

DIFFUSION ENGINEERS LIMITED

(CIN: L99999MH2000PLC124154)

Registered Office: T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016

Mobile No.: 9158317943

E-mail - cs@diffusionengineers.com Website - www.diffusionengineers.com

Date: 30/06/2025

Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001

Listing Department,
National Stock Exchange of India Limited
C-1, G-Block, Bandra - Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Code: 544264 Scrip Symbol: DIFFNKG
ISIN: INE184001015

Subject:

- 1. Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"): Electronic copy of the Notice of the 43rd Annual General Meeting ("43rd AGM") and Annual Report for the financial year ended 31st March 2025; and**
- 2. Intimation of cut-off date of 10th July 2025 to determine the eligibility of the members to cast their vote through remote e-Voting and e-Voting during the 43rd AGM.**

Dear Madam/ Sir,

This is further to our intimation dated May 15, 2025 regarding convening of the 43rd AGM of the Company on Tuesday, 22nd July 2025 through Video Conferencing/ Other Audio-Visual Means (VC/ OAVM) facility.

Please find enclosed herewith the electronic copy of the Notice of the 43rd AGM, and the Annual Report for the financial year ended 31st March 2025, which is being sent by email to those members whose email address is registered with the Company/ Depository Participant(s). Further, in accordance with Regulation 36(1)(b) of the Listing Regulations, a letter containing the web-link of the website of the Company from where the Annual Report for the financial year ended 31st March 2025 can be accessed, is being dispatched to those members whose email address is not registered with the Company/ Depository Participant(s).

Notice of the 43rd AGM and the Annual Report for the financial year ended 31st March 2025 are also being uploaded on the website of the Company at www.diffusionengineers.com and on the website of Central Depository Services (India) Limited ("CDSL") i.e. www.evotingindia.com



DIFFUSION ENGINEERS LIMITED

Regd. Office : T-5 & 6, M.I.D.C., Hingna Industrial Area, **Nagpur** - 440 016, Maharashtra, INDIA

[t] 091-7104-232890, 234727, 236772, CIN : L99999MH2000PLC124154

[e] info@diffusionengineers.com, [w] www.diffusionengineers.com **GSTIN : 27AAACD8008L1ZK**

Branches At : Ahmedabad • Chennai • Chittorgarh • Faridabad • Jamshedpur • Kolkata • Pune • Raipur • Secunderabad

Further, in terms of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), the Company has fixed Thursday, 10th July 2025 as the cut-off date to determine the eligibility of the members to cast their vote through remote e-Voting and e-Voting during the 43rd AGM.

Please take the same on record.

Thanking you,

Yours truly,

For DIFFUSION ENGINEERS LIMITED

Chanchal Jaiswal
Company Secretary & Compliance Officer
(Membership no. A67136)

Place: Nagpur

Date: June 30, 2025

Registered Office: T- 5 & 6, MIDC, Hingana, Nagpur,
Maharashtra, India, 440016

Encl.: *as above*



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NOTICE

Notice is hereby given that the Forty Third Annual General Meeting ("43rd AGM") of the members of Diffusion Engineers Limited (CIN: L99999MH2000PLC124154) ("the Company") will be held on Tuesday, July 22, 2025 at 02:00 p.m., Indian Standard Time (IST), through Video Conferencing/ Other Audio-Visual Means ("VC/ OAVM") facility, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt: a) the audited standalone financial statements of the Company for the financial year 2024-25 including Balance Sheet as at 31st March 2025, the Statement of Profit and Loss and Cash Flow Statement for the financial year ended on that date and the Reports of the Board of Directors and Auditors' thereon; and b) the audited consolidated financial statements of the Company for the financial year 2024-25 including Balance Sheet as at 31st March 2025, the Statement of Profit and Loss and Cash Flow Statement for the financial year ended on that date and the Report of the Auditors' thereon.
2. To declare final dividend of Rs. 1.50/- (One Rupees Fifty Paise Only) per share on equity shares for the financial year ended 31st March 2025.
3. To appoint a director in place of Mr. Nitin Garg (DIN: 08558736), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS:

4. **Ratification of Remuneration payable to Cost Auditor for Financial Year 2025-26**

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 148[3] and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014 and Companies (Cost Records and Audit) Rules, 2014 (including any statutory modification(s) or re – enactment thereof, for the time being in force), the Company hereby ratifies the

remuneration of Rs.50,000/- (Rupees Fifty Thousand only) plus applicable taxes and reimbursement of travel and out of pocket expenses, to be paid to M/s A. B. Verma & Co., Cost Accountants, Nagpur (Firm Registration No. 102527/ Membership No. 31367), who have been appointed by the Board of Directors on the recommendation of the Audit Committee, as the Cost Auditors of the Company to conduct the audit of the cost records of the Company for the Financial Year ending March 31, 2026.

RESOLVED FURTHER THAT the Board (including any Committee thereof) be and is hereby authorized to do all such acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. **Appointment of Mr. Madhav Kawde, Practising Company Secretary as Secretarial Auditor and fix their remuneration**

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Regulation 24A of the SEBI (Listing Obligations and Requirements) Regulations, 2015, relevant circulars issued by SEBI (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and other applicable laws, if any, approval of the members of the Company be and is hereby accorded for the appointment of Mr. Madhav Kawde, Peer Reviewed Practising Company Secretary (FCS-3251, CP No. 1892), as the Secretarial Auditors of the Company, for a term of five consecutive years, to hold office from the conclusion of this Annual General Meeting till the conclusion of 48th Annual General Meeting to be held in the year 2030, covering the period from the financial year ending 31st March 2026 till the financial year ending 31st March 2030, at such remuneration as may be determined by the Board of Directors of the Company (including its Committees thereof), from time to time, in consultation with the Secretarial Auditors.

By Orders of the Board of Directors
Diffusion Engineers Limited

Place: Nagpur
Date: June 30, 2025

Registered Office:

T- 5 & 6, MIDC, Hingana, Nagpur,
Maharashtra, India, 440016

Sd/-
Chanchal Jaiswal
Company Secretary and
Compliance Officer
(Membership no. A67136)

NOTES:

1. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 ("the Act"), setting out all material facts concerning the special business under Item Nos. 4 and 5 of the accompanying Notice of the 43rd Annual General Meeting ("Notice"), is annexed hereto and forms part of this Notice. The Board of Directors of the Company at its meeting held on May 15, 2025 and June 24, 2025 considered that the special business under Item Nos. 4 and 5 respectively being considered unavoidable, be transacted at the 43rd Annual General Meeting (43rd AGM) of the Company through Video Conferencing/ Other Audio-Visual Means ("VC/ OAVM").
2. The Ministry of Corporate Affairs, Government of India ("MCA") vide its General Circular Nos. 14/2020, 20/2020, 02/2021, 19/2021, 21/2021, 02/2022, 10/2022, 09/2023 and 09/2024 dated 8th April 2020, 5th May 2020, 13th January 2021, 8th December 2021, 14th December 2021, 5th May 2022, 28th December 2022, 25th September 2023 and 19th September 2024, respectively, and other circulars issued in this respect ("MCA Circulars") allowed, inter-alia, to conduct AGM through VC/ OAVM facility in accordance with the requirements provided in paragraph 3 and paragraph 4 of the MCA General Circular No. 20/2020. The Securities and Exchange Board of India ("SEBI") also vide its Circular No. SEBI/ HO/CFD/CFD-PoD-2/P/CIR/2024/133 dated 3rd October 2024 has provided certain relaxations from compliance with certain regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"). In compliance with aforesaid MCA Circulars, aforesaid SEBI Circular, provisions of the Act and the Listing Regulations, the 43rd AGM of the Company is being conducted through VC/ OAVM facility, which does not require physical presence of members at a common venue. The deemed venue for the 43rd AGM shall be the Registered Office of the Company.
3. In terms of the MCA Circulars and SEBI Circular dated 3rd October 2024, the Notice of the 43rd AGM and Annual Report for the financial year ended 31st March 2025 ("Annual Report for the financial year 2024-25"), will be available on the Company's website (www.diffusionengineers.com); BSE Limited (www.bseindia.com); National Stock Exchange of India Limited (www.nseindia.com); and Central Depository Services (India) Limited (www.evotingindia.com)
4. In terms of the MCA Circulars, physical attendance of members has been dispensed with therefore, there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by members under Section 105 of the Act will not be available for the 43rd AGM. However, in pursuance of Section 112 and Section 113 of the Act, representatives of the members may be appointed for the purpose of voting through remote e-Voting facility, for participation in the 43rd AGM through VC/ OAVM facility and e-Voting during the 43rd AGM. As the 43rd AGM is being held through

VC/ OAVM facility, the Route Map is not annexed to this Notice of the 43rd AGM.

5. Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014, Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India ("ICSI") and Regulation 44 of the Listing Regulations read with MCA Circulars, as amended, the Company is providing remote e-Voting facility to its members in respect of the business to be transacted at the 43rd AGM and facility for those members participating in the 43rd AGM to cast their vote through remote e-Voting system during the 43rd AGM. The members, whose names appear in the Register of Members/ List of Beneficial Owners as on July 10, 2025, are entitled for e-Voting on the resolutions set forth in this Notice of the 43rd AGM.

For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited (CDSL) for facilitating voting through electronic means, as the authorized e-Voting's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.

6. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of first come first served basis.
7. Attendance of the members participating in the 43rd AGM through VC/ OAVM facility using their login credentials shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
8. Electronic copy of the Notice of the 43rd AGM, inter-alia, indicating the process and manner of electronic voting ("e-Voting") and electronic copy of the Annual Report for the financial year 2024-25 are being sent to all the members whose e-mail address is registered with the Company/ Depository Participant(s) for communication purposes.

In case any member is desirous of obtaining hard copy of the Annual Report for the financial year 2024-25 they may send a request from the registered e-mail address to the Company's e-mail address at cs@diffusionengineers.com mentioning their Folio no./ DP ID and Client ID.

Additionally, in accordance with Regulation 36(1) (b) of the Listing Regulations, the Company is also sending a letter to members whose e-mail address is not registered with Company/ Depository Participant providing the exact web-link of Company's website from where the Annual Report for financial year 2024-25 can be accessed.

9. Members whose KYC details (i.e. postal address with PIN code, mobile number, bank account details, PAN linked with Aadhaar etc.) or e-mail address is not registered/ updated with the Company or with their respective Depository Participant(s) ['DPs'], and who wish to receive the Notice of the 43rd AGM, the Annual Report for the financial year 2024-25 and all other future communications sent by the Company from time to time, can get their KYC details and e-mail address registered/ updated by following the steps as given below:

- a. Members holding shares in physical form by submitting duly filled and signed request letter in Form ISR-1 along with self-attested copy of the PAN linked with Aadhaar; and self-attested copy of any document in support of the address of the member (such as Aadhaar Card, Driving Licence, Election Identity Card, Passport etc.) and such other documents as prescribed in the Form ISR-1:
 - i. if e-mail address is registered - by sending an e-mail at cs@diffusionengineers.com from their registered e-mail address followed by mandatorily sending the physical copy of the same through post at the Registered Office of the Company or directly sending the Form ISR-1 along with the supporting documents to the Registrar and Share Transfer Agents, Bigshare Services Private Limited, (RTA); and
 - ii. if e-mail address is not registered - by sending the physical copy of the same through post at the Registered Office of the Company or directly to the RTA.
- b. Members holding shares in demat form may update their KYC details and e-mail address with their Depository Participant(s).

The Company strongly urges the members to register their e-mail address with the Company / Registrar and Share Transfer Agents or the Depository Participant(s), if you hold shares in physical form or demat form respectively.

Communication with regard for updation of KYC has been sent to all members holding shares in physical form at their registered address from time to time.

10. For members holding shares in physical form, SEBI vide its Master Circular SEBI/HO/MIRSD/POD-1/P/ CIR/2024/37 dated 7th May 2024 read with SEBI/HO/ MIRSD/POD-1/P/CIR/2024/81 dated 10th June 2024, as

amended from time to time, has mandated furnishing of PAN linked with Aadhaar and KYC details (i.e., postal address with PIN code, mobile number, bank account details, PAN linked with Aadhaar etc.). In case any of the aforesaid documents/ details are not available in the record of the RTA, the member shall not be eligible to lodge grievance or avail any service request from the RTA until they furnish complete KYC details. Further, with effect from 1st April 2024, any payment of dividend shall only be made in electronic mode to such members. The Company has made relevant intimations to the members from time to time.

Further, SEBI has mandated that securities of listed companies can be transferred only in demat form. Therefore, members are advised to dematerialize shares held by them in physical form for ease in portfolio management

For consolidation of share certificates, members holding shares in physical form, in more than one folio, with identical order of names, are requested to send the details of such folios together with the share certificates along with the requisite KYC documents for consolidating their holdings in one folio to the RTA. Requests for consolidation of share certificates shall only be processed in dematerialized form.

11. Nomination facility as per the provisions of Section 72 of the Act is available to individuals holding shares in the Company. Members may nominate a person in respect of all the shares held by them severally or jointly. Members holding shares in physical form and who have not yet registered their nomination are requested to register the same by submitting Form SH-13. If a member desires to opt out or cancel the earlier nomination and record a fresh nomination, he/ she may submit the same in Form ISR-3 or SH-14 as the case may be. The said forms can be downloaded from the website of the RTA. Members holding shares in demat form may approach their respective Depository Participants to complete the nomination formalities.
12. Online Dispute Resolution (ODR) Portal was introduced by SEBI vide its Master Circular SEBI/HO/OIAE/OIAE_IAD- 1/P/CIR/2023/145 dated 11th August 2023, which is in addition to the existing SCORES 2.0 portal which can be utilized by the investors and the Company for dispute resolution. Please note that the investors are advised to initiate dispute resolution through the ODR portal only if the Company does not resolve the issue itself or it is not resolved through SCORES 2.0 portal.
13. Members holding shares in physical form, who have not updated their mandate for receiving the dividends directly in their bank account(s) through Electronic Clearing Service or any other electronic means ("Electronic Bank Mandate"), may register their Electronic Bank Mandate to receive dividends directly into their bank account(s) electronically or any other means, by sending scanned copy of the

following details/ documents to the Company at cs@diffusionengineers.com

- a. a signed request letter mentioning your name, folio number, complete address and following details relating to bank account in which the dividend is to be received:
 - i. Name and Branch of Bank and Bank Account type;
 - ii. Bank Account Number allotted by your bank after implementation of Core Banking Solutions; and
 - iii. 11-digit IFSC Code.
- b. self-attested scanned copy of cancelled cheque bearing the name of the member(s) or first holder, in case shares are held jointly;
- c. self-attested scanned copy of the PAN linked with Aadhaar; and
- d. self-attested scanned copy of any document in support of the address of the member(s) (such as Aadhaar Card, Driving Licence, Election Identity Card, Passport), as registered with the Company.

For the members holding shares in demat mode, please update your Electronic Bank Mandate through your Depository Participant(s).

14. The Board of Directors has recommended final dividend of ₹ 1.5 per equity share of face value of ₹10.00 each for the financial year 2024-25, subject to the approval of the members at the 43rd AGM. The record date fixed for determining the entitlement of the members to the final dividend is 10th July 2025.
15. Pursuant to the relevant provisions of the Income Tax Act, 1961 ("the IT Act"), dividend income is taxable in the hands of the members and the Company is required to deduct tax at source ("TDS") from dividend paid to the members at the rates applicable as per the IT Act read with tax treaty as may be applicable. In order to enable compliance with TDS requirements, members are requested to complete and/ or update their Residential Status, PAN details linked with Aadhaar, Category with their Depository Participant(s) or in case shares are held in physical form, with the Company by sending e-mail to the Company's e-mail address at cs@diffusionengineers.com or RTA's e-mail address at info@bigshareonline.com from the e-mail address registered with the Company / RTA. For details, members may refer to the "Communication regarding Tax Deducted at Source (TDS) on Dividend Distribution" appended to this Notice of the 43rd AGM. Please refer "Annexure-I" to this Notice of the 43rd AGM for details.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, as may be applicable, subject to providing necessary documents, i.e., No Permanent Establishment

and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, and any other document which may be required to avail the tax treaty benefits by sending an e-mail to the Company's e-mail address at cs@diffusionengineers.com or RTA's e-mail address at info@bigshareonline.com from the e-mail address registered with the Company / RTA

16. Dividend, if any, approved by the members or declared by the Board of Directors of the Company from time to time, will be paid as per the mandate registered with the Company or with their respective Depository Participant(s).
17. Except for shares held in physical form, where KYC details (i.e. postal address with PIN code, mobile number, bank account details, PAN details linked with Aadhaar etc.) or e-mail address are not updated, in the event the Company is unable to pay the dividend to any member directly in their bank accounts through Electronic Clearing Service or any other electronic means, due to non-registration of the Electronic Bank Mandate or any other reasons whatsoever, subject to specific mandate otherwise issued by SEBI, the Company shall dispatch the dividend warrant/ Bankers' cheque/ demand draft to such member, as soon as possible.
18. Pursuant to the provisions of Section 124 of the Act, Investor Education and Protection Fund Authority (Accounting, Audit Transfer and Refund) Rules, 2016 read with the relevant circulars and amendments thereto ("IEPF Rules"), the amount of dividend remaining unpaid or unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund ("IEPF"), constituted by the Central Government. During the year, the Company was not required to transfer any amount to Investor Education and Protection Fund (IEPF) as per the requirements of the IEPF Rules.
19. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company/ RTA of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holding may be obtained from the concerned Depository Participant, and holdings should be verified from time to time.
20. Documents referred to in the accompanying Notice of the 43rd AGM and the Explanatory Statement shall be available at the Registered Office of the Company for inspection without any fee during normal business hours i.e. from 9:00 A.M. to 5:00 P.M. (IST) on all working days except Sunday, up to and including the date of the 43rd AGM of the Company.
21. The Register of directors and key managerial personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested,

maintained under Section 189 of the Act, will be available electronically for inspection by the members during the AGM. Electronic copy of relevant documents referred to in the Notice and Explanatory Statement will be made available through email for inspection by the Members. A Member is requested to send an email to cs@diffusionengineers.com for the same.

22. Details as required under Regulation 36 of the Listing Regulations and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, in respect of the appointment of Directors seeking appointment/ re-appointment at the 43rd AGM, forms an integral part of the Notice of the 43rd AGM. Requisite declarations have been received from the Directors seeking appointment/ re-appointment.

23. **General instructions for accessing and participating in the 43rd AGM through VC/ OAVM facility and voting through electronic means including remote e-Voting:-**

- The remote e-Voting period will commence from Saturday, July 19, 2025 (9:00 A.M. IST) and end on Monday, July 21, 2025 (5:00 P.M. IST). During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on July 10, 2025 ("Cut-off Date"), may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- The voting right of members shall be in proportion to their share in the paid-up equity share capital of the Company as on the Cut-off Date. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting.
- A person who is not a member as on the Cut-off Date should treat this Notice of the 43rd AGM for information purpose only.
- Pursuant to the provisions of Section 91 of the Act, the Register of Members and Share Transfer books of the Company will remain closed from 11th July 2025 to 22nd July 2025 (both days inclusive) for the purpose of the Annual General Meeting & Final Dividend, if approved by the Members.
- Any person, who acquires shares of the Company and becomes member of the Company after the Company sends the Notice of the 43rd AGM by e-mail and holds shares as on the Cut-off Date, may obtain the User ID and password by sending a request to the Company's e-mail address at cs@diffusionengineers.com
- A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners

maintained by the depositories as on the Cut-off Date only shall be entitled to avail the facility of remote e-Voting or casting vote through e-Voting system during the 43rd AGM.

- During the 43rd AGM, the Chairman shall, after response to the questions raised by the members in advance or as a speaker at the 43rd AGM, formally propose to the members participating through VC/ OAVM facility to vote on the resolutions as set out in the Notice of the 43rd AGM and announce start of the voting process through the e-Voting system. After the members participating through VC/ OAVM facility, eligible and interested to cast votes, have cast the votes, the e-Voting will be closed with the formal announcement of closure of the 43rd AGM.
- Mr. Amit Rajkotiya, Practicing Company Secretary (Membership No. FCS 5561) has been appointed as the Scrutinizer to scrutinize the remote e-Voting process and casting vote through the e-Voting system during the meeting in a fair and transparent manner.
- The Scrutinizer shall after the conclusion of e-Voting at the 43rd AGM, first download the votes cast at the 43rd AGM and thereafter unblock the votes cast through remote e-Voting and shall make a consolidated Scrutinizer's Report of the total votes cast in favour or against, invalid votes, if any, and whether the resolution has been carried or not, and such Report shall then be sent to the Chairman or a person authorized by him, who shall then countersign and declare the result of the voting forthwith. The result of the voting will be declared within the time stipulated under the applicable laws.
- The Results declared along with the Report of the Scrutinizer shall be placed on the website of the Company at www.diffusionengineers.com and on the website of CDSL at www.evotingindia.com immediately after the declaration of Results by the Chairman or a person authorized by him. The Results shall also be immediately forwarded to the stock exchanges where shares of the Company are listed i.e., BSE Limited and National Stock Exchange of India Limited.

Instructions for members for Remote e-Voting are as under:-

Access through Depositories CDSL/NSDL e-Voting system in case of individual shareholders holding shares in demat mode.

In terms of SEBI circular no. SEBI/HO/CFD/CMD/ CIR/P/2020/242 dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories

and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to abovesaid SEBI Circular, Login method for e-Voting and joining virtual meetings for Individual shareholders holding securities in Demat mode CDSL/NSDL is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with CDSL Depository	<ol style="list-style-type: none"> 1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login to Easi / Easiest are requested to visit CDSL website www.cdslindia.com and click on login icon & My Easi New (Token) Tab. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the e-voting is in progress as per the information provided by company. On clicking the e-voting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly. 3) If the user is not registered for Easi/Easiest, option to register is available at CDSL website www.cdslindia.com and click on login & My Easi New (Token) Tab and then click on registration option. 4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the e-voting is in progress and also able to directly access the system of all e-Voting Service Providers.
Individual Shareholders holding securities in demat mode with NSDL Depository	<ol style="list-style-type: none"> 1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS" Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen-digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting 4) For OTP based login you can click on https://eservices.nsdl.com/SecureWeb/evoting/evotinglogin.jsp. You will have to enter your 8-digit DP ID, 8-digit Client Id, PAN No., Verification code and generate OTP. Enter the OTP received on registered email id/mobile number and click on login. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Type of shareholders	Login Method
Individual Shareholders (holding securities in demat mode) login through their Depository Participants (DP)	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 21 09911
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at : 022 - 4886 7000 and 022 - 2499 7000

Access through CDSL e-Voting system in case of shareholders holding shares in physical mode and non-individual shareholders in demat mode.

- (i) Login method for e-Voting and joining virtual meetings for **Physical shareholders and shareholders other than individual holding in Demat form.**
 - 1) The shareholders should log on to the e-voting website www.evotingindia.com.
 - 2) Click on "Shareholders" module.
 - 3) Now enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.
 - 4) Next enter the Image Verification as displayed and Click on Login.
 - 5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
 - 6) If you are a first-time user follow the steps given below:

	For Physical shareholders and other than individual shareholders holding shares in Demat.
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none"> If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field.

- (ii) After entering these details appropriately, click on "SUBMIT" tab.
- (iii) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (iv) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (v) Click on the EVSN for Diffusion Engineers Limited.
- (vi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (vii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (viii) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (ix) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (x) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xi) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xii) There is also an optional provision to upload BR/ POA if any uploaded, which will be made available to scrutinizer for verification.
- (xiii) **Additional Facility for Non – Individual Shareholders and Custodians – For Remote Voting only.**
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login will be mapped automatically & can be delink in case of any wrong mapping.
 - It is Mandatory that, a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
 - Alternatively Non Individual shareholders are required mandatory to send the relevant

Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; cs@diffusionengineers.com, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:

1. The procedure for attending meeting & e-Voting on the day of the AGM is same as the instructions mentioned above for e-voting.
2. The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for e-voting.
3. Shareholders who have voted through Remote e-Voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM.
4. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
5. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
6. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
7. Shareholders who would like to express their views/ ask questions during the meeting may register themselves as a speaker by sending their request in advance at least 7 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at cs@diffusionengineers.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance 7 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number at cs@diffusionengineers.com. These queries will be replied to by the company suitably by email.
8. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ ask questions during the meeting.
9. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

10. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders may be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL/MOBILE NO. ARE NOT REGISTERED WITH THE COMPANY/DEPOSITORIES.

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to Company/RTA email id.
2. For Demat shareholders Please update your email id & mobile no. with your respective Depository Participant (DP)
3. For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 21 09911

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call toll free no. 1800 21 09911.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

In accordance with the provisions of Section 148 of the Companies Act, 2013 ("the Act") read with the Companies (Audit and Auditors) Rules, 2014, as amended, the remuneration payable to the Cost Auditor is required to be ratified by the members of the Company.

M/s A. B. Verma & Co., Cost Accountants, (Firm Registration Number – 102527) is a firm of Practicing Cost Accountants based in Nagpur offering a wide spectrum of Services to its esteemed clientele. The firm has handled various assignments in Costing such as Cost audit, Certifications, Setting up costing systems, Cost consultancy, Costing-based turnaround strategies, etc. across diverse industry and client base.

On the recommendation of the Audit Committee, the Board of Directors, at its meeting held on May 15, 2025, approved the appointment of M/s A. B. Verma & Co., Cost Accountants, (Firm Registration Number – 102527), as Cost Auditor to conduct the audit of the cost records of the Company for the financial year 2025-26 at a remuneration of ₹ 50,000/- (Rupees fifty thousand only) plus out of pocket expenses and applicable taxes, which is same as last year's remuneration. Considering the limited scope of cost audit, time and resources deployed by the cost auditors, and in the opinion of the Board of Directors, the proposed remuneration payable would be fair and reasonable and do not in any way impair the independence and judgement of the Cost Auditor.

The Company has received written consent from M/s A. B. Verma & Co. confirming their eligibility and willingness to be appointed as the Cost Auditor of the Company. They have also confirmed that they meet the requirements to be appointed as Cost Auditor in accordance with the provisions of the Act and that they are not disqualified for appointment under the Act, the Cost and Works Accountants Act, 1959 (23 of 1959) and the rules or regulations made thereunder. They also confirmed that there are no pending proceedings against the audit firm or any partner of the audit firm with respect to professional matters of conduct. The appointment, if made, complies with the applicable provisions of the Act.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution as set out at Item No. 4 of the accompanying Notice of the 43rd AGM. Accordingly, the Board of Directors recommends the aforesaid appointment and remuneration to the members for their approval by way of Ordinary Resolution as set out at Item No. 4 of the accompanying Notice of the 43rd AGM.

Item No. 5

In accordance with the provisions of Section 204 and other applicable provisions of the Companies Act, 2013, read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, ("the Act") and Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Mr. Madhav Kawde, Peer Reviewed Practicing Company Secretary (FCS-3251, CP No. 1892), has served as Secretarial Auditor of the Company for the financial year 2024-25.

Regulation 24A of the Listing Regulations, inter alia, provides that with effect from 1st April 2025, the Company is required to appoint a Practicing Company Secretary for not more than one term of five consecutive years or a firm of Practicing Company Secretaries as Secretarial Auditors for not more than two terms of five consecutive years, with the approval of the members at its Annual General Meeting ("AGM") and such Secretarial Auditor(s) must be a peer reviewed company secretary and should not have incurred any of the disqualifications as specified under the

Listing Regulations. Further, as per the said Regulation, any association of the individual or the firm as the Secretarial Auditor(s) of the Company before 31st March 2025 shall not be considered for the purpose of calculating the tenure of the Secretarial Auditor(s).

Mr. Madhav Kawde, Practicing Company Secretary (FCS-3251, CP No. 1892), has over 25 years of experience in Company Law, Secretarial and Corporate Governance, Legal Due Diligence, Listing Regulations, RBI Laws, and related advisory services. He is well-regarded for his expertise in handling secretarial audits and regulatory compliance for listed companies.

Taking into account the above requirements, along with an evaluation of proposals received by the Company and the consideration of factors such as technical skills, independence, industry experience, expertise, audit partners, audit team, quality of audit practices, and past association with the Company, the Board of Directors, on the recommendation of the Audit Committee, has approved the appointment of Mr. Madhav Kawde, Practicing Company Secretary (FCS-3251, CP No. 1892), as Secretarial Auditors of the Company for a term of five consecutive years, to hold office from the conclusion of this AGM till the conclusion of 48th AGM of the Company to be held in the Year 2030, covering the period from the financial year ending on 31st March 2026 till financial year ending 31st March 2030, subject to the approval of the members of the Company.

The Board of Directors in consultation with the Audit Committee and Mr. Madhav Kawde, fixed the remuneration at ₹ 3,00,000/- (Rupees Three Lakh only) per annum, plus any out of pocket expenses incurred by them in connection with the audit and other applicable taxes.

The Company has received written consent from Mr. Madhav Kawde confirming their eligibility and willingness to be appointed as the Secretarial Auditors of the Company. They have also confirmed that they meet the requirements to be appointed as Secretarial Auditors in accordance with the provisions of the Act and Listing Regulations, and they hold a valid certificate issued by the Peer Review Board of ICSI and that they have not incurred any of the disqualifications as specified by the SEBI. The appointment, if made, complies with the applicable provisions of the Act and Listing Regulations.

The Board of Directors in consultation with the Audit Committee and Mr. Madhav Kawde, may alter or vary the terms and conditions of appointment, including remuneration, in such manner and to such extent as may be mutually agreed.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the accompanying Notice of the 43rd AGM. Accordingly, the Board of Directors recommends aforesaid appointment to the members for their approval by way

of an Ordinary Resolution as set out at Item No. 5 of the accompanying Notice of the 43rd AGM.

DETAILS IN TERMS OF REGULATION 36 OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Re-appointment of Mr. Nitin Garg (DIN: 08558736), as a Director (Item No. 3)

In terms of Section 152(6) of the Companies Act, 2013, ("the Act"), Mr. Nitin Garg (DIN: 08558736), shall retire by rotation at the 43rd AGM and being eligible, offers himself for re-appointment.

The Board on the recommendation of Nomination and Remuneration Committee at its meeting held on July 23, 2024 appointed Dr Nitin Garg (DIN: 08558736) as an Additional Director under the category of Non-Executive Director of the Company with effect from July 23, 2024. The appointment was regularised by the shareholders at the Annual General Meeting of the Company held on August 31, 2024, subject to retirement by rotation.

Dr. Nitin Garg aged 48 years, is promoter and Non-Executive Director of Company with Management & Leadership Skills. He holds a bachelor's degree in medicine and a bachelor's degree in surgery from Nagpur University. He also holds a master's degree in general surgery from Manipal Academy of Higher Education, a master's degree in neurosurgery from National Institute of Mental Health and Neuro Sciences and has a Fellowship from the University of Pittsburgh. He is currently practicing as a neurosurgeon in Bhopal. He has founded BTSG Awareness Foundation, a non-profit organization and Cenosis Health Care Private Limited.

Dr. Nitin Garg (DIN – 08558736), is a director/ designated partner in the following companies/LLPs/Body Corporate during the last three years:-

1. BTSG Awareness Foundation
2. Nowelco Industries Private Limited
3. N K Garg Foundation
4. Diffusion Herson Adhesive and Sealant Private Limited
5. Devi Kiran Advisory LLP
6. Cenosis Health Care Private Limited

Mr. Nitin Garg is also the member of Corporate Social Responsibility Committees and Stakeholders Relationship Committee of Diffusion Engineers Limited

Mr. Nitin Garg attended all nine Board Meetings during the financial year 2024-25.

Except for Mr. Nitin Garg, being the appointee, Mr. Prashant Garg and Ms. Chitra Garg who are brother and mother of Mr. Nitin Garg respectively, none of the Directors, Key Managerial Personnel and their relatives are, in any way concerned or interested, financially or otherwise, in the proposed resolution.

Mr. Nitin Garg holds 74,03,221 equity shares of the company. He also holds 20,85,279 equity shares in capacity of Karta of N K Garg HUF.

Upon his re-appointment as a Director, Mr. Nitin Garg shall continue to hold office as a Non-Executive Director. Accordingly, the Board of Directors recommends his re-appointment for approval of the members by way of an Ordinary Resolution as set out at Item No. 3 of the Notice of the 43rd AGM.

By Orders of the Board of Directors
Diffusion Engineers Limited

Place: Nagpur
Date: June 30, 2025

Registered Office:

T- 5 & 6, MIDC, Hingana, Nagpur,
Maharashtra, India, 440016

Sd/-

Chanchal Jaiswal

Company Secretary and
Compliance Officer
(Membership no. A67136)

Annexure-I

(Refer Note 15 of the Notice of the 43rd AGM)

COMMUNICATION ON TAX DEDUCTED AT SOURCE (TDS) ON DIVIDEND DISTRIBUTION

Pursuant to the provisions of the Income Tax Act, 1961 ("the IT Act"), dividend income is taxable in the hands of the members and the Company is required to deduct tax at source ("TDS") from dividend paid to the members at prescribed rates in the IT Act. Please take note of the below TDS provisions and information/document requirements for each member:

Section 1: For all members - Details that should be completed and /or updated, as applicable

All members are requested to ensure that the below details are completed and/or updated, as applicable, in their respective demat account/s maintained with the Depository Participant/s; or in case of shares held in physical form, with the Company, by 10th July 2025 ("Record Date"). Please note that these details as available on Record Date in the Register of members/ Register of Beneficial Ownership will be relied upon by the Company, for the purpose of complying with the applicable TDS provisions:

- I. Valid Permanent Account Number (PAN).
- II. Residential status as per the IT Act i.e. Resident or Non-Resident for FY 2025-26.
- III. Category of the Member:
 - Mutual Fund
 - Insurance Company
 - Alternative Investment Fund (AIF) Category I and II
 - AIF Category III
 - Government (Central/State Government)
 - Foreign Portfolio Investor (FPI) /Foreign Institutional Investor (FII): Foreign Company
 - FPI/FII: Others (being Individual, Firm, Trust, AJP, etc.)

- Individual
- Hindu Undivided Family (HUF)
- Firm
- Limited Liability Partnership (LLP)
- Association of Persons (AOP), Body of Individuals (BOI) or Artificial Juridical Person (AJP)
- Trust
- Domestic company
- Foreign company.

IV. Email Address.

V. Address.

Section 2: TDS provisions and documents required, as applicable for relevant category of members

Members are requested to take note of the TDS rates and document(s), if any, required to be submitted to the Company by the Record Date their respective category, in order to comply with the applicable TDS provisions.

I. For Resident members:

- i. **Mutual Funds:** No TDS is required to be deducted as per section 196(iv) of the IT Act subject to specified conditions. Self-attested copy of valid SEBI registration certificate needs to be submitted.
- ii. **Insurance companies:** No TDS is required to be deducted as per section 194 of the IT Act subject to specified conditions. Self- attested copy of valid IRDA registration certificate needs to be submitted.
- iii. **Category I and II Alternative Investment Fund:** No TDS is required to be deducted as per section 197A (1F) of the IT Act subject to specified

conditions. Self-attested copy of valid SEBI registration certificate needs to be submitted.

- iv. **Recognised Provident funds:** No TDS is required to be deducted as per Circular No. 18/2017 subject to specified conditions. Self- attested copy of a valid order from Commissioner under Rule 3 of Part A of Fourth Schedule to the IT Act, or Self-attested valid documentary evidence (e.g. relevant copy of registration, notification, order, etc.) in support of the provident fund being established under a scheme framed under the Employees' Provident Funds Act, 1952 needs to be submitted.
- v. **Approved Superannuation fund:** No TDS is required to be deducted as per Circular No. 18/2017 subject to specified conditions. Self-attested copy of valid approval granted by Commissioner under Rule 2 of Part B of Fourth Schedule to the IT Act needs to be submitted.
- vi. **Approved Gratuity Fund:** No TDS is required to be deducted as per Circular No. 18/2017 subject to specified conditions. Self- attested copy of valid approval granted by Commissioner under Rule 2 of Part C of Fourth Schedule to the IT Act needs to be submitted.
- vii. **National Pension Scheme:** No TDS is required to be deducted as per Sec 197A (1E) of the IT Act.
- viii. **Government (Central/State):** No TDS is required to be deducted as per Sec 196(i) of the IT Act.
- ix. **Any other entity entitled to exemption from TDS:** Valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order, etc.) in support of the entity being entitled to exemption from TDS needs to be submitted.
- x. **Other resident members:**
 - a) TDS is required to be deducted at the rate of 10% under u/s 194 of the IT Act.
 - b) No TDS is required to be deducted, if aggregate dividend distributed or likely to be distributed during the financial year to individual member does not exceed ₹10,000. Normal dividend/s declared in the preceding financial year 2024- 2025 would be considered as the basis to determine applicability of the said threshold for the entire financial year.
 - c) No TDS is required to be deducted on furnishing of valid Form 15G (for individuals, with no tax liability on total income and income not exceeding maximum amount which is not chargeable to tax) or Form 15H (for individual above the age of 60 years with no tax liability on total income). Please note that all fields are mandatory to be filled up and the Company may at its sole

discretion reject the form if it does not fulfil the requirement of law and company policies. Shareholders should submit fresh declarations for any subsequent tranches of Dividend declared during the year in event of any change to the earlier submitted Form 15G/15H to the Company for the same financial year. In event of no intimation of subsequent change to the Company in following tranches, earlier submitted Form 15G/15H for the applicable financial year will be considered by the Company.

- d) Please also note that valid Permanent Account Number ('PAN') will be mandatorily required
- e) TDS to be deducted at higher rate in case of non-linkage of PAN with Aadhaar:
- f) As per Section 139AA of the Income Tax Act, every person who has been allotted a PAN and who is eligible to obtain Aadhaar, shall be required to link the PAN with Aadhaar. In case of failure to comply to this, the PAN allotted shall be deemed to be invalid/inoperative and tax shall be deducted at the rate of 20% as per the provisions of section 206AA of the Act. The Company will be using functionality of the Income-tax department for the above purpose. Provisions are effective from 1st July 2023. TDS is required to be deducted at the rate of 20% u/s 206AA of the IT Act, if valid PAN of the member is not available.
- g) TDS is required to be deducted at the rate prescribed in the lower tax withholding certificate issued u/s 197 of the Act, if such valid certificate is provided.

II. For Non-resident members:

- i. **Any entity entitled to beneficial rate / exemption from TDS:** Valid self-attested documentary evidence (e.g. relevant copy of registration, notification, order, etc. by Indian tax authorities) in support of the entity being entitled to beneficial rate / exemption from TDS needs to be submitted.
- ii. **Other non-resident members:**
 - a) TDS is required to be deducted at the rate of 20% (plus applicable surcharge and cess) u/s 196D of the IT Act (For FPI and FII) and u/s 195 of the IT Act for other non-resident members.
 - b) Member may be entitled to avail lower TDS rate as per Double Taxation Avoidance Agreement (DTAA) between India and the country of tax residence of the member, on furnishing the below specified documents applicable for the relevant period:-

- 1) Self-attested copy of PAN. In case PAN is not available, provide details as per Rule 37BC of the Income-Tax Rules, 1962;
 - 2) Self-attested copy of valid Tax Residency Certificate (TRC) obtained from the tax authorities of the country of which the member is a resident;
 - 3) Self-declaration in Form 10F (it should be noted that vide notification number 03/2022 issued by the CBDT, it has been mandated to issue Form 10F electronically for it to be considered valid); and
 - 4) Self-declaration on letterhead of having no Permanent Establishment in India, Beneficial ownership of shares and eligibility to claim treaty benefits (as per Annexure A to this Communication).
- c) TDS is required to be deducted at the rate prescribed in valid lower tax withholding certificate issued u/s 197 of the IT Act, if such valid certificate is provided.

Details and/ or documents as mentioned above in Section 1 and Section 2, as applicable to the Member, need to be sent, duly completed and signed, through registered e-mail address of the Member with PAN being mentioned in the subject of the e-mail to reach cs@diffusionengineers.com by Record Date. Please note that no communication in this regard, shall be accepted post Record Date.

Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction/withholding on dividend amounts. Application of beneficial DTAA rate shall depend upon the completeness and satisfactory review of the documents submitted.

Section 3: Other general information for the members:

- I. For all self-attested documents, members must mention on the document "certified true copy of the original". For all documents being sent / accepted by e-mail, the Member undertakes to send the original document/s on the request by the Company.
- II. TDS will be deducted based on details of registered member only. Once TDS is deducted in the name of Registered members/ Beneficial Owners as appearing on Record Date, no transfer of such TDS in the name of another person shall be entertained under any circumstances.
- III. TDS deduction certificate will be sent to the members' registered e-mail address in due course. Shareholders will also be able to see the credit of TDS in Form 26AS,

which can be downloaded from their e-filing account at <https://www.incometax.gov.in/iec/foportal>

- IV. Surcharge rates applicable for the financial year 2025 - 26 for non-residents:

(i) Individual, HUF, AOP, BOI, AJP, Trust

Dividend Income	Rate
Upto ₹50 lakhs	Nil
Income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore	10%
Income exceeds ₹ 1 crore	15%

(ii) Co-operative society or Firm, registered under applicable Indian law

Aggregate Income	Rate
Income exceeds ₹ 1 crore	12%

(iii) Foreign company

Aggregate Income	Rate
Income exceeds ₹ 1 crore but does not exceed ₹ 10 crores	2%
Income exceeds ₹ 10 crores	5%

- V. Normal dividend(s) declared in the preceding financial year 2024-25 would be considered as the basis to determine applicability of the surcharge rate.
- VI. Health and Education Cess of 4% is applicable for non-residents.
- VII. Shareholders holding shares under multiple accounts under different status/ category (eg. Resident and Non-Resident) and single PAN, may note that, higher of the tax as applicable to the status in which shares held under a PAN will be considered on their entire holding in different accounts.
- VIII. Equity shares of the Company, which were transferred by the Company in the name of Investor Education and Protection Fund ('IEPF') in terms of Section 124(6) of the Companies Act 2013 and Rules framed thereunder, the TDS shall be deducted basis the available details of the underlying members.
- IX. Application of TDS rate is subject to necessary due diligence and verification by the Company of the member details as available in Register of members on the Record Date, documents, information available in public domain, etc. In case of ambiguous, incomplete or conflicting information, or the valid information/documents not being provided, the Company will arrange to deduct tax at the maximum applicable rate.
- X. In case TDS is deducted at a higher rate, an option is still available with the member to file the return of income and claim an appropriate refund, if eligible. Once deducted, no claim shall lie against the company in relation to TDS.

- XI. The Company may make adjustments for the past withholding tax on dividend paid to the shareholder, as may be necessary.
- XII. Income tax rates as per the latest Finance Act shall be used for determining the income-tax payable in respect of the total income of a person (being individual/ HUF/ AOP/ BOI/ AJP). The prescribed rates are applicable to all specified person by default.

The company is required to declare in its TDS return, "if the deductee is opting out of this new regime u/ s115BAC(1A). As a default option, the company will be opting as "No" for all shareholders to whom this section applies. In case, you wish to opt out of this new regime (shift to old tax regime), please provide declaration enclosed as Annexure B. Accordingly, on receipt of declaration with complete details, the company will update the response as "Yes" in its TDS return. Please

note that no changes will be made if any declaration is received subsequent to record date.

- XIII. In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided / to be provided by the member/s, such member/s will be responsible to indemnify the Company and also, provide the Company with all information / documents and cooperation in any appellate proceedings.

Note:

Above communication on TDS sets out the provisions of law in a summary manner only, as on the date of the communication, and does not purport to be a complete analysis or listing of all potential tax consequences. Members should consult with their own tax advisors for the tax provisions applicable to their particular circumstances.

Annexure A**FORMAT FOR DECLARATION FOR CLAIMING BENEFITS UNDER DTAA**

Refer Section 2(II)(ii)(b)(4) of above Communication on TDS on Dividend Distribution

Date: _____

To,

Diffusion Engineers Limited

T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016

E-mail - cs@diffusionengineers.com

Subject: Declaration for eligibility to claim benefit under Agreement for Avoidance of Double Taxation between Government of India and Government of
 <mention country of tax residency> ("DTAA"), as modified by Multilateral Instrument ("MLI"), if applicable

With reference to above, I/We wish to declare as below:

1. I / We, <Full name of the member>, having permanent account number (PAN) under the Indian Income tax Act, <mention PAN >, and holding <mention number of shares held> number of shares of the Company under demat account number/ folio number as on the record date, am / are a tax resident of <country name> in terms of Article 4 of the DTAA as modified by MLI (if applicable) and do not qualify as a 'resident' of India under section 6 of the Indian Income-tax Act, 1961 ("the IT Act"). A copy of the valid tax residency certificate for <period>, which is valid as on the Record Date, is attached herewith. We request you to provide the benefit of the said DTAA.
2. I/We am/are eligible to be governed by the provisions of the DTAA as modified by MLI (if applicable), in respect of the dividend income and meet all the necessary conditions to claim treaty rate.
3. I/We am/are the legal and beneficial owner of the dividend income to be received from the Company.
4. I/We do not have a Permanent Establishment ("PE") in India in terms of Article 5 of the DTAA as modified by MLI (if applicable) or a fixed base in India and the amounts paid/payable to us, in any case, are not attributable to the PE or fixed base, if any, which may have got constituted otherwise.

