

RESTATED FINANCIAL
STATEMENTS OF
ROYAL ARC
ELECTRODES LIMITED
FOR THE PERIOD
ENDED 30 TH
SEPTEMBER 2024

-

FOR PROSPECTUS
FILING(18/02/2025)



SECTION VI

RESTATED FINANCIAL INFORMATION OF THE COMPANY

INDEPENDENT AUDITOR'S REPORT ON RESTATED FINANCIAL STATEMENTS

To

The Board of Directors

Royal Arc Electrodes Limited

72B, Bombay Talkies Compound,

S V Road, Malad(W), Mumbai,

Maharashtra-400064

Dear Sirs,

1. We have examined the attached restated financial statements of **Royal Arc Electrodes Limited** (hereinafter referred to as "**the Company**") comprising the Restated Statements of Assets and Liabilities as at March 31, 2022, March 31, 2023, March 31, 2024 and for half year ended September 30, 2024, the Restated Statements of Profit and Loss, the Restated Cash Flow Statement for the period ended March 31, 2022, March 31, 2023, March 31, 2024 and for half year ended September 30, 2024 the Summary Statement of Significant Accounting Policies, the Notes and Annexures as forming part of these Restated Financial Statements (collectively, the "Restated Financial Information"), as approved by the Board of Directors of the Company at their meeting held on February 18, 2025, for the purpose of inclusion in the Red Herring Prospectus and Prospectus ("**Offer Document**") prepared by the Company in connection with its proposed SME Initial Public Offer.

Offer of equity shares ("SME IPO") prepared in terms of the requirements of:

- (i) sub-clauses (i) and (iii) of clause (b) of sub-section (1) of section 26 of the Companies Act, 2013 ("the Act") read with Companies (Prospectus and Allotment of Securities) Rules 2014;
- (ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended ("**ICDR Regulations**") and related amendments/clarifications from time to time issued by the Securities and Exchange Board of India ("**SEBI**")
- (iii) The Guidance Note on Reports in Company Prospectus (Revised 2019) issued by the Institute of Chartered Accountants of India ("**ICAI**"), as amended from time to time (the "Guidance Note")

2. The Company's Board of Directors are responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the Offer Documents to be filed with Securities and Exchange Board of India, relevant stock exchange and Registrar of Companies, Mumbai in connection with the proposed SME IPO. The Restated Financial Information has been prepared by the management of the Company on the basis of preparation stated in *Annexure IV* of the Restated Financial Information. The Board of Directors responsibility includes designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors is also responsible for identifying and ensuring that the Company complies with the Companies Act, (ICDR) Regulations and the Guidance Note.
3. We have examined such restated financial statements/information taking into consideration:
 - (i) The Guidance Note on Reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India ("**Guidance Note**"). The Guidance Note also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
 - (ii) Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and
 - (iii) The requirements of Section 26 of the Act and the ICDR Regulations. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the IPO.
4. These Restated Financial Statement have been compiled by the management of the company from the Audited Standalone Financial Statement of the company for half year ended September 30, 2024 and Audited Financial Statements of the company as at and for the year ended March 31, 2024, year ended 31st March, 2023 and 31st March, 2022 which have approved by the Board of Directors.
 - (i) We have audited the special purpose standalone financial statements of the company as at and for the half year ended September 30, 2024 prepared by the company in accordance with Indian Accounting Standard (Indian GAAP) for the limited purpose of complying with the requirement of Restated Audited Financial statements in the offer documents should not be more than six months old from the issue opening date as required by ICDR Regulations in relation of proposed IPO.
 - (ii) Audited financial statements of the Company as at and for the years ended March 31, 2024, March 31, 2023 and March 31, 2022 prepared in accordance with the Indian Accounting Standards (Indian GAAP).
5. For the purpose of our examination, we have relied on:
 - (i) Auditors Report issued by previous auditor dated on July 03,2024 & Sept 04,2023 and Sept 03,2022 on the standalone financial statements of the company as at years ended March 31, 2024, March 31, 2023 and March 31, 2022. The audits for the financial years ended March 31, 2024, March 31, 2023 and March 31, 2022 were

conducted by the previous auditors Bagadiya & Jain, Chartered Accountants, and accordingly reliance has been placed on the standalone statement of assets and liabilities and the standalone statements of profit and loss and cash flow statements and other explanatory information and examined by them for the said years.

