

Companies	CMP	EPS (Basic in ₹)	EPS (Dilute d in ₹)	PE Ratio	RO N W (%) )	NAV (Per Share )	Face Value
Royal Arc Electrodes Limited	[●]*	12.82	12.82	[●]	28.21 %	45.45	10.00
Peer Group							
ESAB India Limited	4971.4 05	105.90	105.90	46.94	53.25 %	198.87	10.00
Ador Welding Limited	979.35	46.46	46.46	21.08	17.44 %	266.49	10.00
Gee Limited	144.40	4.95	4.95	29.17	6.29%	78.61	2.00
Rasi Electrodes Limited	29.00	1.02	1.02	28.43	9.83%	10.47	2.00

\*Offer Price of our Company is considered as CMP

Source: All the financial information for listed industry peers mentioned above is on a standalone basis and is sourced from the filings



- made with stock exchanges, available on [www.bseindia.com](http://www.bseindia.com) for the Financial Year ending March 31, 2024. Notes:
- (i) Considering the nature and size of the business of our Company the peers are not strictly comparable. However, above company is included for broad comparison.
  - (ii) The figures for Royal Arc Electrodes Limited are based on the restated financial statements for the year ended March 31, 2024.
  - (iii) The figures for the peer group are for the year ended March 31, 2024 and are based on their respective financial statements filed with BSE Ltd.
  - (iv) NAV is computed as the closing net worth divided by the closing outstanding number of equity shares. Net worth has been computed as the aggregate of share capital and reserves and surplus (excluding Revaluation Reserves) and as attributable to the owners of the Company.
  - (v) P/E Ratio for the peer has been computed based on the closing market price of respective equity shares as on February 06, 2025 sourced from website of Stock Exchanges as divided by the Basic/diluted EPS as applicable.
  - (vi) RoNW is computed as net profit after tax (excluding comprehensive Income), as attributable to the owners of the Company divided by closing net worth. Net worth has been computed as the aggregate of share capital and reserves and surplus (excluding Revaluation Reserves) and as attributable to the owners of the Company.

## 7. Weighted average cost of acquisition

- (a) The price per share of the Company (as adjusted for corporate actions, including split, and bonus issuances) based on the primary/ new issue of Equity Shares or convertible securities (excluding Equity Shares issued under the ESOP Scheme) during the 18 months preceding the date of this Red Herring Prospectus, where such issuance is equal to or more than 5% of the fully diluted paid up share capital of the Company in a single transaction or multiple transactions combined together over a span of rolling 30 days.

Except for the bonus issue of Equity Shares, there has been no issuance of Equity Shares or convertible securities, during the 18 months preceding the date of this Draft Red Herring Prospectus, where such issuance is equal to or more than 5% of the fully diluted paid-up share capital of the Company (calculated based on the pre-Offer capital before such transaction(s) and excluding ESOPs granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days.

- (b) The price per share of the Company (as adjusted for corporate actions, including split, and bonus issuances) based on the secondary sale/acquisition of Equity Shares or convertible securities involving Promoter, and Promoter Group, during the 18 months preceding the date of filing of this Red Herring Prospectus, where the acquisition or sale is equal to or more than 5% of the fully diluted paid-up share capital of our Company, in a single transaction or multiple transactions combined together over a span of rolling 30 days.

The Company has not entered into any agreement for transfer/acquisition of Equity Shares which is equal to or more than 5% of the fully diluted paid-up share capital of the Company during the 18 months preceding the date of filing of this Draft Red Herring Prospectus.

For the purpose of disclosure under Part (a) and (b) above, 'primary transaction' refers to a primary issue of Equity Shares or securities convertible into Equity Shares, excluding shares issued under a bonus issuance and sub-division of shares and 'secondary transactions' refer to any secondary sale or acquisition of Equity Securities (excluding gifts)

- (c) Since there are no eligible transactions of the Company reported in (a) and (b) above in accordance with paragraph (9)(K)(4)(a) of the SEBI ICDR Regulations, the price per Equity Share of the Company based on the last five primary or secondary transactions in Equity Shares (secondary transactions where the Promoter/ Promoter Group entities or Shareholders having the right to nominate director on the Board are a party to the transaction) not older than 3 years prior to the date of filing of this Red Herring Prospectus has been computed as under:

Date of Transfer	Name of Transferor	Name of Transferee	No. Equity Shares Allotted / Transferred	Face value per Equity Share (₹)	Price per Equity Specified Security (₹)	Nature of transaction*	Nature of consideration	Total consideration (in ₹) (B)*
<b>Primary Issuances</b>								
February 01, 2024		Allotment of 7,18,017 Equity Shares to Bipin Sanghvi; 21,57,750 Equity Shares to Hardik Sanghvi; 14,18,361 Equity Shares to Tarulata Sanghvi; 411 Equity Shares to Rashmikant Kamdar, 411 Equity Shares to Samir Sanghvi; 21,57,750 Equity Shares to Swagat Sanghvi; 5,13,750 Equity Shares to Ami Sanghvi; 5,13,750 Equity Shares to Pooja Sanghvi	74,80,200	10	Nil	Bonus Issue in the ratio of 4:1 Equity Shares for every 100 Equity Shares held.	NA	NA
<b>Weighted Average Cost of Acquisition (primary transactions)</b>								Nil

(d) Weighted average cost of acquisition, floor price, and cap price

Based on the transaction described in (a), (b), and (c) above, the weighted average cost of acquisition, as compared with the Floor Price and Cap Price is set forth below:

Date of transfer	Weighted average cost of acquisition (₹ per Equity Share)	Floor price (i.e. ₹ [•]) <sup>(1)</sup>	Cap price (i.e. ₹ [•]) <sup>(1)</sup>
Weighted average cost of acquisition of primary/new issue as per paragraph 8(a) above.	Not Applicable	Not Applicable	Not Applicable
Weighted average cost of acquisition for secondary sale/acquisition as per paragraph 8(b) above.	Not Applicable	Not Applicable	Not Applicable
Weighted average cost of acquisition of primary issuances as per paragraph 8 (c) above	Nil <sup>^</sup>	Not Applicable	Not Applicable
Weighted average cost of acquisition of secondary transactions as per paragraph 8 (c) above	Not Applicable	Not Applicable	Not Applicable



Note:

<sup>A</sup>There were no primary/new issues of shares (equity/convertible securities) other than Equity Shares issued pursuant to a bonus issue on February 01, 2024 in the last three years prior to the date of this Draft Red Herring Prospectus.

(1) This will be included upon finalization of the Price Band.

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 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,<sup>4</sup> 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 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 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.

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 ascribed to them in the Offer Documents.

Yours faithfully,  
For J. H. Gandhi & Co,  
Chartered Accountants

  
FRN: 0116513W



Jasmit H. Gandhi  
(Proprietor)

M. No. 044844

UDIN: 25044844BMLMKF3467

Date: 08/02/2025

Place: Mumbai.

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