5. I/We do not have a PE in a third country and the amounts paid/payable to us, in any case, are not attributable to a PE in third jurisdiction, if any, which may have got constituted otherwise.
6. I/We do not have a Business Connection in India according to the provision of section 9(1)(i) of the Act and the amounts paid/payable to us, in any case, are not attributable to business operations, if any, carried out in India.
7. I/We confirm that my affairs/affairs of <Full name of the member> were arranged such that the main purpose or the principal purpose thereof was not to obtain tax benefits available under the applicable tax treaty.
8. Further, our claim for relief under the tax treaty is not restricted by application of Limitation of Benefit clause, if any, thereunder.
9. We confirm that we are aware of the necessary compliances under the Indian domestic tax laws and would comply with the said compliance requirements.

I/We hereby certify that the declarations made above are true and bonafide. In case in future, any of the declarations made above undergo a change, we undertake to promptly intimate you in writing of the said event. You may consider the above representations as subsisting unless intimated otherwise.

I/we in the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided by me, I will be responsible to pay and indemnify such income tax demand (including interest, penalty, etc.) and provide the Company with all information / documents that may be necessary and co-operate in any proceedings before any income tax / appellate authority.

For <Mention the name of the payee>
 Authorised Signatory
 <Name of the person signing>
 <Designation of the person signing>

Annexure B

**Format for Declaration for opting out of New Regime u/s 115BAC(1A)
(Opting for the Old Tax Regime)**

Date:_____

To,
Diffusion Engineers Limited
T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016
E-mail - cs@diffusionengineers.com

Subject: Declaration for opting out of New Tax Regime u/s 115BAC(1A) [Shifting to the Old Tax Regime]

This is to certify that I[name of individual]/ Karta of Hindu undivided family (HUF).....[name of HUF]*/ [others], on behalf of..... [name and address of the individual/ HUF/others*, having Permanent Account Number (PAN) do hereby, exercise the option for taxability under the old tax slabs/regime and do not wish to opt for new tax regime prescribed under section 115BAC(1A) of the Income Tax Act for the financial year 2025-26.

The details for this purpose are given below:

- (i) Name of the individual/ HUF/ other* :
- (ii) PAN :
- (iii) Address :
- (iv) Date of Birth/ Incorporation* : dd/mm/yyyy

I undertake to ensure that old regime is opted in manner as may be prescribed before filing my return of income.

Further, I also understand that option once exercised, will be valid for entire financial year 2025-26 and cannot be changed subsequently during the course of the year for the purpose of reporting in TDS return by the deductor.

*Delete whichever is inapplicable.

Yours faithfully,

Signature of Individual/ Karta of HUF / Authorized Representative

Name

Designation.....

Date:

Place:

Note: This form shall be signed by the individual/ Karta of the HUF/ Authorized Representative

STRENGTH IN EVERY SPARK

A strong foundation for a thriving future



DIFFUSION
ENGINEERS LIMITED
ANNUAL REPORT
2024-25



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Every spark tells a story of
strength in the making.

Each one carries the **weight of
precision, purpose, and power.**

Behind every gleam of molten metal lies
strength— **born from skill, forged by fire.**


In **every joint we create**, we bond more
than steel— **we unite trust, durability,
and resilience.** We craft the backbone of
progress, forging structures that endure,
powered by strength in every spark.

In doing so, **every deliverable has become
a testament**, and each client,
a brand ambassador.

At **Diffusion Engineers**, we are not
just fusing metal— **we are forging
long-term partnerships.**

With **every spark**, we illuminate
limitless horizons, laying strong
foundations for a future that
stands tall, lasts long,
and **inspires confidence.**

STATEMENT FROM THE CHAIRMAN'S DESK



As a pragmatic and future-focused organisation, we recognise that past achievements do not guarantee future success. Accordingly, we remain vigilant in identifying emerging opportunities, embracing innovation to stay ahead of the curve, adapting to dynamic market conditions, and unlocking new avenues for sustainable growth.

Dear Stakeholders.

I am truly honoured to connect with you as the Chairman of Diffusion Engineers. Having been associated with the company for nearly 22 years, engaging with you in this capacity always remains a privilege.

Reflecting on our journey in the last fiscal year, I am deeply grateful for the resilience and dedication of my team that have guided the Company through a dynamic global landscape. Our steadfast commitment to innovation, operational excellence, and sustainable growth has strengthened our foundation, enabling us to create enduring value for our stakeholders. Commencing on a new journey, with a clear vision and unwavering resolve, we stand ready to embrace the opportunities within India's vibrant economic transformation.



A NEW BEGINNING

I warmly welcome our new shareholders and express our sincere gratitude to the investor community for their confidence in Diffusion Engineers' vision and growth journey. Your trust reinforces our commitment and inspires us to strive towards continued excellence and accelerated progress.

We are proud to share that Diffusion Engineers was successfully listed on both the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) on 4th October 2024. The listing was met with enthusiastic investor response, resulting in substantial gains and signalling strong market confidence. This milestone significantly enhances our financial position, empowering us to invest further in infrastructure, innovation, and strategic expansion.

A BROADER PERSPECTIVE

In FY25, India continued to distinguish itself globally through a stable democratic framework and a progressive, outward-looking foreign policy. This foundation has enabled the country to navigate geopolitical tensions and supply-chain disruptions more effectively than many of its emerging market counterparts.

The Government's ambitious long-term roadmap, Viksit Bharat @ 2047, envisions transforming India into a US\$5-trillion economy, anchored by robust high single-digit GDP growth and sustained industrial expansion. The manufacturing sector has steadily regained strategic prominence, with its contribution to Gross Value Added (GVA) rising to 17% in FY25.

Record-breaking public infrastructure investments further supported this industrial resurgence. The momentum is set to continue, with the Union Budget 2025–26 allocating ₹11.21 lakh crore toward core capital expenditure, demonstrating a strong commitment to infrastructure-led growth.

Our core end markets—cement, steel, power and engineering—are witnessing sustained momentum, underpinned by significant capacity expansions and improved utilisation levels nationwide. India's cement industry has entered a renewed expansionary cycle, with expectations of strong volume growth. Concurrently, the country has reinforced its position as

the world's second-largest producer of steel, reflecting the sector's growing scale and resilience.

Meanwhile, the ongoing energy transition continues to gather pace. Strategic government initiatives—such as the National Infrastructure Pipeline and the Make in India programme—are providing robust support to domestic demand across the heavy engineering and manufacturing landscape. These structural tailwinds are creating a fertile environment for long-term growth and sectoral transformation.

CORPORATE FINANCIALS

FY25 marked a significant milestone for the Company, reflecting robust operational and financial performance. Consolidated net revenue rose by 20.51% year-on-year to ₹3,351.96 million. EBITDA (excluding other income) reached ₹470.76 million, representing a 21.12% increase, while Profit After Tax (PAT) grew by an impressive 17% year-on-year to ₹360.40 million.

This strong performance was anchored by sustained demand in core sectors, timely execution of high-value projects, and deeper market penetration. EBITDA margins improved to 14.63%, driven by a favourable product and customer mix, disciplined cost management, and reduced direct expenses.

In line with our commitment to stakeholder value, the Board has recommended a 15% final dividend for FY25. Furthermore, we are in the process of setting up an ESOP scheme to align employee interests with long-term value creation and attract top talent to drive the next phase of growth.

OPERATIONAL PERFORMANCE

We sustained a healthy average capacity utilisation of approximately 85% during the year. We made capital investments to strengthen our production and machining infrastructure aligned with our strategic growth objectives.

Key initiatives included commissioning of an additional flux-cored wire manufacturing line and the installation of advanced wire-drawing machine at our Nimji facility. Additionally, we upgraded our heavy engineering and component machining capabilities by deploying state-of-the-art CNC

We are also broadening our presence in strategic sectors such as Indian Railways, Nuclear, Mining, and Oil & Gas. Notably, we recently secured a prestigious order from the Heavy Vehicle Factory for the supply of Flux Cored Wires, reinforcing our credentials in high-specification manufacturing.

Horizontal-Lathe Machine and a 6.5-metre swing Vertical Lathe Machine. These enhancements significantly expand our ability to manufacture larger, high-precision components and better serve evolving customer requirements. We are also in the process of commissioning a CNC Horizontal-Boring Machine(X-8m; Y-3.5m; Z+W-2m).

NOTABLE ACHIEVEMENT

We successfully manufactured and exported a rotor assembly for a Russian client, engineered as a single-piece fabrication and reassembled on-site under extreme conditions at -20°C, demonstrating our exceptional fabrication standards and operational reliability in challenging environments.

In the cement sector, we executed a turnkey replacement of an 18.6-meter kiln shell within a month—a highly complex undertaking rarely performed outside OEM capabilities in India, further underscoring our technical expertise and execution excellence in critical industrial applications.

In the steel sector, we successfully executed the supply of 300+ continuous casting roller assemblies involving complex machining, hard facing and assembly. These items operate in extremely harsh industrial conditions and are critical components needed in steel manufacturing.

UPCOMING OPPORTUNITIES ON THE HORIZON

As a pragmatic and future-focused organisation, we recognise that past achievements do not guarantee future success. Accordingly, we remain vigilant in identifying emerging opportunities, embracing innovation to stay ahead of the curve, adapting to dynamic market conditions, and unlocking new avenues for sustainable growth.

Looking ahead, we see substantial opportunities across various sectors. Our strategic forward integration—from special-purpose electrodes to flux-Cored wires, wear plates, wear parts, and heavy engineering equipment—positions us as a comprehensive solution provider, effectively serving as a one-stop shop for our customers.

In line with evolving market preferences, there is growing demand for ready-to-fit and complete solutions. This trend is driving accelerated growth in our heavy engineering and wear parts business. Our deep expertise in metallurgy and materials science, rooted in our welding alloy legacy, enables us to develop durable, high-performance wear parts that enhance uptime and reliability for process plants—directly addressing customers' need to minimise operational disruptions and profit loss.

We are also broadening our presence in strategic sectors such as Defence, Indian Railways, Nuclear, Mining, and Oil & Gas. Notably, we recently secured a prestigious order from the Heavy Vehicle Factory for the supply of Flux Cored Wires, reinforcing the credentials of our high performance products.

Our industrial services portfolio, which includes super-conditioning, critical breakdown repairs, and kiln alignment, remains essential even during cyclical downturns in capital expenditure, as customers prioritise operational continuity and asset performance. We anticipate this segment will contribute increasingly to our revenue mix in the coming years.

OUTLOOK

Moving forward, we maintain a highly optimistic and ambitious outlook for the financial year 2025-26 and beyond, envisioning a phase of considerable





growth propelled by strategic capacity expansion, deeper market penetration, and an expanded range of product and service offerings. The company anticipates a future characterised by a focus on evolving into a more comprehensive solutions provider for core industrial clients.

EXCITING PLANS FOR FY26

In such a scenario, our strategy for the coming year is anchored on aggressive capacity expansion, product leadership, and deepening market penetration.

As part of our long-term strategic vision, we have committed to a capital expenditure programme that will enable us to nearly double our production capacity across all three key business segments—Heavy Engineering, Wear Parts & Plates, and welding Consumables.

A new manufacturing complex in Nagpur at B33 MIDC Hingna and at Nimji is currently under development and is slated to commence operations in this financial year. The B33 facility will be dedicated to producing special-purpose electrodes and wire strips. The expansion of the Nimji facility will enable us to significantly increase our capacity to manufacture wear parts and heavy engineering equipment.

Internationally, we are in the process of incorporating a wholly owned subsidiary, Diffusion Engineers Middle East, in the UAE to provide service and manufacturing facility in Abu Dhabi. These initiatives are part of a broader strategy to strengthen our international footprint by extending our supply and service capabilities outside India. The Abu Dhabi plant is expected to be operational shortly.

Domestically and globally, our focus remains on enhancing product and customer mix, with cost efficiency as a central pillar to drive margin improvement. We anticipate accelerated growth in all the three offerings – Anti-wear & Welding Consumables, Wear Plates & Wear Parts and Heavy Engineering.

Our in-house DSIR-recognised R&D laboratory will continue to spearhead innovation, enabling the development of high-performance, application-specific products tailored to evolving industry requirements. We are also expanding our offerings in anti-wear and welding consumables and actively developing advanced grinding rollers for the cement sector.

We are also strengthening our distribution network by signing a Memoranda of Understanding with over 50 dealers across India to reinforce market reach. This and our strategically deployed sales force ensure extensive coverage and prompt customer engagement.

From a sustainability standpoint, we are investing in a 1.1 MW captive rooftop solar plant at our Nimji facility. This initiative reaffirms our commitment to energy efficiency and environmental responsibility.

WRAPPING UP

Ultimately, none of our accomplishments would have been feasible without the unwavering support of our stakeholders—employees, customers, partners, and communities. Your trust and commitment have constituted the foundation of our success, and we remain resolutely devoted to maintaining the highest standards of corporate responsibility and transparency.

I sincerely thank each of you, our esteemed shareholders, for your unwavering confidence in our organisation. Together, we commence a new chapter replete with promise and opportunity, propelled by a collective dedication to excellence and value creation.

Warm regards,

Prashant Garg

Chairman & Managing Director

ABOUT US

We are a proxy to **India's large and growing** Engineering space.

We are a **pioneer in wear solutions and a leader** in heavy engineering excellence.

We serve **marquee corporate brands** in India and key industrialised nations **worldwide**.

Our competencies span from **manufacturing welding rods** to developing heavy engineering equipment.

We are **Diffusion Engineers** Limited

Established in 1982 by Mr. N. K. Garg, Diffusion Engineers Limited specialises in welding consumables, wear plates, and heavy engineering equipment.

Headquartered in Nagpur, Maharashtra, the Company manufactures electrodes, flux-cored wires, wear plates, and heavy machinery, focusing on superconditioning for enhanced equipment durability at its facilities around the city.

In addition to serving leading conglomerates in India, the Company enjoys an expansive global footprint across 30+ nations with subsidiaries in Singapore, Turkey, Philippines and joint ventures in the UK and Malaysia.



Vision Statement

Dedicated to driving the World's Engineering progress with our solutions that transform industries. By building trust and absolute reliability, we aim to be the go-to partner for industries facing high-stakes and complex challenges where success is paramount.

Mission Statement

We empower the industrial sector to overcome wear, reduce downtime, and future-proof their operations.

By mastering the science of superconditioning, metallurgy, and heavy engineering, we deliver top-tier welding consumables, proprietary alloys, wear parts, services and fully integrated solutions — all under one roof. Driven by speed, precision, and customer centricity, we don't just solve problems — we engineer possibilities.

Core Values

Reliability

Our promise is our performance.
We show up, follow through, and stand firm — for clients, teams, and vendors alike.

Precision

Excellence is engineered, not improvised.

Every detail matters — in design, execution, and delivery.

Speed with Clarity

Fast, but never frantic.

We act promptly — and with purpose, clarity, and structure.

Integrity & Sustainability

We do what's right, not what's easy.

Standards, ethics, sustainability and safety are non-negotiable.

Growth Mindset

The future is built by learners.

We stretch our thinking, question limits, and lead with curiosity.

OUR RESPECT WITH PROVEN PARTNERSHIPS

10,300+
projects completed

Across Cement, Steel, Power, Mining, Engineering, Oil & Gas, Defence, Sugar Industries

84+
Established Clients

Strong, long-standing partnerships with global players across geographies

OUR FOCUS

We manufacture welding consumables, wear plates, wear parts, and heavy engineering equipment for core industries



Cement



Steel



Power



Engineering



Sugar



Defence

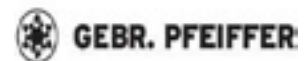
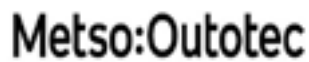


Mining



Oil & gas

OUR CLIENTS





OUR MANUFACTURING FACILITIES



UNIT I

Produces Special Purpose welding electrodes

Area: 2,000 sq. mtrs.

Operational since 1994



UNIT II

Produces Flux cored wires, wear plates and wear parts

Area: 13,068 sq. mtrs.

Operational since 2000



UNIT III

Produces Anti-wear Consumables

Area: 1,000 sq. mtrs.

Operational since 2015



UNIT IV

Produces Flux cored wires, wear plates and heavy engineering machinery

Area: 89,197* sq. mtrs.

Operational since 2016

*The total area stands reduced to the extent of approx. 3,191 sq. mtrs. pursuant to the acquisition of land by the National Highway Authority of India for public purposes in 2018.



UPCOMING FACILITY

Area: 10,850 sq. meter.

Status: Work-in-progress

To commence: within FY26

Products: Special-purpose electrodes and wire strips

Area: 72,029.84 sq. meter.

Status: Work-in-progress

To commence: within FY26

Products: Wear Plates, flux cored wires and heavy engineering equipment

OUR CERTIFICATIONS



ISO 9001:2015

ISO 14001:2015

ISO 45001:2018

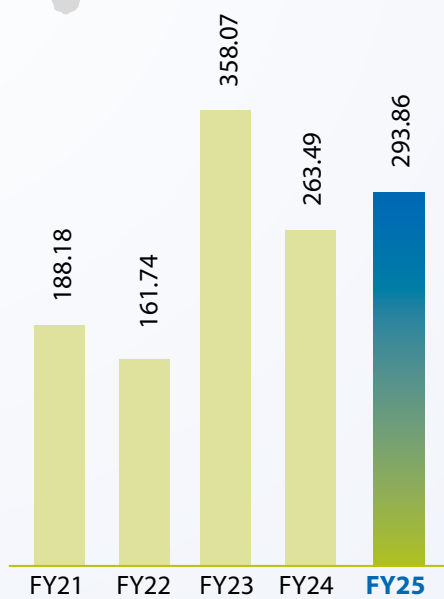
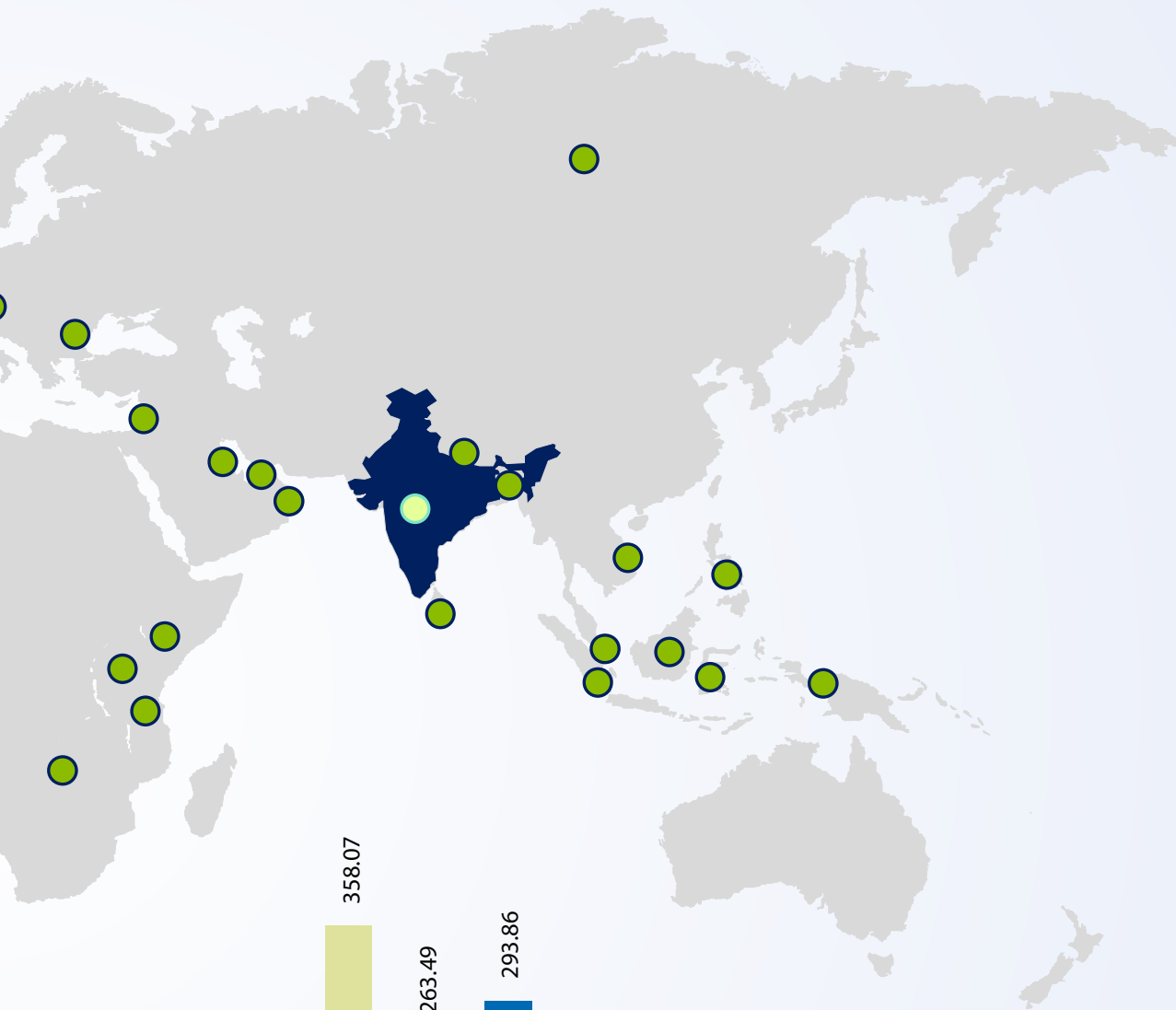
OUR GLOBAL FOOTPRINT





30+
Nations
Global Presence

₹293.86
Million
Revenue from
Exports in FY25

17%
Revenue Growth
(5-yr CAGR)



EXPORT INCOME
(₹ Million)

-  Manufacturing plant in Nagpur, India
-  Export to other countries

OUR JOURNEY

From Vision to Impact: A Timeline

GETTING STARTED 1982-93

Incorporated as a Private Limited Company

BUILDING UP

1994

Acquired land (in part) for the manufacturing facility at Unit I

1995

Converted from Private Ltd. to a Public Ltd. Company.

Acquired land (in part) for the manufacturing facility at Unit I.

Acquired a subsidiary Company, Diffusion Super Conditioning Services Pvt. Ltd.

1997-2000

Commencement of production of flux-cored wires

Acquired land (N-78) for the manufacturing facility at Unit II

2006 - 2011

Acquired land (N-79) for the manufacturing facility at Unit II

Acquired land (Khasra no. 35 and 36) for the manufacturing facility at Unit IV

SPREADING WINGS

2012

Acquired land (Khasra no. 38/1, 38/2 and 38/3) for manufacturing facility at Unit IV

Established subsidiary company, Diffusion Hernon Adhesive and Sealant Private Limited

Invested in overseas joint venture Company LSN Diffusion Limited (United Kingdom)

2013

Established subsidiary Company in Singapore, Diffusion Engineers Singapore Pte Ltd.

Invested in an associate of a subsidiary in Singapore, Mecdiff Sdn Bhd (Malaysia)

2014

Established a step-down Subsidiary Company of Singapore Subsidiary in Philippines, Diffusion Wear Solutions Philippines Inc.

2015

Acquired land for manufacturing facility at Unit III

2016

Set up and commenced operations at Unit IV

2022

Undertook the expansion of the manufacturing facility at Unit IV

2024

Acquired leasehold land (Plot Nos. 33-B/1/1/ & 33-B/1/1/Part, MIDC, Hingna, Sonegaon District, Nagpur, Maharashtra) for the Proposed Facility.

Diffusion Engineers debuted in both BSE and NSE with their IPO on October 4, 2024.

WHAT SETS DIFFUSION APART

DIVERSIFIED PRODUCT PORTFOLIO AND FORWARD INTEGRATION

The Company provides a comprehensive and diversified range of products, including specialised welding consumables, wear plates and components, and heavy engineering equipment. Over time, it has successfully executed a forward integration strategy—progressing from the production of welding electrodes to the development of flux-coated wires, wear-resistant solutions, and large-scale engineering equipment. This transformation into a one-stop solutions provider has enhanced its credibility and enabled it to deliver integrated offerings that meet complex and evolving customer requirements.

METALLURGICAL & MATERIAL EXPERTISE

With a strong foundation in welding alloy and consumable design, the Company brings deep expertise in metallurgy and materials science. This specialised knowledge enables the development of comprehensive, value-driven solutions in a quick and cost effective way increasing operational reliability and equipment uptime in process plants.

STRONG R&D CAPABILITIES

Diffusion operates an in-house, DSIR-certified R&D laboratory recognised by the Department of Scientific and Industrial Research. This state-of-the-art facility supports the ideation and development of innovative solutions while enabling rigorous product testing to meet the stringent tolerance requirements of leading domestic and international clients.

CAPACITY & CAPABILITIES

Over the years, the Company has made significant investments to expand manufacturing capacities and enhance technological capabilities. These strategic initiatives have not only broadened the Company's growth opportunities but have also improved speed and responsiveness in serving its customers.

CERTIFICATIONS AND ACCREDITATIONS

The Company holds accreditation from the National Accreditation Board for Testing and Calibration Laboratories (ISO/IEC 17025:2017) and certifications for Environment Management System (EMS), Quality Management System (QMS)-ISO 9001:2015, and Occupational Health and Safety Management systems (ISO 45001:2018 and ISO 14001:2015)⁴⁵. These certifications underscore its commitment to quality and operational excellence.

OUR GROWTH – OVER THE YEARS

17%
Revenue Growth
(5-yr CAGR)

18%
EBITDA Growth
(5-yr CAGR)

25%
Net Profit Growth
(5-yr CAGR)

STRATEGIC MANUFACTURING LOCATION

The Company's manufacturing facilities are strategically located in Nagpur, leveraging its central connectivity to key transportation networks. This geographic advantage enhances logistical efficiency, shortens transit durations, and optimises distribution costs, enabling seamless service delivery across Indian and global markets.

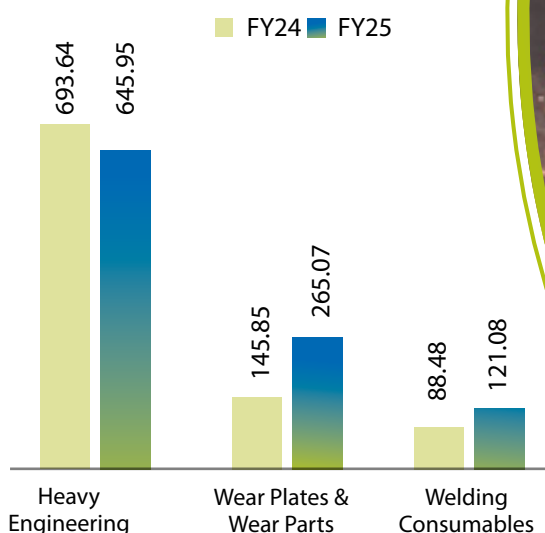
GLOBAL FOOTPRINT

The Company possesses a significant global footprint, exporting to over thirty countries, including United Arab Emirates, Bangladesh, Kenya, Tanzania, Sri Lanka, Indonesia, and Germany. Furthermore, it has enhanced its global presence through subsidiaries in Singapore, Turkey, and Philippines, as well as joint ventures and associate companies in the United Kingdom and Malaysia. A service and manufacturing plant located in Abu Dhabi is anticipated to commence operations shortly.

LONG-STANDING CUSTOMER RELATIONSHIPS

The Company has established enduring partnerships with leading global organisations and maintains a diverse and expansive customer base. To date, it has successfully served over 500 clients and executed more than 10,300 projects across various industries. The Company has strengthened its market credibility by engaging directly with major industry players and through OEM collaborations. Additionally, its extensive distribution network includes over 95 domestic distributors and nine international partners, ensuring broad market reach and effective service delivery.

The diligent efforts in establishing its business and strengthening its assets have resulted in substantial growth. Furthermore, it has created a solid platform for the Company to transition into a new growth phase.



OUR ORDER BOOK

AS OF MARCH 31, 2025 (₹ Million)





WELDING AND ANTI-WEAR CONSUMABLES

OUR PRODUCTS



SPECIAL PURPOSE ELECTRODES

A welding electrode is a rod made of metal or alloy that conducts electric current to generate the heat required for welding. It helps sustain the welding arc and supplies the filler metal needed to form the welded joint.

FLUX CORED WIRES

It is a tubular welding consumable filled with a flux mixture of minerals, metal powders and chemical agents. It enables higher welding speeds, ensuring a efficient and rapid welding process.



COLD REPAIR COMPOUNDS

Cold repair compounds, based on polymer chemistry and ceramic composites, are used for maintenance, anti-corrosion, electrical insulation and structural & floor coatings.



HIGHLIGHTS FOR FY25

We've secured a prestigious order from Defence Sector companies for our flux-cored welding wires. This milestone reinforces our growing reputation in the defence manufacturing sector. Following this success, we are on course to develop innovative solutions for other industries

We have engineered a specialized hardfacing consumable for a

leading farm equipment OEM—designed specifically to withstand the severe wear and abrasion conditions typical in agricultural machinery. This solution helped them indigenise and move away from importing this consumable which formed a critical part of their supply chain.

Follow-on orders by renowned Engineering (Industrial Valves

Manufacturer) Companies for our newly developed products—a powerful affirmation of their unwavering trust in our innovations and quality. These repeat procurements not only validate the excellence of our solutions but also mark the beginning of a deeper, long-term partnership.

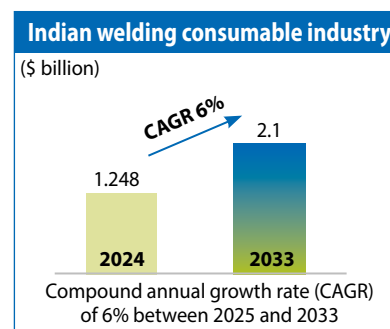
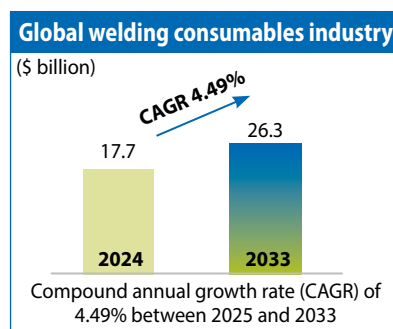
OPPORTUNITIES

The global welding consumables market was valued at US\$17.7 billion in 2024 and is projected to reach US\$26.3 billion by 2033, with the Asia-Pacific region holding the largest market share. Similarly, the Indian welding consumables market is anticipated to grow from US\$1.248 billion in 2024 to US\$2.1 billion by 2033.

This growth is driven by industrial expansion across heavy engineering, energy, oil & gas,

railways, shipbuilding, power, transportation, and automotive sectors, along with government initiatives like 'Make in India' and significant infrastructure

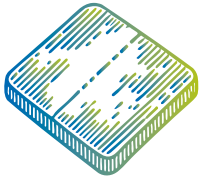
investments. New sectors like Defence and Railways present specific opportunities.



STRATEGY MOVING FORWARD

1. The Company is focused on expanding this segment by increasing its market share at the expense of competitors. To support this growth, it is undertaking significant capacity expansion initiatives, including the installation of a new flux-cored wire manufacturing line, specialised wire-drawing machines at the Nimji facility, a new wire strip plant, and an additional dedicated facility for special electrodes. These initiatives are part of a broader strategy to nearly double overall capacity across all three of its business segments.
2. The Company is also focusing on developing low-fume, chromium-free wire formulations to stay ahead of regulatory requirements.
3. Internationally, the Company is in the process of setting up a subsidiary, Diffusion Engineers Middle East, in the UAE to deliver welding services and light fabrication solutions. The unit in Abu Dhabi is scheduled to become operational in FY26.

Additionally, the Company is prioritising the establishment of regional service centres and stock points in strategic global markets to enhance maintenance responsiveness and customer support.



WEAR PLATES AND WEAR PARTS



WEAR PLATE

Wear plates are produced using an open arc welding process, leveraging backward integration with flux-cored wire production for superior hardness and wear resistance.



WELDING SERVICE

The Company offers in-house and on-site maintenance including inspection, repair, and upgrades ensuring optimal performance and durability of industrial equipment.

WEAR PART

The Company also manufactures ready-to-fit wear parts using wear plates, forgings, castings, and hard-facing consumables.



This vertical involves the manufacturing and supplying of precision-engineered wear plates and wear parts designed to protect equipment surfaces from abrasion, impact, corrosion, and high-temperature wear in harsh industrial environments. The Company serves close to 1,000 customers in this segment. The majority of the business is conducted at the company's

workshop, with some on-site assembly when requested.

Diffusion Engineers has recently started offering a specific type of wear part on a rental basis, which includes the cost of supply and maintenance. This new business model currently has two ongoing contracts and does not require a capital commitment on the Company's books due to explored tie-ups with NBFCs.



HIGHLIGHTS FOR FY25

We have reached a record-setting milestone in wear plate production—firmly establishing our position as the industry leader in capacity and reliability

We've successfully fulfilled a major supply contract, delivering over 400 continuous-casting rollers to a leading steel manufacturer—underscoring our proven expertise and reliability in heavy-industry applications

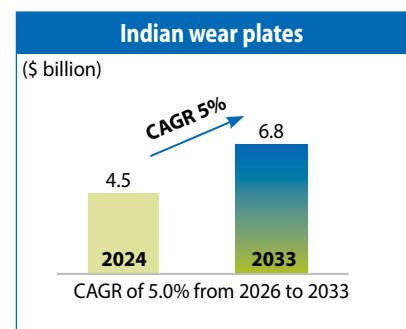
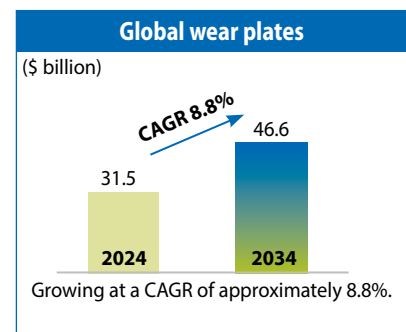
OPPORTUNITIES

Wear plates play a vital role across heavy industries including power generation, steel production, quarrying, and cement manufacturing. The sector stands to benefit significantly from the global resurgence in infrastructure development and industrial expansion, which will drive increased maintenance needs and create robust growth opportunities.

The global wear plate market is projected to grow from US\$ 31.5 billion in 2024 to US\$ 46.6 billion by 2034, reflecting strong demand across core sectors. In India, the wear plate market is expected

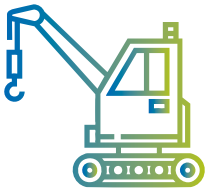
to reach US\$ 6.8 million by 2033, underscoring the country's industrial momentum.

The Company anticipates accelerated growth in its wear parts segment, as customers increasingly prefer integrated, ready-to-fit solutions. Key demand drivers include the mining sector (requiring heavy-duty components for excavation equipment), the steel industry (utilising hard-facing wires and wear plates in mills), and the cement sector (seeking hard-facing services for clinker processing lines).



STRATEGY MOVING FORWARD

1. The Company is undertaking a major capacity expansion at its flagship Nimji facility to double its installed capacity across all business segments, including wear plates and wear parts.
2. The Company has also initiated strategic leasing and OPEX contracts for industrial asset lifecycle management, including the rental model for wear parts.



HEAVY ENGINEERING EQUIPMENT



Tandem Wagon Tippler



Coal Pulverizer Mill Shell



Impeller Fan



Material Hopper for Blast Furnace



Hammer Crusher Assembly

This business vertical specialises in the manufacturing and fabrication of heavy engineering equipment tailored for core industrial sectors such as cement, steel, power, and sugar. The product portfolio includes large-scale, custom-engineered components such as air separators, high-pressure grinding rollers, forced draft (FD) fans, mill bodies, and rotary air pre-heater (RAPH) rotors. These units vary significantly in scale, with individual equipment weighing from 10 tons to as much as 500 tons.

The key differentiator of the Company is its profound

understanding of metallurgy and materials, which arises from its foundational roots as a welding alloy design firm. This expertise enables the production of equipment characterised by extended lifespans and enhanced availability for customers.

In addition to manufacturing capabilities, the company provides end-to-end repair and maintenance services for mission-critical equipment directly at client sites. Offerings include emergency breakdown repairs, precision kiln alignment, and other high-value industrial support services. The vertical currently

serves approximately 50 clients, delivering bespoke solutions that uphold performance reliability and operational continuity.

Recent significant projects encompass the reconditioning of a 2,800 millimetre-diameter RAL, the manufacturing and export of a rotor assembly for a Russian client, as well as the replacement of an 18.6-meter kiln shell on a turnkey basis within the cement sector.

Industrial services contribute high value and approximately 1-2% of current revenue, serving as a "door opener" for other business divisions.



HIGHLIGHTS FOR FY25

We upgraded our heavy engineering and component machining capabilities by deploying state-of-the-art CNC Horizontal-Lathe Machine and a 6.5-metre swing Vertical Lathe Machine. These enhancements significantly expand our ability to manufacture larger, high-precision components and better serve evolving customer requirements. We are also in the process of commissioning a CNC Horizontal-Boring Machine (X-8m; Y-3.5m; Z+W-2m).

Undergoing major expansion with approximately doubling the capacity.

We are successfully executing a highly complex equipment order for a top-tier mining and steel OEM—demonstrating our advanced engineering capabilities, project management excellence, and unwavering commitment to delivering bespoke solutions in demanding industrial environments.



OPPORTUNITIES

India's heavy engineering sector is poised for sustained growth, driven by robust activity in manufacturing and infrastructure development, rising technological sophistication, favourable policy support, and increased foreign direct investment.

This segment is expected to outpace the consumables sector in expansion, underpinned by growing demand for integrated, end-to-end engineering solutions. The company recognises significant opportunities for product line diversification and is

actively exploring high-potential verticals such as Indian Railways, Nuclear Energy, Mining, and Oil & Gas. These initiatives are aligned with its strategic focus on margin enhancement and the adoption of advanced manufacturing capabilities.

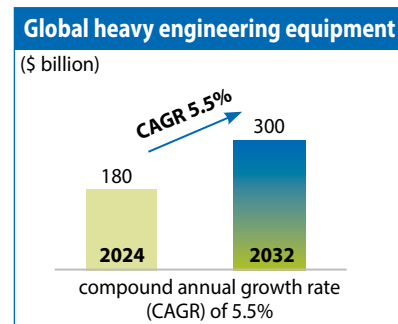
Additionally, strong growth prospects have been identified across key industries:

Cement – high-pressure grinding rollers and critical maintenance solutions

Steel – refurbishment of converter mouths and sinter plant components

Power – in-situ weld-repair service contracts

Sugar/Ethanol – wear-resistant overlays and comprehensive shutdown support services



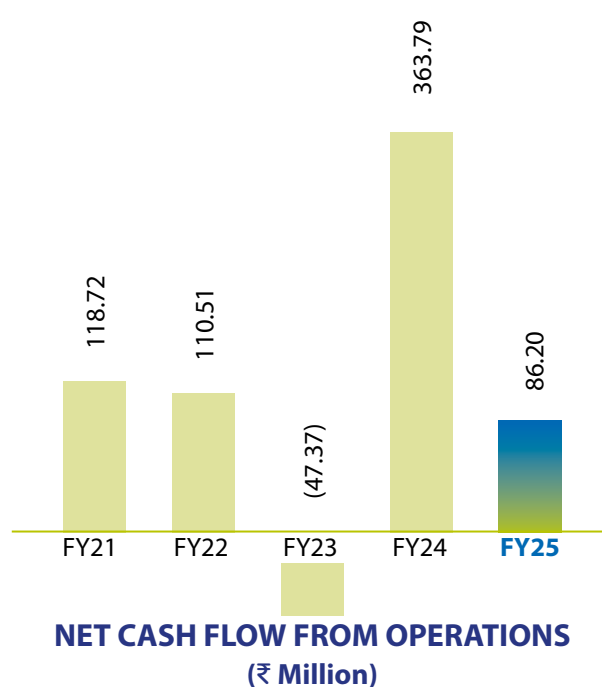
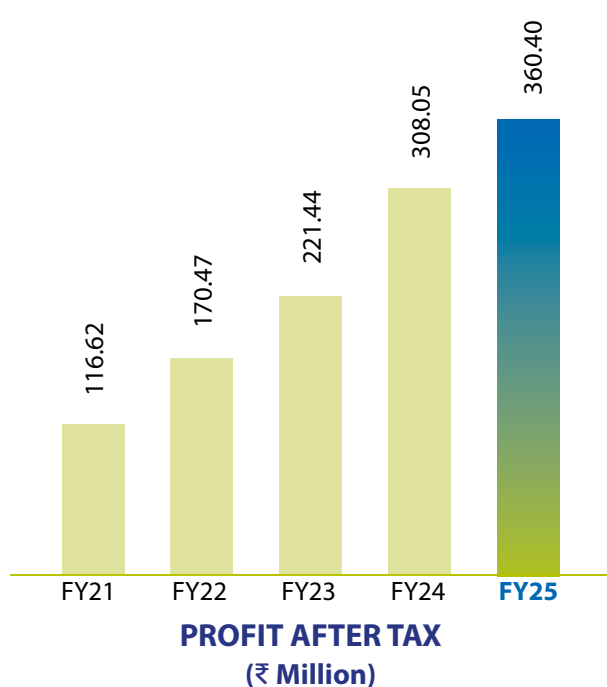
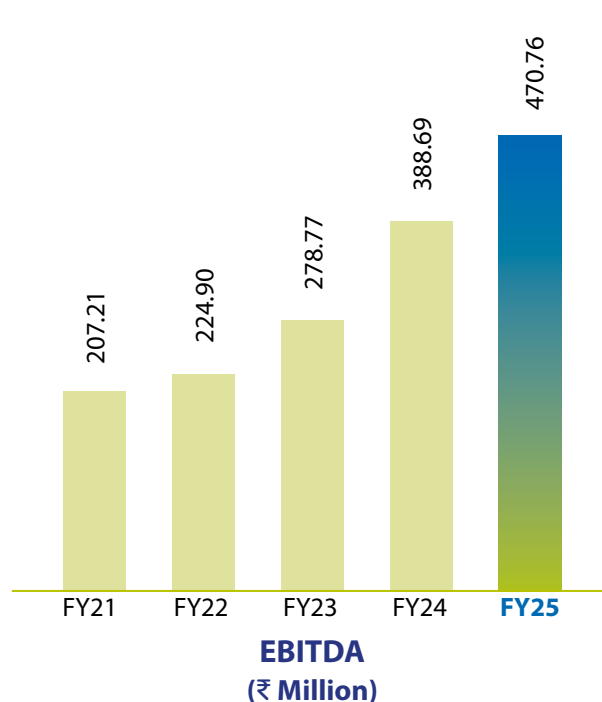
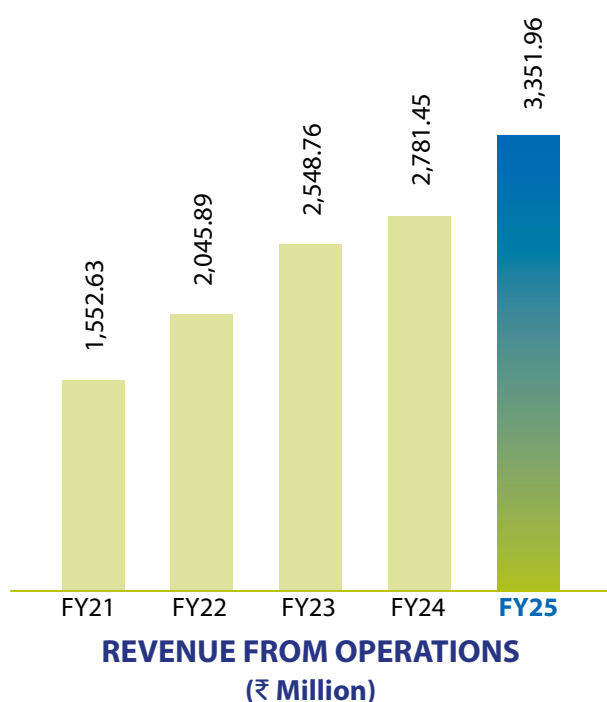
STRATEGY MOVING FORWARD

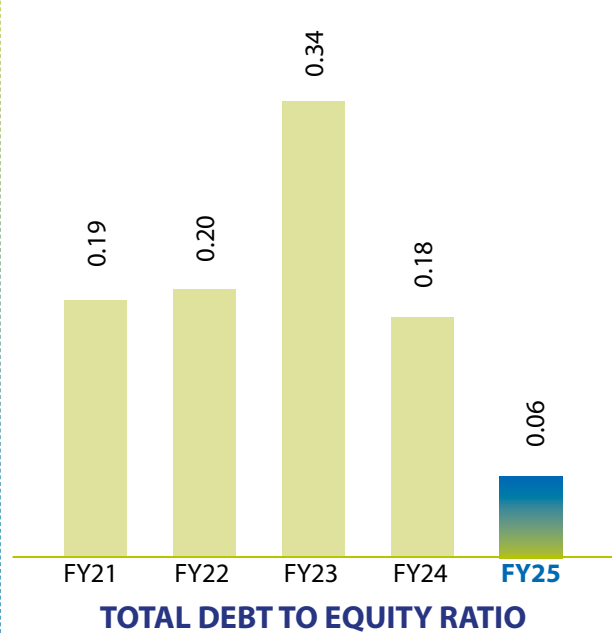
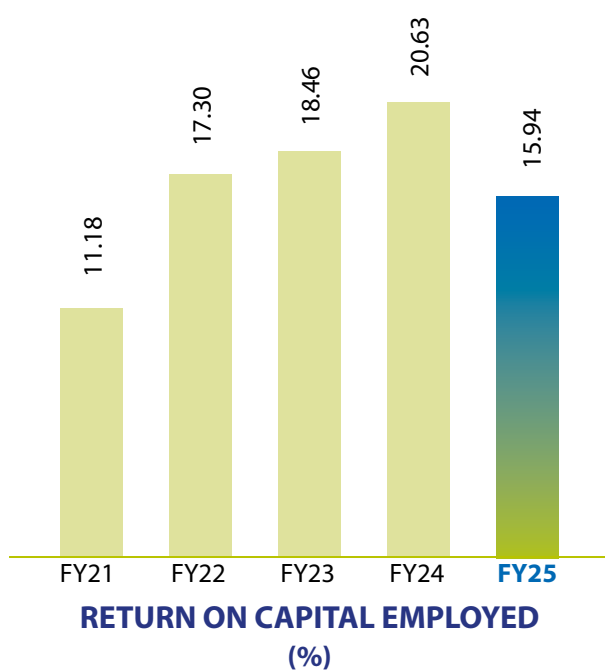
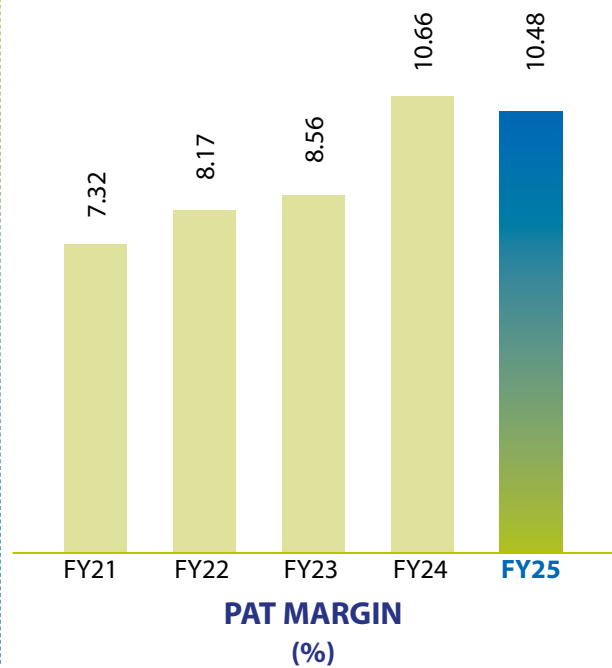
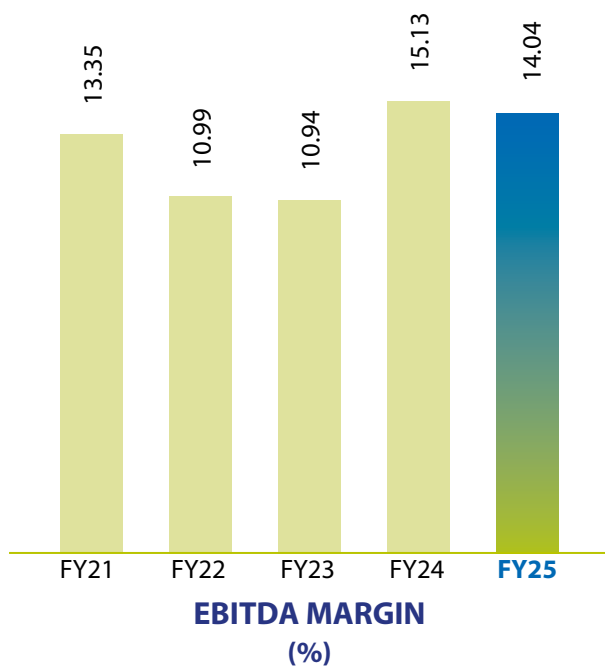
1. The Company is further enhancing its machining capabilities to produce larger and more precise components, considering the limited number of suppliers in India for such capabilities. Strategic initiatives involve entering into more critical and larger industrial equipment markets, developing new products for sectors such as Oil & Gas, Petrochemical, Railways, and Defence, and launching High-Performance Grinding Rollers for the Cement Industry.
2. The Company has launched Kiln Services as a standalone offering to complement its wear-consumables business and deepen customer engagement.