6. In accordance with the requirements of the Act including the rules made there under, ICDR Regulations, Guidance Note and Engagement Letter, we report that:
- (i) The “**restated statement of asset and liabilities**” of the Company as at September 30, 2024, March 31, 2024, March 31, 2023, and March 31, 2022 examined by us, as set out in **Annexure I** to this report read with significant accounting policies in **Annexure IV** has been arrived at after making such adjustments and regroupings to the audited financial statements of the Company, as in our opinion were appropriate and more fully described in notes to the restated summary statements to this report.
 - (ii) The “**restated statement of profit and loss**” of the Company for the half year ended on September 30, 2024 and for the financial year ended March 31, 2024, March 31, 2023 and March 31, 2022 examined by us, as set out in **Annexure II** to this report read with significant accounting policies in **Annexure IV** has been arrived at after making such adjustments and regroupings to the audited financial statements of the Company, as in our opinion were appropriate and more fully described in notes to the restated summary statements to this report.
 - (iii) The “**restated statement of cash flows**” of the Company for the half year ended on September 30, 2024 and for the financial year ended March 31, 2024, March 31, 2023 and March 31, 2022 examined by us, as set out in **Annexure III** to this report read with significant accounting policies in **Annexure IV** has been arrived at after making such adjustments and regroupings to the audited financial statements of the Company, as in our opinion were appropriate and more fully described in notes to restated summary statements to this report.
7. Based on our examination, we are of the opinion that the restated financial statements have been prepared:
- a) after incorporating adjustments for the changes in accounting policies and regrouping/reclassifications retrospectively, if any in the financial year ended March 31, 2024, March 31, 2023 and March 31, 2022 to reflect the same accounting treatment as per the accounting policies and grouping/classifications; and
 - b) In accordance with the Act, ICDR Regulations and the Guidance Note.

Annexure V - Notes to the Restated Financial Information:

- I. Share capital as restated as appearing in Note A to this report;
- II. Reserves and surplus as restated as appearing in Note B to this report;
- III. Long-term borrowings as restated as appearing in Note C to this report;
- IV. Deferred tax asset/liability as restated as per Note D to this report;
- V. Other Long-Term Liabilities as restated as per Note E to this report;

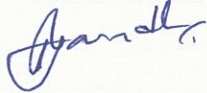
- VI. Long-term provisions as restated as appearing in Note F to this report;
 - VII. Short-term borrowings as restated as appearing in Note G to this report;
 - VIII. Trade payables as restated as appearing in Note H to this report;
 - IX. Other current liabilities as restated as appearing in Note I to this report;
 - X. Short-term provisions as restated as appearing in Note J to this report;
 - XI. Property, Plant & Equipment as restated as appearing in Note K to this report;
 - XII. Non-current assets as restated as appearing in Note L to this report;
 - XIII. Other Non-current assets as restated as appearing in Note M to this report;
 - XIV. Inventories as restated as appearing in Note N to this report;
 - XV. Trade receivables as restated as appearing in Note O to this report;
 - XVI. Cash & cash equivalents as restated as appearing in Note P to this report;
 - XVII. Short-term loans & advances as restated as appearing in Note Q to this report;
 - XXVIII. Other current assets as restated as appearing in Note R to this report;
 - XIX. Revenue from operations as restated as appearing in Note S to this report;
 - XX. Other income as restated as appearing in Note T to this report;
 - XXI. Raw material Consumed as restated as appearing in U to this report;
 - XXII. Change in inventories of finished goods as restated as appearing in Note V to this report;
 - XXIII. Employees benefit expenses as restated as appearing in Note W to this report;
 - XXIV. Finance cost as restated as appearing in Note X to this report;
 - XXV. Depreciation and Amortization as restated as appearing in Note Y to this report;
 - XXVI. Other expenses as restated as appearing in Note Z to this report;
 - XXVII. Contingent liabilities as restated as appearing in Note AD to this report;
 - XXVIII. Information in respect of CSR expenditure required to be spent by the company in Note BJ to this report;
 - XXIX. Related party transactions as restated as appearing in Note AI to this report;
 - XXX. Capitalization statement as at 31st March, 2024 as restated as appearing in Note BK to this report;
 - XXXI. Statement of accounting ratios & additional Information as restated as appearing in Note AZ to this report;
8. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the audited financial statements mentioned above.
 9. The report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by any other firm of chartered accountants nor should this report be construed as a new opinion on any of the financial statements referred to therein.
 10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
 11. We, J H Gandhi & Co have been subjected to the peer review process of the Institute of Chartered Accountants of India ("ICAI") and hold a valid peer review certificate issued by the "Peer Review Board" of the ICAI.
 12. In our opinion, the above financial information contained in Annexure I to VII of this report read with the respective significant accounting policies and notes to restated summary statements as set out in Annexure IV are prepared after making adjustments and regrouping

as considered appropriate and have been prepared in accordance with the Act, ICDR Regulations, Engagement Letter and Guidance Note.