KEY PERFORMANCE INDICATORS

(BASED ON CONSOLIDATED FINANCIAL STATEMENT)

Our strong performance across key indicators affirms the effectiveness of our team and strategic direction. This momentum positions us well to accelerate growth, gain market share, and consistently deliver long-term value for all stakeholders.





Risk Management

NAVIGATING BUSINESS CHALLENGES

Risk represents an essential and inescapable element of all enterprises. Diffusion Engineers is committed to managing its risks proactively. Although risks cannot be fully eliminated, a robust risk management strategy ensures that they are minimised, circumvented, retained, or apportioned. The Risk Management Committee oversees our risks and is responsible for evaluating the effectiveness of the risk management strategy or process. During the year under review, these controls were assessed, and no material weaknesses were identified in their design or operations.

Risk 1: Raw-material price volatility

The prices of core inputs like nickel, chromium, and high-alloy steels are subject to sharp swings, which can compress the Company's profit margins.

Mitigation measures

- Implemented multi-vendor sourcing.
- We've introduced a price-variation clause in our long-term contracts. It allows pricing to be adjusted fairly, based on agreed benchmarks.



**Risk 2: Energy and utilities cost escalation**

Increases in grid tariffs or fuel prices would inflate conversion costs at the Company's energy-intensive plants.

Mitigation measures

- Implemented energy-efficiency retrofits.
- Investments in on-site solar capacity commissioning at the Nimji unit in Q3 FY26.

Risk 3: Supply-chain disruptions

Geopolitical events or port congestion could cause a delay in the arrival of critical inputs, especially specialty alloys sourced internationally.

Mitigation measures

- Maintained strategic safety stocks.
- Established dual-port routing options.
- Localising select grades through Indian ferro-alloy suppliers.

Risk 4: Competitive pressure from low-cost imports

Cheaper electrodes and wires from East-Asian producers can potentially erode realisation for commoditised products.

Mitigation measures

- Moving away from 'supply and forget' to becoming a strategic partner for the entire lifecycle management of industrial equipment for our customer.
- Provide faster on-site service.
- Differentiated offerings through proprietary high-performance consumables.
- Benefited from the "Make-in-India" preference in Government and PSU tenders.



BOARD OF DIRECTORS



MR. PRASHANT GARG

Chairman and Managing Director

Prashant Garg is the Chairman and Managing Director of our Company. He holds a bachelor's degree in engineering and was among the top rankers at Nagpur University. He also possesses a master's degree in business administration from Saïd Business School, University of Oxford. He has been associated with the Company since 2003 and has approx. 20 years of experience in the industry we operate in. Currently, he is responsible for the day-to-day affairs. He also looks after new product development, infusion and technology upgrades in our Company's operations and production processes. He has been responsible for innovations

in the manufacturing process and the addition of new product lines in the business. Apart from Diffusion Engineers Limited, he is also a director on the Board of Nowelco Industries Private Limited, Diffusion Super Conditioning Services Private Limited, Diffusion Hernon Adhesive and Sealant Private Limited, Benvira Forward Algorithms Private Limited, N K Garg Foundation, LSN Diffusion Limited, Diffusion Wear Solutions Philippines Inc., Diffusion Engineers Singapore Pte. Ltd. and Mecdiff SDN BHD. He is also a Partner in Devi Kiran Advisory Services LLP.



MRS. CHITRA GARG

Non-Executive Director

Chitra Garg is the Non-Executive Non-Independent Director of our Company. She holds a Master's degree in Arts (Geography) from Agra University. She has been acting as a Director on the Board of our subsidiary company, Diffusion Super Conditioning Services Private Limited, since 1995 and is a

Partner in Devi Kiran Advisory Services LLP. She has been associated with our Company for the past three decades as a shareholder and is responsible for overseeing the Company's general administrative activities. She also holds a directorship in the N K Garg Foundation, a not-for-profit organisation.



DR. NITIN GARG

Non-Executive Director

Dr. Nitin Garg is the Non-Executive Director of our Company. He holds a bachelor's degree in medicine and a bachelor's degree in surgery from Nagpur University. He also holds a master's degree in general surgery from Manipal Academy of Higher Education, a master's in neurosurgery from the National Institute of Mental Health and Neuro Sciences, and a fellowship from the University of Pittsburgh. He is currently practising as a neurosurgeon in Bhopal.

He founded BTSG Awareness Foundation, a non-profit organisation, and CENOS Health Care Private Limited. He also serves as a director on the Board of our subsidiary companies, Diffusion Hernon Adhesive, Sealant Private Limited, and Nowelco Industries Private Limited. He further holds a directorship in N K Garg Foundation, a not-for-profit organisation, and is a partner at Devi Kiran Advisory Services LLP.

**MR. ANIL TRIGUNAYAT**

Independent Director

Anil Trigunayat is the Non-Executive Independent Director of our Company. He holds a Master of Science (Physics) from Agra University and a Diploma in Foreign Services Programme from Oxford University. He was associated with the Government of India as an Ambassador

and has served in various capacities throughout his career, retiring in 2016 as India's Ambassador to Libya and Jordan and High Commissioner to Malta. He is also a Director on the Board of NTPC Limited.

**MR. SHERRY OOMMEN**

Independent Director

Sherry Oommen is an Independent Director of our Company. He holds a master's degree in commerce from Aligarh Muslim University and a bachelor's degree in law from Bangalore University. He is also a member of the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India, and he has cleared the professional programme examination

held by the Institute of Company Secretaries of India. Additionally, he holds a master's degree in international taxation from the National Academy of Legal Studies and Research (NALSAR) University of Law, Hyderabad. He has been practising in legal and taxation matters. He is currently a partner of M/s. Omega Alliance, Advocates and Solicitors, Kochi, Kerala.

**MRS. DEEPAI BENDRE**

Independent Director

Deepali Bendre is an Independent Director of our Company. She holds a master's degree in commerce from Pune University and is also a member of the Institute of Chartered Accountants of India. With over 27 years of experience, she has been a practising Chartered

Accountant, specialising in finance and accounting. Currently, she is a partner at M/s. Diwan & Dasture, Chartered Accountants, Nagpur, Maharashtra.

LEADERSHIP TEAM**Mr. Prashant Garg,**

Chairman & Managing Director

Mr. Ramesh Kumar N,

Chief Executive Officer

Mr. Abhishek Mehta,

Chief Financial Officer

Ms. Chanchal Jaiswal,

Company Secretary

Mr. Ajay Urkude,

Vice President

Mr. Shreekant Premkhede,

Vice President, Marketing

Mr. Sameer Khaladkar,

Vice President, Export

Mr. Manoj Srivastava,

Senior Vice President, Sales and Marketing

Mr. Kaushik Chakraborty,

General Manager, Marketing – OEM

Mr. Ajit Kothathane,

Vice President, Export

CORPORATE SOCIAL RESPONSIBILITY



Diffusion Engineers Limited undertook several Corporate Social Responsibility (CSR) initiatives during the financial period 2024-2025, focusing on key areas such as Health & Sanitation, Preserving the Environment, Education/Skill Development, Provision of Basic Needs, and Promoting Sports.

Here are the specific initiatives and their details:

Environment

Preserving Environment: This involved the development and maintenance of plantations in and around the Nimji Plant, Kalmeshwar, to increase green cover in what was an upcoming industrial and fairly barren area. This effort also aimed to increase and sustain birdlife, contributing to the area's greenery. The expenditure for this initiative was ₹2,87,650.

Medical Help

Paediatric Heart Surgeries: The Company sponsored two paediatric open heart surgeries for needy children in association with the Rotary Club of Nagpur Vision. These surgeries, conducted at Shri Swami Vivekanand Medical Mission in Khapri, Nagpur, gave a new lease of life to a nine-year-old named Kalp Bisen and a four-year-old named Khushi Rangnekar. Swami Vivekanand Medical Mission is a voluntary and charitable organisation providing affordable and quality healthcare

₹43,80,812
CSR Spent in FY2024-25

1000+
Number of people benefitted



to underprivileged sections of society. The total expenditure was ₹2,64,000.

Donation for Mechanical Heart Valves: A donation of ₹5 lakhs was given to Swami Vivekanand Medical Mission, Khapri, Nagpur, for 10 mechanical heart valves for economically backward and needy patients unable to afford the cost. These artificial valves improve patients' quality of life.

Brain Tumour Support Group and Awareness Foundation Donation: A donation of ₹5 lakhs was made to a foundation that supports the non-medical needs of brain tumour patients and their caregivers. The foundation aims to provide psycho-social support, conduct monthly meetings, assist with logistics for out-of-town patients, and provide access to information on survivorship and clinical trials. The donation was used for awareness activities, financial aid for needy patients, and psychological support.

Jaipur Foot Donation: Fifty Jaipur Foot prosthetics were donated to 50 individuals who had lost a foot below the limb due to accidents, enabling them to walk properly

and live a normal life. This project was executed through Mahavir International Service Trust in collaboration with Rotary Club of Nagpur Vision. The donation amount was ₹2.5 lakhs.

Chichbhavan Village Medical Services: An ongoing project at Chichbhavan Village, Kalmeshwar, provided medical services twice a week (Wednesday and Saturday), with 15 to 25 patients per session. This service was particularly valuable as the nearest Primary Health Centre is quite distant, and medicines were also provided. The expenditure amounted to ₹1,58,0973.

General Medical Check-up Camp at Kalmeshwar Taluka: A comprehensive medical check-up camp was organised for 612 participants in and around Kalmeshwar Taluka, providing general full body check-ups, BP, sugar, eye check-ups, and cardiac issue screenings, along with counselling for corrective actions. Medicines were also provided. The camp was conducted in association with Dande Hospital, Ravi Nagar, Nagpur, with an expenditure of ₹3,91,118 lakhs.

Education

N.K.Garg Scholarship Program: The N.K. Garg Foundation/Diffusion Engineers Limited announced this scholarship program in memory of Shri N.K.Garg, Founder and Chairman, for B.E./B.Tech – 1st and 2nd Year Mechanical Engineering/ Metallurgy/Industrial Engineering or equivalent courses. The second round of scholarships was given to 10 students sponsored in 2022-23 until graduation. The scholarship covers college fees, guidance, and internship programs at Diffusion Engineers Limited's Hingna/ Kalmeshwar Plants. The amount is ₹50,000 per student per year, provided they maintain above 65% scores annually. In Academic Session 2024-25, six students from Shri Ramdeobaba College of Engineering & Management, Nagpur, and four from Visvesvaraya National Institute of Technology, Nagpur, received scholarships based on merit and economic background. These students were well-placed or doing good

internships, and 10 new students will be selected in 2025-26. The total scholarship amount was ₹5,00,000.

Donation to Suryodaya Foundation: A donation of ₹50,000 was made to Suryodaya Foundation, a non-profit institution dedicated to providing education to children with intellectual disabilities, aiming to make them functionally independent adults.

Partnering with Bridge The Gap: The company partnered with Bridge The Gap Foundation, Nagpur, by adopting and sponsoring education for a cluster of Zilla Parishad schools and Anganwadis in Hingna zone. Bridge the Gap Foundation focuses on bridging the educational gap between rural and urban children through quality, practical education and community collaboration, impacting over 3,000 rural children. The expenditure was ₹2.5 lakhs.

Promoting Sports

Shri N.K.Garg Memorial Badminton Tournament: The second annual tournament was held from 5th to 7th December 2024, sponsored by N.K.Garg Foundation & Diffusion Engineers Limited and organised by Nagpur District Badminton Association. It saw over 200 participants across 14 categories (under 9 to Seniors 17+). The donation amount was ₹1,50,000.

Shri N.K.Garg Sports Scholarship/ Fund: Under its CSR Program, Diffusion Engineers Limited announced this scholarship to support needy and deserving sportspersons.

In 2023-24, a racing cycle was given to Riyansh J Sontakke, a young cyclist from Nagpur, for his achievements in various cycle championships.

In 2024-25, a scholarship of ₹1.50 lakh was awarded to Vaishnavi Manglekar, a budding badminton star from Nagpur, to support

her training, travel, lodging, and participation in tournaments. This scholarship was presented by Mr. Prashant Garg, Managing Director, and assisted by the Nagpur District Badminton Association.

Developing & Donation of School Playground and Sports Equipment: A multi-purpose cemented playground was constructed by N.K. Garg Foundation in association with Diffusion Engineers Limited at Tejaswini Primary and High School Koradi. This school, located in a rural area of Nagpur district, caters to 1500 students from Grades 5 to 12. Sports equipment, including skates, basketballs, handballs, badminton rackets, and tennis balls, was also donated. The project cost ₹1,79,947 lakhs and was executed through the Rotary Club of Nagpur Down Town.

Donation to Inspire Institute of Sports: A donation of ₹5 lakhs was made to Inspire Institute of Sport, a cutting-edge environment in





Vijayanagar, Karnataka, dedicated to crafting champions for the Olympic Games. The institute focuses on world-class high-performance centres, holistic training environments, and supporting para-athletes to maximise their potential. The donation was for training and promotion of sports-related activities.

Provision of Basic Needs

The Annamitra Foundation: A donation of ₹2.5 lakhs was made to The Annamitra Foundation, a non-profit organisation that implements the Mid Day Meal

Programme to eliminate classroom hunger and malnutrition in India. The foundation operates a kitchen in Kalamna, Nagpur, and provides mid-day meals to 110 schools.



MANAGEMENT DISCUSSION & ANALYSIS

GLOBAL ECONOMY

2024: A Cautious Economic Resilience

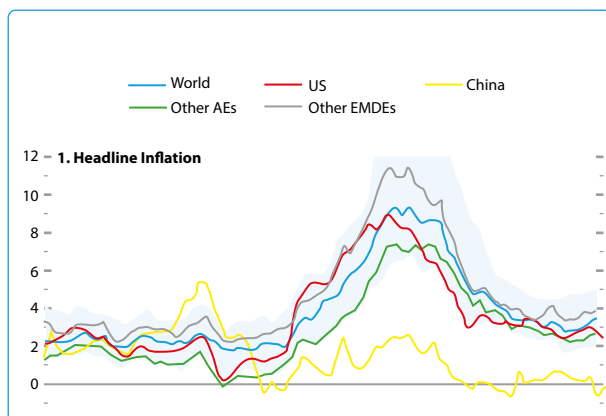
The global economy demonstrated resilience amid challenges, with real GDP growth stabilising at around 3.2%, slightly below historical averages, driven by robust performances in the U.S., India and emerging Asia, though Europe lagged.

Declining Inflation

Inflation declined steadily from 6.8% in 2023 to approximately 5.9%, with advanced economies nearing central bank targets faster than emerging markets, though core inflation remained sticky due to persistent service sector pressures. Major central banks, including the U.S. Federal Reserve and European Central Bank, initiated rate cuts, e.g., the Fed lowered rates by 50 basis points to 4.75-5% to support growth as disinflation progressed. However, they remained cautious due to trade uncertainties. As inflation moderated and central banks eased policies, consumer dynamics also began to shift.

Consumption

Global consumption grew modestly, supported by real wage recovery and employment gains, particularly in the U.S. and India, but weakened in Europe due to subdued demand.



Industry and Manufacturing

Manufacturing and industrial growth faced headwinds, with China's PMI indicating contraction and Europe's sector in recession, though emerging markets showed resilience. Despite industrial headwinds, global trade showed signs of revival.

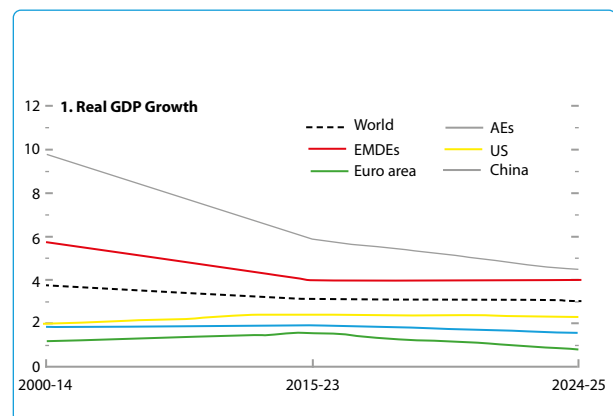
Global Trade

Global trade growth rebounded to 2.7% from 1.1% in 2023, driven by recovering demand and easing supply chain issues, but trade tensions and tariffs posed risks.

Outlook

The global economy will likely to face a dynamic landscape in 2025, with real GDP growth projected at 2.8%, down from 3.2% in 2024. U.S. tariffs, though on a 90-day pause, will disrupt global trade and supply chains. Countries are anticipated to diversify trade partnerships, thereby reducing reliance on U.S.-China routes and fostering resilience in global supply chains. Global inflation is forecast to ease even further, stabilising prices and improving purchasing power, especially in advanced economies. Emerging economies, particularly India and Southeast Asia, are projected to drive global growth due to strong domestic consumption and infrastructure investments.

Source: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>





INDIAN ECONOMY

India's Resilient Economic Growth
The Indian economy demonstrated robust performance in FY2024-25, with GDP growing at 6.5%₃ for the full year, bolstered by a strong fourth-quarter expansion of 7.4%₄. This growth was driven by a rebound in domestic demand, improved agricultural output, and sustained services momentum. Despite global headwinds, India remained the fastest-growing major economy, supported by structural reforms and public infrastructure investments.

Inflation and Consumption Trends

Inflation averaged 4.6%₁ for FY2024-25, easing from earlier highs due to moderating food prices and effective monetary policy. Private Final Consumption Expenditure (PFCE), a key growth driver, expanded by 7.2%₂, reflecting revived consumer confidence and discretionary spending. However, rural demand lagged in urban recovery, highlighting uneven economic revival.

Industrial and Manufacturing Revival

Industrial production grew, with manufacturing registering a 4%₅ uptick, aided by Production-Linked Incentive (PLI) schemes and easing supply chain bottlenecks. The eight core industries, coal, steel, cement, electricity, refining, fertilisers, natural gas, and crude oil—posted a collective growth of 4.4%₆, signalling broad-based infrastructure and energy demand.

Monetary Policy and RBI's Accommodative Stance

The Reserve Bank of India (RBI) cut the repo rate three times in FY2024-25, bringing it down to 5.5%₇ to

Sources:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2122148#:~:text=Retail%20inflation%20in%20India%20has,4.6%20percent%20in%202024%E2%80%93325>.

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2132688>

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<https://economictimes.indiatimes.com/wealth/borrow/loan/personal-loan/personal-loan-vs-savings-smart-ways-to-choose-when-you-need-quick-funds/articleshow/121331056.cms>

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stimulate credit growth. These cuts, coupled with improved liquidity, supported borrowing in business while keeping inflation within the target band.

External Trade and Current Account Dynamics

The country's merchandise exports reached US\$ 374.1 billion, a 6%₈ increase over the last fiscal year. The Current Account Deficit (CAD) narrowed to 1.1%₉ of GDP in Q3, aided by resilient services exports and remittances. However, it is projected to be widened in Q4. Free Trade Agreement (FTA) negotiations with the UK and EU provided additional momentum.

GST Collections

A Testament to Formalisation Goods and Services Tax (GST) collections hit a record ₹16.75 trillion₁₀ in FY2024-25, an increase of 9.98%, underscoring compliance improvements and economic formalisation. States benefitted from buoyant collections, enabling higher capex spending.

Outlook

Sustaining Momentum Amid Challenges
India's economy in FY2025-26 is poised for stable growth, sustaining high momentum driven by stable government policies and reforms. The UK-India FTA should boost exports, while the impact of the US tariff differentials with the other competing countries should be beneficial for the Indian economy. Despite geopolitical tensions, India's diversified trade and resilient domestic demand ensure stability. Infrastructure investments, digital transformation, and renewable energy initiatives will fuel consumption and industrial growth. With declining inflation and strategic trade partnerships, India is set to strengthen its global economic position, leveraging its youthful workforce and policy continuity for sustained prosperity.

INDUSTRIAL STRUCTURE & DEVELOPMENT

Global Welding Consumables Industry

Welding Consumables are materials used during welding to form joints, including electrodes, filler wires, fluxes, and shielding gases. They melt to fuse metals, ensuring strength and durability. Used in construction, automotive, and manufacturing, their composition matches base metals for optimal performance. Quality impacts weld integrity, making them vital for structural safety and efficiency.

Types:

1. Electrodes (coated metal rods for arc welding)
2. Filler Wires (for MIG/TIG welding)
3. Fluxes (chemical cleaners to prevent oxidation)
4. Shielding Gases (e.g., argon, CO₂ to protect the weld pool)
5. Alloys & Flux-Cored Wires (for specialised applications)
6. Cold Repair Compounds

Applications:

- Construction (steel beams, pipelines)
- Automotive (chassis, exhaust systems)
- Shipbuilding & Aerospace (high-strength joints)
- Energy
- Repairs & Fabrication

North America is the leading region with the largest welding consumables market revenue share. The construction and automotive sectors are driving robust growth, with increased investment in infrastructure

projects and advancements in welding technology, while the oil and gas industry's growing energy demand is also fuelling market expansion across the region.

According to IMARC Group, the global welding consumables market was valued at US\$17.7 billion in 2024. The market is expected to reach US\$26.3 billion by 2033, with a compound annual growth rate (CAGR) of 4.49% between 2025 and 2033. The growth of the market is driven by the increasing use of new consumables with advanced alloy compositions and coatings, the rising construction of residential and commercial buildings, and the expanding application of welding consumables across various industries.

Growth Trends:

The global construction boom is increasing demand for welding consumables across residential, commercial, and industrial sectors, necessitating extensive welding for building and maintaining structures. The automotive and manufacturing industries rely on welding for vehicle and machinery production, further driving market expansion. Technological advances and efficient production processes heighten the need for high-quality welding materials. The energy sector, including oil and gas, renewable energy, and power generation, requires durable welding solutions for pipelines, rigs, and other infrastructure, fuelling market growth.

Source: <https://www.imarcgroup.com/welding-consumables-market>

Indian Welding Consumables Industry

India's welding consumables market was valued at US\$1.248 billion in 2024. In the future, IMARC Group forecasts the market to reach US\$2.1 billion by 2033, with a compound annual growth rate (CAGR) of 6% from 2025 to 2033. Key market growth drivers include renewable energy projects, such as wind farms and solar power installations, the oil and gas sector expansion, and the introduction of advanced welding technologies and materials.

Leading Techniques, Types, and Segments

Techniques: As per welding consumables market insights, arc welding is relatively cost-effective in terms of equipment setup and consumable usage and holds the largest share of the industry. Additionally, it produces robust and durable welds, ensuring the structural strength of fabricated components, machinery, and structures.



Types: Stick electrodes require minimal equipment compared to other welding methods and help reduce setup costs and complexity. Moreover, stick electrodes are effective in outdoor and adverse conditions, including windy or wet environments, as they can maintain a stable arc in challenging situations and account for most of the market share.

Segments: Construction projects are incredibly diverse, spanning the construction of towering skyscrapers to the development of vital infrastructure, including bridges, roads, and tunnels. In every one of these endeavours, welding is crucial for joining and fabricating the structural components that form the core of these structures. The durability and integrity of these welded connections are essential for guaranteeing the long-term safety and stability of the constructed buildings. Welding has widespread use in building steel and concrete structures.

Performance in 2024:

The Indian welding consumables market performed robustly in 2024, driven by growth in key sectors and technological advancements. The market saw steady expansion due to increased demand from construction, automotive, and infrastructure projects. The rise in renewable energy initiatives, such as wind and solar installations, further boosted the consumption of electrodes, wires, and fluxes. The oil and gas sector's pipeline and offshore platform activities also contributed significantly.

Stick electrodes dominated the market, favoured for their versatility in automotive and construction applications. Technological innovations, including low-spatter electrodes and automated welding systems, enhanced efficiency, supporting market growth. Despite challenges like fluctuating raw material costs, rural electrification and the defence sector demand sustained momentum, positioning the market for further growth in coming years.

Sectors that are Driving Growth:

- As India strives to modernise, propelled by initiatives like PM Gati Shakti (multi-modal connectivity), National Infrastructure Pipeline, Bharatmala (roadways), Sagarmala (ports), and UDAN (regional air connectivity), Smart Cities Mission, Vande

Bharat trains, renewable energy corridor and other initiatives to improve the country's infrastructure, there's a rapid push towards building bridges, highways, buildings, pipelines, and other vital infrastructure. This development directly translates to a higher demand for welding and, by extension, welding consumables.

- The manufacturing industry as a whole in India is experiencing significant growth and transformation due to several strategic initiatives, notably the Production Linked Incentive (PLI) scheme and the Make in India campaign. These programs are designed to boost domestic manufacturing by providing financial incentives to manufacturers and encouraging investments in various sectors. As a result, there is a noticeable increase in the demand for welding consumables, which are essential materials used in the welding process.
- The automotive industry is metal-intensive and relies heavily on welding processes for production and repair work. The automotive industry, in particular, is undergoing a significant shift with the rise of electric vehicles (EVs). This transition requires a redesign of many vehicle components, and as a result, new welding techniques and consumables are needed to meet these evolving specifications.
- Shipbuilding is also a highly metal-intensive industry that demands a robust welding process. As global trade expands and there's a growing need for more energy-efficient and eco-friendly vessels, the demand for advanced ships is rising. These vessels, constructed from specialist alloys that can withstand the harsh conditions of the sea, depend on high-quality welding consumables to guarantee their integrity and durability.
- As new techniques come to the fore, they often require specific welding consumables to achieve the best possible results. The growth of laser welding, friction stir welding, and robotic welding has driven the development of consumables that can withstand higher temperatures and pressures. Furthermore, with industries shifting towards automation, there's a growing need for welding consumables that are compatible with automated welding systems.

Emerging Trends & Opportunities:

The Indian welding consumables market is evolving rapidly, driven by technological advancements and industry demands. Below are the key trends shaping the market:

1. Increased Automation and Robotics

Adopting automated welding systems and robotics is surging, improving precision, productivity, and consistency. This trend, prominent in the automotive and manufacturing sectors, boosts demand for compatible consumables like flux-cored wires.

2. Eco-Friendly Consumables

Manufacturers are developing low-emission, sustainable welding consumables, such as electrodes and fluxes, with reduced environmental impact, aligning with India's sustainability goals and global regulations.

3. Advanced Alloy Compositions

New consumables with advanced alloy coatings and low-spatter electrodes enhance weld quality and efficiency, catering to high-precision industries like aerospace and defence.

4. Digital Transformation

Integration of digital tools, like IoT and data analytics, optimises welding processes, enabling real-time monitoring and improved consumable performance in industrial applications.

5. Customised Consumables

Demand for specialised consumables tailored for specific applications, such as high-tensile steel welding in infrastructure, is growing, driven by diverse industry needs.

Source: <https://www.imarigroup.com/india-welding-consumables-market>

Global Wear Plates / Wear Parts Industry

Wear Plates are ultra-durable, abrasion-resistant steel or alloy plates (e.g., AR400, AR500, chromium carbide) used to protect machinery surfaces from wear, impact, and erosion in harsh environments.

On the other hand, wear parts are specialised, replaceable components engineered to endure extreme abrasion, impact, corrosion, or heat in industrial machinery. They are crafted from ultra-durable materials like high-carbon steels, tungsten carbide, ceramics, or composite alloys to protect critical equipment from degradation. By sacrificing themselves to friction and mechanical stress, worn parts preserve the integrity and functionality of larger systems, reducing unplanned downtime and maintenance costs.

In short, the wear plates act like armour, while wear parts are the sacrificial tools; both work together to extend equipment life. Upgrading one often demands re-evaluating the other for optimal performance. Wear Plates act as protective surfaces bolted or welded onto machinery (e.g., excavator buckets, chutes) to shield structural components from abrasion/impact. Wear Parts are replaceable active components (e.g.,

teeth, blades, liners) that directly engage with abrasive materials, absorbing wear to preserve the integrity of both the equipment and attached wear plates.

Applications:

- **Mining:** Bucket liners, crusher screens, conveyor chutes
- **Construction:** Bulldozer blades, excavator buckets, grader parts
- **Cement/Steel:** Hopper liners, slag tanks, pelletising equipment
- **Agriculture:** Harvester blades, ploughshares
- **Energy:** Coal handling plants, wind turbine components

The industry is mainly driven by the increasing demand for equipment that can withstand harsh operating conditions in various sectors, including mining, construction, and manufacturing. As these industries expand their production and output, the need for components that can cope with high impact, friction, and abrasion becomes increasingly critical. Wear plates are designed to prolong the lifespan of machinery by



protecting vital components, cutting maintenance costs, and boosting productivity.

The industry is poised for significant growth due to opportunities in emerging markets, particularly in the Asia-Pacific region. As industries such as construction, infrastructure development, and heavy manufacturing continue to expand in countries like China, India, and Southeast Asia, there is a growing need for reliable wear protection solutions.

Opportunity: Research initiatives backed by the European Union funded 18 wear plate projects in 2023, according to documents from the European Commission's research portal. In the same period, academic and industrial organisations in the US showed significant interest in advanced materials, with the US National Science Foundation recording 48 publications on wear plate research. Official records from China reveal that production of wear-resistant steel plates reached 1.85 million tons in 2023, driven by growing demand for renewable energy infrastructure. These recent advancements highlight promising prospects for modern industrial uses and sustainable technology solutions.

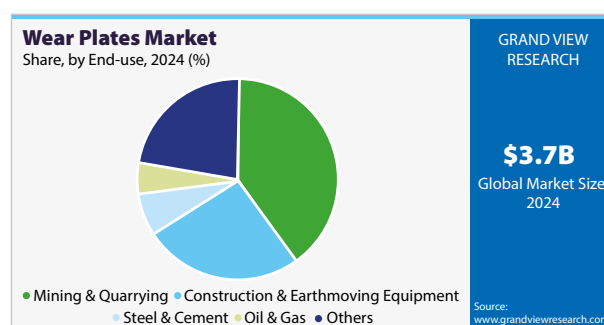
Wear Plate Market is anticipated to expand from \$31.5 billion in 2024 to \$46.6 billion by 2034, growing at a CAGR of approximately 8.8%. The increasing demand for wear-resistant materials, critical in mining, construction, and manufacturing industries, drives market growth.

As of 2024, the Wear Parts Market was valued at US\$85 billion, and it is expected to reach US\$120 billion by 2033, with a compound annual growth rate (CAGR) of 4.5% between 2026 and 2033.

Sources: <https://www.fortunebusinessinsights.com/wear-plates-market-112324>

[https://www.thebusinessresearchcompany.com/report/wear-parts-global-market-report#:~:text=1\)%20By%20Ceramic%20Wear%20Parts,Wear%20Parts%2C%20Plastic%20Wear%20Parts](https://www.thebusinessresearchcompany.com/report/wear-parts-global-market-report#:~:text=1)%20By%20Ceramic%20Wear%20Parts,Wear%20Parts%2C%20Plastic%20Wear%20Parts)

<https://www.globalinsightservices.com/reports/wear-plate-market/>



Indian Wear Plates / Wear Parts Industry

India is the fastest-growing regional market in Asia Pacific. The wear plate market size in India is estimated to be US\$4.5 Billion in 2024 and is expected to reach US\$6.8 Billion by 2033 at a CAGR of 5.0% from 2026 to 2033. In terms of revenue, India accounted for 3.3% of the global wear-plate market in 2024.

Growth Drivers:

1. Rapid Industrialisation and Infrastructure Development

India's booming construction and infrastructure sectors, fuelled by government initiatives like Smart Cities and mega textile parks, increase demand for wear plates to protect heavy machinery from abrasion in harsh environments.

2. Growth in Mining and Quarrying Activities

The mining industry's expansion, driven by demand for critical minerals like lithium and cobalt, boosts the need for durable wear plates in equipment such as crushers and conveyors.

3. Rising Manufacturing Sector Demand

Manufacturing industries, propelled by PLI and Make in India initiatives, utilise wear plates to enhance equipment longevity, reducing downtime and maintenance costs amid growing industrial output.

4. Technological Advancements in Materials

Innovations in composite and ceramic wear plates, offering superior abrasion resistance and durability, cater to high-performance needs in heavy industries, driving market adoption.

5. Focus on Sustainability and Efficiency

Industries prioritise wear plates to minimise equipment replacements, aligning with sustainability goals and reducing their carbon footprints, supported by advancements in energy-efficient materials.

Trends:

- 1. Automation and Smart Manufacturing:** Increased use of automated machinery in mining and construction boosts demand for specialised wear plates designed for high-precision, high-wear environments.
- 2. Customised Solutions:** Tailored wear plates for specific applications, such as high-temperature or corrosive environments in oil and gas, are gaining traction, meeting diverse industry needs.
- 3. Digital Integration:** IoT and data analytics are being integrated to monitor wear plate performance, optimise maintenance schedules and enhance equipment efficiency in industrial settings.

Opportunities:

India's significant reliance on imported wear plates, particularly for high-performance applications in industries like mining, cement, and steel, creates substantial opportunities for domestic companies to capitalise on this demand.

- **Domestic Production Growth:** Indian companies are scaling up the manufacturing of wear plates, offering products such as chromium carbide overlay plates, which reduces reliance on foreign suppliers. However, domestic output is limited compared to demand, indicating significant opportunities for the future.
- **Government Initiatives:** The Atmanirbhar Bharat initiative and Production Linked Incentive (PLI) schemes aim to boost local manufacturing, reducing import dependence by encouraging indigenous production of high-quality wear plates.
- **Technological Innovation:** Developing advanced wear plates (e.g., chromium carbide, ceramic composites) allows Indian firms to meet specialised needs, replacing imports with high-quality, cost-effective domestic alternatives for industries like mining and construction.
- **Export Potential through FTAs:** The UK-India FTA and other trade agreements enable Indian companies to export wear plates to global markets, leveraging lower production costs to compete with China and Germany.

- **Cost Reduction and Supply Chain Stability:** Local production mitigates import costs (e.g., duties, logistics) and supply chain disruptions, enabling Indian firms to offer competitive pricing and reliable supply, attracting domestic buyers.

Challenges & threats:

Significant Import Volume: India is a leading global importer of wear plates, with thousands of shipments annually, primarily from China, Germany, and the United States. These imports cater to industries like mining, cement, and steel, where high-quality, abrasion-resistant plates are critical.

Key Drivers of Imports:

- **Specialised Requirements:** High-performance wear plates, such as those with chromium carbide or ceramic composites, often require advanced manufacturing capabilities not fully met by domestic producers, necessitating imports.
- **Cost Competitiveness:** Imported wear plates, especially from China, are often more cost-effective due to economies of scale, despite import duties, making them attractive for price-sensitive industries.
- **Demand Surge:** Rapid industrialisation, infrastructure projects, and mining expansion (e.g., lithium, cobalt) increase demand for durable wear plates, outpacing local supply capacity.

Import Trends: Between October 2023 and September 2024, India imported thousands of wear plate shipments, with a year-on-year growth of 23%, indicating strong reliance. China dominates as the top supplier, followed by Germany and the U.S.

Sources: <https://www.verifiedmarketreports.com/product/wear-plate-market/>

<https://www.grandviewresearch.com/horizon/outlook/wear-plates-market/india>

<https://www.volza.com/p/wear-plates/import/import-in-india/>



Global Heavy Engineering Equipment Industry

It refers to large-scale machinery used in construction, mining, and other industrial projects designed to handle extreme loads, harsh environments, and complex tasks. Examples include excavators, cranes, crushers, and bulldozers. Built for durability and high performance, these machines enable infrastructure development, resource extraction, and mass production in steel, energy, power, sugar, transportation, and manufacturing sectors.

In 2024, the industry thrived, driven by infrastructure investments, urbanisation, and technological advancements. It saw robust demand for excavators, cranes, and loaders, particularly in Asia-Pacific, led by India and China. Automation, IoT, and electric machinery boosted efficiency and sustainability. North America and Europe contributed through urban and mining projects despite economic slowdowns. Rising raw material costs and U.S. tariffs posed challenges, but localised production mitigated disruptions.

The global heavy engineering equipment market size is projected to reach US\$300 billion by 2032, growing at a compound annual growth rate (CAGR) of 5.5% from its 2023 valuation of US\$180 billion.

Growth Drivers:

The global heavy engineering equipment industry is growing due to rising infrastructure investments, urbanisation, and energy projects. Governments worldwide are funding roads, railways, and smart cities, while mining and renewable energy sectors demand advanced machinery for resource extraction and wind/solar installations. Technological advancements like automation, IoT-enabled predictive maintenance,

and electric/hydrogen-powered equipment are boosting efficiency and sustainability. Post-pandemic recovery has accelerated delayed projects, particularly in emerging markets like Asia-Pacific and Africa. Stricter emission norms in the EU and U.S. are driving fleet modernisation, while defence and aerospace expansions further fuel demand.

Trends in the Global Heavy Engineering Equipment Industry (2025):

1. Focus on Compact Equipment

The demand for compact equipment like mini excavators is increasing for urban projects, particularly in the Asia-Pacific and Europe, due to space constraints and the versatility these machines offer, which supports urban construction needs and enhances project flexibility.

2. Digital Twin and BIM Adoption

Building Information Modelling (BIM) and digital twins streamline equipment design and project management, optimising performance in construction and manufacturing applications while improving project planning accuracy and enhancing equipment lifecycle management.

3. Circular Economy Practices

Manufacturers are emphasising equipment refurbishment and recycling to reduce waste, driven by sustainability regulations and cost-saving demands in mining and construction, which promotes resource efficiency and lowers operational costs.

Source: <https://dataintelo.com/report/global-heavy-engineering-equipment-market>

Indian Heavy Engineering Equipment Industry

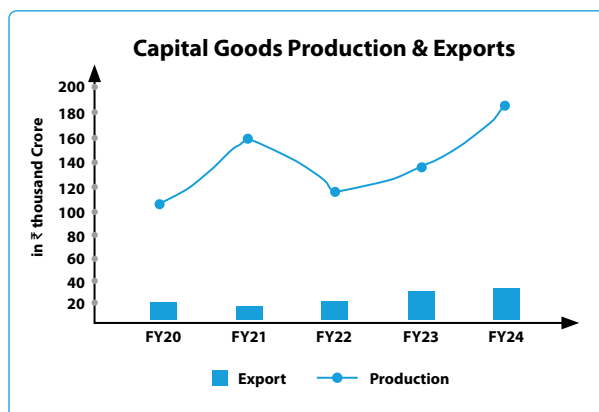
The engineering sector, closely associated with the manufacturing and infrastructure sectors, holds strategic importance for India's economy. This sector has witnessed remarkable growth over the last few years, driven by increased infrastructure and industrial production investments. The Government of India has appointed the Engineering Export Promotion Council (EEPC) as the apex body responsible for promoting engineering goods, products, and services from India.

India exports transport equipment, capital goods, and other machinery and equipment to various countries worldwide. In India, different types of heavy machinery for varied sectors, like textiles, power plants, locomotive motors, steel, infrastructure, and defence, are manufactured.

According to the Indian Electrical and Electronics Manufacturers' Association (IEEMA), the electrical equipment industry witnessed consistent double-digit

growth in power equipment, particularly transmission equipment and transformers, driven by domestic demand and international market expansion.

Government initiatives have boosted the capital goods sector. The Ministry of Heavy Industries launched policies to enhance domestic production and reduce imports. These efforts are part of the Make in India campaign (2014), which aims to increase the manufacturing sector's GDP contribution, generate employment, and improve technology. The capital goods sector is crucial to India's economic strategy, supporting large-scale manufacturing and infrastructure projects.



Due to the catalytic effect of the Ministry of Heavy Industries intervention, the production of the capital goods sector has increased from ₹2,29,533 crore in 2014-15 to ₹4,29,001 crore in 2023-24. Production (in crore). Production (₹ crore) by sub-sectors are given below:

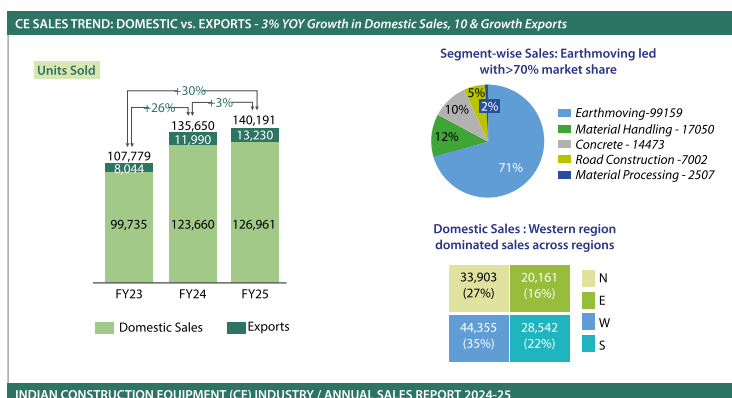
S. No.	Sub-sector of capital goods	2019-20	2020-21	2021-22	2022-23	2023-24
1	Machine Tools	6152	6602	9307	11956	13571
2	Die, Moulds & Press Tools	13682	12294	13128	13915	15600
3	Textile Machinery	5355	5093	11658	14033	14639
4	Printing Machinery	12678	10058	13215	16107	23479
5	Earthmoving and Mining Machinery	31020	290121	28674	37551	73000
6	Plastic Processing Machinery	2350	3710	3850	3912	4310
7	Food Processing Machinery	7547	10250	12210	13203	13863
8	Process Plant Equipment	29250	21938	24000	23415	27396

Performance in FY2024-25: The Indian heavy engineering equipment industry experienced modest growth, with the construction equipment sector achieving a low single-digit year-on-year increase, reaching 140,191 units sold, driven by infrastructure projects like Bharatmala and Smart Cities. Earthmoving equipment led with a 71% market share, supported by robust domestic demand. Exports grew 10%, bolstered by global infrastructure needs. Government policies, including PLI schemes and 100%

FDI, enhanced production. However, challenges like general elections, new emission norms, and component sourcing issues tempered growth. Technological advancements, such as electric machinery, gained traction, positioning India as a global hub despite raw material cost pressures.

Growth Drivers:

- Mining Sector Expansion:** Rising demand for critical minerals, such as lithium and cobalt, drives mining activities and increases the need for heavy machinery, which supports renewable energy projects and enhances equipment performance.





- 2. Urbanisation and Industrial Growth:** Rapid urbanisation and industrial projects, including mega textile parks, spur demand for construction and material handling equipment, fuelling both residential and commercial projects and driving equipment sales in Tier-2 areas.
- 3. Technological Advancements:** Adopting electric machinery, automation, and IoT improves efficiency and aligns with sustainability goals, attracting eco-conscious buyers and reducing operational costs.
- 4. Export Opportunities:** Global demand for cost-competitive Indian equipment is growing, supported by FTAs like the UK-India agreement and CEPA with the UAE, which expands market reach and strengthens trade partnerships.
- 5. Renewable Energy Projects:** Wind and solar energy initiatives require heavy equipment for installation, which boosts demand in green energy sectors while aligning with net-zero goals and driving specialised equipment needs.

Government Impetus: India's National Capital Goods Policy, created by the Ministry of Heavy Industries and Public Enterprises, is a comprehensive plan to boost the country's capital goods sector. The policy aims to increase the sector's contribution to manufacturing from 12% in 2016 to 20% by 2025. Its goal is to establish India as a top capital goods producer, with a target of more than doubling production and increasing exports to at least 40% of total production. Additionally, the policy seeks to enhance the sector's technological capabilities, moving from basic and intermediate levels to advanced levels.

Opportunity Landscape: The capital goods sector in India is set to grow at a healthy rate of 13-15% over the next two to three years, according to ICRA. The

rating agency attributes this optimism to continued investments in end-user industries, particularly renewable power and transmission infrastructure. The industry's strong order book, which stands at an all-time high of ₹1.41 lakh crore as of September 2024, signals sustained demand and revenue visibility.

Robust capacity additions in renewable power, cement, steel, and oil and gas are driving demand for capital goods. Additionally, the government's increased capex allocation of ₹11.2 lakh crore for FY2026 is expected to bolster order inflows further.

The power sector remains a crucial growth driver, with a planned government investment of ₹25 lakh crore over the next five years for expanding generation, transmission, and distribution infrastructure. The cement industry is also set to add over 40 million tonnes per annum of capacity, with data centre capacity projected to double, both by FY2026-27.

India's 'Make in India' initiative has profoundly impacted heavy industries and engineering. The initiative has been instrumental in bolstering India's industrial foundation by driving technological progress, boosting domestic production, improving competitiveness, and creating jobs. With ongoing policy backing and further investment, the sector is set for continued growth upcoming years.

Sources: <https://www.pib.gov.in/PressReleaseFramePage.aspx?PRID=2117968>
<https://realty.economicstimes.indiatimes.com/news/allied-industries/indias-construction-equipment-industry-grows-3-in-fy25-amidst-challenges/121490042>

<https://www.businessworld.in/article/capital-goods-sector-grows-13-15-as-orders-reach-rs-141-lakh-cr-549632>

<https://www.pib.gov.in/PressReleaseFramePage.aspx?PRID=2117968#:~:text=The%20National%20Capital%20Goods%20Policy,intermediate%20levels%20to%20advanced%20levels.>

OPPORTUNITIES & THREATS

India's infrastructure, industrial, and energy ecosystems continue to offer strong demand tailwinds across multiple sectors relevant to our business. In cement, a new expansionary cycle is underway, supported by rising dispatches, significant budgetary allocations under infrastructure programmes, and the renewed push for affordable housing under PMAY-U 2.0. The steel sector continues its strong momentum, with India maintaining its position as the world's second-largest

crude steel producer. Government policies such as DMISP 2025 and Vision 300 are fuelling both capacity expansion and higher domestic consumption. These trends are translating into consistent demand for our anti-wear welding consumables, wear plates & wear parts and heavy engineering equipment.

In the energy sector, the dual thrust on renewables and coal-based generation presents a wide spectrum of business opportunities. India added more than

25 GW of clean energy in FY 2025, even as legacy thermal plants undergo life-extension programs. This opens revenue channels across renewable-equipment fabrication and thermal overhauls, where our PTA powders, laser cladding, and in-situ repair solutions are well-positioned.

Other sectors such as sugar/ethanol, nuclear, mining, railways, and defence are also undergoing transformation. India's ethanol blending mandate, with the E30 roadmap, is driving significant distillery capex, creating recurring wear-resistant overlay requirements. Nuclear energy capacity is expected to triple by 2031, boosting demand for ASME-grade welding consumables. The coal sector's 42% output target jump by 2030, electrification and modernisation across Indian Railways, and increased defence indigenisation are enabling new applications for our high-performance consumables, automated welding systems, and turnkey fabrication solutions.

While the medium-to-long-term outlook remains promising, certain risks continue to shape the external environment. Volatility in global metal prices, often exacerbated by geopolitical tensions, can impact input costs and margins. Additionally, since our business is closely linked to the health of core industries such as steel, cement, power, and mining, any downturn in these sectors—whether due to regulatory changes, commodity cycles, economic slowdown, or evolving demand patterns—can significantly affect our sales, capacity utilization, and overall financial performance. Customer procurement volumes are also subject to fluctuations based on their inventory cycles, growth strategies, and market positioning. Although such variations have not had a material adverse impact in the recent past, prolonged or widespread disruption in any of these industries could pose challenges to our revenue continuity and operational stability.

Domain-Wise Business Performance

Forward Integration Through End-to-End Wear Solutions

Diffusion Engineers provides a comprehensive range of specialised products engineered to significantly extend the lifespan and performance of industrial equipment.

Our offerings include anti-wear electrodes, flux-cored wires (FCW), thermal spray powders, and cold repair compounds known as Diffcor. These consumables cater to a broad spectrum of industries, delivering superior protection against wear, abrasion, corrosion, and impact. Our innovative solutions ensure that operational efficiency and reliability are maximized, reducing downtime and maintenance costs for our clients.

Wear Plates and Wear Parts:

Building upon our robust product line, we specialize in the manufacturing and supply of precision-engineered wear plates and wear parts. These critical components are designed to withstand severe operating conditions in industries such as mining, cement, steel, and power generation. Utilizing advanced materials and state-of-the-art manufacturing techniques, our wear plates and parts offer exceptional durability and resistance to wear, significantly enhancing equipment longevity and operational performance.

Heavy Engineering:

Complementing our expertise in wear solutions, the company extends its capabilities into heavy engineering for large-scale industrial applications. Our skilled team handles complex fabrication, hardfacing and machining to manufacture custom-built heavy machinery to the stringent requirements of OEMs and major industrial clients. Leveraging extensive experience, technical expertise, and precision engineering, we ensure the delivery of high-quality, reliable, and efficient heavy-engineering solutions.

Insitu Job Work:

Further integrating our service offerings, we excel in insitu job work, enabling critical repairs and maintenance directly at our clients' operational sites. This specialized service eliminates the need for dismantling and transporting heavy equipment, substantially reducing downtime and associated costs. Our dedicated team of skilled technicians employs cutting-edge techniques such as insitu welding, machining, and coating applications to promptly restore equipment integrity and functionality, ensuring minimal disruption to industrial processes.



MANUFACTURING AND TESTING EXCELLENCE

The company's commitment to product integrity is anchored by its National Accreditation Board for Testing and Calibration Laboratories (NABL)-certified materials laboratory, which operates as an integral part of the Company's manufacturing value chain. Every production batch—whether special electrodes, flux-cored wires or wear plates—passes through this facility for validation against stringent internal and customer-specific standards.

To replicate service conditions, the laboratory conducts dual-path abrasion testing: a Dry-Sand Rubber-Wheel rig simulates low-stress sliding wear, while an Air-Jet apparatus reproduces high-velocity particle erosion. Data from these trials allows experts to select or fine-tune consumables that deliver optimal chemical composition and the lowest possible wear rate for the customer's specific operating environment.

This closed-loop testing framework not only ensures repeatable quality but also underpins the Company's value proposition of extending component life and reducing total cost of ownership for clients across cement, steel, power, and mining sectors.

GO-TO-MARKET STRATEGY

Diffusion Engineers' commercial blueprint for FY 2026-28 pivots on three reinforcing pillars—market coverage, product leadership and performance discipline—underpinned by a robust channel ecosystem and customer-success playbook.

Penetration into new markets is a core aspect of our targeted growth strategy. Our dedicated 'New Business Development' Department actively pursues opportunities to generate fresh leads and identify promising areas in products or services previously unexplored by the Company. This strategic approach enables us not only to strengthen our existing expertise in key industries such as cement but also to push boundaries within heavy engineering by developing innovative equipment offerings that, while established within the industry, represent new ventures for the company.

With the incremental revenue anticipated from deeper market penetration and a strengthened dealer network, we are now sharpening its focus on achieving the optimal product mix across its portfolio. By aligning product focus with market pull and operational

realities, we aim to capture higher-value projects, improve blended profitability, and ensure sustainable growth across economic cycles.

Channel partners represent a significant and strategic growth avenue for us. Recognising their crucial role, we have prioritised expanding and nurturing our dealer network this year. To strengthen these partnerships, we have entered into Memorandums of Understanding (MoUs) with more than 50 dealers across India. This structured approach is designed not only to encourage mutual growth and increased sales but also to foster stronger and lasting business relationships, thereby driving overall market penetration and enhancing customer reach nationwide.

Further bolstering this comprehensive growth strategy is our robust sales force comprising multitudes of dedicated sales executives. Strategically positioned at key industrial hubs and market centres across India, these professionals play a pivotal role in ensuring consistent market coverage and timely response to customer needs. Their proactive presence not only enhances our capacity to engage closely with customers but also provides crucial insights into regional market dynamics, enabling us to swiftly capitalise on emerging opportunities. This geographically distributed sales team acts as a vital link between our channel partners and direct customers, effectively driving deeper market penetration and fostering stronger relationships across our entire customer base.

To support these strategic initiatives and deepen technical engagement, we have institutionalised regular product training sessions and on-site workshops at customer locations. These sessions—conducted jointly by application engineers and product heads—are tailored to specific industry use-cases, helping plant teams optimise consumable usage, adopt best practices in wear protection, and reduce unplanned downtimes. Beyond knowledge transfer, these interactions serve as a feedback loop, allowing the Company to refine its offerings based on real-world operating conditions. This hands-on approach not only strengthens customer relationships but also reinforces Diffusion Engineers' positioning as a solution partner rather than a transactional vendor.

PERFORMANCE HIGHLIGHTS

During the year, the Company successfully completed the reconditioning of a 2 800 mm-diameter RAL—

work that only a handful of engineering firms in India can execute at full scale. The assignment required precision machining across the entire 2.8-metre span, reaffirming our capability to handle exceptionally large refurbishment projects.

A notable international milestone involved the manufacture and export of a rotor assembly for a Russian customer. Fabricated as a single piece in our plant and shipped in three transportable sections, the rotor was re-assembled on site by the client at -20 °C. Post-commissioning feedback confirmed that dimensional integrity and performance targets were fully met, underscoring the robustness of our fabrication standards in extreme operating environments.

In the cement sector, we executed an 18.6-metre kiln-shell replacement on a turnkey basis. The scope covered detailed engineering, supply of the new shell and tyre, removal of the existing section, and complete re-installation. The plant resumed operations with stable parameters and smooth running—one of the few instances in India where such a large-scale kiln intervention has been carried out outside the original equipment manufacturer's purview. A separate export engagement required a comprehensive mechanical study and skew correction of support rollers, followed by a new kiln-shell replacement; subsequent data show significant gains in thermal efficiency and equipment reliability.

The Company also commissioned a series of compound-cast rollers that have already logged 24 000 operating hours without a single technical snag. For context, forged rollers typically achieve around 20 000 hours of service life, while compound-cast rollers are benchmarked at roughly 35 000 hours. Surpassing the forged-roller standard by a considerable margin at this stage of endurance testing underscores the superior metallurgy and quality controls embedded in our manufacturing processes.

We successfully executed a complete turnkey project involving the design, manufacturing, supply, dismantling, and reassembly of an 80 metric ton Kiln shell for one of India's leading steel manufacturers. This project required high-precision fabrication, meticulous planning, and seamless coordination across multiple departments and on-site teams. Despite the sheer scale and engineering complexity, the entire operation was completed within the committed timeline and without a single safety incident, reflecting our deep

commitment to both quality and workplace safety. This project also demonstrated our capability to deliver mission-critical equipment that forms the backbone of industrial processing units.

In another major engagement within the steel sector, we delivered over 300 continuous casting roller assemblies, each involving complex precision machining, specialized hardfacing for wear resistance, and stringent assembly standards. These roller assemblies are vital components in continuous casting operations, which are among the most demanding environments in steel production. Designed to withstand extreme thermal and mechanical stress, our assemblies contribute directly to minimized downtime, longer equipment life, and stable production cycles. The project further underscored our expertise in manufacturing high-performance assemblies for harsh, continuous operations in heavy industry.

OPERATIONAL HIGHLIGHTS

FY 2024–25 was a year of meaningful operational progress for us, driven by a focused agenda of strengthening core manufacturing capabilities, enhancing machining precision, and laying the groundwork for future capacity expansion.

During the year, significant investments were made to augment our production and machining infrastructure, enabling us to meet increasing customer demand while improving the consistency and turnaround of our offerings. A new flux-cored wire (FCW) manufacturing line was successfully commissioned, addressing both in-house consumption and the growing requirements of our direct-to-customer (D2C) segment. At our Nimji facility, where thinner wire gauges were previously constrained by capacity, we installed specialised wire-drawing machines, eliminating a key production bottleneck and improving the flow of operations in our consumables vertical.

Our heavy engineering and component machining capabilities also saw major upgrades. We installed two CNC lathe machines at Nimji to support higher accuracy and closer tolerances for precision jobs. Additionally, we upgraded our heavy engineering and component machining capabilities by deploying state-of-the-art CNC Horizontal-Lathe Machine and a 6.5-metre swing Vertical Lathe Machine. These enhancements significantly expand our ability to manufacture larger, high-precision components and better serve evolving



customer requirements. We are also in the process of commissioning a CNC Horizontal-Boring Machine(X-8m;Y-3.5m;Z+W-2m).

In parallel with these infrastructure improvements, we have launched a structured 5S implementation programme across all major production units. This ongoing initiative has already delivered measurable improvements in material handling, space utilisation, and workplace efficiency, and is central to building a culture of operational discipline and continuous improvement across the organisation.

Looking ahead, we have initiated multiple capacity expansion projects in response to market traction and strategic growth plans. At our flagship facility in Nimji, we have embarked on a major expansion project to double the plant's installed capacity, further strengthening our ability to deliver across product lines such as flux-cored wires, wear plates, and heavy engineering solutions.

In addition to scaling existing facilities, we are also introducing two new manufacturing units that mark important additions to our capabilities. The first is a new strip slitting plant that will be used to manufacture steel strips, which is a critical raw material for flux cored wires. The second is a new plant dedicated to special electrodes, aimed at expanding our existing electrode manufacturing capacity to meet increasing customer demand across industry verticals.

Together, these developments reflect a calibrated and future-ready approach to operations—one that balances short-term efficiency with long-term scalability, and reinforces our commitment to delivering high-quality, high-performance solutions across a diverse and growing customer base.

CERTIFICATIONS

At Diffusion Engineers, our commitment to quality, safety, and environmental responsibility is reflected in the certifications we maintain across our operations. We adhere to internationally recognized management systems that ensure our processes meet the highest standards of compliance and performance. These include:

- **ISO 14001:2015** – Environmental Management System, demonstrating our dedication to sustainable practices and minimizing environmental impact.
- **ISO 45001:2018** – Occupational Health and Safety Management System, underscoring our focus on

creating a safe and healthy working environment for all employees.

- **ISO 9001:2015** – Quality Management System, ensuring consistent delivery of high-quality products and services that meet customer and regulatory requirements.

These certifications form the foundation of our operational excellence and continuous improvement philosophy.

Our commitment to quality, innovation, and continuous improvement is reflected in the certifications we've earned:

- **NABL Accreditation:** Our in-house testing laboratory is NABL (National Accreditation Board for Testing and Calibration Laboratories) accredited, ensuring the highest standards in testing accuracy, reliability, and compliance. This accreditation is a testament to our technical competence and consistent quality control across materials and products.
- **DSIR Recognition:** Our R&D facility is officially recognized by the Department of Scientific and Industrial Research (DSIR), Government of India, with certification valid through March 31, 2027. This recognition affirms our sustained investment in research and innovation, as well as our capabilities in developing indigenous technologies and improving manufacturing processes.

AWARDS AND RECOGNITIONS

We are proud to share that we have been certified as a Great Place to Work for the third consecutive year. This recognition is a testament to our strong organisational culture, employee-centric policies, and the collaborative environment we continue to foster across all levels of the company. Being consistently acknowledged reinforces our belief that investing in our people and building a positive workplace directly contributes to our sustained business success.

OUTLOOK, RISKS AND CONCERNS

Outlook

India moves into FY 2026 with a supportive macro backdrop: headline retail inflation has dipped below the three-per-cent threshold for the first time in six years and is expected to stay there through the June quarter of FY 26, giving the Reserve Bank room to remain accommodative. Simultaneously, the

Union Budget has preserved its record-high capital-expenditure envelope of ₹11.21 lakh crore (3.1 % of GDP), keeping the multi-year highway, housing, railway and energy pipelines on track. Leading indicators for our core end-markets—cement dispatches, crude-steel utilisation, and renewables build-out—continue to point to mid-single-digit growth over the next 12–18 months. Within this environment, the Company's offering is largely OPEX-linked, tied to equipment wear rates and maintenance schedules rather than green-field capex cycles, providing a measure of resilience across economic swings.

Risks and Concerns

Raw-material price volatility - Core inputs such as nickel, chromium and high-alloy steels have shown sharp swings—nickel, for instance, traded between US \$14,100 and US \$16,700 per tonne in Q1 2025 alone. Sudden spikes can compress margins until customer prices reset. The company mitigates this by multi-vendor sourcing, quarterly repricing clauses in contracts, and selective commodity hedging.

End-market cyclicality - A prolonged slowdown in steel or cement output could defer kiln shutdowns and reduce consumable off-take. The Company counters this by diversifying exposure to power, rail, mining and defence, and by structuring maintenance agreements that guarantee minimum call-outs regardless of production levels.

Energy and utilities cost escalation - Rising grid tariffs or fuel prices would inflate conversion costs at heat-intensive plants. The mitigation pathway includes on-site solar capacity being commissioned at Nimji in Q3 FY 26, energy-efficiency retrofits, and cost-pass-through provisions embedded in multi-year contracts.

Foreign-exchange movement - Rupee depreciation inflates the landed cost of imported alloys and speciality spares. A natural hedge from export revenues, combined with forward covers on large-value dollar payables, limits net exposure.

Supply-chain disruptions - Geopolitical events or port congestion could delay critical inputs, particularly speciality alloys sourced overseas. The Company carries strategic safety stocks, maintains dual-port routing

options, and is localising select grades through Indian ferro-alloy suppliers.

Competitive pressure from low-cost imports

- Cheaper electrodes and wires from East-Asian producers can erode price realisation in commoditised SKUs. Our focus on life-cycle-cost audits, faster on-site service, and proprietary high-performance consumables to differentiate, while the “Make-in-India” preference in Government and PSU tenders offers an additional buffer.

Regulatory and ESG compliance - Emerging norms on shop-floor emissions and hazardous-waste disposal may require incremental capex. The Company is progressing on an ISO 14001 roadmap, conducts periodic third-party audits, and is investing in low-fume, chromium-free wire formulations to stay ahead of regulatory curves.

Cyber-security threats - Manufacturing was the target of roughly two-thirds of all ransomware incidents tracked in India during Q1 2025, underscoring the vulnerability of operational-technology networks.

Working-capital and credit risk - Lengthening receivable cycles—especially with public-sector undertakings and EPC contractors—can strain liquidity. The Company now enforces stricter credit screening, milestone-based billing, and embeds days-sales-outstanding targets in sales KPIs.

OVERALL ASSESSMENT

While FY 2025-26 offers a constructive demand environment, management recognises the need for constant vigilance against cost volatility, supply-chain fragility and digital threats. By broadening its sector footprint, tightening operational controls, and investing in ESG and cyber safeguards, the company believes it is well placed to navigate foreseeable uncertainties and protect profitability in the year ahead.

INTERNAL CONTROL SYSTEM & ADEQUACY

As per the explanation to clause (e) of Section 134(5) of the Companies Act, 2013, Internal Financial Controls (IFC) refer to the policies and procedures adopted by a company to ensure the orderly and efficient conduct of its business. This includes adherence to



internal policies, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records, and the timely preparation of reliable financial information.

Diffusion has proactively aligned its internal financial control systems with the requirements of the Companies Act, 2013. These controls are designed to enhance transparency, accountability, and integrity across all business operations. The internal control framework facilitates the identification and assessment of key risks and supports the implementation of appropriate mitigation strategies. The Company has successfully implemented a robust and comprehensive control framework, and continues to monitor its effectiveness on an ongoing basis.

The internal control systems at Diffusion are appropriate and commensurate with the size, scale, and complexity of its operations. These systems provide reasonable assurance regarding the reliability of financial and operational information, compliance with applicable laws and regulations, protection of assets from unauthorised use or disposition, proper authorisation of transactions, and conformity with established corporate policies.

Diffusion has a clearly defined delegation of authority framework, with prescribed approval limits for both revenue and capital expenditures. It has also institutionalised processes for the formulation and periodic review of annual and long-term strategic business plans.

The Company employs advanced technology platforms, including a robust ERP system, to capture and consolidate financial and operational data across all locations. This enables seamless information exchange and efficient decision-making. Continuous efforts are being made to align internal controls and processes with globally recognised best practices.

To ensure independent oversight, Diffusion has appointed an Internal Auditor to carry out audits in accordance with a structured internal audit plan. This plan is reviewed quarterly in consultation with the Statutory Auditors and the Audit Committee. The internal audit covers critical operational areas such as project execution, finance and accounting, procurement, human resources, travel, insurance, and IT systems, with a focus on evaluating the effectiveness of internal controls and risk management practices.

The Audit Committee plays an active role in overseeing the internal control environment. It regularly reviews the findings and recommendations of internal and statutory auditors, and ensures timely implementation of corrective actions wherever necessary. The Committee also engages with the Statutory Auditors to assess the adequacy and effectiveness of internal financial controls and keeps the Board of Directors periodically updated on significant observations and developments.

FINANCIAL PERFORMANCE

The Company demonstrated robust growth, with standalone revenue rising 22.99% to ₹3,250.86 million, while consolidated revenue increased 20.65% to ₹3,445.23 million. Profitability surged, with standalone EBITD up 35.05% and PBT climbing 36.85%, reflecting strong operational efficiency. Standalone PAT jumped 44.26% to ₹337.53 million, while consolidated PAT grew 17% to ₹360.41 million. Total Comprehensive Income (standalone) rose 44.63%, underscoring enhanced financial health. However, consolidated Basic EPS declined 12.31% due to higher share count, whereas standalone Diluted EPS surged 44.30%, indicating improved earnings distribution. The company's performance highlights strong revenue growth, margin expansion, and profitability, though consolidated EPS faced dilution. Overall, the results reflect solid execution and a strengthening market position.

(₹ Million)

Particulars	Financial Year		Increase %
	2024-25	2023-24	
Total Revenue (Standalone)	3,250.86	2,643.19	22.99%
Total Revenue (Consolidated)	3,445.23	2,855.62	20.65%
Earnings before interest, tax, depreciation (EBITD)-Standalone	408.82	302.70	35.05%
Earnings before interest, tax, depreciation (EBITD)-Consolidated	470.77	388.68	21.12%
Profit Before Tax (Standalone)	433.27	316.58	36.85%
Profit Before Tax (Consolidated)	469.04	410.84	14.17%
Profit after tax (PAT) (Standalone)	337.53	233.95	44.26%
Profit after tax (PAT) (Consolidated)	360.41	308.04	17.00%
Total Comprehensive Income (Standalone)	336.14	232.42	44.63%
Total Comprehensive Income (Consolidated)	360.92	304.38	18.58%
Basic Earnings Per Share (EPS) (Standalone)	9.02	8.35	8.02%
Basic Earnings Per Share (EPS) (Consolidated)	9.59	10.94	-12.31%
Diluted Earnings Per Share (EPS) (Standalone)	9.02	6.25	44.30%
Diluted Earnings Per Share (EPS) (Consolidated)	9.59	8.19	17.15%

*Underlying EBITDA is defined by exclude exceptional item, other income and share of profit and loss on associate companies.

*Consolidated PBT is defined net of the share of profit and loss on associate companies.

HUMAN RESOURCE

Our Company continues to place its people at the core of its success. We recognize that our employees are our most valuable asset and the driving force behind all our operations. We strive to foster an environment that promotes excellence in quality, productivity, efficiency, and customer satisfaction.

We take pride in our high levels of employee retention and organizational loyalty, a testament to the culture of trust, growth, and recognition that we have cultivated over the years. Our people-centric approach continues to foster a sense of belonging, resulting in a stable and committed workforce.

Leadership development remains a cornerstone of our HR strategy. We actively invest in building future-ready leaders through structured learning pathways and advanced management programs. Notably, we have nominated several senior leaders to attend the Post Graduate Certification in Senior Management at

IIM Nagpur—an initiative aimed at equipping them with strategic decision-making and transformational leadership capabilities.

In a significant milestone during the year, we welcomed Mr. Ramesh Kumar Narasinghbhan as our new Chief Executive Officer. With his extensive leadership experience and deep industry knowledge, he is well-positioned to lead the company into its next phase of growth and operational excellence. His appointment reinforces our commitment to strong, visionary leadership and sustained value creation.

Our HR policies continue to evolve with the goal of attracting and retaining top-tier talent while building a diverse and inclusive workforce that reflects our values and vision.

The Company employed 486 employees and 179 workers as of March 31, 2025, as compared to 460 employees and 180 workers as on March 31, 2024.



DETAILS OF SIGNIFICANT CHANGE

Standalone Ratio

Sr. No.	Particulars	As at March 31, 2025	As at March 31, 2024	% Variance	Reason for variance
1	Current Ratio	4.20	1.80	134.11%	Variance is due to increase in cash and cash equivalents due to IPO proceeds.
2	Debt Equity Ratio	0.06	0.19	-67.77%	Variance is due to repayment of debt and issue of fresh equity.
3	Debt Service Coverage Ratio	27.75	26.95	2.97%	-
4	Return on Networth	12.66%	14.85%	-14.80%	-
5	Inventory Turnover Ratio	5.77	5.43	6.15%	-
6	Trade Receivables Turnover Ratio	4.18	3.73	12.05%	-
7	Net Capital Turnover Ratio	2.28	4.58	-50.29%	Variance is due to increase in cash and cash equivalents due to IPO proceeds.
8	Net Profit Margin (%)	10.68%	9.10%	17.39%	-
9	Return on Capital employed	12.09%	15.73%	-23.17%	Variance is due to issue of fresh equity and increase in operating margins.
10	Return on Investment	9.51%	13.12%	-27.54%	Variance is due to issue of fresh equity and increase in operating margins.
11	EBIDTA Margin (%)	12.94%	11.77%	9.89%	

Consolidated Ratio

Sr No.	Particulars	As at March 31, 2025	As at March 31, 2024	% Variance	Reason for variance
1	Current Ratio	4.38	1.89	131.40%	Variance is due to increase in cash and cash equivalents due to IPO proceeds
2	Debt Equity Ratio	0.06	0.18	-65.15%	Variance is due to repayment of debt and issue of fresh equity
3	Debt Service Coverage Ratio	29.37	33.30	-11.81%	-
4	Return on Networth	12.88%	18.52%	-30.44%	Variance is due to increase in Shareholders Equity as a result of IPO
5	Inventory Turnover Ratio	5.67	5.44	4.20%	-
6	Trade Receivables Turnover Ratio	4.55	4.18	8.96%	-
8	Net Capital Turnover Ratio	2.29	4.50	-49.13%	Variance is due to increase in cash and cash equivalents due to IPO proceeds
9	Net Profit Margin (%)	10.48%	10.66%	-1.72%	-
10	Return on Capital employed	15.94%	20.63%	-22.77%	Variance is due to increase in Shareholders Equity as a result of IPO
11	Return on Investment	9.73%	16.08%	-39.45%	Variance is due to increase in Shareholders Equity as a result of IPO
12	EBIDTA Margin (%)	14.04%	15.13%	-7.17%	-

CAUTIONARY STATEMENT

The Company's plans, beliefs, and expectations for the future, as well as other forward-looking statements based on management's current expectations or beliefs, may be expressed in part in the Management Discussion and Analysis. A number of assumptions regarding the Company's operations, external factors, and third-party sources are taken into account. Both known and unknown risks and uncertainties are included, which could result in actual results that are materially different from those anticipated by the relevant forward-looking statements. It is important to remember that any forward-looking comments in the Management Discussion and Analysis about previous patterns or actions do not imply that they will persist in the future. Any forward-looking statements made, whether in response to new information, anticipated events, or otherwise, are not subject to correction or revision. It is not advisable to overly depend on forward-looking statements, as they are only indicative as of the Annual Report's publication date. The Company and the Management shall not be held liable for any loss or damage, which may arise, as a result of any action taken on the basis of the information contained herein.

Corporate Information

CIN: L99999MH2000PLC124154

BOARD OF DIRECTORS

Din	Name	Designation
00049106	Mr Prashant Garg	Chairman and Managing Director
01784644	Ms Chitra Garg	Non- Executive Director
08558736	Mr Nitin Garg	Non- Executive Director
07900294	Mr Anil Kumar Trigunayat	Independent Director
07059616	Mr Sherry Samuel Oommen	Independent Director
10753545	Ms Deepali Sameer Bendre	Independent Director

Chief Executive Officer

Mr Ramesh Kumar Narasinghbhan

Chief Financial Officer

Mr Abhishek Mehta

Company Secretary and Compliance Officer

Ms Chanchal Jaiswal

Statutory Auditors

PGS & Associates, Chartered Accountants
(Firm Registration No. – 122384W), Mumbai

Secretarial Auditors

Mr. Madhav Kawde, Practicing Company Secretary
(CP No. 1892), Mumbai

Internal Auditors

Chitaley Mehta & Associates, Chartered Accountants,
(Firm Registration No- 127021W), Nagpur

Cost Auditors

M/s A. B. Verma & Co., Cost Accountants, Nagpur (Firm
Registration No. 102527), Nagpur

Bankers

HDFC Limited
DBS Bank India Limited
ICICI Bank Limited
YES Bank Limited

Registrar & Transfer Agents:-

Name & Address : Bigshare Services Private Limited ,
Office No S6-2, 6th floor Pinnacle Business Park,
Next to Ahura Centre, Mahakali Caves Road,
Andheri (East) Mumbai - 400093, India.

Tel. : 022-62638200

Fax : 022-68638299

E-mail : investor@bigshareonline.com

Website : www.bigshareonline.com

Listed With

National Stock Exchange of India Limited
BSE Limited

Registered Office:

T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016

Mobile No.: 9158317943

E-mail - info@diffusionengineers.com

Website - www.diffusionengineers.com

Plant Locations: -

Manufacturing Units	Operational from	Address
Unit I	1994	T-5, T-6, Nagpur Industrial Area, MIDC, Hingna, Nagpur – 440016 Maharashtra
Unit II	2000	N-78, N-79, Nagpur Industrial Area, MIDC, Hingna, Nagpur – 440016 Maharashtra
Unit III	2015	T-12, Nagpur Industrial Area, MIDC, Hingna, Nagpur – 440016 Maharashtra
Unit IV	2016	Khasra No. 35, 36, 38/1, 38/2, 38/3, Khapri (Uma), Nagpur- 441 501, Maharashtra



Board's Report

Dear Members

The Board of directors take pleasure in presenting the 43rd (Forty-Third) Board's Report on the business and operations of the Company for the financial year ended March 31, 2025. This being the first report after the Initial Public Offer ("IPO") and listing of the equity shares on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") (BSE and NSE hereinafter collectively referred as "Stock Exchanges"), the Board welcomes all the public shareholders and look forward to your continued faith and support.

Results of Company's operations and Company's Performance

(Amount In Millions)

Sr. no.	Particulars	Standalone		Consolidated	
		For the year ended March 31		For the year ended March 31	
		2025	2024	2025	2024
i.	Revenue from Operations	3,160.07	2,571.26	3,351.96	2,781.45
ii.	Other Income	90.79	71.94	93.27	74.17
iii.	Total income (I + II)	3,250.86	2,643.19	3,445.23	2,855.62
iv.	Expenses				
	Operating Expenses	2,151.90	1,775.93	2,228.56	1,856.51
	Employee Benefits Expenses	399.15	345.51	419.02	360.56
	Finance Costs	21.95	16.94	22.74	17.55
	Depreciation and Amortisation Expenses	44.39	38.55	52.75	45.49
	Admin & Other Expenses	200.20	147.11	233.61	175.70
	Total Expenses	2,817.59	2,324.05	2,956.68	2,455.81
v.	Profit/(Loss) Before Share of Profit of Joint Venture, Exceptional Items and Tax (III-IV)	433.27	319.14	488.55	399.81
vi.	Share of Profit of Joint Venture	-	-	(19.51)	13.60
vii.	Profit Before Exceptional Items and Tax(V+VI)	433.27	319.14	469.04	413.41
viii.	Exceptional item	-	(2.57)	-	(2.57)
ix.	Profit/(Loss) before tax (VII+VIII)	433.27	316.58	469.04	410.84
x.	Tax expenses	95.74	82.63	108.63	102.80
xi.	Profit/(Loss) for the period/year after tax (IX -X)	337.53	233.95	360.41	308.04
xii.	Total Other Comprehensive Income	(1.39)	(1.54)	0.51	(3.67)
xiii.	Total Comprehensive Income for the year (XI+XII)	336.14	232.42	360.92	304.38
xiv.	Paid-up Equity Share Capital (Face value of ₹ 10/-each)	374.26	280.21	374.26	280.21
xv.	Earnings Per Equity Share of ₹ 10/- each:				
	- Basic	9.02	8.35	9.59	10.94
	- Diluted	9.02	6.25	9.59	8.19

Financial Position

(Amount In Million)

Particulars	Standalone		Consolidated	
	For the year ended March 31		For the year ended March 31	
	2025	2024	2025	2024
Equity				
Equity Share Capital	374.26	280.21	374.26	280.21
Other Equity	3,176.15	1,502.98	3,314.51	1,626.84
Non-controlling Interest	-	-	4.46	3.14
Total Equity	3,550.42	1,783.20	3,693.24	1,910.19
Non-Current Liabilities	61.62	58.06	66.22	62.43
Current Liabilities	678.99	755.70	684.96	782.63
Total Liabilities	740.61	813.76	751.18	845.05
Equity + Liabilities	4,291.02	2,596.96	4,444.42	2,755.24
Property, Plant and Equipment	950.70	877.93	974.00	905.71
Capital work-in-progress	31.44	11.05	31.44	11.05
Intangible Assets	4.83	4.25	4.83	4.25
Other Non-Current Assets	450.51	347.14	436.47	354.04
Current Assets	2,853.44	1,356.57	2,997.69	1,480.19
Total Assets	4,291.02	2,596.96	4,444.42	2,755.24

1. Financial Performance

Revenue – Standalone

On a standalone basis in financial year 2024-25, our Revenue from operations has shown an increase of 22.90% which resulted increase of Revenue to ₹ 3,160.07/- million in FY 2024-25 as compared to previous FY 2023-24 which was ₹ 2,571.26/- million.

Revenue – Consolidated

On consolidated basis in financial year 2024-25, our Revenue from operations has shown an increase of 20.51% which resulted increase of Revenue to ₹ 3,351.96/- million in FY 2024-25 as compared to financial year 2023-24 which was ₹ 2,781.45 million.

Profits – Standalone

On a standalone basis in financial year 2024-25, the profit before tax and exceptional items has shown an increase of 35.76% and stood at ₹ 433.27/- million and Profit after exceptional items and tax stood at ₹ 337.53/- million. Whereas, in FY 2023-24 the profit before tax and exceptional items stood at ₹ 319.14/- million and Profit after exceptional items and tax at ₹ 233.95/- million.

Profits – Consolidated

On consolidated basis in financial year 2024-25, the profit before tax and exceptional items has shown an increase of 13.46% and stood at ₹ 469.04/- million and profit after exceptional items and tax is ₹ 360.41/- million. Whereas, in FY 2023-24 the profit before tax and exceptional items stood at ₹ 413.4/- million and Profit after exceptional items and tax at ₹ 308.04/- million.

EPS- Standalone

On Standalone basis, basic earnings per share increased to ₹ 9.02/- per Equity share for financial year 2024-25 as compared to basic earnings per share of ₹ 8.35/- per Equity share for last financial year 2023-24 and

Diluted earning per share increased to ₹ 9.02/- per Equity share for financial year 2024-25 as compared to diluted earnings per share of ₹ 6.25/- per Equity share for last financial year 2023-24.

EPS- Consolidated

On Consolidated basis, basic earnings per share decreased to ₹ 9.59/- per Equity share for financial year 2024-25 as compared to basic earnings per share of ₹ 10.94/- per Equity share for last financial year 2023-24 and

Diluted earnings per share increased to ₹ 9.59/- per Equity share for financial year 2024-25 as compared to diluted earnings per share of ₹ 8.19/- per Equity share for last financial year 2023-24.

2. Dividend

Your directors have recommended a final dividend of ₹ 1.50/- (One Rupees Fifty Paise Only) per Equity share for financial 2024-25 aggregating to ₹ 56.14/- million subject to approval of Shareholders at the ensuing 43rd Annual General Meeting of the Company to be held on Tuesday, July 22, 2025.

3. Business Description and State of Company's Affairs

Diffusion Engineers Limited was incorporated in the year 1982. The Company is engaged in the business of



providing engineering solutions to customers both in domestic and international market. The Company has been in existence for over four decades and provides a wide range of products and services including manufacture of special welding consumables, wear plates and heavy engineering equipment for core industries and provide special and customized repairs and reconditioning services of heavy machinery and equipment.

The company's state of affairs reflects robust growth and a commitment to innovation, evidenced by its strategic expansions into new markets and pioneering projects that set industry benchmarks. Diffusion's steadfast dedication to quality, reliability, and customer satisfaction underpins its success, making it a trusted partner for organizations seeking transformative solutions in today's dynamic business landscape.

4. Share Capital Structure

The Equity Shares of the Company were listed on Stock Exchanges with effect from October 04, 2024 and the Company's shares are compulsorily tradable in electronic form.

The Authorized Share Capital of the Company is ₹ 40,00,00,000/- [Rupees Forty Crores Only] consisting of 4,00,00,000 [Four Crores] Equity Shares having face value of ₹ 10/- [Rupees Ten Only] each. During the year there has been no change in the Authorised Share Capital of the Company.

The paid-up share capital of the Company is ₹ 37,42,62,590 [Rupees Thirty-Seven Crore forty-two lakh sixty-two thousand five hundred and ninety only] consisting of 3,74,26,259 [Three Crore seventy-four lakh twenty-six thousand two hundred and fifty-nine] Equity Shares having face value of ₹ 10/- [Rupees Ten Only] each.

During the year, your Company has issued and allotted: 94,05,000 [Ninety-Four Lakhs Five Thousand] Equity shares having face value of ₹ 10/- [Rupees Ten Only] each through Initial Public Offer [IPO]

5. Transfer to Reserves

The Company has not transferred any amount to the general reserve account during the reporting period.

6. Capital Expenditure on Assets

During financial year 2024-25 the company incurred capital expenditure of ₹ 142.29/- million as compared ₹ 324.57/- million in the last financial year 2023-24.

7. Change in the nature of business

During the year, the company has not changed its business and the activity of the company continues to be the same .

8. Annual Return

Pursuant to Section 92(3) of the Companies Act 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014, the Annual Return for FY 2024-25 is available on Company's website <https://www.diffusionengineers.com/investors-relation>

9. Particulars of Loans, Guarantee and Investment

Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 forms part of the Notes to the Financial Statements provided in this Annual Report.

10. Particulars of Loan to Directors or to Entities in which Directors are interested under Section 185 of the Companies Act, 2013

During the period under review, your Company has not given any loan to any Director or to entities in which Directors are interested under section 185 of Companies Act, 2013

11. Public Deposits

The Company has not accepted deposits within the meaning of the provision of Chapter V of the Companies Act, 2013 read with the relevant Rules.

12. Maintenance of Cost Records

Company has maintained cost records as per section 148 (1) of Companies Act, 2013.

13. Particulars of Contracts or Arrangements made with Related Parties

All contracts/ arrangements/transactions entered by the Company with the related parties during the financial year 2024-25 were in its ordinary course of business and at arm's length basis.

Suitable disclosure as required by the Indian Accounting Standards (IND AS 24) has been made in the notes to the Financial Statements which forms part of the Annual Report.

As per the provisions of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('Listing Regulations') the Company has formulated and adopted Policy on Related Party Transactions; details of the same are provided in Annexure-6 to the Board's Report.

Further, the Company during the reporting year, has not entered into a contract/ arrangement/ transaction which is considered material in accordance with the definition of materiality as included in the Company's Related Party Transaction Policy read with Regulation 23 of Listing Regulations as amended from time to time.

The disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013

in Form AOC-2 is appended as **Annexure-2** to this Board's Report.

14. Material Changes and commitments, affecting the financial position of the Company which have occurred between the end of the Financial Year of the Company to which the Financial Statements relate and the date of the Report:

The Shareholders of the Company on April 03, 2025 by way of postal ballot through remote e-voting process approved Re-Appointment of Mr. Prashant Garg (DIN: 00049106) as the Chairman and Managing Director of the Company for a period of Five (5) years with effect from 16th March, 2025 till 15th March, 2030.

The Board of Directors at its meeting held on May 15, 2025 approved,

- i) The proposal for sale of 2.06% stake of its associate company, LSN Diffusion Limited.
- ii) 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' and implementation through an irrevocable employee welfare trust namely 'Diffusion ESOP Trust' to be set-up by the Company, pursuant to the provisions of Section 62(1)(b), of the Companies Act, 2013 read with rules framed thereunder, and the relevant provisions of the Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021, subject to the approval of shareholders of the Company by way of special resolution.

15. Board Policies

The details of the policies approved and adopted by the board as required under Companies Act, 2013 and Listing Regulations are provided in **Annexure-6** to the Board's Report.

16. Risk Management

The Board had constituted the Risk Management Committee. The composition of Risk Management Committee is given in the Corporate Governance Report, forming part of the Annual Report. Further, pursuant to Section 134(3)(n) of the Companies Act, 2013 and Regulation 17(9) of SEBI Listing Regulations, the Company has formulated and adopted the Risk Management Policy inter-alia including the details/ process about identification of elements of risks if any, which in the opinion of the Board may threaten the existence of the Company. The aforesaid Risk Management Policy establishes the philosophy of the Company towards risk identification, analysis and prioritization of risks, development of risk mitigation plans and reporting on the risk environment of the Company. This Risk Management Policy is applicable to all the functions, departments and geographical locations of the Company. The purpose of this policy is to define, design and implement a risk management framework across the Company to identify, assess,

manage and monitor risks. Aligned to this, purpose is also to identify potential events that may affect the Company and manage the risk within the risk appetite and provide reasonable assurance regarding the achievement of the Company's objectives and business continuity.

17. Human Capital Management

At Diffusion Engineers Limited, we deeply value our people and the opportunity to engage with them. We are committed to enhancing their potential through consistent empowerment, continuous learning, and the sharing of knowledge and experiences.

Our policies and processes are designed to align employees with their individual goals and the organization's objectives. We place strong emphasis on training and development, which has led to the adoption of industry best practices. Additionally, our self-directed learning culture encourages employees to develop at their own pace in environments that best suit their learning preferences.

The Company is also committed to fostering an equal, inclusive, and diverse workforce. As an Equal Opportunity Employer, we ensure non-discrimination in all aspects of employment. This approach not only strengthens our team but also gives us a competitive advantage in staffing and talent retention.

Furthermore, we are dedicated to the protection and advancement of human rights. Our key focus areas include promoting responsible practices across our extensive and diverse supply chain and supporting a corporate culture that champions diversity and inclusion.

We attract highly skilled and educated professionals. As of March 31, 2025, our workforce numbered 486 employees and 179 workers.

18. Management Discussion and Analysis

In terms of the provisions of Regulation 34 read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the **Management's Discussion and Analysis Report** is presented in a separate section forming part of this Annual Report.

19. Subsidiaries including Material Subsidiaries

Your Company as on March 31, 2025 have following Subsidiaries:-

- i. Diffusion Super Conditioning Services Private Limited
- ii. Nowelco Industries Private Limited
- iii. Diffusion Hernon Adhesive and Sealant Private Limited
- iv. Diffusion Engineers Singapore Pte. Ltd.
- v. Diffusion Wear Solutions Philippines Inc.
- vi. Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi



Following are Associates/Joint Venture of our company:-

- i) LSN Diffusion Limited (United Kingdom)
- ii) Mecdiff SDN BHD (Malaysia)

None of the company ceased to be the subsidiary, joint venture or associate company of Diffusion Engineers Limited during the reporting year.

The Board of Directors in its meeting held on February 07, 2025 approved Incorporation of a Wholly-owned Subsidiary of the Company with the name having prefix "Diffusion Engineers Middle East" or such other name as may be approved by regulatory authorities of United Arab Emirates (UAE) for the purpose of the business related to service of welding and light fabrication shop to cater to Middle Eastern markets. The Company is in process of incorporation.

The company does not have any material subsidiary in terms of Regulation 16(1)(c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to provisions of Section 129(3) of the Companies Act, 2013, the Company has prepared *Consolidated financial statements* of the Company and its subsidiary, which form part of the Annual Report. Further, a statement containing the salient features of the financial statement of the Company's subsidiaries in the prescribed format AOC-1 is appended as an **Annexure-1** to the Board's Report.