13. Our report is intended solely for use of the Board of Directors for inclusion in the Offer Document in connection with the SME IPO. Our report should not be used, referred to or adjusted for any other purpose except with our consent in writing.

Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For J. H Gandhi & Co
Chartered Accountants
FRN: 0116513W



Jasmit H. Gandhi
Membership No: 044844
UDIN: 25044844BMLMKO2226



Place: Mumbai
Date: 18/02/2025

Royal Arc Electrodes Limited
CIN: U31100MH1996PLC096296
Annexure I - Restated Statement of Assets and Liabilities
(Amounts in INR Lakh, unless otherwise stated)

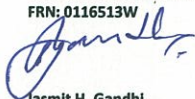
Particulars	Schedule	As at 30 Sept 2024	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022
I. EQUITY AND LIABILITIES					
(1) Shareholders' funds					
(a) Share Capital	A	930.02	930.02	182.00	182.00
(b) Reserves and Surplus	B	6,340.90	3,297.16	2,852.56	1,895.74
Total		7,270.92	4,227.18	3,034.56	2,077.74
(2) Non-current liabilities					
(a) Long-term Borrowings	C	-	-	43.03	152.07
(b) Deferred Tax Liabilities	D	68.71	75.96	73.26	94.71
(c) Other Long-term Liabilities	E	25.65	26.65	83.94	98.83
(d) Long-term Provisions	F	52.12	44.45	36.92	29.58
Total		146.48	147.06	237.15	375.19
(3) Current liabilities					
(a) Short-term Borrowings	G	202.47	19.71	98.68	629.18
(b) Trade Payables	H				
- Due to Micro and Small Enterprises		221.51	350.86	258.97	-
- Due to Others		236.32	187.41	519.92	1,022.39
(c) Other Current Liabilities	I	130.79	157.90	110.03	77.20
(d) Short-term Provisions	J	86.48	134.49	126.09	66.14
Total		877.57	850.37	1,113.69	1,794.91
Total Equity and Liabilities		8,294.97	5,224.62	4,385.40	4,247.84
II. ASSETS					
(1) Non-current assets					
(a) Property, Plant and Equipment and Intangible Assets					
(i) Property, Plant and Equipment	K.1	1,857.99	1,625.02	1,392.27	1,452.51
(ii) Intangible Assets	K.2	0.31	0.45	1.13	1.03
(iii) Capital Work-in-progress	K.3	129.76	98.56	2.65	34.91
(b) Non-Current Investments	L	151.96	222.57	135.52	2.03
(c) Other Non-current Assets	M	77.45	71.65	55.29	77.22
Total		2,217.47	2,018.25	1,586.86	1,567.69
(2) Current assets					
(a) Inventories	N	1,030.24	904.22	606.69	1,083.92
(b) Trade Receivables	O	2,059.18	2,067.72	1,643.72	1,308.69
(c) Cash and Cash Equivalents	P	56.01	95.62	301.83	5.12
(d) Short-term Loans and Advances	Q	191.65	122.83	202.20	137.48
(e) Other Current Assets	R	14.18	15.98	44.10	144.94
Total		3,351.26	3,206.37	2,798.54	2,680.15
Total Assets		5,568.73	5,224.62	4,385.40	4,247.84

The above Restated Statement of Assets and Liabilities should be read in conjunction with Notes to the Restated Financial Information appearing in Annexure - V and Statement of Adjustments to Audited Financial Statements appearing in Annexure - VII.

This is the Restated Statement of Assets and Liabilities referred to in our report of even date.