In accordance with the third proviso of Section 136(1) of the Companies Act, 2013, the Annual Report of the Company, containing therein its *Standalone* and *Consolidated financial statements* have been placed on the website of the Company at <https://www.diffusionengineers.com/investors-relation>

20. Corporate Governance

The Company has adopted and consistently adheres to best practices in corporate governance. It firmly believes that strong governance is fundamental to sustainable business growth and the enhancement of stakeholder value. The Board of Directors reaffirms its unwavering commitment to maintaining high standards of corporate governance.

Corporate governance at the Company is an ethically driven process rooted in core values that aim to strengthen the organization's brand and reputation. This commitment is reflected in ethical decision-making and responsible business conduct aligned with stakeholders' expectations.

A detailed report on **Corporate Governance** is an integral part of this Annual Report and is presented as a separate section herein.

21. Audit reports and Auditors

a) Statutory Auditor

The members at the 41st Annual General Meeting held on 25th September, 2023 appointed PGS

& Associates, Chartered Accountants (Firm Registration No. – 122384W) as Statutory Auditors of the Company to hold office for a period of five [5] years commencing from conclusion of 41st Annual General Meeting till the conclusion of Annual General Meeting to be held in the year 2028. PGS & Associates have confirmed their eligibility and that they are not disqualified under the Companies Act, 2013, for their continuance as Statutory Auditors of the Company.

The Auditors' Report for FY 2024-25 provided by PGS & Associates, Chartered Accountants, Statutory Auditors of the Company on Standalone and Consolidated Financial Statements ('Financial Statements') does not contain any qualification, reservation or adverse remark. The statements made by the Auditors in their report are self – explanatory and do not call for any further comments. The Auditor's Report is enclosed as separate section with the financial statements in this Annual Report.

b) Secretarial Auditors

Pursuant to provision of section 204 of Companies Act, 2013 read with rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Board of directors on the recommendation of the Audit Committee, in its meeting held on July 31, 2024, appointed Mr. Madhav Kawde, Practicing Company Secretary (CP No. 1892) as Secretarial Auditor to conduct the secretarial audit of the company for the financial year 2024 – 2025.

In terms of provisions of sub-section 1 of section 204 of the Companies Act, 2013, the Company has annexed to this Board's Report as **Annexure-4**, a Secretarial Audit Report given by the Secretarial Auditor. The Secretarial Auditors' Report for FY 2024-25 does not contain any qualification, reservation, or adverse remark. The statements made by the Secretarial Auditor in his report are self - explanatory and do not call for any further comments.

As required under Listing Regulations the Practicing Company Secretary's Certificate on Corporate Governance and non-disqualification of directors including KYC requirement is appended as **Annexure-8**. The appended certificate does not contain any qualification, reservation or adverse remarks.

Internal Auditors

The Company's Internal Audit is being conducted by Independent Auditors on quarterly basis and they furnish their quarterly report on their observations to Audit Committee for review.

As per the provisions of Section 138 of the Companies Act, 2013 and Rules made thereunder, the Company has appointed Chitaley Mehta & Associates, Chartered Accountants, (Firm Registration No- 127021W) as Internal Auditors for the Financial Year 2025 – 2026.

c) Cost Auditors

As per Section 148 of the Companies Act, 2013, the Company is required to have the audit of its cost records conducted by a Cost Accountant in practice. The Board on the recommendation of the Audit Committee has appointed M/s A. B. Verma & Co., Cost Accountants, Nagpur (Firm Registration No. 102527/ Membership No. 31367), as the Cost Auditors of the Company for FY 2025 – 2026 under Section 148 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014.

M/s A. B. Verma & Co., have confirmed that they are free from disqualification specified under Section 141(3) and Section 148(3) read with Section 141(4) of the Act and that the appointment meets the requirements of Section 141(3)(g) of the Act.

The remuneration payable to the Cost Auditors is required to be placed before the members in a general meeting for their ratification. Accordingly, a Resolution for seeking members' ratification for the remuneration payable to M/s A. B. Verma & Co. is included in the Notice convening the Annual General Meeting.

The Cost Auditors' Report for FY 2023-24 does not contain any qualification, reservation, or adverse remark.

22. Reporting of Fraud by Auditors

During the year under review, none of the Auditors have reported to the audit committee, under Section 143 (12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

23. Revision of Financial Statements and Board Report

There was no revision of financial statements and Boards' Report of the Company during the financial year under review. However, for the purpose of IPO, the Company has re-stated the financial statements of preceding three financial years pursuant to the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations").

24. Segment Reporting

The company has only one operating segment i.e "Welding Fabrication Technology and Engineering" as per Ind AS 108 which includes Manufacturing, Trading and Job Work.

25. Board of Directors and its Meeting

The Company has a professional Board with right mix of knowledge, skills and expertise with an optimum combination of Executive, Non- Executive and Independent Directors including Woman Director. The Chairman of the Board is a Executive Director. The Board provides strategic guidance and direction to the Company in achieving its business objectives and protecting the interest of the stakeholders. The Board met Eleven (11) times during the financial year. The maximum interval between any two meetings did not exceed 120 days, as prescribed under Companies Act, 2013. The details pertaining to the composition of the Board of Directors of the Company and the meetings thereof held during the financial year are given in the Report on Corporate Governance section forming part of this Annual Report.

26. Investor Education and Protection Fund (IEPF)

During the year, the Company was not required to transfer any amount to Investor Education and Protection Fund (IEPF) as per the requirements of the IEPF Rules.

27. Directors' Responsibility Statement

The Standalone and Consolidated financial statements for the financial year ended March 31, 2025 are prepared in accordance with Indian Accounting Standards (Ind AS) under the historical cost convention on accrual basis, the provisions of the Companies Act 2013 (to the extent notified) and guidelines issued by SEBI, Ind AS as prescribed under section 133 of Companies Act, 2013, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or the revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

- I. In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- II. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- III. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;



- IV. They have prepared the annual accounts on a going concern basis;
- V. They have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively;
- VI. They have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

28. Internal Financial Controls with Reference to Financial Statements

The Company has internal financial control systems to commensurate with the nature of its business, size and complexity of its operations. Internal financial control systems include policies and procedures which are designed to ensure reliability of financial reporting, compliance with policies, procedure, applicable laws and regulations and that all assets and resources are acquired economically, used efficiently and adequately protected.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit performed by the Internal, Statutory and Secretarial Auditors and the reviews performed by the relevant board committees, including the audit and management committee, the board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2024-25. For more details, refer to the 'Internal control systems and their adequacy' section in the *Management's discussion and analysis*, which forms part of this Annual Report.

29. Declaration of Independence by Independent Director

Independent Directors of the Company has provided declarations under Section 149 (7) of the Companies Act, 2013 and Regulation 25 (8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, that he/she meets with the criteria of independence, as prescribed under Section 149 (6) of the Companies Act, 2013 and Regulation 25 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Your Company has received declarations from all Independent Directors confirming that:

- (i) They meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the SEBI (LODR) Regulations, 2015.
- (ii) They have complied with the code for independent directors prescribed under Schedule IV to the Act;

- (iii) They have registered themselves with the independent director's database maintained by the Indian Institute of Corporate Affairs in compliance with Rules 6(1) and 6(2) of the Companies (Appointment and Qualification of Directors) Rules, 2014;
- (iv) They are not aware of any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact their ability to discharge their duties.

30. Board Evaluation

The Board of Directors carried out an annual evaluation of its own performance, Board Committees and individual Directors pursuant to the provisions the Companies Act, 2013 and SEBI Listing Regulations. The evaluation parameters and the process have been explained in *Corporate Governance Report*.

31. Familiarization Program for Board Members

The Board members are provided with necessary documents / brochures, reports and internal policies to enable them to familiarise with the Company's procedures and practices. Periodic presentations are made on business and performance updates of the Company, business strategy and risks involved. The Directors are also updated with various regulations prevailing at the time and the new judicial pronouncements, if any.

32. Policy on Directors Appointment, Remuneration and other details

The Nomination and Remuneration Committee ('NRC') has adopted the policy and procedures with regard to identification and nomination of persons who are qualified to become directors and who may be appointed in senior management and the same is available on the website of the company at <https://www.diffusionengineers.com/investors-relation>. This policy is framed in compliance with the applicable provisions of Regulation 19 read with Part D of the Schedule II of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 ('the Regulations') and Section 178 and other applicable provisions of the Companies Act, 2013.

The details as required under Section 197 (12) of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are provided in the **Annexure-3** of the Boards' Report.

33. Directors and Key Managerial Personnel of the Company

(i) The present composition of the Board of the Company is as under:

The Company has eminent individuals from diverse fields as Directors on its Board, who bring in the required skill, integrity, competence, expertise and experience that is required for

making effective contribution to the Board. The Board comprise of six (6) Directors with an appropriate mix of Non-Executive Directors, Executive Directors and Independent Directors.

Sr No	Name of Directors	DIN	Designation	Executive/ Non - Executive
1	Mr. Prashant Garg	00049106	Managing Director	Executive
2	Mr. Nitin Garg	08558736	Director	Non - Executive
3	Ms. Chitra Narendra Garg	01784644	Director	Non - Executive
4	Mr. Anil Kumar Trigunayat	07900294	Independent Director	Non - Executive
5	Mr. Sherry Samuel Oommen	07059616	Independent Director	Non - Executive
6	Ms. Deepali Bendre	10753545	Independent Director	Non - Executive

Appointment/Resignation of Directors

During the financial year under review:

- Dr. Renuka Garg (DIN: 02815373) tendered her resignation from the post of Non-Executive Director of the Company with effect from July 23, 2024.
- The Board on the recommendation of Nomination and Remuneration Committee at its meeting held on July 23, 2024 appointed Dr Nitin Garg (DIN: 08558736) as an Additional Director under the category of Non-Executive Director of the Company with effect from July 23, 2024. The appointment was regularised by the shareholders at the Annual General Meeting of the Company held on August 31, 2024.
- The Board on the recommendation of Nomination and Remuneration Committee at its meeting held on August 26, 2024 appointed Mr. Sherry Samuel Oommen (DIN: 07059616) and Ms. Deepali Bendre (DIN: 10753545) as an Additional Director under the category of Non-Executive Independent Director of the Company with effect from August 26, 2024. Their appointments as Independent Directors for a term of five (5) years with effect from August 26, 2024 was regularised by the shareholders of the Company in their Extra Ordinary General meeting held on August 26, 2024
- Mr Ajay Jain (DIN: 02815416) and Ms Anita Vijayakar (DIN: 01190200) ceased to be Independent Directors of the company upon completion of their second term of 5 (Five) consecutive years on September 13, 2024

(ii) Key Managerial Personnel ('KMP')

In terms of the provisions of Section 2(51) and Section 203 of the Companies Act, 2013 the following are the KMPs of the Company:

- Mr Prashant Garg [Managing Director]
- Mr Ramesh Kumar Narasinghbhan [appointed as Chief Executive Officer (CEO) of Company with effect from February 13, 2025]

- Mr Abhishek Mehta [appointed as Chief Financial Officer, with effect from 29th June 2023]
- Ms Chanchal Jaiswal [appointed as Company Secretary and Compliance Officer, with effect from 29th June 2023]

Appointment/Resignation of Key Managerial Personnel (KMP)

During the financial year under review:

- Mr Ramesh Kumar Narasinghbhan (PAN: ABOPN4848E) was appointed as Chief Executive Officer (CEO) of Company with effect from February 13, 2025 for the period of 4 (Four) years in the board meeting held on February 07, 2025.
- Mr. Prashant Garg (DIN: 00049106) was re-appointed as the Chairman and Managing Director for a period of five years with effect from March 16, 2025, pursuant to a resolution passed by our Board of Directors at their meeting held on February 07, 2025 and a resolution passed by Shareholders through postal ballot on April 03, 2025.

Retirement by Rotation:

In terms of the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013, Dr Nitin Garg (DIN: 08558736), Director retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re – appointment.

Accordingly, a Resolution for seeking members' approval for appointment of Director is included in the Notice convening the Annual General Meeting.

34. Committees of the Board

As on March 31, 2025, the Board has six committees:

- Audit Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee
- Stakeholders Relationship Committee
- Risk Management Committee
- Management Committee



The details of the powers, functions, composition and meetings of the Committees of the Board held during the financial year 2024-25 are given in the Report on Corporate Governance section forming part of this Annual Report.

35. Conservation of Energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Sub-section (3) (m) of Section 134 of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014, are given separately as **Annexure-7** to the Board's Report.

36. Corporate Social Responsibility

The Company is committed to conduct its business in a socially responsible, ethical and environmental friendly manner and to continuously work towards improving quality of life of the communities in its operational areas. The Board of Directors at its meeting held on August 26, 2024 had re-constituted Corporate Social Responsibility (CSR) Committee in accordance with Section 135 of Companies Act, 2013 read with rules formulated therein. The CSR agenda is planned in consultation with the CSR committee members through a systematic independent need assessment. Your Company believes in positive relationships that are built with constructive engagement which enhances the economic, social and cultural well-being of individuals and regions connected to the Company's activities. Your Company has adopted a detailed policy on Corporate Social Responsibility. The brief outline of the Corporate Social Responsibility (CSR) Policy of the Company including the annual report on the Company's CSR activities are set out in **Annexure-5** of this report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014.

37. Secretarial Standards

The Company duly complies with all applicable secretarial standards issued by the Institute of Company Secretaries of India.

38. Vigil Mechanism (Whistle Blower Policy)

In terms of the section 177(9) of companies act, 2013 and rules framed thereunder read with Regulation 22 of Listing Regulations, your Company has established a 'Vigil Mechanism Policy' and it provides a channel to the employees to report to the appropriate authorities concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct policy and provides safeguards against victimization of employees who avail the mechanism and also provide a direct access to the Chairman of the Audit Committee in exceptional cases. Protected disclosures can be made by a whistle blower through an e-mail, or dedicated telephone line or a letter to the concerned authorities. The details of the vigil mechanism (whistle blower policy) are given in **Annexure-6** of this Board Report.

39. Prevention of Insider Trading

The Securities and Exchange Board of India (SEBI) vide notification dated January 15, 2015 had put in place a new framework for prohibition of Insider Trading in securities and to strengthen the legal framework thereof. These regulations of the SEBI under the above notification had become effective from May 15, 2015. Whereas on December 31, 2018, the regulations were amended with Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018 effective from April 1, 2019. Accordingly, the Board has formulated Code of Conduct and Fair Disclosure for Prevention of Insider Trading Policy in accordance with Regulation 8 & 9 of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 for regulating, monitoring and reporting of Trading of Shares by Insiders. The Code lays down guidelines, procedures to be followed and disclosures to be made while dealing with shares of the Company. The details of the Code of Conduct and Fair Disclosure for Prevention of Insider Trading are given in **Annexure-6** of this Board's Report.

37. Code of Conduct

The Directors, KMP's and Senior Management of the Company have affirmed compliance with Code of Conduct applicable to them during the year ended March 31, 2025. The details of the Code of Conduct for Directors, KMP's and Senior Management are given in **Annexure-6** of this Board's Report. The Annual Report of the Company contains a certificate by Ramesh Kumar Narasinghbhan, Chief Executive Officer of the Company, on compliance declaration received from the Members of the Board, KMP's and Senior Management as an **Annexure-9**.

38. Legal, Governance and Brand Protection

The Company continues to focus on the key areas and projects within the Legal, Compliance and Corporate Affairs functions.

39. Enhancing Shareholders Value

Your Company believes that its members are its most important stakeholders. Accordingly, your Company's operations are committed to the pursuit of achieving high levels of operating performance and cost competitiveness, consolidating and building for growth, enhancing the productive asset and resource base and nurturing overall corporate reputation.

40. Disclosure Requirements

As per Listing regulations, Corporate Governance Report with the Auditors Certificate thereon and the Management Discussion and Analysis Report are attached herewith and forms part of this Report. The Company has devised a proper system to ensure compliance with the provisions of all Secretarial Standards issued by the Institute of Company

Secretaries of India and that such systems are adequate and operating effectively.

41. Significant and Material Orders Passed by the Regulators or Courts or Tribunals Impacting the Going Concern Status of the Company

There are no orders passed by the Regulators or Courts or Tribunals which would impact the going concern status and the Company's future operations.

42. Credit Rating Obtained

During the year under review the Company had obtained the Credit rating from CRISIL Ratings Limited and Acuite Ratings & Research Limited for the loans and credit facilities from Banks. The details of Ratings are provided in Corporate Governance Report forming part of this Annual Report.

43. Sexual Harassment of Women at Workplace:

The Company has zero tolerance towards sexual harassment at the workplace and has adopted a Policy on Prevention of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder.

The details of the policy are given in **Annexure-6** of this Board's Report. The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The details of complaints filed, disposed of and pending during the financial year pertaining to sexual harassment is provided in *Corporate Governance Report* of this Annual Report.

Your company has been certified as "Great place to work" for the third time in a row. The Great Place to Work Assessment is considered a 'Gold Standard' in workplace Culture assessment.

44. Maternity Benefit

The company is in compliance with the provisions relating to the Maternity Benefit Act, 1961.

45. Green Initiatives

Electronic copies of Annual Report 2024-25 and the Notice of 43rd Annual General Meeting shall be sent to all the members whose email addresses are registered with the company/ depository participant. Physical copies of Annual Report will be sent to only to those members who request the Company for the same once dispatch of Annual Report and Notice of AGM through electronic means is completed.

46. Board Diversity

The Board comprises of adequate number of members with diverse experience and skills, such that it best serves the governance and strategic needs of the Company. The Directors are persons of eminence in areas such

as business, industry, finance, law, administration, economics etc. and bring with them experience and skills which add value to the performance of the Board. The Directors are selected purely on the basis of merit with no discrimination on race, colour, religion, gender or nationality. A brief profile of the Directors are available on the website of the Company at <https://www.diffusionengineers.com/about-us>

47. Proceeding pending under the Insolvency and Bankruptcy Code, 2016.

No application has been made under the Insolvency and Bankruptcy Code; hence the requirement to disclose the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year is not applicable.

48. CEO/CFO Certification

As required Regulation 17(8) read with Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the CEO/CFO certification is attached with this Annual Report as an **Annexure-10**.

49. The details of difference between the amount of the valuation done at the time of one-time settlement and the valuation done while taking loan from the banks or financial institutions along with the reasons thereof.

There has been no settlement made with any Bank or Financial institution by the Company during the Financial Year, thus the requirement to provide details not applicable to the Company.

50. Material events during FY 2024-25

Initial Public Offer & consequent listing of Shares on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE")

The equity shares of the Company got listed on Stock Exchanges with effect from October 04, 2024, pursuant to the IPO of the Company by way of fresh issue of 94,05,000 Equity Shares aggregating to INR 1,579.64 million.

The issue comprising of a fresh issue, was open for subscription from September 26, 2024 and ended on September 30, 2024. The issue includes a reservation of up to 50,000 shares for employees offered at a discount of INR 8/- to the issue price. The allotment for Diffusion Engineers IPO was finalized on Tuesday, October 1, 2024. The shares got listed on BSE, NSE on October 4, 2024.

Company completed its IPO successfully with participation of several leading domestic and global institutional investors as well as NRIs, HNIs and retail investors. The Board is deeply grateful and honoured by the trust and confidence shown in the Company by its members. The Board would also like to express its sincere appreciation for the invaluable support from



various Authorities, Book Running Lead Managers (BRLMs), Stock Exchanges, Depositories, Legal Counsels, Consultants, Auditors, and the Company's Employees, all of whom contributed significantly to the remarkable success of the Company's maiden IPO.

51. Acknowledgement

Your directors place on record their appreciation to the Government, the Securities and Exchange Board of India, the Stock Exchanges and other regulatory authorities for their valuable guidance and support and wish to express our sincere appreciation for their continued co-operation and assistance. We look forward to their continued support in future as well. We wish to thank our bankers, investors, rating agencies, customers and all other business associates for their support and trust reposed in us.

Your directors express their deep sense of appreciation for all the members of the Diffusion family whose commitment, co-operation, active participation, dedicated efforts, consistent contribution and professionalism at all levels has made the organization's growth possible. Your Board is thankful to you for the support and trust reposed in them and the Company.

For and on behalf of Board of Directors

Sd/-

Prashant Garg

Chairman and Managing Director
(DIN: 00049106)

Place: Nagpur

Date: 15th May 2025

Annexure-1

FORM AOC – 1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

A. Diffusion Super Conditioning Services Private Limited

(Figures in ₹ Million)

Sl. No.	Particulars	Details
1.	Sl. No.	CIN – U51503MH1990PTC124545
2.	Name of the subsidiary	Diffusion Super Conditioning Services Private Limited
3.	The date since when subsidiary was acquired	10-01-1990
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
6.	Share capital	0.38
7.	Reserves & surplus	12.29
8.	Total assets	39.42
9.	Total Liabilities	26.75
10.	Investments	4.05 (Non – current Investment)
11.	Turnover	69.98
12.	Profit before taxation	2.75
13.	Provision for taxation	0.60
14.	Profit after taxation	2.15
15.	Proposed Dividend	-
16.	Extent of shareholding (In percentage)	98.95%

B. Diffusion Hernon Adhesive and Sealant Private Limited

(Figures in ₹ Million)

Sl. No.	Particulars	Details
1	Sl. No.	CIN – U24297MH2012PTC234063
2	Name of the subsidiary	Diffusion Hernon Adhesive And Sealant Private Limited
3	The date since when subsidiary was acquired	02-08-2012
4	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
5	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
6	Share capital	1.00
7	Reserves & surplus	1.75
8	Total assets	4.19
9	Total Liabilities	1.44
10	Investments	-
11	Turnover	2.47
12	Profit before taxation	0.71
13	Provision for taxation	0.19
14	Profit after taxation	0.52
15	Proposed Dividend	-
16	Extent of shareholding (In percentage)	95.00%

**C. Nowelco Industries Private Limited**

(Figures in ₹ Million)

Sl. No.	Particulars	Details
1	Sl. No.	CIN - U29309CT1999PTC013276
2	Name of the subsidiary	Nowelco Industries Private Limited
3	The date since when subsidiary was acquired	12/03/2004
4	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
5	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
6	Share capital	12.46
7	Reserves & surplus	2.38
8	Total assets	49.21
9	Total Liabilities	34.37
10	Investments	-
11	Turnover	178.12
12	Profit before taxation	6.73
13	Provision for taxation	0.46
14	Profit after taxation	6.26
15	Proposed Dividend	-
16	Extent of shareholding (In percentage)	66.95%

D. Diffusion Engineers Singapore Pte Ltd.

(Figures in ₹ Millions)

Sl. No.	Particulars	Details
1.	Sl. No.	UIN-BYWAZ20140111
2.	Name of the subsidiary	Diffusion Engineers Singapore Pte. Ltd.
3.	The date since when subsidiary was acquired	26/11/2013
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	USD 1 USD=INR 84.57
6.	Share capital	15.027
7.	Reserves & surplus	53.43
8.	Total assets	83.16
9.	Total Liabilities	14.69
10.	Investments	15.45 (Non – current Investment)
11.	Turnover	37.01
12.	Profit before taxation	51.43
13.	Provision for taxation	0
14.	Profit after taxation	51.43
15.	Proposed Dividend	-
16.	Extent of shareholding (In percentage)	100%

E. Diffusion Wear Solutions Philippines Inc.

(Subsidiary of Diffusion Engineers Singapore Pte. Ltd.)

(Figures in ₹ Millions)

Sl. No.	Particulars	Details
1.	Sl. No.	-
2.	Name of the subsidiary	Diffusion Wear Solutions Philippines Inc.
3.	The date since when subsidiary was acquired	07/02/2014
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	PHP 1 PHP = INR 1.4918
6.	Share capital	13.20
7.	Reserves & surplus	74.48
8.	Total assets	148.78
9.	Total Liabilities	61.10
10.	Investments	12.86 (Non – current Investment)
11.	Turnover	206.44
12.	Profit before taxation	46.48
13.	Provision for taxation	11.63
14.	Profit after taxation	34.84
15.	Proposed Dividend	-
16.	Extent of shareholding (In percentage)	100%

F. Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi

(Figures in ₹ Millions)

Sl. No.	Particulars	Details
1.	Sl. No.	UIN – BYJAZ20241104
2.	Name of the subsidiary	Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi
3.	The date since when subsidiary was acquired	21/05/2024
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
5.	Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	TRY 1 TRY= INR 2.25
6.	Share capital	6.27
7.	Reserves & surplus	(3.08)
8.	Total assets	5.92
9.	Total Liabilities	2.73
10.	Investments	-
11.	Turnover	31.08
12.	Profit / (Loss) before taxation	(2.66)
13.	Provision for taxation	-
14.	Profit / (Loss) after taxation	(2.66)
15.	Proposed Dividend	-
16.	Extent of shareholding (In percentage)	70%

- Names of subsidiaries which are yet to commence operations : The Board of Directors in its meeting held on February 07, 2025 approved Incorporation of a Wholly-owned Subsidiary of the Company with the name having pre-fix "Diffusion Engineers Middle East" or such other name as may be approved by regulatory authorities of United Arab Emirates (UAE) for the purpose of the business related to service of welding and light fabrication shop to cater to Middle Eastern markets. The Company is in process of incorporation.
- Names of subsidiaries which have been liquidated or sold during the year: NA



Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

(All Figures are in ₹ million, unless otherwise mentioned)

Name of associates/Joint Ventures	Mecdiff Sdn Bhd (Associate of Diffusion Engineers Singapore Pte Ltd.)	LSN Diffusion Ltd.
1. Latest audited Balance Sheet Date	31/12/2024	31/12/2024
2. Date on which the Associate or Joint Venture was associated or Acquired	17/12/2013	31/08/2012
3. Shares of Associate/Joint Ventures held by the company on the year end No.	3,00,000	7,54,450
Amount of Investment in Associates/Joint Venture	2.9774	67.4607
Extend of Holding (In percentage)	30.00%	21.56%
4. Description of how there is significant influence	Shareholding of more than 20%	Shareholding of more than 20%
5. Reason why the associate/joint venture is not consolidated	NA	NA
6. Net worth attributable to shareholding as per latest audited Balance Sheet	4.29	76.91
7. Profit/Loss for the year		
i. Considered in Consolidation	0.13	(19.64)
ii. Not Considered in Consolidation	0.31	(71.46)

- Names of associates or joint ventures which are yet to commence operations - NIL
- Names of associates or joint ventures which have been liquidated or sold during the year -NIL

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

Prashant Garg
DIN – 00049106
Chairman & MD

Nitin Garg
DIN – 08558736
Director

Ramesh Kumar N
Chief Executive Officer

Abhishek Mehta
Chief Financial Officer

Chanchal Jaiswal
Company Secretary and
Compliance Officer

Place: Nagpur
Date: 15th May 2025

Annexure-2
FORM NO AOC – 2
(Pursuant to clause (h) of sub – section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/ arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

Diffusion Engineers Limited has not entered into any contract or arrangement or transaction with its related parties which is not at arm's length during financial year 2024-2025.

2. Details of material contracts or arrangement or transactions at arm's length basis:

Sr No	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangement/ transactions:	Duration of the contracts / arrangements/ transactions:	Salient terms of the contracts or arrangements or transaction including the value (in ₹), if any	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
1	Diffusion Engineers Singapore Pte. Ltd. (Subsidiary Company)	Sales	FY 2024-25	2,89,46,835.00/-	31-07-2024	-
2	Diffusion Hernon Adhesive & Sealants Pvt Ltd (Subsidiary Company)	Sales	FY 2024-25	19,22,834.74/-	31-07-2024	-
3	Diffusion Super-Conditioning Services Pvt. Ltd. (Subsidiary Company)	Sales	FY 2024-25	9,82,08,049.00/-	31-07-2024	-
4	M/s Diffusion Wear Solutions Philippines Inc. (Step-down Subsidiary)	Sales	FY 2024-25	9,15,46,834.38/-	31-07-2024	-
5	M/s Mecdiff SD. BHD. (Associate of Subsidiary Company, Diffusion engineers Singapore Pte Ltd)	Sales	FY 2024-25	78,29,813.00/-	31-07-2024	-
6	Nowelco Industries Pvt. Ltd. (Subsidiary Company)	Sales	FY 2024-25	78,13,167.04/-	31-07-2024	-
7	Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi (Subsidiary Company)	Sales	FY 2024-25	3,48,61,383.47/-	31-07-2024	-
8	Diffusion Super-Conditioning Services Pvt. Ltd. (Subsidiary Company)	Purchase	FY 2024-25	5,65,834.00/-	31-07-2024	-
9	LSN Diffusion Ltd (Joint Venture)	Purchase	FY 2024-25	3,75,98,985.95/-	31-07-2024	-
10	Nowelco Industries Pvt. Ltd. (Subsidiary Company)	Purchase	FY 2024-25	9,53,60,079.00/-	31-07-2024	-



Sr No	Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions:	Duration of the contracts / arrangements/ transactions:	Salient terms of the contracts or arrangements or transaction including the value (in ₹), if any	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
11	M/s Diffusion Wear Solutions Philippines Inc. (Step-down Subsidiary)	Purchase	FY 2024-25	78,79,800.00/-	31-07-2024	
12	Mr. Prashant Garg (Managing Director)	Remuneration	FY 2024-25	2,40,00,000.00/-	30-11-2023	-
13	Mrs. Neelu Garg (Relative of Managing Director)	Remuneration	FY 2024-25	55,20,000.00/-	27-09-2022	-
14	Mr Abhishek Mehta (Chief Financial Officer)	Remuneration	FY 2024-25	18,24,372.00/-	31-07-2024	-
15	Ms Chanchal Jaiswal (Company Secretary and Compliance Officer)	Remuneration	FY 2024-25	8,64,000.00/-	31-07-2024	-
16	Mr. Ramesh Kumar Narasinghbhan (Chief Executive Officer)	Remuneration	FY 2024-25	24,01,509.00/-	07-02-2025	
17	Mrs. Chitra N Garg (Director)	Rent	FY 2024-25	33,95,581.00/-	31-07-2024	-
18	N. K. Garg HUF (HUF of Director)	Rent	FY 2024-25	2,50,200.00/-	31-07-2024	-
19	Mr. Prashant Garg (Managing Director)	Rent	FY 2024-25	8,13,585.00/-	31-07-2024	-
20	Diffusion Hernon Adhesive & Sealants Pvt Ltd (Subsidiary Company)	Rent	FY 2024-25	2,10,630.00/-	31-07-2024	-
21	Mrs Disha Mehta (Relatives of CFO)	Consultancy charges	FY 2024-25	15,85,000/-	31-07-2024	-

**For and on behalf of the Board of Directors of
Diffusion Engineers Limited**

Prashant Garg

(DIN – 00049106)

Chairman & Managing Director
3, Chaitriya, Pawanbhumi
Somalwada, Nagpur - 440 025

Place : Nagpur
Date: 15th May 2025

Annexure-3

PARTICULARS OF EMPLOYEES

(Detail pertaining to remuneration as required under Section 197(12) of the Companies Act 2013 read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014).

Your Company is serving in the field of providing engineering solutions to customers. The remuneration and perquisites provided to our employees including that of the Management are at par with industry levels.

The Nomination and Remuneration Committee continuously reviews the compensation of our Executive and Non-Executive Directors and Senior Executives to align both the short-term and long-term business objectives of the Company and to link compensation with the achievement of measurable performance goals.

- i. Ratio of the remuneration of each Executive Director to the median remuneration of the Employees of the Company for the financial year 2024-25, the percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer and other Executive Director(s) and Company Secretary during the financial year 2024-25 is mentioned below:

Name	Title	% increase in Remuneration in the financial year 2024-25	Ratio of Remuneration of each Director/KMP to median remuneration of employees
Mr. Prashant Garg	Chairman & Managing Director	No Increase	51.29
Mr. Ramesh Kumar Narasinghbhan	Chief Executive Officer	NA*	43.6
Mr. Abhishek Anil Mehta	Chief Financial Officer	No Increase	03.90
Ms. Chanchal Rajesh Jaiswal	Company Secretary and Compliance Officer	16%	1.84

- ii. The median remuneration of employees of the Company during the financial year 2024-25 is ₹ 4,67,868/- as compared to ₹ 4,36,776/- in year 2023-24. Median is based on Annual CTC.
- iii. In the financial year 2024-25 there was increase of 7.11 % in the median remuneration of employees. There are no exceptional circumstances for increase in the managerial remuneration. Average increase in salaries of employees is as per Company's increment guidelines.
- iv. The Company employed 486 employees and 179 workers as on March 31, 2025 as compared to 460 employees and 180 workers as on March 31, 2024.
- v. It is affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other senior managerial personnel.

Notes to table above:

- Median is based on Annual CTC.
- Mr. Ramesh Kumar Narasinghbhan was appointed as Chief Executive Officer of the Company with effect from February 13, 2025.

Additional Note:

The Non-Executive Directors of the Company are entitled to sitting fee as per the statutory provisions. The ratio of remuneration and percentage increase for Non-Executive Directors Remuneration is therefore not considered for the purpose above.

[Information as per Rule 5(2) of Chapter XIII, Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]



The Names of Top Ten Employees in terms of Remuneration drawn during the FY 2024-25

Sr. No.	Names of Employees	Designation	Educational qualification	Nature of Employment whether contractual or otherwise	Age	Experience (in years)	Date of Joining	Previous Employment	% of equity shares held*	Whether the employee is relative of any director
1	Prashant Garg	Managing Director	B.E	On Payroll	42	20	09/11/2003	NA	27.91%	Yes (Mr Prashant Garg is Brother of Mr. Nitin Garg and Son of Ms. Chitra Garg who are Non Executive directors of Company)
2	Ramesh Kumar N.	Chief Executive Officer	B.E (Electrical), MBA	On Payroll	63	40	13/02/2025	CG Power and Industrial Solution Ltd	-	No
3	Neelu Garg	General Manager - Procurement	B.Sc, MBA	On Payroll	41	10	01/11/2014	NA	0.06%	Yes (Mrs. Neelu Garg is Spouse of Managing Director)
4	Kaushik Chakraborty	General Manager - Marketing OEM	B.E (Mech.)	On Payroll	49	27	01/09/2021	Konecranes and Demag Pvt. Ltd	0.003%	No
5	Ganesh Khangar	General Manager-Production	B.E (Mech.),MBA	On Payroll	47	23	07/07/2022	Ganges International Pvt. Ltd	0.003%	No
6	Ajit Kotasthane	Vice President – Exports	DME	On Payroll	60	37	12/11/2018	Messer Eutectic Castolin, Singapore	0.003%	No
7	Sangramsinh Bhosale	Head Of Kiln Services	B.E (Mech.),MBA	On Payroll	37	13.6	06/02/2024	Thyssenkrupp Industries India.	0.002%	No
8	Paresh Malavia	Vice President - Sales	B.E (Mech.),	On Payroll	56	31	05/04/2016	M/S Schutz carbon Electrodes Pvt. Ltd	0.002%	No
9	Ajay S. Urkude	Vice President	DME	On Payroll	49	24	02/06/2003	Hartex Sales Pvt Ltd	0.002%	No
10	Shreekant Premkhede	Vice President- Marketing	B.E	On Payroll	51	26	20/07/1998	NA	0.003%	No

* Joint Shareholding with another person shown as a Part of that shareholders holding, whose name appears first i.e. first holder.

The statement of remuneration will be made available for e-inspection / inspection by the Members during the business hours on any working day, 21 days prior to the date of AGM. Interested Members may write to the Company for obtaining a copy of the same.

For and on behalf of Board of Directors

Sd/-

Prashant Garg

Chairman & Managing Director

Place: Nagpur

Date: 15th May 2025

Annexure-4

FORM NO. MR – 3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2025

[Pursuant to section 204 (1) of the Companies Act, 2013 and rule 9 of the Companies
(Appointment and Remuneration Personnel) Rules, 2014]

To
The members,
DIFFUSION ENGINEERS LIMITED
(CIN – L99999MH2000PLC124154)
T-5 & 6, MIDC, Hingana, Nagpur – 440 016

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **DIFFUSION ENGINEERS LIMITED (CIN: L99999MH2000PLC124154)** (hereinafter called the “company”). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on **March 31, 2025 (“Audit Period”)** complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by **DIFFUSION ENGINEERS LIMITED (“Company”)** for the financial year ended on March 31, 2025 according to the provisions of:

- (i) The Companies Act, 2013 (“the Act”) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 (“SCRA”) and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (“SEBI Act”):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; **(Not applicable to the Company during the Audit Period);**
- (e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021; **(Not applicable to the Company during the Audit Period);**
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; **(Not applicable to the Company during the Audit Period);**
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **(Not applicable to the Company during the Audit Period);**
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosures requirements) Regulations, 2015 (herein after referred “SEBI LODR Regulations”);
- (j) Securities and Exchange Board of India (Depository and Participants) Regulations, 2018;
- (vi) I further report that, having regard to the compliance system prevailing in the Company and the management has identified and confirmed the following laws as being specifically applicable to the Company:
 1. The Factories Act, 1948 & the Central Rules or concerned State Rules, made thereunder;
 2. The Environment (Protection) Act, 1986 and Environment (Protection) Rules, 1986;
 3. The Water (Prevention and Control of Pollution) Act, 1974 & Central Rules / concerned State Rules;
 4. The Air (Prevention and Control of Pollution) Act, 1981 & Central Rules / concerned State Rules;
 5. The Noise Pollution (Regulation and Control) Rules, 2000;



6. The Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016;
7. The E-Waste (Management) Rules, 2016;
8. The Plastics Waste Management Rules, 2016;
9. The Employees State Insurance Corporation Act, 1948;
10. The Industries Development and Regulation Act, 1951; and
11. The Standards of Weights and Measures Act, 1976
12. Income Tax Act, 1961 and Indirect Tax Law
13. Payment of Wages Act, 1936
14. Minimum Wages Act, 1948
15. Employees Provident Fund and Misc. Provisions Act, 1952
16. Indian Stamp Act, 1999
17. Electricity Act, 2003
18. Payment of Gratuity Act, 1972
19. Maternity Benefits Act, 1961
20. The Information Technology Act, 2000 and the rules made thereunder.

I have also examined compliance with the applicable clauses of the following:

- (a) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (b) Listing Agreements entered into by the Company with the BSE Limited and National Stock Exchange of India Ltd.
- (c) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended time to time.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that:

1. the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non – Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance for meetings other than those held at shorter notice. Shorter notice for the meetings were given to all directors as per provisions of Section 173[3] of the Companies Act, 2013 and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

3. All decisions at Board and Committee Meetings are carried unanimously as recorded in the minutes of the Meetings of the Board of Directors or Committee of the Board, as the case may be.
4. As per the records, the Company filed all the forms, returns, documents and resolutions as were required to be filed with the Registrar of Companies and other authorities within time/ with additional fees and all the formalities relating to the same is in compliance with the Act.
5. There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I have checked the compliance management system of the Company to obtain reasonable assurance about the adequacy of systems in place to ensure compliance of specifically applicable laws and this verification was done on test basis. I believe that the Audit evidence which I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Except elsewhere mentioned in this report, in my opinion and to the best of my information and according to explanations given to me, I believe that the compliance management system of the Company is adequate to ensure compliance of laws specifically applicable to the Company.

I further report that during the audit period, there were no specific events/actions have taken place having a major bearing on affairs of the Company in pursuance of the above referred laws, rules, regulations, guidelines, etc. except that:

- i. The company came out with fresh issue of 94,05,000 Equity Shares aggregating to INR 1,579.64 million through IPO which opened for subscription from September 26, 2024 [On September 25, 2024 for Anchor Investors] and closed on September 30, 2024, at an issue price of INR 160/- per Equity Shares to Eligible Employees in the Eligible Employee Reservation Portion i.e. at a Discount of INR 8/- on the issue price and at an issue price of INR 168/- per Equity Shares to the other categories. The equity shares of the Company got listed on Stock Exchanges with effect from October 04, 2024,

Sd/-

Mr Madhav Kondaji Kawde
(Practicing Company Secretary)

FCS: 3251, CP No: 1892

UDIN: F003251G000547762

PR Certi No.: 2317/2022

Place : Mumbai

Date: 15th May 2025

Note:

This Report is to be read with our letter of even date which is annexed as "Annexure A" and forms an integral part of this report.

ANNEXURE – A

To

The members of

DIFFUSION ENGINEERS LIMITED

(CIN – L99999MH2000PLC124154)

T-5 & 6, MIDC, Hingana, Nagpur – 440 016

My Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
3. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
4. The compliances of the provisions of SEBI Laws, Corporate and other applicable laws, rules, regulations, Secretarial standards are the responsibility of management. My examination was limited to the verification of procedures on test basis.
5. As regards the books, papers, forms, reports and returns filed by the Company under these regulations, the adherence and compliance to the requirements of the said regulations is the responsibility of management. Our examinations was limited to checking the execution and timeliness of the filing of various forms, reports, returns and documents that need to be filed by the Company under the said regulations. We have verified the correctness and coverage of the contents of such forms, returns and documents.

Sd/-

Mr Madhav Kondaji Kawde

(Practicing Company Secretary)

FCS: 3251, CP No: 1892

UDIN: F003251G000547762

PR Certi No.: 2317/2022

Place : Mumbai

Date: 15th May 2025



Annexure-5

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES / INITIATIVES

[Pursuant to Section 135 of the Companies Act, 2013 & Rules made thereunder]

1. A brief outline of the Company's CSR policy, including overview of the projects or programmes proposed to be undertaken to the CSR policy and projects or programmes:

As part of our unwavering commitment to good corporate citizenship, our Company is dedicated to actively improving the quality of life within communities, with a particular focus on the local areas surrounding our business operations. In our pursuit of long-term stakeholder value creation, we are consistently guided by the principles of inclusivity, responsiveness, and sustainability—especially with regard to key stakeholders such as the socially and economically disadvantaged, underprivileged, and marginalized groups.

We aim to strengthen and expand our tradition of social responsibility by empowering individuals and fostering deeper, more impactful community engagement. To ensure that our CSR efforts are implemented in a focused, effective, and sustained manner, the Company has identified the following thrust areas:

1. Environmental Sustainability – Promoting and adopting eco-friendly practices that preserve natural resources and ensure a greener future.
2. Promotion of Education – Supporting initiatives that enhance access to quality education at all levels.
3. Promotion of Sports – Encouraging physical well-being and talent development through support for sports and related activities.
4. Health and Welfare – Advancing public health and access to medical care, particularly in underserved regions.
5. Community Well-being – Facilitating holistic community development and social infrastructure.
6. Gender Equality and Women Empowerment – Advocating for gender equity and supporting initiatives aimed at empowering women.
7. Vocational Skills and Employment – Enhancing skill development to improve employability and livelihoods, especially for youth and marginalized communities.
8. Social Business Projects – Promoting entrepreneurial initiatives that deliver social impact.
9. Eradicating Extreme Hunger and Poverty – Supporting programs aimed at alleviating hunger and improving food security.
10. Other Initiatives – Undertaking additional activities as may be identified from time to time, including those aligned with the Company's core competencies and long-term strategic vision.

All CSR activities undertaken by the Company are fully aligned with the provisions and activities specified under Schedule VII of the Companies Act, 2013, ensuring compliance with statutory obligations and alignment with national priorities.

2. The Corporate Social Responsibility Committee is constituted by the Board of Directors of Diffusion Engineers Limited in compliance with Section 135 of the Companies Act, 2013 ("the Act") read along with Schedule VII & the applicable rules thereto. During the Financial Year 2024–25, one meeting of the CSR Committee was held on 31 July 2024.

The composition of the CSR Committee is as under:

Sr. No.	Name	Nature of Directorship	Designation in Committee	Number of Meetings of CSR Committee Held During the Year	Number of meetings of CSR Committee attended during the year
1	Ms Anita Vijayakar [Ceased to be Chairperson of CSR Committee w.e.f 26 th August, 2024]	Independent Director	Chairperson	1	1
2	Dr. Nitin Garg	Non-Executive Director	Member	1	1
3	Ms Chitra Narendra Garg	Non-Executive Director	Member	1	1
4	Mrs. Deepali Bendre [appointed as Chairperson of CSR Committee w.e.f. 26 th August, 2024]	Independent Director	Chairperson	0	0


Details of CSR amount spent against other than on-going projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No	Name of project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation Direct (Yes/ No)	Mode of implementation - Through implementing agency.	
				State	District			Name	CSR Registration number
1	Development and maintenance of plantations in, Kalmeshwar area, to enhance green cover supporting biodiversity and birdlife.	(iv)	Yes	Maharashtra	Nagpur	2,87,650	Yes	Not Applicable	Not Applicable
2	Medical camps at Chichbhavan Village, Kalmeshwar, with doctor consultations and free medicines,	(i)	Yes	Maharashtra	Nagpur	1,58,097	Yes	Not Applicable	Not Applicable
3	Aided two life-saving pediatric heart surgeries for underprivileged children	(i)	Yes	Maharashtra	Nagpur	2,64,000	No	Swami Vivekanand Medical Mission	CSR00005068
4	Donation provided to support awareness, psychological care, and non-medical assistance for brain tumor patients and their caregivers.	(i)	No	Madhya Pradesh	Bhopal	5,00,000	No	BTSG Awareness Foundation	CSR00027838
5	A donation was made, for 10 mechanical heart valves to aid economically weaker patients, enhancing their health and quality of life.	(i)	Yes	Maharashtra	Nagpur	5,00,000	No	Swami Vivekanand Medical Mission	CSR00005068
6	Donated 50 Jaipur Foot prosthetics to amputees, helping recipients regain mobility and lead normal lives.	(i)	Yes	Maharashtra	Nagpur	2,50,000	No	Mahavir International Service Trust	CSR00017589
7	Conducted a comprehensive health check-up camp in and around Kalmeshwar Taluka, providing screenings, medicines, and health counselling.	(i)	Yes	Maharashtra	Nagpur	3,91,118	Yes	Not Applicable	Not Applicable
8	Scholarships awarded to 10 meritorious and needy students	(ii)	Yes	Maharashtra	Nagpur	5,00,000	Yes	Not Applicable	Not Applicable
9	Paid part fees for 10 children with intellectual disabilities, supporting their education and skill development.	(ii)	No	Maharashtra	Mumbai	50,000	No	Suryoday Trust	CSR00003067

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No	Name of project	Item from the list of activities in schedule VII to the Act.	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation Direct (Yes/ No)	Mode of implementation – Through implementing agency.	
				State	District			Name	CSR Registration number
10	Adopted and sponsored education for Zilla Parishad schools and Anganwadis in Hingna zone, Nagpur, supporting quality education for rural children.	(ii)	Yes	Maharashtra	Nagpur	2,50,000	No	Bridge-The-Gap Foundation	CSR00082342
11	Conducted Shri N.K.Garg Memorial Badminton Tournament with an aim to promote sports.	(vii)	Yes	Maharashtra	Nagpur	1,50,000	Yes	Not Applicable	Not Applicable
12	Awarded Shri. N.K.Garg Sports Scholarship to budding shuttler, supporting training and participation in major badminton tournaments.	(vii)	Yes	Maharashtra	Nagpur	1,50,000	Yes	Not Applicable	Not Applicable
13	Constructed a multipurpose cemented playground and donated sports equipment to Tejaswini Primary & High School, Koradi.	(vii)	Yes	Maharashtra	Nagpur	1.79.947	Yes	Not Applicable	Not Applicable
14	Contributed to support training and promotion of athletes at Inspire Institute of Sport, Karnataka, which provides world-class facilities and coaching to develop India's Olympic and Para-Olympic talent.	(vii)	No	Karnataka	Vijayanagar	5,00,000	No	Inspire Institute of Sports	CSR00000123
15	Providing nutritious mid-day meals to combat classroom hunger, and promoting children's health and education at the grassroots level.	(i)	Yes	Maharashtra	Nagpur	2,50,000	No	Annamrita Foundation	CSR00001973



7. (a) Details of Unspent CSR amount for the preceding three financial years

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under Section 135(6)	Balance Amount in Unspent CSR Account under subsection (6) of section 135 (in ₹)	Amount Spent in the Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any.			Amount remaining to be spent in succeeding financial years	Deficiency, if any
					Name of the Fund	Amount (in ₹)	Date of transfer		
1	FY-1	-	-	-	-	-	-	-	-
2	FY-2	-	-	-	-	-	-	-	-
3	FY-3	-	-	-	-	-	-	-	-

8. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the Financial Year.

No

If yes, enter the Number of Capital assets created/ acquired : NA

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sr. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
					CSR Registration Number, if applicable	Name	Registered address
-	-	-	-	-	-	-	-

9. In case the Company has failed to spend the 2% of the average net profit of the last 3 financial years or any part thereof, reasons for not spending the amount in its Board Report:

The Company has spent 2% of the average net profit of the last 3 financial years towards CSR expenditure.

For and on behalf of
Diffusion Engineers Limited

Sd/-
Prashant Garg
(DIN: 00049106)
Managing Director
3, Chaitriya, Pawanbhum
Somalwada, Nagpur – 440 025

Sd/-
Ms. Deepali Bendre
(DIN: 10753545)
Chairperson, CSR Committee
5, Saraswati Layout, Deendayal Nagar
Nagpur –440022, Maharashtra, India

Place: Nagpur
Date: 15th May 2025

Annexure-6

CORPORATE POLICIES

Your company seek to promote and follow the highest level of ethical standards in all our business transactions guided by our value system. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandated the formulation of certain policies for all listed companies. All our corporate governance policies are available on our website, at <https://www.diffusionengineers.com/investors-relation>

The policies are reviewed periodically by the Board and updated based on new compliance requirements.

Key policies that have been adopted are as follows:

Name of the policy	Salient Features	Web link	Summary of Key Changes
Code of Business Conduct and Ethics	The Company has adopted a Code of Conduct for all Directors and Senior Management Personnel which forms the foundation of good corporate practices.	https://www.diffusionengineers.com/investors-relation	During financial year 2024- 25 Code of Business Conduct and Ethics was revised and approved by Board on February 7,2025.
Vigil Mechanism (Whistle Blower Policy)	The Company has adopted a Vigil Mechanism to report concern about unethical behaviour, actual or suspected fraud, or violation of the Company's code of conduct.	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2024-25.
Policy on Determination of Materiality of Events / Information & Disclosure on Material Events / Information	This policy applies to disclosure of material events affecting Diffusion Engineers Limited and its subsidiaries.	https://www.diffusionengineers.com/investors-relation	During financial year 2024- 25 policy was revised and approved by Board on October 24,2024.
Code of Practices & Procedures for Fair Disclosure of Unpublished Price Sensitive Information	This code provides for fair and timely dissemination of unpublished price sensitive information.	https://www.diffusionengineers.com/investors-relation	There has been no change to the code during financial year 2024-25.
Code of Conduct for Regulating, Monitoring and Reporting of Trading by Designated Person	The policy provides the framework in dealing with securities of the Company.	https://www.diffusionengineers.com/investors-relation	During financial year 2024- 25 Code of Conduct for Regulating, Monitoring and Reporting of Trading by Designated Person was revised and approved by Board on February 7,2025.
Policy For Corporate Social Responsibility	The policy outlines the Company's strategy to bring about a positive impact on society through programs relating to hunger, poverty, healthcare, environment etc.	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2024-25.
Archival Policy and Policy on Preservation of Documents	The policy deals with the retention and archival of corporate records.	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2024-25.
Nomination & Remuneration Policy	This policy formulates the criteria for determining qualification, competencies, positive attributes and independence for the appointment of Director (executive/ non-executive) and also the criteria for determining the remuneration of Directors, key managerial personnel and senior management personnel.	https://www.diffusionengineers.com/investors-relation	During financial year 2024- 25 policy was revised and approved by Board on February 7,2025.



Name of the policy	Salient Features	Web link	Summary of Key Changes
Policy on Material Subsidiaries	The policy is used to determine the material subsidiaries of the Company and to provide the governance framework for them.	https://www.diffusionengineers.com/investors-relation	During financial year 2024- 25 policy was revised and approved by Board on February 7,2025.
Policy on dealing with Related Party Transactions	This policy regulates all transactions between the Company and its related parties.	https://www.diffusionengineers.com/investors-relation	During financial year 2024- 25 policy was revised and approved by Board on February 7,2025.
Policy on Prevention of Sexual Harassment	This policy is used to prohibit, prevent or deter the commission of acts of sexual harassment of woman at workplace and to provide the procedure for the redressal of complaints pertaining to sexual harassment.	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2024-25.
Risk Assessment and Management Policy	This policy sets out system of risk oversight, management of material business risks and internal control.	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2024-25.
Board Diversity Policy	The Board Diversity Policy aims to set out the approach to achieve diversity on the Board of Directors. Ethnicity, age and gender diversity are areas of strategic focus to the composition of our Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2024-25.
Policy and Procedure for Inquiry in Case of Leak or Suspected Leak of Unpublished Price Sensitive Information	This Policy deals with a) Formulating procedures for inquiry in case of leak of UPSI. b) Strengthening the internal control system to prevent leak of UPSI. c) Penalizing any insider who appears to have found guilty of violating this Policy.	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2024-25.
Corporate Governance Policy	The policy outlines composition of Board. It also provides scope and terms of reference of committees of Board	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2024-25.

Annexure-7

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

[Particulars pursuant to the Companies (Accounts) Rules, 2014]

A) CONSERVATION OF ENERGY

Steps taken for conservation	<ul style="list-style-type: none"> Installed a 250 kW rooftop solar power system to reduce dependency on non-renewable energy. Implemented solar-powered street lighting across the factory premises. Installed an APFC (Automatic Power Factor Control) panel to optimize power usage and improve efficiency. Replaced all mercury vapor lights with energy-efficient LED lighting on the shop floor to reduce electricity consumption.
Steps taken for utilizing alternate sources of energy	<ul style="list-style-type: none"> Diesel Generator (DG) set installed to serve as a reliable backup power source during outages.
Capital investment on energy conservation equipment	<ul style="list-style-type: none"> Rooftop solar panel system installed as a major investment towards sustainable energy practices.

B) TECHNOLOGY ABSORPTION

Efforts made for technology absorption	Ongoing investments are focused on exploring new processes and technologies aimed at reducing cycle time and operational costs.
Benefits derived	The adoption of innovative techniques and process improvements has played a crucial role in enhancing our operational efficiency. These advancements have enabled us to remain competitive in the market by offsetting rising costs in key areas such as electricity, transportation, and employee remuneration. By continuously embracing modern methods, we are able to maintain cost-effectiveness while upholding the quality and reliability of our products and services.
Expenditure on Research & Development, if any	₹ 36.5 Million
Details of technology imported, if any	Prior Years
Year of import	-
Whether imported technology fully absorbed	Yes
Areas where absorption of imported technology has not taken place, if any	-

C) RESEARCH AND DEVELOPMENT:

Research and development hold strategic importance for our company, given the dynamic and technology-driven nature of our industry. Recognizing this, we have prioritized R&D as a core function within our operations. Our dedicated R&D team now includes a full-time doctoral candidate who is actively engaged in developing new processes and advancing product innovation.

To further strengthen our research capabilities, we have increased our collaboration with universities, leveraging their advanced facilities and academic expertise for joint research efforts. We have also established a separate R&D wing within our premises, solely focused on driving innovation and continuous improvement.

Our commitment to R&D has been formally acknowledged through recognition by the Department of Scientific and Industrial Research (DSIR), valid up to 31st March 2027. In addition, one of our laboratories has received NABL (National Accreditation Board for Testing and Calibration Laboratories) accreditation, affirming our compliance with international standards for quality and technical competence in testing and calibration—further enhancing the credibility and reliability of our research outputs.

D) EXPORTS:

Growth in Export is consistent and improving every year.

E) FOREIGN EXCHANGE EARNING AND OUTGO:

Foreign Exchange Earning ₹ **293.86 Million**

Foreign Exchange outgo ₹ **332.64 Million**

**Annexure-8****CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE**

To
The Members of
Diffusion Engineers Limited
CIN: L99999MH2000PLC124154
T-5 & 6, MIDC, Hingana, Nagpur – 440 016

I have examined all the relevant records of Diffusion Engineers Limited for the purpose of certifying compliance of the conditions of the Corporate Governance as per the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") for the financial year from April 1, 2024 to March 31, 2025. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

I have also examined the status of Directors of the Company in accordance with Listing Regulations and Companies Act, 2013 and hereby certify that, none of the Directors on Board of the Company is disqualified from being appointed or continuing as director by the Securities Exchange Board of India/ Ministry of Corporate Affairs. The KYC requirements of all the directors have been updated on the website of Ministry of Corporate Affairs.

The compliance of conditions of corporate governance is the responsibility of the Management. My examination was limited to the procedure and implementation process, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. The certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In my opinion and to the best of my information, and according to the explanation and information furnished to me, I certify that the Company has complied with all the mandatory conditions of Corporate Governance as stipulated in the said Listing Regulations during the period under review, as applicable.

Place: Mumbai
Date: 15th May 2025

Sd/-
Mr Madhav Kondaji Kawde
Practicing Company Secretary
Membership No.:F3251, COP: 1892
UDIN: F003251G00054784
Peer Review certificate No. 2317/2022

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI
(Listing Obligations and Disclosures Requirements) Regulations, 2015)

To
The Members of
Diffusion Engineers Limited
CIN: L99999MH2000PLC124154
T-5 & 6, MIDC, Hingana, Nagpur – 440 016

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Diffusion Engineers Limited having CIN No. L99999MH2000PLC124154 and having registered office at T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra – 440 016 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing obligations and Disclosure Requirements) Regulation 2015.

In my opinion and to the best of my information and according to the verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company and its officers, I hereby Confirm that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2025 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other statutory Authority.

Sr No	Name of Directors	DIN (Director Identification Number)	Date of appointment in Company*
1	Mr Prashant Garg	00049106	01/04/2009
2	Dr. Nitin Garg	08558736	23/07/2024
3	Mr. Anil Kumar Trigunayat	07900294	30/11/2023
4	Ms. Chitra Narendra Garg	01784644	05/12/2023
5	Mr. Sherry Samuel Oommen	07059616	26/08/2024
6	Ms. Deepali Bendre	10753545	26/08/2024

**the date of appointment is as per the MCA Portal*

Ensuring the eligibility for the appointment / continuity of Director on the Board is the responsibility of the management of the Company. My Responsibility is to express an opinion on these based on my verification. This Certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Sd/-

Mr Madhav Kondaji Kawde

Practicing Company Secretary

Membership No.:F3251, COP: 1892

UDIN: F003251G000547795

Peer Review certificate No. 2317/2022

Place: Mumbai
Date: 15th May 2025

**Annexure-9****DECLARATION UNDER SCHEDULE V (D) OF THE LISTING REGULATIONS BY THE CHIEF EXECUTIVE OFFICER OF AFFIRMATION BY THE DIRECTORS, KMP'S AND SENIOR MANAGEMENT OF COMPLIANCE WITH THE CODE OF CONDUCT**

To

The Members

Diffusion Engineers Limited

T-5 & 6, MIDC, Hingana, Nagpur,

Maharashtra, India, 440016

Pursuant to Regulation 34 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, I hereby declare that all the Board Members, KMPs and Senior Management Personnel are aware of the provisions of the Code of Conduct laid down by the Board as made effective from December 13, 2023.

All Board Members, KMP and Senior Management Personnel have affirmed compliance with the Code of Conduct.

For Diffusion Engineers Limited

Sd/-

Ramesh Kumar Narasinghbhan

Chief Executive Officer

Place: Nagpur

Date: 15th May 2025

Annexure-10

May 14, 2025

To
The Board of Directors
Diffusion Engineers Limited
T-5 & 6, MIDC, Hingana, Nagpur,
Maharashtra, India, 440016

Pursuant to Regulation 17(8) of the SEBI (Listing Obligation & Disclosure Requirements) Regulations, 2015, we Ramesh Kumar Narasinghbhan, Chief Executive Officer and Abhishek Mehta, Chief Financial Officer of Diffusion Engineers Limited, to the best of our knowledge and belief, certify that:

- a. We have reviewed financial statements and the cash flow statement for the quarter and year ended 31st March, 2025 and that to the best of our knowledge and belief:
 - i. these financials do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. To the best of our knowledge and belief, there are no transactions entered into by the Company during the quarter and year under reference which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee that there are no deficiencies in the design or operation of such internal controls.
- d. We have indicated to the auditors and the Audit committee:
 1. There has not been any significant change in internal control over financial reporting during the quarter and year under reference.
 2. There have not been any significant changes in accounting policies during the quarter and year ended 31st March, 2025 and the accounting policies have been disclosed in the notes to the financial statements
and
 3. We are not aware of any instance during the quarter and year ended under reference of significant fraud with involvement therein of the management or an employee having a significant role in the company's internal control system over financial reporting.

Sd/-
Mr. Ramesh Kumar Narasinghbhan
Chief Executive Officer

Sd/-
CA Abhishek Mehta
Chief Financial Officer



Corporate Governance Report 2024-2025

I. Company's Philosophy on Corporate Governance

At Diffusion Engineers Limited, corporate governance is the foundation of our commitment to excellence, sustainable growth, and value creation. The Company believes that a strong governance framework is essential for achieving every milestone on our journey forward. The approach to corporate governance is driven by an unwavering commitment to protecting stakeholder interests, proactively managing risks, and fostering long-term business objectives. Corporate governance aims at driving the business ethically for creation and enhancement of long-term sustainable value for your stakeholders. At Diffusion Engineers Limited, it is imperative that the Company's affairs are managed in a fair and transparent manner. Diffusion ensures that it evolves and follows not just the stated corporate governance guidelines, but also globally accepted best practices. The Company's philosophy on corporate governance oversees business strategies and ensures fiscal accountability, ethical corporate behaviour and fairness to all stakeholders comprising employees, investors, customers, regulators, suppliers and the society at large. Our governance framework, systems, and processes are designed to align with our Mission, Vision and Values, ensuring that we uphold the highest standards of integrity, accountability, and transparency as we continue on our path to sustained success.

The Company's essential character is shaped by the values of transparency, customer satisfaction, integrity, professionalism and accountability. The Company continuously endeavours to improve on these aspects. Your Company's Board of Directors ('the Board') view Corporate Governance in its widest sense. The main objective is to create and adhere to a corporate culture of integrity and consciousness. Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target.

The Company has adopted a comprehensive Code of Conduct ('Code') for its Directors, KMPs and Senior Management. The Code is available on the Company's website at link: <https://www.diffusionengineers.com/investors-relation>. Also, the corporate policies of the company are given in Annexure 6 of the Board's Report.

It ensures that all directors, senior management and employees have the obligation to conduct themselves in an honest and ethical manner and act in the best interest of the Company at all times.

The Company believes in raising the bar and upholding the highest standards of Corporate Governance as it enhances the long-term value of the Company for its stakeholders. Good governance is an essential ingredient of good business. The following report on the implementation of the Corporate Governance Practices is a sincere effort of the Company to follow the Corporate Governance Principles in its letter and spirit.

Your Company, is in compliance with the requirements stipulated under Regulations 17 to 27 read with Schedule V and clauses (b) to (i) and (t) of sub-regulation (2) of Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), as applicable, with regard to corporate governance.

II. Board of Directors ("Board")

The Company has an active, experienced, diverse and a well-informed Board. The Board along with its Committees undertakes its fiduciary duties keeping in mind the interests of all its stakeholders and the Company's Corporate Governance philosophy. As on March 31, 2025, the Company has an optimum mix of Board which is constituted in compliance with the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and includes Executive, Non-Executive & Independent Directors with more than fifty percent of Non-Executive and Independent Directors so as to ensure proper governance and management. The Chairman of the Board is Executive Non-Independent Director. The Board is at the core of corporate governance practice and oversees and ensures that the Management serves and protects the long-term interest of all its stakeholders. The Company believes that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance. None of the Independent Director holds shares in the Company as on March 31, 2025.

Except as stated below, none of our Directors, Key Managerial Personnel and Senior Management are related to each other:

Name of Director	Name of Relative	Nature of Relationship
Prashant Garg	Chitra Garg	Mother
	Dr. Nitin Garg	Brother
Dr. Nitin Garg	Chitra Garg	Mother
	Prashant Garg	Brother
Chitra Garg	Prashant Garg	Son
	Dr. Nitin Garg	Son

A. Size and Composition of the Board:

The Board is entrusted with the ultimate responsibility of the management, direction and performance of the Company. The Company's policy is to maintain an optimum combination of Executive and Non-Executive/Independent Directors. The composition of the Company's Board, which comprises of Six (6) Directors, is given in the table below and is in conformity with Regulation 17(1) of the Listing Regulations and other applicable regulatory requirements. More than 50% of the Company's Board comprises of Non-Executive and Independent Directors (IDs). The Board does not comprise of any Nominee Director. None of the Directors on the Board:

- holds directorships in more than ten public companies;
- serves as Director or as Independent Directors in more than seven listed entities; and
- who are the Executive Directors serve as independent directors in more than three listed entities

1. A brief particular of Board of Directors of the Company as on March 31, 2025 is given below:

Name of the Director	Category/ Designation	Director's Identification Number	Total Number of Directorships of companies, Committee Chairmanships and Memberships as on March 31, 2025*			
			Directorships		Member holding Chairmanship Position [§]	Committee Memberships other than Chairmanship Position [§]
			Public [#]	Private		
Executive Directors						
Mr Prashant Garg	Managing Director and Chairman	00049106	5	1	0	2
Non- Executive Directors						
Dr. Nitin Garg	Non-Executive Non- Independent Director	08558736	5	1	0	1
Mr. Anil Kumar Trigunayat	Non-Executive Independent Director	07900294	1	0	0	0
Ms. Chitra Narendra Garg	Non-Executive Non- Independent Director	01784644	3	0	0	0
Mr. Sherry Samuel Oommen	Non-Executive Independent Director	07059616	1	0	2	0
Ms. Deepali Bendre	Non-Executive Independent Director	10753545	1	0	0	1

Notes:

*Excluding Trust, Society, foreign companies and Government Bodies, if any.

[#]The Directorship in Public Companies includes Directorship in Non-Profit Companies (Section-8 Companies), Deemed Public Company and Diffusion Engineers Limited.

[§]Only Audit & Stakeholders Relationship & investor Grievances Committee considered

Mr Prashant Garg, Ms. Chitra Narendra Garg and Dr. Nitin Garg are also promoters of Company.



Shareholding of Directors as on March 31, 2025

Particular	Number of Shares held	Percentage of shares held
Mr Prashant Garg	1,04,45,099	27.91%
Dr. Nitin Garg	74,03,221	19.78%
Mr. Anil Kumar Trigunayat	-	-
Ms. Chitra Narendra Garg	61,30,971	16.38%
Mr. Sherry Samuel Oommen	-	-
Ms. Deepali Bendre	-	-

Joint Shareholding with another person shown as a Part of that shareholders holding, whose name appears first i.e. first holder.

As on March 31, 2025 the Company does not have any convertible instruments.

2. **Names of other Listed entities where the Director is holding Directorship and category of directorship as on March 31, 2025:**

Sr No	Name of Director	Name of Company	Category of Directorship
1	Mr Prashant Garg	Not applicable	Not applicable
2	Dr. Nitin Garg	Not applicable	Not applicable
3	Mr. Anil Kumar Trigunayat*	Not applicable	Not applicable
4	Ms. Chitra Narendra Garg	Not applicable	Not applicable
5	Mr. Sherry Samuel Oommen	Not applicable	Not applicable
6	Ms. Deepali Bendre	Not applicable	Not applicable

*Shri Anil Kumar Trigunayat (DIN - 07900294) has been appointed as an Additional Director (Independent) on the Board of NTPC Limited w.e.f. 17th April 2025

3. **Key Board qualifications, Skills, expertise and attributes**

In the context of the Company's business and activities, the Company requires skills/expertise/competencies in the different areas of Company's business. The Company's Board is comprised of individuals who are reputed in the required skills, competence and expertise that allow them to make effective contribution to the Board and its committees. The Board is satisfied that the current composition reflects an appropriate mix of knowledge, skills, experience, diversity and competence required for it to function effectively.

A. **Matrix setting out the skills/expertise/competence of the board of directors is specified below:**

Name of Director	Expertise in specific functional area
Mr Prashant Garg	Industry Experience, Management & Leadership Skills
Dr. Nitin Garg	Management & Leadership Skills
Mr. Anil Kumar Trigunayat	Management & Leadership Skills
Ms. Chitra Narendra Garg	Management & Leadership Skills
Mr. Sherry Samuel Oommen	Technical, Management & Leadership Skills
Ms. Deepali Bendre	Technical, Management & Leadership Skills

Technical Skills/ Industry Experience	Management Skills	Leadership Skills
Finance, Industry Knowledge, Management Experience, Marketing Experience	Planning and Decision-making	Strategic Thinking, Planning & Delivery
Strategy Development	Human or interpersonal skills	Communication
Economic Awareness	Communication and Delegation	Mentoring abilities
Public Relations	Motivating	Integrity and high ethical standards
Law	Knowledge and ability for abstract thinking	Persuasion & Influence
Accounting	Problem-solving	People Management

B. **Independent Directors**

Independent Directors play a key role in the decision-making process of the Board and in shaping various strategic initiatives of the Company. The Independent Directors are committed to act in what they believe is in the best interests of the Company and its stakeholders. The Independent Directors are professionals, with expertise and experience in general corporate management, science and innovation, realty, public policy, business, finance and

financial services. This wide knowledge in their respective fields of expertise and best-in-class boardroom practices helps foster varied, unbiased, independent and experienced perspective. The Company benefits immensely from their inputs in achieving its strategic direction.

Considering the requirements of the skill sets on the board, eminent people having an independent standing in their respective field and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee, for appointment as Independent Directors on the Board. The Nomination and Remuneration Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and Memberships held in various committees of other companies by such persons in accordance with the criteria set for selection of Directors and determining Directors' independence. The Board considers the Committee's recommendation and takes appropriate decision.

In terms of Section 149(7) of the Companies Act, 2013, the Independent Directors; Mr. Anil Kumar Trigunayat (DIN: 07900294), Mr. Sherry Samuel Oommen (DIN: 07059616) and Ms. Deepali Bendre (DIN: 10753545) have given a declaration to the Company that they meet the criteria of independence as specified under Section 149(6) of the Companies Act, 2013. The Board also confirms that the independent Directors fulfil the independent criteria as prescribed under Companies Act, 2013 and Regulation 16 (1) (b) of Listing Regulations and are Independent of Management of the Company. The Board is of the opinion that the independent directors appointed during the year possess the requisite integrity, expertise, experience, and proficiency to effectively discharge their responsibilities.

The Company has established a Familiarization Programme for Independent Directors. The framework together with the details of the Familiarization Programme conducted has been uploaded on the website of the Company. The web-link to this is <https://www.diffusionengineers.com/investors-relation>

As stipulated by the Code of Independent Directors under Schedule IV of the Companies Act, 2013, a separate meeting of the Independent Directors of the Company was held on September 20, 2024 and March 31, 2025, without the presence of Non-Independent Directors and members of Management, inter-alia to review the performance of Non-Independent Directors, the Board as whole and the Chairman of the Company taking

into account the views of executive directors and non-executive directors. They also reviewed the accessibility with regards to quality, quantity and timeliness of flow of information between the Company, the management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

During the period under review, Mr Ajay Jain (DIN: 02815416) and Ms Anita Vijayakar (DIN: 01190200) ceased to be Independent Directors of the company upon completion of their second term of 5 (Five) consecutive years with effect from September 13, 2024.

1. Attendance of Independent Directors at meeting of the Independent Directors:-

Name of the Director	Attendance
Mr. Sherry Samuel Oommen	02 of 02
Ms. Deepali Bendre	02 of 02
Mr. Anil Trigunayat	02 of 02

C. Key Board Proceedings

The Board provides and critically evaluates strategic direction of the Company, management policies and their effectiveness. Their main function is to ensure that long-term interests of the stakeholders are being served. The agenda for the Board includes strategic review from each of the Board committee, a detailed analysis and review of annual strategic and operating plans and capital allocation and budgets. The Board holds minimum four meetings every year to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company. The Board has complete access to all the relevant information of the Company. The quantum and quality of information supplied by the management to the Board goes well beyond the minimum requirement stipulated under Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

To enable the Board to discharge its responsibilities properly, the directors are effectively briefed at every Board Meeting. Senior Management members are also invited, as and when the need arise, to attend the Board Meetings and to provide additional inputs on the items being discussed by the Board. Apart from placing the statutory information required before the Board Members, it is the policy of the Company to regularly place the information/ matter involving major decisions like Annual Budget, Business Plans, Operations, Technology Collaboration, Investments, Half yearly results and quarterly compliance reports on various laws applicable to the Company, legal matters and other material information.



The Board performs the following specific functions in addition to overseeing the business and management:

- a. Review, monitor and approve major financial and business strategies and corporate actions;
- b. Assess critical risks facing the Company - review options for their mitigation;
- c. Provide counsel on the selection, evaluation, development and compensation of senior management;
- d. Ensure that processes are in place for maintaining the integrity and highest levels of standards of:
 - i. the Company
 - ii. the Financial Statements
 - iii. Compliance with law
 - iv. relationships with all stakeholders

1. **Board Meetings and Deliberations**

Your Board meets at least four times in a year as per the law. Apart from the four Board meetings, additional Board meetings are also convened by giving appropriate notice to address the specific requirements of the Company. However, in case of a special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted by law, which are noted and confirmed in the subsequent Board Meeting. During the period under review i.e. April 1, 2024 to March 31, 2025, Eleven (11) Board Meetings were held on April 26, 2024; July 23, 2024; July 31, 2024; August 26, 2024; September 20, 2024; September 25, 2024; September 30, 2024; October 01, 2024; October 24, 2024; November 12, 2024 and February 07, 2025. The gap between two Meetings did not exceed one hundred and twenty days. The requisite quorum was present in all the meetings. Resolutions were also passed by circulation in compliance with the provisions of Companies Act, 2013 and Rules thereunder.

2. **Information Material**

For seamless scheduling of Meetings, the calendar of Meetings of the Board and its Committees is circulated and agreed upon at the beginning of the year. The Company Secretary tracks and monitors the Board and its Committees' proceedings to ensure that the terms of reference/ charters are adhered to, decisions are properly recorded in the minutes and actions on the decisions are

tracked. The terms of reference/charters are amended and updated from time to time in order to keep the functions and role of the Board and its Committees at par with the changing statutes. Meeting effectiveness is ensured through detailed agenda, circulation of material in advance and as per statutory timelines, detailed presentations at the Meetings and tracking of action taken reports at every Meeting. Additionally, based on the agenda, Meetings are attended by Members of the senior leadership as invitees which bring in the requisite accountability and also provide developmental inputs. Where it was not practicable to attach any document to the agenda, it was tabled before the meeting, with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted with the approval of the Chairman.

3. **Minutes**

The Company Secretary records minutes of proceedings of meeting of Board and Committees thereof. Draft minutes are circulated to Board/Committee members for their comments. The minutes are entered in the Minutes Book well within the stipulated time, after considering the comments of Board members.

4. **Brief changes in the Board of Directors/ Key Managerial Personnel (KMPs) and Senior Management**

The brief details of changes in the Board of Directors / KMPs and Senior Management made during the year and till the date of this report are as follows and are also disclosed in Board Report under the heading Change in the position of Directors, Key Managerial Personnel (KMPs) and Senior Management.

- a) Dr. Renuka Garg (DIN: 02815373) tendered her resignation from the post of Non-Executive Director of the Company with effect from July 23, 2024.
- b) The Board on the recommendation of Nomination and Remuneration Committee at its meeting held on July 23, 2024 appointed Dr Nitin Garg (DIN: 08558736) as an Additional Director under the category of Non-Executive Director of the Company with effect from July 23, 2024. The appointment was regularised by the shareholders at the Annual General Meeting of the Company held on August 31, 2024.

- c) The Board on the recommendation of Nomination and Remuneration Committee at its meeting held on August 26, 2024 appointed Mr. Sherry Samuel Oommen (DIN: 07059616) and Ms. Deepali Bendre (DIN: 10753545) as an Additional Director under the category of Non-Executive Independent Director of the Company with effect from August 26, 2024. Their appointments as Independent Directors for a term of five (5) years with effect from August 26, 2024 was regularised by the shareholders of the Company in their Extra Ordinary General meeting held on August 26, 2024
- d) Mr Ajay Jain (DIN: 02815416) and Ms Anita Vijayakar (DIN: 01190200) ceased to be Independent Directors of the company upon completion of their second term of 5 (Five) consecutive years on September 13, 2024
- e) Mr Ramesh Kumar Narasinghbhan (PAN: ABOPN4848E) was appointed as Chief Executive Officer (CEO) of Company with effect from February 13, 2025 for the period of 4 (Four) years in the board meeting held on February 07, 2025
- f) Mr. Prashant Garg (DIN: 00049106) was re-appointed as the Chairman and Managing Director for a period of five years with effect from March 16, 2025, pursuant to a resolution passed by our Board of Directors at their meeting held on February 07, 2025 and a resolution passed by Shareholders through postal ballot on April 03, 2025.

5. The Committees of the Board

The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas / activities as mandated by applicable regulations which concern the Company and need a closer review. The Board Committees are set up under the formal approval of the Board to carry out clearly defined roles which are considered to be performed by Members of the Board, as a part of good governance practice. The Chairman of the respective Committees informs the Board about the summary of the discussions held in the Committee Meetings. The minutes of the meetings of all Committees are placed before the Board for review. The Board Committees can

request special invitees to join the meeting, as appropriate.

Meetings of Statutory Committees held during the year and Directors' Attendance

As on March 31, 2025, the Board has Six committees:

- A. Audit Committee
- B. Nomination and Remuneration Committee
- C. Stakeholders Relationship and Grievances Committee
- D. Corporate Social Responsibility Committee
- E. Management Committee
- F. Risk Management Committee

The role and the composition of these Committees including number of meetings held during the financial year and participation of the members at the meetings of the committees, during the year are as under: -

A. Audit Committee

The Company has an adequately qualified Audit Committee and its composition meets the requirement of Section 177 of the Companies Act, 2013 and Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Audit Committee also acts as a link between the statutory and internal auditors and the Board of Directors. Its purpose is to assist the Board in fulfilling its oversight responsibilities of monitoring financial reporting processes, reviewing the Company's established systems and processes for internal financial controls, governance and reviewing the Company's statutory and internal audit activities.

The Audit Committee ensures prudent financial and accounting practices, fiscal discipline and transparency in financial reporting. In terms of one of its important charter, the quarterly financial statements are reviewed by the Audit Committee and recommended to the Board for its adoption. The Audit Committee was re-constituted on August 26, 2024.

In addition to the Audit Committee members, Statutory Auditors, the Chief Financial Officer, Head Internal Audit and Divisional Heads are also invited to the Audit Committee Meetings on need basis.

The role and composition of these committees including number of meetings held during the financial year and participation of the members at the meetings of the committees are as under:-



1. The brief terms of reference of Audit Committee are as under:

- (i) oversee our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (ii) recommendation for appointment, remuneration and terms of appointment of auditors of our Company;
- (iii) approve payment to statutory auditors for any other services rendered by them;
- (iv) review with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - (a) matters required to be included in the Director's Responsibility Statement to be included in the board of directors' report in terms of clause (c) of sub-Section 3 of Section 134 of the Companies Act, 2013;
 - (b) changes, if any, in accounting policies and practices and reasons for the same;
 - (c) major accounting entries involving estimates based on the exercise of judgment by the management of our Company;
 - (d) significant adjustments made in the financial statements arising out of audit findings;
 - (e) compliance with listing and other legal requirements relating to financial statements;
 - (f) disclosure of any related party transactions; and
 - (g) modified opinion(s) in the draft audit report.
- (vii) review, with the management, the quarterly and any other partial year- period financial statements before submission to the board of directors for their approval;
- (viii) review, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to our board of directors to take up steps in this matter;

- (ix) review and monitor the auditor's independence and performance, and effectiveness of audit process;

- (x) formulating a policy on related party transactions, which shall include materiality of related party transactions and the definition of material modifications of related party transactions;

subject to and conditional upon approval of our Board, approval of related party transactions or subsequent modifications thereto and omnibus approval for related party transactions proposed to be entered into by our Company, subject to conditions as may be prescribed;

Provided that only those members of the committee, who are Independent Directors, shall approve related party transactions;

Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act.

- (xi) approval of related party transactions to which the subsidiary(ies) of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover as per the last audited financial statements of the Company, subject to such other conditions prescribed under the SEBI Listing Regulations
- (xii) scrutinize inter-corporate loans and investments;
- (xiii) valuation of undertakings or assets of our Company, wherever it is necessary;
- (xiv) evaluate internal financial controls and risk management systems;
- (xv) review, with the management, performance of statutory and internal auditors, adequacy of the internal checks and control systems;
- (xvi) review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (xvii) discuss with internal auditors of any significant findings and follow up there on;
- (xviii) review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or

- irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- (xix) discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 - (xx) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 - (xxi) to review the functioning of the whistle blower mechanism;
 - (xxii) monitoring the end use of funds through public offers and related matters;
 - (xxiii) oversee the procedures and processes established to attend to issues relating to the maintenance of books of account, administration procedures, transactions and other matters having a bearing on the financial position of our Company, whether raised by the auditors or by any other person;
 - (xxiv) act as a compliance committee to discuss the level of compliance in our Company and any associated risks and to monitor and report to the Board on any significant compliance breaches;
 - (xxv) approve the appointment of the Chief Financial Officer of our Company (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
 - (xxvi) oversee the vigil mechanism established by our Company and the chairman of audit committee shall directly hear grievances of victimisation of employees and directors, who use vigil mechanism to report genuine concerns;
 - (xxvii) review the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding ₹ 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;
 - (xxviii) consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders; and
 - (xxix) carry out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the board of directors of our Company or specified/ provided under the Companies Act, 2013 or by the SEBI LODR Regulations or by any other regulatory authority;
 - (xxx) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;
 - (xxxi) oversee the procedures and processes established to attend to issues relating to the maintenance of books of accounts, administrations procedures, transactions and other matters having a bearing on the financial position of our company, whether raised by the auditors or by any other person;
 - (xxxii) Act as a compliance committee to discuss the level of compliance in our Company and any associated risks and to monitor and report to the Board on any significant compliance breaches.
- 2. The Audit Committee regularly reviews the following:**
- (i) management discussion and analysis of financial condition and results of operations;
 - (ii) management letters/ letters of internal control weaknesses issued by the statutory auditors of our Company;
 - (iii) internal audit reports relating to internal control weaknesses;
 - (iv) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and
 - (v) statement of deviations in terms of the SEBI LODR Regulations:
 - quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s); and
 - Annual statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice.
- 3. Composition of Audit Committee**
- During the period under review the Audit Committee was reconstituted due to the retirement of Mr Ajay Jain (DIN: 02815416) and Ms Anita Vijayakar (DIN: 01190200) as Independent Directors of the company upon completion of their second term of 5 (Five) consecutive years w.e.f. September 13, 2024. Mr. Sherry Samuel Oommen (DIN: 07059616) and Ms. Deepali Bendre (DIN: 10753545) were inducted with effect from August 26, 2024 as the new members of the Audit Committee.



As on March 31, 2025 Audit Committee comprises as follows:

Name	Position in the committee	Category
Mr. Sherry Samuel Oommen	Chairman	Non-Executive and Independent Director
Ms. Deepali Bendre	Member	Non-Executive and Independent Director
Mr. Prashant Garg	Member	Executive and Managing Director

All the members of the Committee have sound knowledge of finance, accounts and business management. The Chairman of the Committee has extensive accounting and related financial management expertise.

The Company Secretary of the Company acts as the Secretary to the Committee.

4. Meetings

During the period under review i.e. April 1, 2024 to March 31, 2025, Five (5) Audit Committee Meetings were held on July 25, 2024; July 31, 2024; October 24, 2024; November 12, 2024 and February 07, 2025. Attendance table is attached under the head 'Attendance of Directors/Members at Board and Committee Meeting (s)'. The requisite quorum was present in all the meetings and not more than one hundred and twenty days have elapsed between two meetings.

B. Nomination and Remuneration Committee

In compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company has re-constituted Nomination and Remuneration Committee on August 26, 2024. The Board has approved a Nomination and Remuneration Policy for Directors, KMPs and other Senior Management.

The committee believes that sound succession planning of the senior leadership is the most important ingredient for creating a robust future for the Company. Therefore, the committee has adopted a rigorous process to ensure that the Board selects the right candidates for senior leadership positions. The Chairman of the Committee is an Independent Director.

1. The brief terms of reference of Nomination and Remuneration Committee are as under:

1. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend

to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees

2. for appointment of an independent directors, evaluation of the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, preparation of a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Nomination and Remuneration Committee may:
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates.
3. formulation of criteria for evaluation of performance of independent directors and the board of directors;
4. devising a policy on diversity of board of directors
5. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal;
6. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
7. recommend to the board, all remuneration, in whatever form, payable to senior management.
8. the Nomination and Remuneration Committee, while formulating the Remuneration Policy, should ensure that –
 - a. the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Company successfully;
 - b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

- c. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the working of our Company and its goals.
9. perform such functions as required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended, including the following:
 - a. administering the employee stock option plans of our Company, as may be required;
 - b. determining the eligibility of employees to participate under the employee stock option plans of our Company;
 - c. granting options to eligible employees and determining the date of grant;
 - d. determining the number of options to be granted to an employee;
 - e. making allotment pursuant to the employee stock option plans;
 - f. determining the exercise price under the employee stock option plans of our Company; and
 - g. construing and interpreting the employee stock option plans of our Company and any agreements defining the rights and obligations of our Company and eligible employees under the employee stock option plans of our Company, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the employee stock option plans of our Company.
10. frame suitable policies, procedures and systems to ensure that there is no violation of securities laws, as amended from time to time, including:
 - a. the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
 - b. the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, by the trust, our Company and its employees, as applicable.

11. performing such other activities as may be delegated by the Board or specified or provided under the Companies Act or the SEBI LODR Regulations, and the rules and regulations made thereunder or other applicable law, including any amendments thereto as may be made from time to time.

2. Composition of Nomination and Remuneration Committee

During the period under review the Nomination and Remuneration Committee was reconstituted due to the retirement of Mr Ajay Jain (DIN: 02815416) and Ms Anita Vijayakar (DIN: 01190200) as Independent Directors of the company upon completion of their second term of 5 (Five) consecutive years w.e.f. September 13, 2024. Mr. Sherry Samuel Oommen (DIN: 07059616) and Ms. Deepali Bendre (DIN: 10753545) were inducted with effect from August 26, 2024 as the new members of the Nomination and Remuneration Committee.

As on March 31, 2025, the Nomination and Remuneration Committee comprises as follows:

Name	Position in the committee	Category
Ms. Deepali Bendre	Chairman	Non-Executive and Independent Director
Mr. Sherry Samuel Oommen	Member	Non-Executive and Independent Director
Ms. Chitra Garg	Member	Non-Executive Director

3. Meetings

During the period under review i.e. April 1, 2024 to March 31, 2025, Three (3) Nomination and Remuneration Committee Meetings were held on July 23, 2024; August 26, 2024 and February 07, 2025. Attendance table is attached under the head 'Attendance of Directors/Members at Board and Committee Meeting (s). The requisite quorum was present in all the meetings.

4. Nomination and Remuneration Policy

The web link of Nomination and Remuneration policy is prescribed in Annexure 6 to the Board's Report.

The performance evaluation criteria for independent directors are elaborately mentioned below in point no. 7 of this Report.

5. Details of Senior Management

The details of Senior Management personnel in terms of Regulation 16(1)(d) of the SEBI (LODR)



Regulation, 2015, as on date of this report are as mentioned below:

1. Mr. Ramesh Kumar N (Chief Executive Officer)
2. Mr. Abhishek Mehta (Chief Financial Officer)
3. Mr. Ajay Urkude (Vice President)
4. Mr. Shreekant Premkhede (Vice President, Marketing)
5. Mr. Sameer Khaladkar (Vice President, Export)
6. Mr. Manoj Srivastava (Senior Vice President, Sales and Marketing)
7. Mr. Kaushik Chakraborty (General Manager, Marketing – OEM)
8. Mr. Ajit Kothathane (Vice President, Export), and
9. Ms. Chanchal Jaiswal (Company Secretary and Compliance Officer)

There was no change in the senior management of the Company during the period under review till the date of this report other than as mentioned

in Board Report under the heading Change in the position of Directors, Key Managerial Personnel (KMPs) and Senior Management.

6. Remuneration of Directors

Remuneration of the Executive Directors:

In terms of the provisions of Section 197 (12) of the Act read with Rules 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in Annexure-3 to the Board's Report.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and performance incentives (variable component) to its Executive Directors. Annual increments are decided after recommendation of Nomination and Remuneration Committee, Board of Directors subject to approval by members of the Company.

The details of Remuneration paid to Executive Directors during the year 2024 – 2025 are stated in the following table:-

Name of the director	Designation of Director	Fixed Salary and Allowances	Perquisite	Variable Pay	Stock Options	No. of equity shares held as on March 31, 2025 (In Nos.) ¹
Mr Prashant Garg	Managing Director and Chairman	2,40,00,000.00/-	-	-	-	1,04,45,099

¹Joint Shareholding with another person shown as a Part of that shareholders holding, whose name appears first i.e. first holder

The Shareholders of the Company on April 03, 2025 by way of postal ballot through remote e-voting process approved Re-Appointment of Mr. Prashant Garg as the Chairman and Managing Director of the Company for a period of Five (5) years with effect from 16th March, 2025 till 15th March, 2030. The employment may be terminated by serving 6 months notice period with no severance fees.

Remuneration of Non-Executive and Independent Directors:

During the financial year 2024 – 2025, the Company has not paid any amount to Non-Executive Directors and Independent Directors except sitting fees as fixed by Board of Directors. The Non-Executive and Independent Directors of the Company don't have any pecuniary relationship or transaction with Company during the financial year 2024 – 2025 other than those provided under related party transactions. The Nomination and Remuneration Committee has formulated the criteria for making payments to non-executive directors. In compliance with Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, criteria has been disseminated on the Company's website: <https://www.diffusionengineers.com/investors-relation>

The details of Sitting fees (remuneration) paid/payable to Non-Executive and Independent Directors of the Company for the year ended March 31, 2025 are stated in the following table:-

Name of the director	Designation of Director	Sitting Fees (Amount in ₹)
Dr. Nitin Garg	Non-Executive Director and Non-Independent Director	3,25,000.00/-
Mr. Anil Kumar Trigunayat	Non-Executive Director and Independent Director	3,95,000.00/-
Ms. Chitra Narendra Garg	Non-Executive Director and Non-Independent Director	3,75,000.00/-
Mr. Sherry Samuel Oommen	Non-Executive Director and Independent Director	2,70,000.00/-

Name of the director	Designation of Director	Sitting Fees (Amount in ₹)
Ms. Deepali Bendre	Non-Executive Director and Independent Director	2,60,000.00/-
Mr. Ajay Jain*	Non-Executive Director and Independent Director	1,30,000.00/-
Ms. Anita Vijayakar *	Non-Executive Director and Independent Director	1,30,000.00/-
Dr. Renuka Garg*	Non-Executive Director and Non-Independent Director	70,000.00/-

*Mr Ajay Jain (DIN: 02815416) and Ms Anita Vijayakar (DIN: 01190200) ceased to be Independent Directors of the company upon completion of their second term of 5 (Five) consecutive years on September 13, 2024. Dr. Renuka Garg (DIN: 02815373) has tendered resignation and ceased to be director of company w.e.f July 23, 2024.