As per our report of even date attached

For, J. H. Gandhi & Co
Chartered Accountants
FRN: 0116513W



Jasmit H. Gandhi
Proprietor
M. No.: 044844
UDIN: 25044844BMLMKO2226

Place: Mumbai
Date: 18/02/2025



For and on behalf of the Board of Directors
Royal Arc Electrodes Limited


Bipin Sanghvi
Managing Director
DIN No.: 00462839


Swagat Sanghvi
Whole-time director
DIN No.: 01695341


Hardik Sanghvi
Chief Financial Officer


Mansi Bagadiya
Company Secretary
M. No.: A56143

Place : Mumbai
Date: 18/02/2025

Royal Arc Electrodes Limited
CIN: U31100MH1996PLC096296
Annexure II - Restated Statement of Profit and Loss
(Amounts in INR Lakh, unless otherwise stated)

Particulars	Schedule	For the period ended 30 Sept 2024	For the year ended 31 March 2024	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue from Operations	S	4,560.47	9,978.75	9,694.02	6,290.97
Other Income	T	45.23	120.50	109.46	191.26
Total Income		4,605.70	10,099.25	9,803.48	6,482.23
Expenses					
Cost of Raw Material Consumed	U	883.11	6,383.68	6,468.15	4,837.61
Change in Inventories of work in progress, finished goods and Stock in Trade	V	(291.51)	209.13	221.59	(140.38)
Employee Benefit Expenses	W	352.04	773.57	691.66	422.80
Finance Costs	X	6.31	9.89	60.84	97.53
Depreciation and Amortization Expenses	Y	135.82	180.85	184.29	177.48
Other Expenses	Z	367.26	916.26	871.61	806.43
Total expenses		1,453.03	8,473.38	8,498.14	6,201.47
Restated profit/(Loss) before Exceptional and Extraordinary Item and Tax		3,152.67	1,625.87	1,305.34	280.76
Exceptional Item					
Restated profit/(Loss) before Extraordinary Item and Tax		3,152.67	1,625.87	1,305.34	280.76
Extraordinary Item					
Restated profit/(Loss) before Tax		3,152.67	1,625.87	1,305.34	280.76
Tax Expenses	AA				
- Current Tax		116.19	425.25	365.12	86.04
- Deferred Tax Expenses/(Income)		(7.25)	2.70	(21.44)	(18.12)
- Short /(Excess) provision for income tax of earlier year		-	5.29	4.84	0.71
Total Tax Expense		108.93	433.24	348.52	68.63
Restated profit/(Loss) after Tax		3,043.73	1,192.63	956.82	212.13
Restated Earnings Per Share (Face Value per Share Rs.10 each)					
-Basic	AB	32.73	12.82	10.29	2.28
-Diluted	AB	32.73	12.82	10.29	2.28

The above Restated Statement of Profit and Loss should be read in conjunction with Notes to the Restated Financial Information appearing in Annexure - V and Statement of Adjustments to Audited Financial Statements appearing in Annexure - VII.

This is the Restated Statement of Profit and Loss referred to in our report of even date.

As per our report of even date attached

For, J. H. Gandhi & Co
Chartered Accountants
FRN: 0116513W



Jasmit H. Gandhi
Proprietor
M. No.: 044844
UDIN: 25044844BMLMKO2226

Place: Mumbai
Date: 18/02/2025



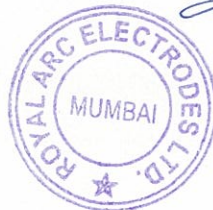
For and on behalf of the Board of Directors
Royal Arc Electrodes Limited



Bipin Sanghvi
Managing Director
DIN No.: 00462839



Swagat Sanghvi
Whole-time director
DIN No.: 01695341





Hardik Sanghvi
Chief Financial Officer



Mansi Bagadiya
Company Secretary
M. No.: A56143

Place : Mumbai
Date: 18/02/2025

Royal Arc Electrodes Limited
CIN: U31100MH1996PLC096296
Annexure III - Restated Statement of Cash Flows
(Amounts in INR Lakh, unless otherwise stated)

Particulars	Schedule	For the period ended 30 Sept 2024	For the year ended 31 March 2024	For the year ended 31 March 2023	For the year ended 31 March 2022
CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit before tax		3,152.67	1,625.87	1,305.34	280.76
Adjustments:					
(1) Non-cash and Non-operating Expenses:					
Depreciation / Amortisation Expenses		135.82	180.85	184.29	177.48
Loss on sale of assets		-	-	25.56	-
Finance Cost		6.31	9.89	60.84	97.53
(2) Non-operating Income:					
Profit on sale of asset		(2.40)	(0.39)	-	(1.15)
Interest Income		(3.13)	(15.61)	(4.21)	(2.63)
Rent Income		(0.54)	(0.18)	-	-
Net Loss/(Gain) on Sale of Investments		(13.41)	-	-	-
Non Cash Expenses		-	-	-	-
Dividend Income (Investment Income)		(0.15)	(0.12)	(0.12)	(0.12)
Operating Profit before working capital changes		3,275.15	1,800.31	1,571.70	551.87
Adjustment for:					
Increase/(Decrease) in Trade Payables		(80.44)	(240.63)	(243.49)	188.29
Increase/(Decrease) in Other Current Liabilities		(27.10)	47.87	32.83	(48.24)
Increase/(Decrease) in Short-Term Provisions		2.13	388.98	298.49	102.84
Increase/(Decrease) in Long-Term Provisions		7.67	7.53	7.34	4.16
(Increase)/Decrease in Inventories		(126.02)	(297.53)	477.23	(210.07)
(Increase)/Decrease in Trade Receivables		8.53	(424.00)	(335.03)	(233.25)
(Increase)/Decrease in Short-term Loans & Advances		(68.82)	(326.19)	(368.98)	(39.53)
(Increase)/Decrease in Other Current Assets		1.79	28.12	100.84	56.30
Other Adjustments - Increase/Decrease in Non Current Assets		(5.80)	(16.36)	21.93	0.22
Operating Gain after working capital changes		2,987.11	968.10	1,562.86	372.59
Cash generated from operating activities before taxes		2,987.11	968.10	1,562.86	372.59
Less: Direct Taxes Paid (Net of Refunds)		166.33	405.56	304.27	132.15
Net Cash provided/(used) by operating activities		2,820.78	562.54	1,258.59	240.43
CASH FLOW FROM INVESTING ACTIVITIES					
(Purchase) / Sale of assets		(399.85)	(508.44)	(117.45)	(113.87)
(Purchase) / Sale of Investments		86.43	(87.05)	(133.49)	-
Interest received		3.13	15.61	4.21	2.63
Dividend income		0.15	0.12	0.12	0.12
Rent received		0.54	0.18	-	-
Net Cash (Used in) Investing Activities		(309.60)	(579.58)	(246.61)	(111.12)



Royal Arc Electrodes Limited
CIN: U31100MH1996PLC096296
Annexure III - Restated Statement of Cash Flows
(Amounts in INR Lakh, unless otherwise stated)

Particulars	Schedule	For the period ended 30 Sept 2024	For the year ended 31 March 2024	For the year ended 31 March 2023	For the year ended 31 March 2022
CASH FLOW FROM FINANCING ACTIVITIES					
Increase/(Repayment) in Long-term borrowing		-	(43.03)	(109.04)	(54.30)
(Increase)/Decrease in Other Long term liabilities		(1.00)	(57.28)	(14.89)	(15.08)
Increase/(Repayment) in Short-term borrowing		182.76	(78.97)	(530.50)	12.36
Finance Cost		(6.31)	(9.89)	(60.84)	(97.53)
Net Cash (Used in) / Generated from Financing Activities		175.44	(189.17)	(715.27)	(154.55)
Net (Decrease) in Cash and Cash Equivalents		2,686.62	(206.21)	296.72	(25.23)
Opening Balance of Cash and Cash Equivalents		95.62	301.83	5.12	30.36
Closing Balance of Cash and Cash Equivalents	18	2,782.25	95.62	301.83	5.12

The above Restated Statement of Cash Flows should be read in conjunction with Notes to the Restated Financial Information appearing in Annexure - V and Statement of Adjustments to Audited Financial Statements appearing in Annexure - VII.

This is the Restated Statement of Cash Flows referred to in our report of even date.

As per our report of even date attached

For, J. H. Gandhi & Co
Chartered Accountants
FRN: 0116513W



Jasmit H. Gandhi
Proprietor
M. No.: 044844
UDIN: 25044844BMLMKO2226

Place: Mumbai
Date: 18/02/2025



For and on behalf of the Board of Directors
Royal Arc Electrodes Limited



Bipin Sanghvi
Managing Director
DIN No.: 00462839



Swagat Sanghvi
Whole-time director
DIN No.: 01695341



Hardik Sanghvi
Chief Financial Officer



Mansi Bagadiya
Company Secretary
M. No.: A56143

Place : Mumbai
Date: 18/02/2025

Royal Arc Electrodes Limited
CIN: U31100MH1996PLC096296
Annexure IV - Significant Accounting Policies
(Amounts in INR Lakh, unless otherwise stated)

A COMPANY INFORMATION

Royal Arc Electrodes Limited ('the Company') is a public company domiciled in India and was incorporated on 15th January, 1996 under the provisions of the Companies Act, 1956. The registered office of the Company is located at 72B, Bombay Talkies Compound, S V Road, Malad (W), Mumbai, Maharashtra - 400064. and the manufacturing facility of the company is located at Plot No.6, Survey No. 91/4 Nr. Sheela Foam Village Zaroli Taluka: Umargaon, Dist. Valsad (Bhilad, Gujarat). The Company is engaged in the business of manufacturing of welding consumables such as, welding electrodes, flux cored wire, MIG/TIG wires.

B SIGNIFICANT ACCOUNTING POLICIES

1 Basis of Preparation

The financial statements have been prepared in conformity with the generally accepted accounting principles to comply in all material respects with the notified Accounting Standards (AS) under Companies Act, 2013 and the relevant provisions of the Companies Act 2013 ("the Act"). The financial statements have been prepared under the historical cost convention, on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2 Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known / materialized.

3 Property, Plant and Equipment and Depreciation

Property, Plant & Equipment are carried at cost of acquisition less accumulated depreciation and its written down value is stated. Cost includes inward freight, duties, taxes and incidental expenses related to the acquisition, construction and installation of the fixed assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Depreciation is provided under straight-line method so as to write-off the cost of the assets over its useful life as prescribed in Schedule II of the Companies Act, 2013.

4 Intangible Assets

Expenditure on regulatory approval for Licenses for Sale of Goods in foreign countries is recognized as an intangible asset and the same is amortized over a period of five years & Expenditure on software development is recognized as an intangible asset and same is amortized over a period of five years.

5 Capital Work-in-progress

Cost and direct expense incurred for construction of assets or assets to be acquired and which are not ready for use are disclosed under "Capital Work-in-progress"

6 Leases

Assets taken on lease by the Company in its capacity as lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such a lease is capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is recognised for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the statement of profit and loss on a straight-line basis.

7 Impairment

a) The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

b) After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

c) A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.



Royal Arc Electrodes Limited
CIN: U31100MH1996PLC096296
Annexure IV - Significant Accounting Policies
(Amounts in INR Lakh, unless otherwise stated)

8 Investments

Long Term Investments are carried at cost. Provision is made for any diminution in value of investments, if the diminution is other than temporary.

9 Employee Benefits

(i) Post-employment benefit plans

Contributions to defined contribution retirement benefit schemes are recognised as expense when employees have rendered services entitling them to such benefits.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the statement of profit and loss for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, or amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

(ii) Other employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an actuarially determined liability at the present value of the defined benefit obligation at the balance sheet date.

10 Revenue recognition

Revenue from sales is recognized as and when the goods are dispatched to the customers and invoice is prepared.

Other income is recognized on accrual basis and when there is reasonable certainty of its collection.

11 Taxation

Current Tax is the amount of tax payable for the year as determined in accordance with the provision of the Income Tax Act, 1961.

Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognised as an asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with it will fructify.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and is likely to reverse in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction for relevant tax paying units and where the Company is able to and intends to settle the asset and liability on a net basis.

The Company offsets deferred tax assets and deferred tax liabilities if it has a legally enforceable right and these relate to taxes on income levied by the same governing taxation laws.

12 Foreign currency transactions

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction. Monetary items in foreign currencies at the balance sheet date are translated at rates as at the balance sheet date. Any income or expense on account of exchange difference either on settlement or on translation is recognized in profit & loss account except in cases where they relate to acquisition of Fixed Assets, in which case they are adjusted to carrying cost of Fixed Assets.



Royal Arc Electrodes Limited
CIN: U31100MH1996PLC096296
Annexure IV - Significant Accounting Policies
(Amounts in INR Lakh, unless otherwise stated)

13 Earnings per share

The basic and diluted earnings per share is computed by dividing the profit/loss after tax available for equity shareholders by the weighted average number of equity shares outstanding during the reporting period.

14 Employee benefits

Employee benefit expenses include salary, wages, performance incentives, compensated absences, medical benefits and other perquisites. It also includes post-employment benefits such as provident fund, superannuation fund, gratuity, pensionary benefits etc.

Post-employment benefits and other long term employee benefits

Short term employee benefit obligations are estimated and provided for in the statement of profit and loss.

- Defined contribution plans

Company's contribution to provident fund, superannuation fund, employee state insurance and other funds are determined under the relevant schemes and/or statute and charged to the statement of profit and loss in the period of incurrence when the services are rendered by the employees.

- Defined benefit plans and compensated absences

Expenditure on compensated absences and termination benefits (including expenditure on gratuity, voluntary retirement scheme, etc.) is recognised in the statement of profit and loss in the period of incurrence.

15 Inventories

Inventories are valued at the lower of cost and net realisable value after providing for cost of obsolescence. The method of determination of cost is as follows:

a. Finished goods - comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods. Trade discounts, rebates and other similar items are deducted in determining the cost.

ICDS II as prescribed under section 145 of the Income Tax Act, 1961 requires 'Purchase cost' to include duties and taxes, freight inwards and other expenditure directly attributable to the acquisition.

Further section 145A of the Income Tax Act, 1961 requires valuation of purchases, sales and inventory be adjusted to include the amount of tax, duty, cess or fees (by whatever name called) actually paid and incurred to bring the goods to the place of its location and conditions as on the date of valuation.

After including taxes, duties, cess etc. to inventory as well as purchases, sales and payments made or expenditure incurred of these taxes, duties, cess, etc. to comply with the provisions of section 145A the overall impact of the adjustments made on the income of the assessee is nil. Accordingly, even the exclusive method followed as per Accounting Standards issued by ICAI for the purpose of valuation of inventory is tax neutral.

16 Provisions, Contingent liabilities and Contingent assets

A provision is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

When there is a possible obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

17 Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amount of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents.

18 Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Where, a qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Substantial period of time primarily depends on the facts and circumstances of each asset. However, ordinarily, a period of twelve months is considered as substantial. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Exchange differences arising from foreign currency borrowings and considered as borrowing costs are those exchange differences which arise on the amount of principal of the foreign currency borrowings to the extent of the difference between interest on local currency borrowings and interest on foreign currency borrowings. Thus, the amount of exchange difference not exceeding the difference between interest on local currency borrowings and interest on foreign currency borrowings is considered as borrowings costs and the remaining exchange difference, if any, is accounted for under AS 11, The Effects of Changes in Foreign Exchange Rates. For this purpose, the interest rate for the local currency borrowings is considered as that rate at which the enterprise would have raised the borrowings locally had the enterprise not decided to raise the foreign

19 Current assets, loans and advances

Current assets, loans and advances are of the value stated if realisable in the ordinary course of business.

20 Loans and borrowings

Secured as well as unsecured loans are stated at full value of liability payable on the date of balance sheet or future date.



Royal Arc Electrodes Limited
CIN: U31100MH1996PLC096296
Annexure IV - Significant Accounting Policies
(Amounts in INR Lakh, unless otherwise stated)

21 Government grants and subsidies

Grants and subsidies from the government are recognized when there is reasonable assurance that (a) the company will comply with the conditions attached to them, and (b) the grant/subsidy will be received.
Where the grant relates to an asset, it is shown as a reduction from the gross value of the asset concerned in arriving at its book value. The grant is thus recognised in the statement of profit and loss over the useful life of the asset by way of reduced depreciation charge.
Where the grant relates to reimbursement of interest on term loan, it is recognised as a reduction from the finance cost of the term loan concerned.

As per our report of even date attached
For, J. H. Gandhi & Co
Chartered Accountants
FRN: 0116513W



Jasmit H. Gandhi
Proprietor
M. No.: 044844
UDIN: 25044844BMLMKO2226

Place: Mumbai
Date: 18/02/2025



For and on behalf of the Board of Directors
Royal Arc Electrodes Limited



Bipin Sanghvi
Managing Director
DIN No.: 00462839



Hardik Sanghvi
Chief Financial Officer

Place : Mumbai
Date: 18/02/2025



Swagat Sanghvi
Whole-time director
DIN No.: 01695341



Mansi Bagadiya
Company Secretary
M. No.: A56143

A Share Capital

Particulars	As at 30 Sept 2024	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022
Authorised Share Capital				
Equity Shares, Rs. 10 (previous year Rs. 10) par value, 1,80,00,000 (Previous Year -20,00,000) Equity Shares	1,800.00	1,800.00	200.00	200.00
Issued, Subscribed and Fully Paid up Share Capital				
Equity Shares, Rs. 10 (previous year Rs. 10) par value, 93,00,200 (Previous Year -18,20,000) Equity Shares paid up	930.02	930.02	182.00	182.00
Total	930.02	930.02	182.00	182.00

(i) Reconciliation of number of shares

Particulars	As at 30 Sept 2024		As at 31 March 2024	
	No. of shares	(INR in '000000)	No. of shares	(INR in '000000)
Opening Balance	9,300,200	930.02	1,820,000	182.00
Issued during the year (Bonus)	-	-	7,480,200	748.02
Deletion during the year	-	-	-	-
Closing balance	9,300,200	930.02	9,300,200	930.02

Particulars	As at 31 March 2023		As at 31 March 2022	
	No. of shares	(INR in '000000)	No. of shares	(INR in '000000)
Opening Balance	1,820,000	182.00	1,820,000	182.00
Issued during the year	-	-	-	-
Deletion during the year	-	-	-	-
Closing balance	1,820,000	182.00	1,820,000	182

(ii) Rights, preferences and restrictions attached to shares

Equity Shares: The Company has one class of equity shares having a par value of Rs. 10 (previous year Rs. 10) per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Details of Shares held by shareholders holding more than 5% of the aggregate shares in the company

Equity Shares Name of Shareholder	As at 30 Sept 2024		As at 31 March 2024	
	No. of shares	In %	No. of shares	In %
Bipin Sanghvi	892,717	9.60%	892,717	9.60%
Hardik Sanghvi	2,682,750	28.85%	2,682,750	28.85%
Aml H. Sanghvi	638,750	6.87%	638,750	6.87%
Swagat Sanghvi	2,682,750	28.85%	2,682,750	28.85%
Pooja S. Sanghvi	638,750	6.87%	638,750	6.87%
Tarulata Bipin Sanghvi	1,763,461	18.96%	1,763,461	18.96%

Equity Shares Name of Shareholder	As at 31 March 2023		As at 31 March 2022	
	No. of shares	In %	No. of shares	In %
Bipin Sanghvi	174,700	1.88%	174,700	9.60%
Hardik Sanghvi	525,000	5.65%	525,000	28.85%
Aml H. Sanghvi	125,000	1.34%	125,000	6.87%
Swagat Sanghvi	525,000	5.65%	525,000	28.85%
Pooja S. Sanghvi	125,000	1.34%	125,000	6.87%
Tarulata Bipin Sanghvi	345,100	3.71%	345,100	18.96%

(iv) Shares held by Promoters at the end of the year 30 September 2024

Name of Promoter	Class of Shares	No. of Shares	% of total shares	% Change during the year
Bipin Sanghvi	Equity	892,717	9.60%	0.00%
Hardik Sanghvi	Equity	2,682,750	28.85%	0.00%
Swagat Sanghvi	Equity	2,682,750	28.85%	0.00%
Tarulata Bipin Sanghvi	Equity	1,763,461	18.96%	0.00%

Shares held by Promoters at the end of the year 31 March 2024

Name of Promoter	Class of Shares	No. of Shares	% of total shares	% Change during the year
Bipin Sanghvi	Equity	892,717	9.60%	0.00%
Hardik Sanghvi	Equity	2,682,750	28.85%	0.00%
Swagat Sanghvi	Equity	2,682,750	28.85%	0.00%
Tarulata Bipin Sanghvi	Equity	1,763,461	18.96%	0.00%

Shares held by Promoters at the end of the year 31 March 2023

Name of Promoter	Class of Shares	No. of Shares	% of total shares	% Change during the year
Bipin Sanghvi	Equity	174,700	9.60%	0.00%
Hardik Sanghvi	Equity	525,000	28.85%	0.00%
Swagat Sanghvi	Equity	525,000	28.85%	0.00%
Tarulata Bipin Sanghvi	Equity	345,100	18.96%	0.00%

Shares held by Promoters at the end of the year 31 March 2022

Name of Promoter	Class of Shares	No. of Shares	% of total shares	% Change during the year
Bipin Sanghvi	Equity	174,700	9.60%	0.00%
Hardik Sanghvi	Equity	525,000	28.85%	0.00%
Swagat Sanghvi	Equity	525,000	28.85%	0.00%
Tarulata Bipin Sanghvi	Equity	345,100	18.96%	0.00%