7. Board and Independent Directors Evaluation Criteria

The Nomination and Remuneration Committee of the Company has laid down the criteria for performance evaluation of the Board, its Committees, Chairman and individual directors including Independent Directors. The Board of Directors carried out an annual evaluation of its own performance, Board Committees and individual Directors pursuant to the provisions the Companies Act, 2013 and SEBI Listing Regulations. Further the Independent Director in their separate meeting reviewed the quality, quantity and timeliness of flow of Information between the Company management and Board to perform their Duties effectively.

The evaluation of all the directors, the Board as a whole and its committees were conducted based on the criteria and framework designed by Nomination and Remuneration Committee and duly adopted by the Board. The evaluation process focused on various aspects of the functioning of the Board and Committees such as composition of the Board and Committees, experience, integrity, frequency of meeting, competencies, performance of specific duties and obligations, governance issues, etc. The guidance note issued by SEBI on Board Evaluation was also duly considered while conducting the evaluation exercise. Separate exercise was carried out to evaluate the performance of individual Directors on parameters such as attendance, contribution, KPIs, timely decisions, confidentiality, competency, governance, independent judgement etc.

During the above evaluation process, it was noted that the Board as a whole is functioning as a cohesive body which is well engaged with different perspectives. The Board members from different backgrounds bring different competencies that help Board to bring richness and value addition to the discussions. It was also noted that the Committees are functioning well and besides the Committee's terms of reference

as mandated by law, important issues are brought up and discussed in the Committee Meetings.

8. Employee Stock Option Plans

During the reporting period, The Company has not announced Employee stock option scheme therefore the same is not applicable.

In the Board Meeting held on May 15, 2025, Company introduced 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' ("ESOP 2025" or "Scheme") and implementation through an irrevocable employee welfare trust namely 'Diffusion ESOP Trust' ("Trust") to be set-up by the Company, pursuant to the provisions of Section 62(1)(b), other applicable provisions, if any, of the Companies Act, 2013 read with rules framed thereunder, and the relevant provisions of the Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021 ("Applicable Laws"), subject to the approval of shareholders of the Company by way of special resolution.

C. Stakeholders Relationship and Grievances Committee

In compliance with the provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Board of Directors of the Company re-constituted Stakeholders' Relationship and Grievance Committee on August 26, 2024. The Committee looks into the Redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends, payment of unclaimed dividends etc.

The Committee specifically looks into various aspects of interest of shareholders and other security holders. The Board was kept apprised of all the major developments on investors' issues through various reports and statements furnished to the Board from time to time throughout the year. The committee meets at least once in a year.



1. The brief terms of reference of Stakeholders Relationship and Grievance Committee are as under:-

- (i) consider and look into various aspects of interest of shareholders, debenture holders and other security holders;
- (ii) consider and resolve the grievances of security holders of the Company including compliance related;
- (iii) to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividend,
- (iv) issue of new/duplicate certificates, general meetings etc;
- (v) formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;
- (vi) giving effect to allotment of Equity Shares, approval of transfer or transmission of Equity Shares, debentures or any other securities;
- (vii) issue of duplicate certificates and new certificates on split/consolidation/renewal, etc.;
- (viii) monitoring transfers, transmissions, dematerialization, re-materialization, splitting and consolidation of Equity Shares and other securities issued by our Company, including review of cases for refusal of transfer / transmission of shares and debentures;
- (ix) reference to statutory and regulatory authorities regarding investor grievances;
- (x) reviewing the measures taken for effective exercise of voting rights by the shareholders;
- (xi) reviewing adherence to the service standards adopted by the Company with respect to all the services;
- (xii) reviewing services rendered by the Registrar and Share Transfer Agent;
- (xiii) to dematerialize or rematerialize the issued shares;
- (xiv) reviewing the measures and initiatives taken by the Company to reduce the quantum of unclaimed dividends;
- (xv) Ensuring timely receipt of dividend warrants/ Annual Reports/ Statutory Notices by the Shareholders of the Company; and
- (xvi) carrying out any other functions required to be carried out by the Stakeholders'

Relationship Committee as contained in the SEBI Listing Regulations or any other applicable law, as and when amended from time to time.

2. Composition of Stakeholders' Relationship and Grievance Committee

During the financial year 2024-2025, Stakeholders' Relationship and Grievance Committee was reconstituted, due to the retirement of Mr Ajay Jain (DIN: 02815416) as Independent Director of the company upon completion of his second term of 5 (Five) consecutive years w.e.f. September 13, 2024. Mr. Sherry Samuel Oommen (DIN: 07059616) was inducted with effect from August 26, 2024 as the new member of the Stakeholders' Relationship and Grievance Committee.

As on March 31, 2025, the Stakeholders' Relationship and Grievance Committee comprises as follows:

Name	Position in the committee	Category
Mr. Sherry Samuel Oommen	Chairman	Non-Executive and Independent Director
Mr. Prashant Garg	Member	Executive and Managing Director
Dr. Nitin Garg	Member	Non-Executive Director

Ms. Chanchal Jaiswal, Company Secretary and Compliance Officer of the Company acts as the Secretary to the Committee.

3. Meetings

In order to act in compliance with Regulation 13(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Stakeholders Relationship and Grievance Committee reports to the Board as and when the need arises, with respect to the status of redressal of complaints received from the shareholders of the Company. During the period under review i.e. April 1, 2024 to March 31, 2025, One (1) meeting of Stakeholders Relationship and Grievance Committee was held i.e. on July 31, 2024. The requisite quorum was present in the meeting. Attendance table is attached under the head 'Attendance of Directors/ Members at Board and Committee Meeting (s)'.

4. Investors' Grievances

The Company addresses all complaints, suggestions, grievances and other correspondence expeditiously and replies are sent usually within 7-10 days except in case of legal impediments and non-availability of documents.

The Company endeavors to implement suggestions as and when received from the investors. The details of the requests/complaints received and disposed of during the year are as under:

Sr No	Nature of request / complaint	Opening Balance	Received	Attended	Pending
1	Change of address	0	0	0	0
2	Bank Details/ Bank Mandate/ Electronic Clearing Services	0	88	88	0
3	Revalidation of dividend warrants	0	0	0	0
4	Non-receipt of Dividend	0	0	0	0

The members may contact Ms. Chanchal Jaiswal, Company Secretary & Compliance Officer of the Company for their queries, if any, at the contact details provided in the General Shareholder Information in this report.

D. Corporate Social Responsibility (CSR) Committee

The Company's business priorities co-exist with social commitments to drive holistic development of people and communities. The Company's CSR initiatives help to elevate the quality of life of people, especially the unprivileged sections of the society. It seeks to touch and transform lives of people by promoting gender equality, empowering women and education. The Company aims to continue its efforts to build on its tradition of social responsibility to empower people and deepen its social engagements. In terms of Section 135 of the Companies Act, 2013, the Board of Directors at its meeting concluded on August 26, 2024, re-constituted the CSR Committee.

1. The Committee is constituted with powers and responsibilities including but not limited to:

- 1) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act and the rules made thereunder and make any revisions therein as and when decided by the Board;
- 2) To identify corporate social responsibility policy partners and corporate social responsibility policy programs;
- 3) To formulate and recommend to the Board, an annual action plan in pursuance to the Corporate Social Responsibility Policy, which shall include the following, namely:
 - a. the list of Corporate Social Responsibility projects or programmes that are approved to be undertaken in areas or subjects specified in the Schedule VII of the Companies Act;

- b. the manner of execution of such projects or programmes as specified in Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014;
- c. the modalities of utilization of funds and implementation schedules for the projects or programmes;
- d. monitoring and reporting mechanism for the projects or programmes; and
- e. details of need and impact assessment, if any, for the projects undertaken by the company. Provided that the Board may alter such plan at any time during the financial year, as per the recommendations of the Corporate Social Responsibility Committee, based on the reasonable justification to that effect.

- 4) To recommend the amount of expenditure to be incurred for the corporate social responsibility activities and the distribution of the same to various corporate social responsibility programs undertaken by the Company;
- 5) To delegate responsibilities to the corporate social responsibility team and supervise proper execution of all delegated responsibilities;
- 6) To review and monitor the implementation of corporate social responsibility programs and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programs; and
- 7) To perform such other duties and functions as the Board may require the corporate social responsibility committee to undertake to promote the corporate social responsibility activities of the Company and exercise such other powers as may be conferred upon the CSR Committee in terms of the provisions of Section 135 of the Companies Act.



2. Composition of Corporate Social Responsibility (CSR) Committee

During the financial year 2024 – 2025, CSR Committee was reconstituted, due to the retirement of Ms Anita Vijayakar (DIN: 01190200) as Independent Director of the company upon completion of her second term of 5 (Five) consecutive years w.e.f. September 13, 2024. Ms. Deepali Bendre (DIN: 10753545) was inducted with effect from August 26, 2024 as the new member of the CSR Committee.

As on March 31, 2025, the CSR Committee comprises as follows:

Name	Position in the committee	Category
Ms. Deepali Bendre	Chairman	Non-Executive and Independent Director
Dr. Nitin Garg	Member	Non-Executive Director
Ms. Chitra Narendra Garg	Member	Non-Executive Director

The Company Secretary of the Company acts as the Secretary to the Committee.

3. Meetings

During the period under review i.e. April 1, 2024 to March 31, 2025, One (1) meeting of the Corporate Social Responsibility Committee was held i.e. on July 31, 2024. The requisite quorum was present in the meeting. Attendance table is attached under the head 'Attendance of Directors/Members at Board and Committee Meeting (s)'.

E. Management Committee

In order to manage the day-to-day operations of the company in a smooth way, the Board of the company has formed a Management Committee of the Board of Directors on October 24, 2024. The Management Committee looks after routine business, planning, performance monitoring, corporate governance, finance, human resources, audit, occupational health and safety, operational issues, stakeholder management and takes decisions on matters requiring immediate attention.

1. **The members of the committee perform their roles within the organization. Members of the Management Committee share the following responsibilities:**

- **Planning and Execution** – The Committee will establish and review operational plans of the company and will advise on its execution manner.

- **Policy and Decision implementation** – The Committee will advise the senior management on implementing and establishing company's laid down policies and ensure that those policies are strictly adhered.

- **Regulatory & Legal Compliances** – The Committee will oversee that the compliances which are required to be made under various statutes are made on time as well as the burden of legal cost is minimized and signing of legal documents are done properly including applying for new or renewal of Statutory Licences or permits as required by company from time to time. The committee will have power to authorize officials to file Vakalatnama or any other document required in any legal proceedings.

- **Banking and Financial** – The Committee will ensure that all approval of finance arrangements are properly managed, Finance for operations are available on time and at the best rate, financial compliances are being done. The committee will have power to take banking related decisions like Bank account opening, change in signatories, Bank account closure, setting bank operation limits, online banking etc.

- **Tender** - Committee will also have power to authorize officials for filing, tenders, documents relating to tenders upto ₹ 50 Crore.

- **Performance Evaluation** – The Committee will oversee that the human resources are efficiently and effectively utilized to achieve the organizational goals. It will also monitor all activities of the organization with proper feedback, contributing to the continuous improvement in governance and service delivery.

- **Branding and Marketing** – The Committee will ensure that the brand of the company is properly handled and marketed so that the company's goals, mission and vision are achieved.

- **General Management and Administration** – The Committee will guide the management whenever required on day-to-day administration.

2. Composition of Management Committee

During the financial year 2024 – 2025, Management Committee was constituted to manage the day-to-day operations of the company smoothly in the Board Meeting held on October 24, 2024.

As on March 31, 2025, the Management Committee comprises of the following:

Name	Position in the committee	Category
Mr Prashant Garg	Chairman	Executive and Managing Director
Mr Manoj Srivastava	Member	Senior Vice President – Sales & Marketing
Mr Shreekant Premkhede	Member	Vice President - Marketing
Mr Abhishek Mehta	Member	Chief Financial Officer
Ms. Chanchal Jaiswal	Member	Company Secretary and Compliance Officer

The Company Secretary of the Company acts as the Secretary to the Committee.

3. Meetings

During the period under review i.e. April 1, 2024 to March 31, 2025, Three (3) meetings of Management Committee were held i.e. on October 24, 2024, November 28, 2024 and February 28, 2025. The requisite quorum was present in the meeting. Attendance table is attached under the head 'Attendance of Directors/Members at Board and Committee Meeting (s)'.

F. Risk Management Committee

The Company has established a robust mechanism to keep Board Members informed about risk assessment and mitigation procedures. This includes regular reviews to ensure that executive management effectively controls risk through a well-defined framework. The Company has formulated a Policy on Risk Management and constituted a Risk Management Committee. Pursuant to provisions of the Companies Act, 2013, and Regulation 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors at its meeting concluded on August 26, 2024, re-constituted the Risk Management Committee.

1. The brief terms of reference of Stakeholders Relationship and Grievance Committee are as under:-

1. To review and assess the risk management system and policy of the Company from time to time and recommend for amendment or modification thereof;
2. To implement and monitor policies and/or processes for ensuring cyber security;

3. To frame, devise and monitor detailed risk management plan and policy of the Company which shall include:
 - a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability(particularly ESG related risks),information, cyber security risks, or any other risk as may be determined by the Committee.
 - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
 - c. Business Continuity Plan
4. To review and recommend potential risk involved in any new business plans and processes;
5. To review the Company's risk-reward performance to align with the Company's overall policy objectives;
6. Monitor and review regular updates on business continuity;
7. To seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
8. Advise the Board with regard to risk management decisions in relation to strategic and operational matters such as corporate strategy; and
9. Performing such other activities as may be delegated by the Board or specified/ provided under the Companies Act, 2013 or by the SEBI Listing Regulations or statutorily prescribed under any other law or by any other regulatory authority.
10. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the company;
11. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
12. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
13. To keep the Board of Directors informed about the nature and content of its



discussions, recommendations and actions to be taken;

14. To review the appointment, removal, and terms of remuneration of the Chief Risk Officer (if any).
15. Coordination of activities with other committee, in instances where there is any overlap with the activities of such committees as per the framework laid down by the Board of Directors.

2. Composition of Risk Management Committee

During the financial year 2024 – 2025, Risk management Committee was reconstituted, due to the retirement of Mr Ajay Jain (DIN: 02815416) as Independent Director of the company upon completion of his second term of 5 (Five) consecutive years w.e.f. September 13, 2024. Mr. Sherry Samuel Oommen (DIN: 07059616) was inducted with effect from August 26, 2024 as the new member of the Risk Management Committee

As on March 31, 2025, the Risk Management Committee comprises as follows:

Name	Position in the committee	Category
Mr Prashant Garg	Chairman	Executive and Managing Director
Mr. Sherry Samuel Oommen	Member	Non-Executive and Independent Director
Mr. Anil Kumar Trigunayat	Member	Non-Executive and Independent Director
Mr. Abhishek Mehta	Member	Chief Financial Officer

3. Meetings

During the period under review i.e. April 1, 2024 to March 31, 2025, Two (2) meetings of Risk Management Committee were held i.e. on July 31, 2024 and February 07, 2025. The requisite quorum was present in the meeting. Attendance table is attached under the head 'Attendance of Directors/ Members at Board and Committee Meeting (s)'.

G. Attendance of Directors/Members at Board and Committee Meeting (s)

The following table shows attendance of Directors at the meeting of Board, Members and Statutory Committee Meeting(s) for the year ended March 31, 2025. Attendance is presented as number of meeting(s) attended, (including meetings attended through electronic mode) out of the number of meeting(s) required to be attended.

Name	Board Meeting	Audit Committee Meeting	Nomination & Remuneration Committee Meeting	Stakeholder's Relationship & Grievance Committee Meeting
Mr Prashant Garg	11 of 11	05 of 05	-	01 of 01
Dr Nitin Garg	09 of 09	-	-	01 of 01
Mr Sherry Samuel Oommen	07 of 07	03 of 03	01 of 01	Not Applicable
Ms Deepali Sameer Bendre	07 of 07	03 of 03	01 of 01	-
Mr Anil Kumar Trigunayat	11 of 11	-	-	-
Ms Chitra Narendra Garg	10 of 11	-	03 of 03	-
Dr Renuka Garg	02 of 02	-	-	-
Mr Ajay Jain	03 of 04	02 of 02	01 of 02	01 of 01
Ms Anita Vijayakar	03 of 04	02 of 02	02 of 02	-

Name	Corporate Social Responsibility Meeting	Management Committee	Risk Management Committee	Attendance at EGM held on August 26, 2024	Attendance at last AGM held on August 31, 2024
Mr Prashant Garg	-	03 of 03	02 of 02	Yes	Yes
Dr Nitin Garg*	01 of 01	-	-	Yes	Yes
Mr Sherry Samuel Oommen*	-	-	01 of 01	No	Yes
Ms Deepali Sameer Bendre*	Not Applicable	-	-	No	No
Mr Anil Kumar Trigunayat	-	-	02 of 02	Yes	Yes
Ms Chitra Narendra Garg	01 of 01	-	-	Yes	Yes
Dr Renuka Garg*	-	-	-	Not Applicable	Not Applicable
Mr Ajay Jain*	-	-	01 of 01	Yes	Yes
Ms Anita Vijayakar*	01 of 01	-	-	Yes	Yes

*During the financial year under review:

Dr. Renuka Garg (DIN: 02815373) tendered her resignation from the post of Non-Executive Director of the Company with effect from July 23, 2024.

The Board on the recommendation of Nomination and Remuneration Committee at its meeting held on July 23, 2024 appointed Dr Nitin Garg (DIN: 08558736) as an Additional Director under the category of Non-Executive Director of the Company with effect from July 23, 2024. The appointment was regularised by the shareholders at the Annual General Meeting of the Company held on August 31, 2024. He was appointed as a member of Corporate Social Responsibility Committee and Stakeholder's Relationship & Grievance Committee with effect from July 23, 2024.

The Board on the recommendation of Nomination and Remuneration Committee at its meeting held on August 26, 2024 appointed Mr. Sherry Samuel Oommen (DIN: 07059616) and Ms. Deepali Bendre (DIN: 10753545) as an Additional Director under the category of Non-Executive Independent Director

of the Company with effect from August 26, 2024. Their appointments as Independent Directors for a term of five (5) years with effect from August 26, 2024 was regularised by the shareholders of the Company in their Extra Ordinary General meeting held on August 26, 2024

Mr. Sherry Samuel Oommen (DIN: 07059616) was appointed as a chairperson of Stakeholder's Relationship & Grievance Committee and Audit Committee and as a member of Nomination and Remuneration Committee and Risk Management Committee with effect from August 26, 2024.

Ms. Deepali Bendre (DIN: 10753545) was appointed as a chairperson of Corporate Social Responsibility Committee and Nomination and Remuneration Committee and as a member of Audit Committee with effect from August 26, 2024.

Mr Ajay Jain (DIN: 02815416) and Ms Anita Vijayakar (DIN: 01190200) ceased to be Independent Directors of the company upon completion of their second term of 5 (Five) consecutive years on September 13, 2024.

III. General Body Meetings

A. Annual General Meetings:

Details of location, date and time of the Annual General Meetings (AGM) held during the last three years and details of the special resolutions passed in those AGM are given below:

Year Ended	Venue	Date & Time	Details of Special Resolution passed at the AGM
March 31, 2022	T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016 through Video Conferencing / other Audio Visual Means.	September 27, 2022 Tuesday at 11.00 AM	Not Applicable
March 31, 2023	T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016 through Video Conferencing / other Audio Visual Means.	September 25, 2023 Monday at 05.00 PM	To issue Equity Shares on Preferential Basis in compliance with Section 42 and Section 62 of the Companies Act, 2013
March 31, 2024	T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016 through Video Conferencing / other Audio Visual Means.	August 31, 2024, Saturday at 03.00 PM	Not Applicable

Notes:

- The above-mentioned Special Resolutions were passed with requisite majority.
- The AGM of the members of Diffusion Engineers Limited was held through Video Conferencing ('VC') / other Audio-Visual Means ('OAVM') in Compliance with the provisions of the Companies Act, 2013 ('the Act'), and applicable Ministry of Corporate affairs (MCA) circulars.

B. Special resolutions passed through postal ballots in last year & details of voting pattern and procedure:

During the financial year 2024-25, pursuant to Section 110 of the Companies Act, 2013 read with Companies (Management and Administration) Rules, 2014, the Company has passed the following special resolutions as set out below:



Date of Postal Ballot Notice	Resolution passed	Approval Date	Scrutinizer	Link for Voting Procedure and Results
March 04, 2025 [Voting start date: Wednesday, March 05, 2025 (09.00 a.m. IST) and Voting end date: Thursday, April 03, 2025 (05.00 p.m. IST)]	Re-appointment of Mr. Prashant Garg (DIN: 00049106) as the Chairman and Managing Director of the Company	April 03, 2025	CS Amit K Rajkotiya, Practicing Company Secretary	https://diffusionengineers.com/images/Investment/Intimation-about-Postal-Ballot-Result-05-04-2025.pdf

C. Whether any Special Resolution is proposed to be passed through Postal Ballot: -

The Board of Directors at its meeting held on May 15, 2025 approved, 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' and implementation through an irrevocable employee welfare trust namely 'Diffusion ESOP Trust' to be set-up by the Company, pursuant to the provisions of Section 62(1)(b), of the Companies Act, 2013 read with rules framed thereunder, and the relevant provisions of the Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021, subject to the approval of shareholders of the Company by way of special resolution.

Following Special Resolutions are proposed to be passed through Postal Ballot through remote e-voting

- Approval of 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025'
- Consider and approve grant of Options to the employees of the subsidiary Company of the Company under 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025'
- Approval for secondary acquisition of shares through Trust route for the implementation of 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025'
- Approval for provision of money by the Company for purchase of its own Shares by the Trust under the 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025'

IV. Means of Communication

A. Financial Results:

Pursuant to regulation 47 (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company is required to publish its quarterly/half yearly/ annual Financial Results in at least one English language national daily newspaper circulating in the whole of India and in one daily newspaper published in the

regional language. The Company displays its financial results on the website of the Company <https://www.diffusionengineers.com/>.

The Company normally publishes the financial results in Indian Express-English Language and Loksatta-Marathi (Regional) Language.

B. Website:

The Company's website <https://www.diffusionengineers.com/> contains a separate dedicated section namely "Investors Relation" where shareholders information is available. The financial results, Annual Report and official news releases of the Company are also displayed on the website of the Company <https://www.diffusionengineers.com/> in a downloadable form.

C. Presentations to institutional investors / analysts:

The Company has not given any presentations to institutional investors and financial analysts on the Company's quarterly and half – yearly financial results during the reporting period i.e during the financial year 2024 – 2025.

However, as on date of this report the Company made presentations to the institutional investors and financial analysts on the Company's financial results for quarter and year ended March 31, 2025 which were sent to the Stock Exchange. These presentations, video recordings and transcript of the meetings are available on the website of the Company. No unpublished price sensitive information was discussed in the meetings with institutional investors and financial analysts.

D. News releases, presentations, among others:

Official news releases and official media releases are sent to Stock Exchanges and are put on the Company's website <https://www.diffusionengineers.com/> wherever applicable in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

V. GENERAL SHAREHOLDER INFORMATION

The General Shareholder Information is presented in a separate section forming part of this Report.

VI. OTHER DISCLOSURES

a) **Materially Significant Related Party Transactions:**

Pursuant to provisions of regulation 23(2) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all the related party transactions are approved by Audit Committee, Board and Shareholders (wherever required). Further, in compliance with the Regulation 23 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated policy on dealing with related party transactions and same is available on the company's website at <https://www.diffusionengineers.com/investors-relation>

The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its Related Parties.

This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions. All Related Party Transactions entered during the year were in Ordinary Course of the business and on Arm's Length basis. These transactions are placed before the Audit Committee, Board and Shareholders (wherever required) for review and approval.

Suitable disclosure as required by the Indian Accounting Standards (IND AS 24) has been made in the notes to the Standalone Financial Statements which forms part of the Annual Report.

Further, the Company during the reporting year has not entered into a contract/ arrangement/ transaction which is considered material in accordance with the definition of materiality as included in the Company's Related Party Transaction Policy read with Regulation 23 Listing Regulations as amended from time to time.

All related party transactions were made at arms' length basis and have no potential conflict with the interest of the Company.

The disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC-2 is appended as Annexure-2 to this Board's Report.

b) **No Penalty or Strictures:**

There has been no instance of non-compliance by the Company on any matter relating to the capital markets and accordingly no material penalties have been levied or strictures have been passed by the Securities and Exchange Board of India or Stock Exchange(s) or any other statutory

authority since listing on the stock exchanges i.e. during last 8 months.

c) **Whistle Blower Policy/ Vigil Mechanism:**

Pursuant to Section 177 (9) and (10) of the Companies Act, 2013 read with Regulation 22 of Listing Regulations, the Company has formulated Whistle Blower Policy for vigil mechanism of Directors and employees to report to the management about the unethical behaviour, fraud or violation of Company's Code of Conduct. The mechanism provides for adequate safeguards against victimization of employees and Directors who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in exceptional cases. None of the personnel of the Company has been denied access to the Audit Committee. The Whistle Blower Policy is displayed on the Company's website viz. <https://www.diffusionengineers.com/investors-relation>.

d) **Compliance of mandatory requirements of Corporate Governance and adoption of the non-mandatory requirements:**

The Company has complied with all the requirements of Corporate Governance, as applicable to the Company, as on March 31, 2025. The Company continuously endeavours to adopt non - mandatory requirements.

e) **Company Secretary's Certificate on Corporate Governance:**

As required under Schedule V of Listing Regulation, the Practicing Company Secretary's Certificate on Corporate Governance is appended as Annexure- 8 to the Board's Report.

f) **Web link of policy for determining 'material' subsidiaries:**

The Company has adopted a Policy on Determination of Material Subsidiary in line with the requirements of the Listing Regulations. The objective of this policy is to lay down criteria for identification and dealing with material subsidiaries and to formulate a governance framework for subsidiaries of the Company. The policy on Material Subsidiary is available on the website of the Company under the web link: <https://www.diffusionengineers.com/investors-relation>.

g) **Web link of policy for Policy on dealing with related party transactions:**

The Company has adopted a Policy on Related Party Transactions in line with the requirements of the Listing Regulations and Companies Act, 2013. The objective of this policy is to lay down criteria for identification and dealing with related party. The policy on Related Party Transaction is available on the website of the Company under



the web link: <https://www.diffusionengineers.com/investors-relation>.

h) Commodity Price Risk/Foreign Exchange Risk and Hedging:

In the normal course of business, the Company is exposed to risks arising from fluctuations in exchange rates and interest rates. To manage these exposures, it uses derivative financial instruments strictly for hedging purposes—not for speculation.

Risk management activities are overseen by the Company's Treasury Team, operating within the framework of the Currency and Interest Rate Risk Management which ensures that financial risks are identified, measured, and managed effectively, in line with the Company's overall risk management objectives.

The Company maintains a robust governance framework through well-defined policies and procedures. Any decision to enter into derivative contracts is made in accordance with this policy framework, taking into account current market conditions and the relative cost and benefit of the instruments.

i) Details of utilization of funds raised through preferential allotment or qualified institutions placement:

The Company has raised funds through Initial Public offer ("IPO") during the financial year 2024 – 2025. the equity shares of the Company got listed on BSE and NSE ("Stock Exchanges") with effect from October 04, 2024, pursuant to the Initial Public offer ("IPO") of the Company by way of fresh issue of 94,05,000 Equity Shares aggregating to INR 1,579.64 million. The Company is utilizing the funds raised through Initial Public offer ("IPO") in accordance with objects of the issue.

j) Certificate from a Company Secretary in Practice on debarred or disqualified Directors:

A Certificate from Company Secretary in Practice stating that none of the directors on the board of the company has been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority is attached as an Annexure-8 to the Board's Report.

k) Recommendation of any committee to Board:

The Board of Directors has accepted all mandatory recommendations of the Committees of Board of Directors.

l) Total fees for all services paid on a consolidated basis to the Statutory Auditor by Company and its subsidiaries:

Total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to

PGS & Associates, Chartered Accountants (Firm Registration No. – 122384W), Statutory Auditors of the Company, during the year ended March 31, 2025, is INR 10,05,000/-.

m) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

The Status of Complaints under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is as follows:

- Number of complaints filed during the financial year: 0
- Number of complaints disposed of during the financial year: 0
- Number of complaints pending as on end of the financial year: 0

n) Disclosure of Non-compliance of any requirement of Corporate Governance Report of sub-paras mentioned above with reasons thereof shall be disclosed:

The Company has complied with all the requirements of sub paras (2) to (10) of Part C of Schedule V of the SEBI (LODR) 2015 as amended from time to time.

o) Adoption of discretionary requirements as specified in Part E of Schedule II SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

The following discretionary requirements as specified in Part E of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been adopted by the Company:-

i. The Board:

The Chairman of the Company is an Executive Director.

The company has one women Independent Director on its Board of Directors.

ii. Shareholders rights:

The quarterly and half yearly financial results of the Company are published in the English newspaper in Indian Express having a wide circulation all over India and in a Marathi newspaper (Loksatta) having a circulation in Nagpur. However, the same are not sent separately to the shareholders of the Company but hosted on the website of the Company.

iii. Audit Qualifications:

During the year under review, there is no audit qualification in your Company's Financial Statements.

iv. Reporting of Internal Auditor:

Internal auditors of the Company make quarterly presentations to the audit committee on their reports.

v. Separate posts of Chairperson and the Managing Director or the Chief Executive Officer:

The Chairman of the Company is also the Managing Director.

vi. Independent Directors

A separate meeting of the Independent Directors of the Company was held on September 20, 2024 and March 31, 2025, without the presence of Non-Independent Directors and members of Management and all the Independent Directors were present in both the meetings,

vii. Risk Management

The company have constituted risk management committee with the composition, roles and responsibilities specified in regulation 21 of SEBI (LODR) Regulations, 2015.

p) Disclosures of the compliance with Corporate Governance requirements:

All compliances with regards to Corporate Governance requirements specified in regulations 17 to 27 and clause (b) to clause (i) of sub-regulation (2) of regulation 46 and Para C, D, E of Schedule V Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are applicable to the Company and all the activities done by the Company are in compliance with the applicable provisions. A certificate from practicing Company Secretary certifying compliance with the provisions of Corporate Governance forms part of Annexure-8 to Board Report.

q) Disclosure with respect to Suspense Demat Account:

In accordance with the requirements of Regulation 34(3) and Part F of Schedule V of the Listing Regulations, following are details of equity shares in the suspense account.

- (a) aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year: 6 shareholders holding 23,100 shares
- (b) number of shareholders who approached listed entity for transfer of shares from suspense account during the year: 2
- (c) number of shareholders to whom shares were transferred from suspense account during the year: 2

- (d) aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year: 4 shareholders holding 16,416 shares

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

r) Web link of Document Preservation & Archival policy:

In Compliance with regulation 9 and 30(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the company has formulated a Document Preservation & Archival policy.

The same can be downloaded from the website of the company <https://www.diffusionengineers.com/> by following the link: <https://www.diffusionengineers.com/investors-relation>

s) Disclosure by listed entity and its subsidiaries of 'Loans and advances' in the nature of loans to firms/ companies in which directors are interested by name and amount:

The Company has not provided any loans and advances in the nature of Loan to firms/companies in which directors are interested.

t) Details of material subsidiaries of the listed entity

In terms of Regulation 16 (1) (c) and Regulation 24 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company has adopted a Policy for determining Material Subsidiary.

None of the unlisted subsidiaries qualify to be material subsidiary as per the threshold limit provided under Regulation 16 of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

The Audit Committee reviews the Consolidated Financial Statements of the Company and the investments made by its unlisted subsidiary Companies. The minutes of the Board meetings along with a report on significant developments of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company.

u) Disclosure of certain types of agreements binding listed entities:

During the year, the company had not entered into any agreement that needs to be disclosed pursuant to clause 5A of paragraph A of Part A of Schedule III of SEBI (LODR) Regulations, 2015.



General Shareholder Information

- A. Company Identification Number** - L99999MH2000PLC124154
- B. NSE Symbol – DIFFNKG BSE Scrip Code – 544264**
- C. Company's Registered Address** - T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016
- D. Reporting Financial Year** - April 1, 2024 - March 31, 2025
- E. Date and Time of Annual General Meeting** - Tuesday, July 22, 2025 at 2:00 PM
- F. Venue of Annual General Meeting** - The 43rd Annual General Meeting of the Members of the Company will be held through Video Conferencing (VC) or Other Audio Visual Means (OAVM) as per the relaxation given by Ministry of Corporate Affairs vide General Circular No. 09/2024 dated September 19, 2024. Registered office of the company shall be the deemed venue for AGM.
- G. Book Closure** - 11th July 2025 to 22nd July 2025 (both days inclusive)
- H. Cut-off date for sending Notices of AGM** – June 20, 2025
- I. Cut-off date for Dividend & E-voting** - 10th July 2025
- J. Dividend Payment Date** - On or before August 20, 2025
- K. Listing on Stock Exchanges:** The Equity shares of the company are listed on the following stock exchange

Name of the Stock Exchange	Address	Code	ISIN	Security ID	Website
National Stock Exchange of India Limited	Exchange Plaza, Bandra Kurla Complex Bandra (East), Mumbai - 400 051	DIFFNKG	INE184O01015	DIFFNKG	https://www.nseindia.com/
BSE Limited	Floor 25, P. J. Towers, Dalal Street, Mumbai – 400001	544264	INE184O01015	DIFFNKG	www.bseindia.com

The Company has paid the Annual Listing Fee for the year 2025-26 to National Stock Exchange of India Limited and BSE Limited. During Financial Year 2024-25, the trading of security of the Company was not suspended.

L. Registrar & Transfer Agents:-

Name & Address : Bigshare Services Private Limited , Office No S6-2, 6th floor Pinnacle Business Park, Next to Ahura Centre, Mahakali Caves Road, Andheri (East) Mumbai - 400093, India."

Tel. : 022-62638200

Fax : 022-68638299

E-mail : investor@bigshareonline.com

Website : www.bigshareonline.com

M. Share Transfer System: -

The process and approval of share transfer has been delegated to the Company Secretary and Stakeholders' Relationship and Grievance Committee of the Board of Directors. Securities lodged for transfer at the Registrar's address are normally processed within 15 days from the date of lodgement if the documents are clear in all respects. All requests for dematerialization of securities are processed and the confirmation is given to the depositories within 15 days.

Pursuant to Regulation 13(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a statement on investor grievances is filed with the stock exchanges and placed before the Board of Directors on a quarterly basis.

N. Distribution of Shareholding (In Rupees) as on March 31, 2025: -

SHAREHOLDING OF NOMINAL		NUMBER OF SHAREHOLDERS	PERCENTAGE OF TOTAL	SHARE AMOUNT	PERCENTAGE OF TOTAL
₹	₹			₹	
1	5000	22329	94.9806	14196050	3.7931
5001	10000	553	2.3523	4268690	1.1406
10001	20000	331	1.4080	4721760	1.2616
20001	30000	78	0.3318	1988220	0.5312
30001	40000	51	0.2169	1803330	0.4818
40001	50000	44	0.1872	2087660	0.5578
50001	100000	48	0.2042	3756150	1.0036
100001	999999999999999	75	0.3190	341440730	91.2303
TOTAL		23509	100.00	374262590	100

O. Dematerialization of Shares and Liquidity: -

The Company's shares are compulsorily traded in dematerialized form. As on March 31, 2025, 99.99% of Equity shares of the Company are in dematerialized form. The Company's shares are liquid and traded on the 'BSE Limited' and National Stock Exchange of India Limited.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE184O01015

P. Outstanding ADRs/ GDRs/ Warrants or any convertible instruments, conversion date and likely impact on equity:-

As on March 31, 2025, the Company has no American Depository Receipts / Global Depository Receipts / Warrants or any such convertible instruments outstanding, hence there is no likely impact on the Company's Equity Shares.

Q. Commodity Price Risk / Foreign Exchange Risk and Hedging: -

During the FY 2024-25, the Company had managed the foreign exchange risk as the company is naturally hedged, no hedge position was taken to limit the risk. The details of foreign currency exposure are disclosed in Notes to the Financial Statements of the Company.

R. Plant Locations: -

Manufacturing Units	Operational from	Address	Products
Unit I	1994	T-5, T-6, Nagpur Industrial Area, MIDC, Hingna, Nagpur – 440016 Maharashtra	Special purpose welding electrodes
Unit II	2000	N-78, N-79, Nagpur Industrial Area, MIDC, Hingna, Nagpur – 440016 Maharashtra	Flux cored wire, wear plates and wear part through fabrication and machining
Unit III	2015	T-12, Nagpur Industrial Area, MIDC, Hingna, Nagpur – 440016 Maharashtra	Anti-wear consumables
Unit IV	2016	Khasra No. 35, 36, 38/1, 38/2, 38/3, Khapri (Uma), Nagpur- 441 501, Maharashtra	Flux cored wires, wear plates and heavy engineering machinery

S. Address for Correspondence: -

Registered Office and any other matter:

CS Chanchal Jaiswal

Company Secretary and Compliance Officer

Tel.: 9158317943

E-mail: cs@diffusionengineers.com

T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016



For Transfer/Dematerialization of shares, change of address of members and other queries

M/S Bigshare Services Private Limited

Office No S6-2, 6th floor Pinnacle Business Park,
Next to Ahura Centre, Mahakali Caves Road,
Andheri (East) Mumbai - 400093, India."

Tel.: 022-62638200

Fax :022-68638299

E-mail: investor@bigshareonline.com

Website: www.bigshareonline.com

T. List of Credit Ratings obtained: -

Following are the Credit Rating obtained during the FY 2024-25:-

- 1) Rating given by Acuite Ratings & Research Limited on January 14, 2025

Product	Quantum (₹ Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.50	ACUITE A Stable Upgraded	-
Bank Loan Ratings	18.00	-	ACUITE A1 Upgraded
Total Outstanding Quantum (₹ Cr)	65.50	-	-

- 2) Rating given by CRISIL Ratings Limited on August 31, 2024

Total Bank Loan Facilities Rated	₹ 65 Crore
Long Term Rating	CRISIL A-/Stable (Assigned)
Short Term Rating	CRISIL A2+/Stable (Assigned)

Standalone Independent Auditor's Report

TO THE MEMBERS OF
DIFFUSION ENGINEERS LIMITED

REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying Standalone Financial Statements of **DIFFUSION ENGINEERS LIMITED** ("the Company"), which comprise the balance sheet as at March 31, 2025, and the Statement of Profit and Loss including the statement of Other Comprehensive Income and the Cash Flows Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2025, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs), as specified under section 143 (10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the 'Auditor's responsibilities for the audit of the Standalone Financial Statements' section of our report. We are independent of

the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS Financial Statements for the financial year ended March 31, 2025. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the standalone financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition Revenue is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. During the year ended March 31, 2025, the Company has recognized revenue amounting to ₹ 3160.07 millions. Terms of sales arrangements, including the timing of transfer of control, delivery specifications including incoterms in case of exports, timing of recognition of sales require significant judgment in determining revenues. The risk is, therefore, that revenue may not get recognised in the correct period. Therefore, there is a significant risk associated with timing of revenue recognition in accordance with terms of Ind AS 115 'Revenue from contracts with customers'. Accordingly, due to the significant risk associated with revenue recognition in accordance with terms of Ind AS 115 'Revenue from contracts with customers', it has been determined to be a key audit matter in our audit of the Standalone financial statements.	<p>Our audit procedures included the following:</p> <p>Evaluated Company's revenue recognition policy and its compliance in terms of Ind AS 115 'Revenue from contracts with customers'.</p> <ul style="list-style-type: none"> Assessed the design and tested the operating effectiveness of internal controls related to revenue recognition. Evaluated the general information and technology control environment and tested the operating effectiveness of key IT application controls over recognition of revenue. Tested samples of individual sales transaction and traced to sales invoices, sales orders, (received from customers) and other related documents. Further, in respect of the samples tested, reviewed recognition of revenue when the conditions for revenue recognitions are met. Selected sample of sales transactions made pre- and post-year-end, traced the period of revenue recognition to underlying documents. Performed procedures to identify any unusual trends of revenue recognition. Assessed the relevant disclosures made within the standalone financial statements.
IT systems and controls over financial reporting. We identified IT systems and controls over financial reporting as a key audit matter for the Company because its financial accounting and reporting systems are fundamentally reliant on IT systems and IT controls to process significant transaction volumes, specifically with respect to revenue and raw material consumption. Also, due to large transaction volumes and the increasing challenge to protect the integrity of the Company's systems and data, cyber security has become more significant. Automated accounting procedures and IT environment controls, which include IT governance, IT general controls over program development and changes, access to program and data and IT operations, IT application controls and interfaces between IT applications are required to be designed and to operate effectively to ensure accurate financial reporting.	<p>We applied the following audit procedures among others, to obtain sufficient and appropriate audit evidence:</p> <ul style="list-style-type: none"> Assessed the complexity of the IT environment through discussion with the IT team and identified IT applications that are relevant to our audit; Assessed the design and evaluation of the operating effectiveness of IT general controls over program development and changes, access to program and data and IT operations; Performed inquiry procedures with the IT team of the Company in respect of the overall security architecture and any key threats addressed by the Company in the current year; Assessed the design and evaluation of the operating effectiveness of IT application controls in the key processes impacting financial reporting of the Company; Assessed the operating effectiveness of controls relating to data transmission through the different IT systems to the financial reporting systems.

Management's Responsibility for the Financial Statements

The Company's board of directors are responsible for the matters stated in section 134 (5) of the Act with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. This responsibility also includes maintenance of adequate

accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone Financial Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements for the financial year ended March 31, 2025 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (herein after referred to as the "Order"), and on the basis of such checks and records of the Company as we consider appropriate and according to the information and explanations given to us, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our

knowledge and belief were necessary for the purposes of our audit.

- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid financial statement comply with the Accounting Standards referred to in section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Account) Rules 2015.
- e) On the basis of written representations received from the directors as on March 31, 2025 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2025, from being appointed as a director in terms of Section 164(2) of the Companies Act, 2013.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B" Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting;
- g) In our opinion, the managerial remuneration for the year ended March 31, 2025 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act and
- h) With respect to other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us, we report as under:
 - (i) The Company has disclosed the impact of pending litigations as at March 31, 2025, if any, on its financial position in its financial statements.
 - (ii) The Company did not have any long – term contracts including derivative contracts for which there were any material foreseeable losses;
 - (iii) There was no amount required to be transferred to the Investor Education and

Protection Fund by the Company during the year ended March 31, 2025;

- (iii) a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- c) Based on the audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clause (a) & (b) contain any material misstatement.
- (v) The final dividend paid by the Company during the year in respect of that declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.

As stated in Note No 14 to the standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the

approval of the members at the ensuing Annual General Meeting.

- (vi) Based on our examination, which included test checks, the Company has used accounting software's for maintaining its books of account for the financial year ended March 31, 2025 which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software's. Further, during the course of our audit we did not come across any instance of the audit trail feature being tampered with.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule

11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended March 31, 2025.

For **PGS & Associates**

Chartered Accountants

Firm Registration No.: 0122384W

UDIN: 25111592BMMJFJ8535

Premal H Gandhi

Partner

Membership Number: 111592

Place: Mumbai

Date: 15th May 2025

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION OF OUR REPORT OF EVEN DATE)

- (i) In respect of its Property, Plant & Equipment and Intangible Assets:
 - (a) (A) The company has maintained proper records showing full particulars, including quantitative details and situation of its "Property, Plant and Equipment" on the basis of available information.
 - (B) the company has maintained proper records showing full particulars of intangible assets.
 - (b) As explained to us, the "Property, Plant and Equipment" have been physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, having regard to the size of the company and the nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
 - (c) The title deeds of the all the immovable properties held by the company are in the name of the company;
 - (d) The Company has not revalued its Property, Plant and Equipment (including right to use) or intangible assets during the year ended March 31, 2025,
 - (e) There are no proceedings initiated or are pending against the company for holding any Benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- (ii) (a) In respect of its inventories, as explained to us, the inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and nature of its business. Discrepancies of 10% or more in aggregate for each class of inventory were not noticed on such physical verification.
- (b) As disclosed in Note No. 19 to the standalone financial statements, the Company has been sanctioned working capital limits in excess of ₹5 crore in aggregate from banks on the basis of security of current assets of the Company. The quarterly returns/statements filed by the company with such banks are in agreement with the books of accounts of the company.
- (iii) The Company has not made any investments, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties during the year and accordingly, the requirement to report on clause 3(iii) is not applicable to the Company.
- (iv) In our opinion & according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made.
- (v) The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, requirement to report on clause 3(v) of the order is not applicable to the company.
- (vi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) In respect of statutory dues:
 - (a) According to the information and explanations given to us and in our opinion, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, GST, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess and any other statutory dues, as applicable, with the appropriate authorities and hence, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at March 31, 2025 for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us and the records of the company examined by us, there are no outstanding dues of

Income Tax, Sales Tax, Custom Duty, Excise Duty, Service Tax or Value Added Tax that have not been deposited except GST which is as under :

Sr. No	Name of Statutes	Name of the Dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
1	Goods and Service Tax Act	GST Appeal	45,00,000	01.07.2017 to 31.03.2020	Assistant Commissioner of GST

- (viii) The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- (ix) (a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.
- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (c) Term loans were applied for the purpose for which the loans were obtained.
- (d) On an overall examination of the standalone financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) On an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures. Accordingly, the requirement to report on clause 3(ix)(e) of the Order is not applicable to the Company and hence not reported upon.
- (f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Hence, the requirement to report on clause (ix)(f) of the Order is not applicable to the Company and hence not reported upon
- (x) (a) The moneys raised by way of initial public offer or further public offer (including debt instruments) during the year were applied for the purposes for which those are raised,
- (b) The Company has not made any preferential allotment or private placement of shares /fully or partially or optionally convertible debentures during the year under audit and hence, the requirement to report on clause 3(x) (b) of the Order is not applicable to the Company and hence not reported upon
- (x) (a) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the standalone financial statements and according to the information and explanations given by the management, no fraud by the Company or no material fraud on the Company has been noticed or reported during the year.
- (b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by cost auditor/ secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) The Company is not required to make and does not have Whistle Blower Policy. Accordingly, the requirement to report on clause 3(xi)(c) is not applicable to the Company.
- (xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the company, the transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the Financial Statements, as required by the applicable accounting standards.
- (xiv) (a) The Company has an internal audit system commensurate with the size and nature of its business.
- (b) The internal audit reports of the Company issued till the date of the

audit report, for the period under audit have been considered by us.

- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the requirement to report on clause 3(xvi) is not applicable to the Company.
- (xvii) The Company has not incurred cash losses in the current year and in the immediately preceding financial year.
- (xvii) There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.
- (xix) On the basis of the financial ratios disclosed in No 26(xvii), to the standalone financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as

on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

- (xx) (a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section 5 of section 135 of the Act.
- (b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act.

For PGS & Associates
Chartered Accountants
Firm Registration No.: 0122384W
UDIN: 25111592BMMJFJ8535

Premal H Gandhi
Partner
Membership Number: 111592

Place: Mumbai
Date: 15th May 2025

ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION OF OUR REPORT OF EVEN DATE)

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")**Opinion**

We have audited the internal financial controls over financial reporting of **DIFFUSION ENGINEERS LIMITED** ("the Company") as of March 31, 2025 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2025, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over

Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures

of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial

control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **PGS & Associates**

Chartered Accountants

Firm Registration No.: 0122384W

UDIN: 25111592BMMJFJ8535

Premal H Gandhi

Partner

Membership Number: 111592

Place: Mumbai

Date: 15th May 2025

Standalone Statement of Asset and Liabilities

as at 31st March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	As at 31 st March, 2025	As at 31 st March, 2024
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3	950.79	877.93
(b) Capital work-in-progress	3 (a)	31.44	11.05
(c) Intangible assets	4	4.83	4.25
(d) Financial assets			
(i) Investments	5	360.36	295.38
(ii) Other financial assets	6	90.16	51.76
Total non-current assets		1,437.58	1,240.38
(2) Current Assets			
(a) Inventories	7	621.85	474.02
(b) Financial Assets			
(i) Trade receivables	8	863.52	646.80
(ii) Cash and cash equivalents	9	1,184.50	25.53
(iii) Other bank balances	10	-	-
(iv) Loans and advances	11	112.53	154.43
(v) Others financial assets	12	8.61	10.25
(c) Other current assets	13	62.43	45.54
Total current assets		2,853.44	1,356.57
Total Assets		4,291.02	2,596.96
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	14	374.26	280.21
(b) Other equity	15	3,176.15	1,502.98
Total equity		3,550.42	1,783.20
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	-	-
(ii) Other financial liabilities	17	4.73	4.72
(b) Deferred tax liabilities (net)	18	56.89	53.34
Total non-current liabilities		61.62	58.06
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	19	216.30	337.08
(ii) Trade payables	20		
Total outstanding dues of micro, small and medium enterprises		27.33	109.76
Total outstanding dues of creditors other than micro enterprises, small and medium enterprises		292.03	199.08
(iii) Other financial liabilities	21	13.60	18.64
(b) Provisions	22	4.23	3.61
(c) Other current liabilities	23	113.53	81.65
(d) Current tax liabilities (net)	24	11.97	5.89
Total current liabilities		678.99	755.70
Total Equity and liabilities		4,291.02	2,596.96

The accompanying notes form an integral part of the standalone financial statements

1-45

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN : 25111592BMMJFJ8535
Date : 15-05-2025

PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 15-05-2025

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : 15-05-2025

RAMESH KUMAR NARASINGHBHAN
Chief Executive Officer
Place : Nagpur
Date : 15-05-2025

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 15-05-2025

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 15-05-2025

Standalone Statement of Profit & Loss

for the period ended 31st March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Revenue			
I Revenue from operations	25	3,160.07	2,571.26
II Other income	26	90.79	71.94
III Total revenue (I+II)		3,250.86	2,643.19
IV Expenses			
Cost of materials consumed	27	1,680.76	1,264.98
Purchases of stock-in-trade		130.67	185.55
Changes in inventories of finished goods and work-in-progress	28	(87.90)	(8.01)
Manufacturing expenses	29	428.37	333.40
Employee benefit expenses	30	399.15	345.51
Finance costs	31	21.95	16.94
Depreciation and amortization expenses	3 & 4	44.39	38.55
Other expenses	32	200.20	147.11
Total expenses (IV)		2,817.59	2,324.05
V Profit/(loss) before Exceptional Items and Tax (III-IV)		433.27	319.14
VI Exceptional Items	33	-	2.57
VII Profit/ (loss) before Tax(V-VI)		433.27	316.58
VIII Tax expenses			
- Current tax	34	94.00	67.66
(Excess)/short provision of tax relating of previous years		(1.81)	
- Deferred tax		3.55	14.97
Total tax expenses		95.74	82.63
IX Net profit for the year (VII-VIII)		337.53	233.95
X Other comprehensive income			
(A) (i) Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plans		(1.80)	(1.99)
Income tax effect on above		0.41	0.45
(B) (ii) Items that will be reclassified to profit or loss in subsequent periods			
Gain / (Loss) on Items designated as Fair Value Through Other Comprehensive Income			
Income tax effect on above			
Other comprehensive income for the year, net of tax (X)		(1.39)	(1.54)
XI Total comprehensive income / (loss) for the period (IX+X)		336.14	232.42
XII Earnings per equity share	35		
Earnings per equity share [nominal value of share ₹ 10/-]			
Basic		9.02	8.35
Diluted		9.02	6.25

The accompanying notes form an integral part of the standalone financial statements

1-45

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN : 25111592BMMJFJ8535
Date : 15-05-2025

PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 15-05-2025

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : 15-05-2025

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Chief Executive Officer
Place : Nagpur
Date : 15-05-2025

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 15-05-2025

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 15-05-2025

Standalone Cash Flow Statement

for the year ended 31st March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	For the year ended 31 st March, 2025	For the year ended 31 st March, 2024
A Cash flows from operating activities		
Profit /(loss) before tax	433.27	316.58
Adjustments:		
Depreciation and amortisation	44.39	38.55
Bad Debts & Write Off	8.50	8.42
Gain / (loss) on remeasurements of the defined employee benefit plans	(1.39)	(1.54)
Net (gain)/loss on financial instruments at fair value through profit or loss	8.02	(29.34)
Interest and Finance Charges	21.95	16.94
Interest Income	(40.95)	(4.00)
Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	(36.61)	(20.41)
Exceptional Item	-	2.57
Operating cash flows before working capital changes and other assets	437.18	327.77
(Increase) / decrease in inventories	(147.83)	(1.53)
Decrease/ (increase) in Trade and Other Receivables	(174.06)	(13.25)
(Decrease) / increase in other current assets	(16.86)	5.21
(Decrease) / increase in Trade and Other Payables	5.47	70.45
(Decrease) / increase in other current liabilities	31.87	(9.41)
(Decrease) / increase in other current provisions	0.63	2.05
Cash generated from operations	136.41	381.31
Income taxes refund / (paid), net	(86.11)	(65.62)
Net Cash Flow From/(Used In) Operating Activities (A)	50.30	315.68
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase/ Sale of property, plant and equipment	(117.25)	(310.76)
Purchase/ sale of intangible assets	(0.58)	(1.70)
Purchase of CWIP	(20.39)	7.22
Non Current investment	(72.99)	(53.70)
Interest Income	40.95	4.00
Advance for capital	(46.02)	
Profit/(loss) on sale of Investments	36.61	20.41
Net Cash Flow From/(Used In) Investing Activities (B)	(179.67)	(334.54)

Standalone Cash Flow Statement

for the year ended 31st March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	For the year ended 31 st March, 2025	For the year ended 31 st March, 2024
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	-	(16.69)
Proceeds from short-term borrowings(Net)	(120.78)	(122.21)
Finance Cost paid	(21.95)	(16.94)
Dividend Paid	(7.01)	(18.22)
Proceeds from Issue	1,579.64	202.37
Issue Expenses	(141.56)	(2.57)
Net Cash Flow From/(Used In) Financing Activities (C)	1,288.35	25.74
Net increase / decrease in cash and cash equivalents	1,158.97	6.88
Cash and cash equivalents at the beginning of the period	25.53	18.65
Cash & Cash Equivalents at the End of the Period(A+B+C)	1,184.50	25.53

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN : 25111592BMMJFJ8535
Date : 15-05-2025

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Place : Nagpur
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Chief Financial Officer
Place : Nagpur
Date : 15-05-2025

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 15-05-2025

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

1 CORPORATE INFORMATION:

We are engaged in the business of manufacturing welding consumables, wear plates and wear parts and heavy engineering machinery for core industries. The company was incorporated in 1982 and with over four decades of experience, our Company is dedicated to providing specialized repairs and reconditioning services for heavy machinery and equipment. Additionally, we are also involved in trading of anti-wear powders and welding and cutting machinery. We provide a super conditioning process at our manufacturing facilities, a surface treatment solution for machine components that enhances wear resistance, eliminates stress and improves their repairability ultimately extending their lifespan and reducing production costs. We have developed a synergistic system of forward integration whereby we manufacture special purpose electrodes and flux cored wires which are utilized for manufacturing wear resistance plates (commonly known as wear plates).

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act

2.2 Basis of Measurement

These financial statements have been prepared in Indian Rupee which is the functional currency of the Company. These financial statements have been prepared on historical cost basis, except for certain financial instruments which are measured at fair value or amortised cost at the end of each reporting period, as explained in the accounting policies below.

2.3 Use of judgments, estimates and assumptions

In preparing these standalone financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

2.4 Property, plant and equipment

Recognition and measurement

Freehold land is carried at historical cost. All other items of property, plant and equipment are measured

at cost of acquisition or construction less accumulated depreciation and accumulated impairment loss, if any.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any discounts and rebates are deducted in arriving at the purchase price.

Borrowing costs directly attributable to the construction or acquisition of a qualifying asset up to completion or acquisition are capitalized as part of the cost. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment under construction are disclosed as capital work-in-progress. Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date are disclosed under "Other non-current assets".

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit and loss as incurred.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/expenses in the statement of profit and loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

each part of an item of property, plant and equipment as prescribed in Schedule II of the Companies Act 2013 except in the cases mentioned below where the management based on the technical evaluation have estimated the life to be lower than the life prescribed in schedule II.

Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Depreciation is also not recorded for Land.

2.5 Intangible assets

Recognition and measurement

Intangible assets are recognised when the asset is identifiable, is within the control of the Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured.

Intangible assets acquired by the Company that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation is not recorded on intangible assets under development until development is complete and the asset is ready for its intended use.

The intangible asset are amortised over the estimated useful lives as given below: -

Computer Software : 3 years

2.6 Inventories

Raw materials and traded goods are valued at lower of cost or net realizable value. The costs of these items of inventory comprises of cost of purchase and other incidental costs incurred to bring the inventories to their present location and condition. However, raw materials are written down below cost only when the finished product to which they belong are written down below cost and the replacement cost of that raw material is lower than cost. Cost of raw materials and traded goods are determined on "Weighted Average" / "FIFO" basis.

Work-in-process and Finished goods are valued at lower of cost or net realizable value. The cost includes direct materials, labour, other direct costs and related production overheads based on normal operating capacity. Cost is determined on "Weighted Average" / "FIFO" basis.

2.7 Foreign currencies transactions

Transactions and balances

In preparing the financial statements of each individual Company entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

2.8 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized in the cost of that asset. Qualifying assets are those assets which necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised in the year in which they are incurred.

2.9 Current and Non-Current Classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

All assets and liabilities are classified into current and non-current.

An asset is treated as current when it is:

It is expected to be realised in or is intended for sale or consumption in the Company's normal operating cycle;

Held primarily for the purpose of trading;

It is expected to be realised within 12 months after the reporting date; or

It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

A liability is current when:

It is expected to be settled in the Company's normal operating cycle;

It is held primarily for the purpose of being traded;

It is due to be settled within 12 months after the reporting date; or

The company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

2.10 Investment

Current investments are carried at lower of cost and fair value. Non-current investments except quoted investments are stated at cost. Provision for diminution in the value of long term investment is made only if such a decline is other than temporary.

Investments in subsidiaries and associates

The Company has elected to recognise its investments in subsidiary and associate companies at cost in accordance with the option available in Ind AS 27, Separate Financial Statements.

2.11 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that

employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an annual independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring.

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions towards government administered provident fund scheme. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2.12 Lease

The Company, as a lessee, recognises a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

For short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the lease term.

2.13 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expenses are recognised in statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income (OCI).

Current tax

Current tax is the tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of the previous year. It is measured using tax rates (and tax laws) enacted or substantially enacted by the reporting date.

Current tax assets/liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax assets (if any) are recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets/liabilities are reviewed at each balance sheet date and are recognised/ reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

2.14 Provisions

A Provision is recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

2.15 Contingent Liabilities

Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by the future events not wholly within the control of the company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent Assets

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.16 Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Financial assets include cash and cash equivalents, trade and other receivables, investments in securities and other eligible current and non-current assets.

At initial recognition, all financial assets are measured at fair value. Such financial assets are subsequently classified under one of the following three categories according to the purpose for which they are held. The classification is reviewed at the end of each reporting period.

Financial assets at amortised cost: At the date of initial recognition, are held to collect contractual cash flows of principal and interest on principal amount outstanding on specified dates. These financial assets are intended to be held until maturity. Therefore, they are subsequently measured at amortised cost by applying the Effective Interest Rate (EIR) method to the gross carrying amount of the financial asset. The EIR amortisation is included as interest income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

Financial assets at fair value through other comprehensive income: At the date of initial recognition, are held to collect contractual cash flows of principal and interest on principal amount outstanding on specified dates, as well as held for selling. Therefore, they are subsequently measured at each reporting date at fair value, with all fair value movements recognised in Other Comprehensive Income (OCI). Interest income calculated using the Effective Interest Rate (EIR) method, impairment gain or loss and foreign exchange gain or loss are recognised in the Statement of Profit and Loss. On derecognition

of the asset, cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from the OCI to Statement of Profit and Loss.

Financial assets at fair value through profit or loss: At the date of initial recognition, financial assets are held for trading, or which are measured neither at Amortised Cost nor at Fair Value through OCI. Therefore, they are subsequently measured at each reporting date at fair value, with all fair value movements recognised in the Statement of Profit and Loss.

Investment in Equity shares of subsidiaries and associates are valued at cost.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109.

The company assesses impairment based on the expected credit losses (ECL) model to all its financial assets measured at amortised cost.

(b) Financial liabilities

Financial liabilities include long-term and short-term loans and borrowings, trade and other payables and other eligible current and non-current liabilities.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other payables, net of directly attributable transaction costs. After initial recognition, financial liabilities are classified under one of the following two categories:

Financial liabilities at amortised cost: After initial recognition, such financial liabilities are subsequently measured at amortised cost by applying the Effective Interest Rate (EIR) method to the gross carrying amount of the financial liability. The EIR amortisation is included in finance expense in the profit or loss.

Financial liabilities at fair value through profit or loss: which are designated as such on initial recognition, or which are held for trading. Fair value gains / losses attributable to changes in own credit risk is recognised in OCI. These gains / losses are not subsequently transferred to Statement of Profit and Loss. All other changes in fair value of such liabilities are recognised in the Statement of Profit and Loss.

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

2.17 Revenue Recognition

Revenue from contracts with customer

Revenue from contract with customers is recognised when the Company satisfies performance obligation by transferring promised goods and services to the customer. Performance obligations are satisfied at the point of time when the customer obtains controls of the asset. Revenue is measured based on transaction price, which is the fair value of the consideration received or receivable, stated net of discounts, returns and goods & service tax. Transaction price is recognised based on the price specified in the contract, net of the estimated sales incentives/ discounts if any.

Rental income

Rental income from investment property is recognised as part of revenue from operations in profit or loss on a straight-line basis over the term of the lease.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Receipts from insurance claims are accounted after the same is approved by the insurance company.

2.18 Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity shareholders

by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.19 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

As a result of the Management review mechanism, the Company has one segment "Welding Fabrication Technology and Engineering" which includes Manufacturing, Trading and Job Work. since Company has only one Segment separate disclosure not given

2.20 Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, cash on hand and highly liquid short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.21 Statement of Cash Flows

Statement of Cash flows is reported using the indirect method, whereby profit for the year is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.22 Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land Freehold	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office equipment	Computers	Total	Capital work in progress (CWIP)
As at 31 March 2023	84.75	238.08	307.35	10.80	26.19	5.48	4.16	676.81	18.27
Additions	229.41	7.99	63.84	2.57	3.83	0.94	2.04	310.62	11.66
Sales/Disposals/ Adjustments	-	-	-	-	0.35	-	0.41	0.76	18.88
As at 31 March 2024	314.17	246.07	371.18	13.37	29.66	6.42	5.80	986.67	11.05
Additions	23.96	6.51	76.55	2.16	6.77	2.50	2.06	120.51	20.38
Sales/Disposals/ Adjustments	-	-	6.36	-	1.01	-	0.08	7.45	-
As at 31 March 2025	338.12	252.59	441.37	15.53	35.42	8.92	7.78	1,099.74	31.44
Accumulated depreciation									
As at 31 March 2023	-	15.14	46.48	2.03	4.35	1.72	1.38	71.09	-
Depreciation for the year	-	7.63	23.85	1.25	3.31	0.73	1.21	37.97	-
Sales/Disposals/ Adjustments	-	-	-	-	-	-	0.32	0.32	-
As at 31 March 2024	-	22.77	70.32	3.28	7.66	2.45	2.27	108.74	11.05
Depreciation for the year	-	7.73	27.33	1.94	3.45	1.49	1.63	43.57	-
Sales/Disposals/ Adjustments	-	-	2.92	-	0.40	-	0.04	3.36	-
As at 31 March 2025	-	30.50	94.73	5.22	10.70	3.93	3.86	148.94	-
Net block									
As at 31 March 2024	314.17	223.30	300.86	10.09	22.01	3.98	3.53	877.93	11.05
As at 31 March 2025	338.12	222.09	346.64	10.31	24.72	4.99	3.92	950.79	31.44

Particulars	Cost	Accumulated Depreciation	Net Block
Land Freehold	338.12	-	338.12
Buildings	252.59	30.50	222.09
Plant and Equipment	441.37	94.73	346.64
Furniture and Fixtures	15.53	5.22	10.31
Vehicles	35.42	10.70	24.72
Office equipment	8.92	3.93	4.99
Computers	7.78	3.86	3.92
Total	1,099.74	148.94	950.79

NOTE 3A CAPITAL WORK-IN-PROGRESS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Carrying amount at end of year	31.44	11.05

Ageing of Capital work-in-progress

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Less than 1 year	20.38	11.05
1-2 years	11.05	
2-3 years		
More than 3 years		
Total	31.44	11.05

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 4 INTANGIBLE ASSETS

	Technical Know-how	Software	Total
As at 31 March 2023	0.13	3.45	3.58
Additions during the period		2.28	2.28
Disposals / Adjustments during the year			-
As at 31 March 2024	0.13	5.73	5.86
Additions during the period		1.40	1.40
Disposals / Adjustments during the year			
As at 31 March 2024	0.13	7.13	7.26
Accumulated amortisation:			
As at 31 March 2023	-	1.03	1.03
Charge for the year		0.58	0.58
Disposals / Adjustments during the year			-
As at 31 March 2024		1.61	1.61
Charge for the year	-	0.82	0.82
Disposals / Adjustments during the year			
As at 31 March 2025		2.43	2.43
Carrying amount (net)			
As at 31 March 2024	0.13	4.12	4.25
As at 31 March 2025	0.13	4.70	4.83

NOTE 5 INVESTMENTS (NON-CURRENT ASSETS)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Equity instruments		
(i) 'Investment carried at cost (Unquoted)		
(a) '- in subsidiaries		
3,760 equity shares (Previous years : 3,760 equity shares) of ₹ 10 each of Diffusion Super-Conditioning Services Pvt. Ltd.	3.30	3.30
95,000 equity shares (Previous years : 95,000 equity shares) of ₹ 10 each of Diffusion Hernon Adhesive And Sealant Pvt. Ltd.	0.95	0.95
6,85,510 equity shares (Previous years : 6,85,510 equity shares) of ₹ 10 each of Newelco Industries Pvt Ltd	6.67	6.67
2,50,217 equity shares (Previous years : 2,50,217 equity shares) of Diffusion Engineers Singapore Pte. Ltd.	15.44	15.44
1750 equity shares (Previous years : 0 equity shares) of Diffusion Euresia	4.39	-
(b) '- in associate company		
LSN Diffusion Ltd (Fully Paid Equity Shares) - 7,54,450 (March 31, 2022 - 7,54,450 shares, April 01, 2021)	67.47	67.46
	98.22	93.82
(ii) 'Investment carried at fair value through profit or loss		
Quoted		
(a) Investment in Equity		
- In Equity Shares	23.96	0.51
(b) Investment in mutual funds		
'- Mutual funds	238.18	201.05
	262.14	201.56
Total (i+ii)	360.36	295.38

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
(a) Investments in quoted instruments:		
Aggregate carrying value	225.43	156.83
Aggregate market value	262.14	201.56

NOTE 6 OTHER NON-CURRENT FINANCIAL ASSETS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Security deposit	-	4.23
Fixed deposit with Bank	90.16	47.53
Total	90.16	51.76

NOTE 7 INVENTORIES

(Valued at cost, unless otherwise stated)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Consumables, Stores and Spare parts		
(At lower of cost and net realisable value)		
Stock in trade		
Raw Materials	264.64	206.39
Work in Progress	180.96	111.51
Finished goods & Traded Goods	158.11	138.78
	603.71	456.68
Stock - In - Transit		
Raw Materials	17.92	15.15
Consumables, Stores and Spare parts	0.22	0.89
Traded Goods	-	1.30
	18.14	17.34
Total	621.85	474.02

NOTE 8 TRADE RECEIVABLES

(Unsecured / secured, considered good unless otherwise stated)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Secured, considered good		
Unsecured, considered good*	867.86	649.37
Less: Allowance for expected credit loss	4.34	2.57
Total	863.52	646.80
Receivables from related parties (Refer Note 37)	132.88	82.11
Receivables from others	730.64	564.69
	863.52	646.80

* There are some cases pending before Hon'ble NCLT court against some parties amounting to ₹ 4.24 million. The company will provide necessary treatment in the books as per the directions of Hon'ble NCLT Court.

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Trade Receivables ageing schedule as at 31st March, 2025

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables - considered good	773.13	50.40	23.68	5.79	10.63	863.62
(ii) Undisputed Trade receivables - considered doubtful						-
(iii) Disputed trade receivables considered good						-
(iv) Disputed trade receivables considered doubtful	-	-	-	-	4.24	4.24
Total	773.13	50.40	23.68	5.79	14.87	867.86
Expected Credit Loss						4.34
Net						863.52

Trade Receivables ageing schedule as at 31st March, 2024

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables - considered good	544.82	48.27	28.87	9.39	13.22	644.57
(ii) Undisputed Trade receivables - considered doubtful	-	-	-	-	-	-
(iii) Disputed trade receivables considered good	-	-	-	-	-	-
(iv) Disputed trade receivables considered doubtful	-	-	-	-	4.80	4.80
Total	544.82	48.27	28.87	9.39	18.02	649.37
Expected Credit Loss						2.57
Net						646.80

NOTE 9 CASH AND BANK BALANCES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Cash and Cash Equivalents		
Cash on hand	1.21	0.55
Balance with scheduled banks		
in current accounts	91.94	6.41
Fixed deposit with current maturity	1,025.06	18.58
Cheque in Hand	66.29	-
	1,184.50	25.53

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 10 OTHER BANK BALANCES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Dividend accounts	-	-
Total	-	-

NOTE 11 LOANS AND ADVANCES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Loan and advances to employees	9.22	4.31
Advance to others	57.29	150.12
Advance for capex	46.02	-
Total	112.53	154.43

NOTE 12 OTHERS FINANCIAL ASSETS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Deposits recoverable	8.61	10.25
Total	8.61	10.25

NOTE 13 OTHER CURRENT ASSETS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Prepaid expenses	4.66	0.33
Balances with government authorities		
Security Deposits	11.88	10.09
GST receivable	8.14	3.81
Export and other incentives receivable	31.93	29.04
Custom duty paid	2.94	-
Vat and sales tax	0.32	0.32
Balances with others		
Net surplus/(shortfall) in defined benefit plan- gratuity fund	(2.31)	1.57
Other recoverable	4.87	0.39
Total	62.43	45.54

NOTE 14 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Authorised share capital		
Equity share capital		
4,00,00,000 (Previous Years 50,00,000) equity shares of ₹10 each	400.00	400.00
	400.00	400.00
Issued, subscribed and paid-up share capital		
Equity share capital		
3,74,26,259 (Previous Years 280,21,259) Equity shares of ₹ 10/- each fully paid up	374.26	280.21
	374.26	280.21

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Rights, preferences and restrictions attached to the equity shares

The Company has issued only one class of equity shares having a face value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by board of directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

Details of shares held by each shareholder holding more than 5%

Name of Shareholders	As at 31 st March, 2025		As at 31 st March, 2024	
	% held	Nos	% held	Nos
Equity shares with voting rights				
NK Garg (HUF)	5.57%	20,85,279	7.44%	20,85,279
Mr Prashant Garg	27.73%	1,03,79,551	37.04%	1,03,79,551
Dr Nitin Garg	18.37%	68,76,254	24.54%	68,76,254
Mrs Chitra Garg	16.38%	61,30,971	21.88%	61,30,971

Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	As at 31 st March, 2025	As at 31 st March, 2024
Equity shares		
Outstanding at the beginning of the year	2,80,21,259	37,37,467
Add: Shares issued during the year	94,05,000	2,42,83,792
Outstanding at the end of the year	3,74,26,259	2,80,21,259

Number of shares held by promoters and promotor group:

Name of Shareholders	As at 31 st March, 2025		As at 31 st March, 2024	
	% held	Nos	% held	Nos
Mr Prashant Garg	27.73%	1,03,79,551	37.04%	1,03,79,551
Dr Nitin Garg	18.37%	68,76,254	24.54%	68,76,254
Mrs Chitra Garg	16.38%	61,30,971	21.88%	61,30,971
Nitin and Renuka Garg	1.41%	5,26,967	1.88%	5,26,967
Prashant and Neelu Garg	0.18%	65,548	0.23%	65,548
NK Garg (HUF)	5.57%	20,85,279	7.44%	20,85,279
Neelu Prashant Garg	0.06%	22,400	0.08%	22,400

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 15 STANDALONE STATEMENT OF CHANGE IN EQUITY FOR THE PERIOD ENDED 31ST MARCH, 2025

A EQUITY SHARE CAPITAL

	No. of Shares	Amount
Balance as at March 31, 2023	37,37,467	37.37
Add: Issue during the year	2,42,83,792	242.84
Balance as at March 31, 2024	2,80,21,259	280.21
Add: Issue during the year	94,05,000	94.05
Balance as at March 31, 2025	3,74,26,259	374.26

B OTHER EQUITY

Particulars	Retained Earnings	Securities Premium	Capital Redemption Reserve	Capital Reserve	General Reserve	Total
Balance as at 31 March 2023	1,155.70	29.37	4.72	17.42	122.05	1,329.26
Profit for the year	232.42	-	-	-	-	232.42
Interim dividend	(7.01)	-	-	-	-	(7.01)
Final Dividend 2022-2023	(11.21)	-	-	-	-	(11.21)
Issue of share	-	199.71	-	-	-	199.71
Utilised against Bonus shares	-	(229.07)	(4.72)	-	(6.39)	(240.18)
Balance as at 31 March 2024	1,369.90	0.00	0.00	17.42	115.66	1,502.98
Profit for the year	336.14	-	-	-	-	336.14
Final Dividend 2023-2024	(7.01)	-	-	-	-	(7.01)
Issue of share	-	1,485.59	-	-	-	1,485.59
Utilised against Share issue Expenses	-	(141.56)	-	-	-	(141.56)
Balance as at 31 March 2025	1,699.03	1,344.04	0.00	17.42	115.66	3,176.15

Description of Reserves

Retained earnings

Retained earnings represents surplus/accumulated earnings of the Company and are available for distribution to shareholders.

Securities premium

Securities premium is used to record the premium received on issue of shares. Issue Expenditure related to IPO has been adjusted against the Securities Premium. It is utilised in accordance with the provisions of the Companies Act, 2013.

Issue of Shares

The equity shares of the Company have been listed on National Stock Exchange of India Limited ("NSE") and on BSE Limited ("BSE") on October 4, 2024 by completing Initial Public Offer ("the IPO") of 93,55,000 equity shares of face value of ₹ 10/- each at an issue price of ₹ 168/- per equity share (including share premium of ₹ 158/- per equity share) aggregating to ₹ 1,571.64 million and 50,000 equity shares to employees of face value of ₹ 10 each and an issue price of ₹ 160/- per equity shares (including share premium of ₹ 150/- per equity share) aggregating to ₹ 8 million. Total amount aggregating to ₹ 1,579.64 million. ₹ 750.07 million was received from Anchor investors on 25th September 2024 and subsequently allotment was done on 1st October 2024.

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Capital Redemption Reserve

In FY 2001-02 company completed the Buy-Back of 4,72,150 equity shares of ₹ 10/- each at a Premium of ₹ 25.62 per share. The total consideration paid was ₹ 1,68, 17,981/- out of which the Premium of ₹ 1,20,96,481/- was paid by utilising the share premium account. The company has also transferred ₹ 47,21,500/- to the capital redemption reserve account from General Reserve as a consequent to the Buy-Back of shares.

Capital Reserve

The company started creating the capital reserve for receipt of state subsidy from the year 1992-93.

General reserves

General Reserve represents appropriation of retained earnings and are available for distribution to shareholders

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PREMAL H GANDHI

Partner
Membership Number: 111592
Place : Mumbai
UDIN : 25111592BMMJFJ8535
Date : 15-05-2025

PRASHANT N. GARG

Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 15-05-2025

NITIN N GARG

Director
DIN :- 08558736
Place : Nagpur
Date : 15-05-2025

RAAMESH KUMAR NARASINGHBHAN

Chief Executive Officer
Place : Nagpur
Date : 15-05-2025

ABHISHEK MEHTA

Chief Financial Officer
Place : Nagpur
Date : 15-05-2025

CHANCHAL JAISWAL

Company Secretary
Place : Nagpur
Date : 15-05-2025

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 16 BORROWINGS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Secured		
Term Loan	-	-
Total	-	-

NOTE 17 OTHER NON-CURRENT FINANCIAL LIABILITIES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Vehicle and laptop Scheme	4.73	4.72
Total	4.73	4.72

NOTE 18 DEFERRED TAX LIABILITIES (NET)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Deferred Tax Liability:		
Timing Difference on account of Carrying amount of Property, plant and equipment and Intangible assets in the Financial Statements and the Income Tax Return	56.89	53.34
Deferred Tax Assets:		
Expense allowable for tax purpose when paid (Section 43B items)		
Total	56.89	53.34

NOTE 19 BORROWINGS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Unsecured		
Loan From Banks	216.30	337.08
Total	216.30	337.08

Note 19.1

- Interest rate of the above loan in range between 8.5% to 9.25%.**
- Borrowings from banks are secured by way of :-
Secured against Mortgage of Land & Building, book debts & hypothication of Stock.

NOTE 20 TRADE PAYABLES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
total outstanding dues of micro and small and medium enterprises	27.33	109.76
total outstanding dues of creditors other than micro and small and medium enterprises	292.03	199.08
	319.35	308.83

Note on MSME Disclosure

Outstanding to Small, Micro and Medium Enterprise March 25 : ₹ 27.33 March 24 : ₹ 109.76 Million. The identification of suppliers under "Micro, Small and Medium Enterprises Development Act, 2006" was done on the basis of the information to the extent provided by the suppliers to the Company. Total outstanding dues of Micro, Small and Medium Enterprises, which were outstanding for more than the stipulated period, are given below:

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Principal amount due and remaining unpaid	27.33	109.76
Interest paid		
Interest due		
Interest accrued and due		
Interest due and remaining unpaid		
	27.33	109.76

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Trade Payables ageing schedule: As at 31st March, 2025

Particulars	Outstanding for following periods from due date of payment					
	Not due	< 1 Year	1-2 years	2-3 years	> 3 years	Total
(i) MSME	26.13	-	-	-	-	26.13
(ii) Others	125.73	149.99	3.21	4.66	8.44	292.03
(iii) Disputed dues- MSME	-	0.21	0.30	0.63	0.06	1.20
(iv) Disputed dues - Others	-	-	-	-	-	-

Trade Payables ageing schedule: As at 31st March, 2024

Particulars	Outstanding for following periods from due date of payment					
	Not due	< 1 Year	1-2 years	2-3 years	> 3 years	Total
(i) MSME	59.68	49.01	-	-	-	108.69
(ii) Others	-	186.25	3.39	2.05	7.39	199.08
(iii) Disputed dues- MSME	-	-	0.60	0.22	0.25	1.07
(iv) Disputed dues - Others	-	-	-	-	-	-

NOTE 21 OTHER FINANCIAL LIABILITIES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Deposits from distributors	5.30	5.27
Liabilities For Expences	8.30	8.48
Interim Dividend Payable 23-24	-	4.89
Total	13.60	18.64

NOTE 22 PROVISIONS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Leave Encashment	4.23	3.61
Total	4.23	3.61

NOTE 23 OTHER CURRENT LIABILITIES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Statutory Remittances	48.22	23.06
Advance Received from customers	14.06	29.24
Mobile Scheme	0.01	0.01
Other Credit Balances	51.24	29.34
Total	113.53	81.65

NOTE 24 CURRENT TAX LIABILITIES (NET)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Provision for Tax- Net of Advance Tax	11.97	5.89
Total	11.97	5.89

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 25 REVENUE FROM OPERATION

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Sale of Products and Services		
- Manufacturing	2,437.35	1,900.96
- Trading	161.17	207.39
- Export Sales	280.84	260.77
	2,879.36	2,369.13
Job work receipt		
- Local	247.19	176.00
- Export	13.02	2.72
	260.21	178.72
Other Operating Revenues		
Insurance, Licenses & Packing on Sales	16.39	19.78
Duty Drawback	4.11	3.63
	20.50	23.41
Total	3,160.07	2,571.26

Disclosure in accordance with Ind AS - 115 "Revenue Recognition Disclosures", of the Companies (Indian Accounting Standards) Rules, 2015

Revenue disaggregation is as follows

	As at 31 st March, 2025	As at 31 st March, 2024
Disaggregation of goods		
Manufactured Products	2,718.19	2,161.73
Trading Products	161.17	207.39
Job Works	260.21	178.72
Others	20.50	23.41
	3,160.08	2,571.26
Disaggregation based on geography		
India	2,866.21	2,307.76
Outside India	293.86	263.49
	3,160.07	2,571.26

Geographical location is based on the location of customers excluding export incentives Information about major customers

Customer Type	As at 31 st March, 2025	As at 31 st March, 2024
Customers under Government Projects	245.29	184.25
Industrial Customers	2,620.92	2,123.52
Export Customers	293.86	263.49
Total	3,160.07	2,571.26

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 26 OTHER INCOME

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Interest income		
- on Deposit	40.95	4.00
- Unwinding of discount on security deposits and others	-	0.20
Foreign exchange gain (net)	6.44	1.96
Profit on sale of assets and investment	36.61	20.41
Net gain/(loss) on financial instruments at fair value through profit or loss	(8.02)	29.34
Rent income	0.18	0.17
Insurance claim receipt	0.40	2.68
Export incentive	0.80	2.59
Miscellaneous income	0.05	0.08
Dividend income	1.61	0.31
PSI subsidy	11.76	10.19
Total	90.79	71.94

NOTE 27 COST OF MATERIALS CONSUMED

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
As at beginning of the period	206.38	211.71
Add: Purchases	1,739.02	1,259.66
Less : As at end of the period	264.64	206.39
Total	1,680.76	1,264.98

NOTE 28 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Inventories at the beginning of the year:		
Stock-in-trade	87.18	55.57
Finished goods	57.87	52.61
Work-in-progress	111.51	140.37
	256.56	248.55
Inventories at the end of the year:		
Stock-in-trade	90.87	87.18
Finished goods	72.63	57.87
Work-in-progress	180.96	111.51
	344.46	256.56
Total	(87.90)	(8.01)

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 29 MANUFACTURING EXPENSES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Consumable, stores and spare parts material Consumed		
Inventories at the beginning of the year:	11.07	12.22
Add:- Purchases for the year	74.96	57.72
Inventories at the end of the year:	12.75	11.07
	73.28	58.87
Custom duties expenses	31.65	10.50
Job work charges	177.36	144.53
Labour charges	41.78	34.69
Carriage inward and clearing charges	30.91	18.89
Power and fuel	65.06	57.65
Lease rental	7.94	7.93
Water charges	0.39	0.34
	355.09	274.53
Total	428.37	333.40

NOTE 30 EMPLOYEE BENEFITS EXPENSES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Salaries, wages and bonus	369.48	315.23
Post employment benefits		
- Contribution to provident and other funds	16.71	15.96
- Gratuity and other defined benefit plans	3.77	3.33
Staff welfare expenses	3.67	3.17
Sales Incentive	5.52	6.08
Directors' Commission	-	1.75
	399.15	345.51

NOTE 31 FINANCE COST

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
- Interest expense on:		
Borrowings	17.86	13.69
Other costs	4.09	3.26
Total	21.95	16.94

NOTE 3 & 4 DEPRECIATION AND AMORTISATION EXPENSE

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Depreciation of tangible assets	43.57	37.97
Amortisation of intangible assets	0.82	0.58
Total	44.39	38.55

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 32 OTHER EXPENSES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Rent	4.70	4.72
Security charges	7.97	7.20
Rates and taxes	3.82	2.57
Repairs and maintenance:		
- Machinery	1.75	1.18
- Vehicles	4.45	2.85
- Others	3.87	4.58
Insurance	4.26	4.69
Travelling, communication and conveyance	42.44	35.09
Directors sitting fees	2.12	1.78
Commission	6.73	6.95
Packing, forwarding and distribution	47.46	24.65
Advertisements and sales promotion	1.62	0.68
Payment to auditors		
- As auditor - Audit fees	0.48	0.48
- For other services	0.53	1.40
Bad debts w/off / ECL Provision	8.50	8.42
Legal and professional fees	33.64	18.37
Loss on sale of fixed assets	0.16	0.02
Expenditure on corporate social responsibility	4.38	3.00
Miscellaneous expenses	21.32	18.49
Total	200.20	147.11

NOTE 33 EXCEPTIONAL ITEMS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Share issue Expenses	-	2.57

NOTE 34 TAX EXPENSE

Particulars	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Current tax (including earlier years)	94.00	67.66
Deferred tax	3.55	14.97
Income tax expense reported in the statement of profit and loss	97.55	82.63
Other comprehensive income		
Deferred tax charge/ (credit) on remeasurements losses of defined benefit plans	0.41	0.45
Total tax expense	97.14	82.17

The major components of income tax expense and reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 2025 25.17%, and 2024 25.17% respectively and the reported tax expense in the statement of profit or loss are as follows:

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Reconciliation of tax expense and the accounting profit multiplied by tax rate

Particulars	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Accounting profit before income tax	433.27	316.58
At country's statutory income tax rate of 25.17% 31 March 2025 and 31 March 2024: 25.17%)	109.05	79.68
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference Between Book Depreciation And Tax Depreciation	(4.38)	(4.65)
Net Expenses disallowed/allowed under Income Tax	12.00	7.51
Fair Value Gain as per IND AS	2.02	(7.39)
Effect of Deferred Tax	3.55	14.97
Others	(26.50)	(7.95)
	95.74	82.17

NOTE 35 EARNING PER EQUITY SHARE

Particulars	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Net profit attributable to equity shareholders		
Net profit for the year	337.53	233.95
Nominal value of equity share ₹	10.00	10.00
Total number of equity shares outstanding at the beginning of the year	28.02	3.74
Total number of equity shares outstanding at the end of the year	37.43	28.02
Weighted-average number of equity shares (Post Bonus Issue)	37.43	28.02
Basic	9.02	8.35
Diluted *	9.02	6.25

* As per para 64 of INDAS 33, the number of ordinary shares has increased as a result of a capitalisation through IPO hence diluted EPS for 2023-2024 is calculated considering the issue of shares through IPO

NOTE 36 EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution plan

The Company makes contribution to statutory provident fund as per Employees Provident Fund and Miscellaneous Provisions Act, 1952. This is a defined contribution plan as per IND-AS 19.

Particulars	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Employers Contribution to Provident Fund/ Pension Fund	14.58	13.03
Employers Contribution to ESIC	1.35	1.71
Total	15.93	14.74

Defined Benefit Plan for Gratuity & for Leave Encashment :

- Actuarial gains and losses in respect of defined benefit plans are recognised in the Financial statements through other comprehensive income.
- Through its defined benefit plans the Company is exposed to a number of risks, the most significant of which are detailed below:

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

(a) Asset Volatility :

- (i) The plan liabilities are calculated using a discount rate; if plan assets under perform compared to the discount rate, this will create or increase a deficit.
- (ii) As the plans mature, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

(b) Life Expectancy :

The majority of the plan's obligations are to provide benefits for the service life of the member, so increases in service life expectancy will result in an increase in the plan's liabilities. This is particularly significant in the Company's defined benefit plans, where inflationary increases result in higher sensitivity to changes in service life expectancy.

The amounts recognized in the Balance Sheet are as follows :

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Present value of obligation at the end of year	3.61	2.70
Fair value of plan assets at the end of year	-	-
Net liability recognized in the Balance Sheet	3.61	2.70

The amounts recognized in the Balance Sheet are as follows :

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Present value of obligation at the end of year	33.67	27.72
Fair value of plan assets at the end of year	31.36	29.29
Net liability (asset) recognized in the Balance Sheet	2.31	-1.57

The amounts recognized in the Statement of Profit and Loss are as follows:

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Current Service Cost	0.80	0.59
Interest Cost	0.18	0.20
Past Service Cost		
Benefits Paid		-
Recognized Net Actuarial (Gain)/ Loss	1.72	0.12
Total, included in Employee Benefit Expenses	2.71	0.90

The amounts recognized in the Statement of Profit and Loss are as follows:

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Current Service Cost	3.11	2.66
Interest Cost	(0.03)	(0.32)
Past Service Cost		
Benefits Paid		
Recognized Net Actuarial (Gain)/ Loss		
Total, included in Employee Benefit Expenses	3.08	2.35

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Defined benefit obligation at beginning of the year	3.61	2.70
Current Service Cost	0.80	0.59
Past Service Cost		
Interest Cost	0.18	0.20
Benefits Paid		
Actuarial (Gain)/ Loss	1.72	0.12
Defined benefit obligation at the end of the year	6.31	3.61

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Defined benefit obligation at beginning of the year	27.72	22.60
Current Service Cost	3.11	2.66
Past Service Cost	-	
Interest Cost	1.93	1.62
Benefits Paid	(0.95)	(1.14)
Other (Employee contribution,tax expenses)	(0.09)	(0.08)
Actuarial (Gain)/ Loss	1.94	2.06
Defined benefit obligation at the end of the year	33.67	27.72

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Defined benefit plan at beginning of the year	29.29	27.06
Interest income	1.96	1.93
Employer contribution	1.00	1.44
Benefits Paid	(0.86)	(1.22)
Actuarial Gain/ (Loss)	0.14	0.07
Defined benefit plan at the end of the year	31.53	29.28

The Financial assumptions used in accounting for the Gratuity Plan & Leave Encashment are set out below:

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Discount Rate	0.07	0.07
(ii) Salary Escalation Rate	0.05	0.05

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Discount Rate	0.07	0.07
(ii) Salary Escalation Rate	0.05	0.05
(iii) Expected Rate of Return on Plan Assets	0.07	0.07

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

The Demographic assumptions used in accounting for the gratuity plan & leave encashment are set out below:

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Retirement Age	58 years	58 years
(ii) Employee Turnover :		
18-30 Years	0.01	0.01
30-45 Years	0.01	0.01
Above 45 Years	0.01	0.01

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Retirement Age	58 years	58 years
(ii) Employee Turnover :		
18-30 Years	0.01	0.01
30-45 Years	0.01	0.01
Above 45 Years	0.01	0.01

Bifurcation of Present Value of Obligations at the end of the valuation period as per Schedule III of the Companies Act, 2013

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Current liabilities	0.97	0.80
(ii) Non Current liabilities	3.26	2.81

The Sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Expected Cash flow for following years

Gratuity:

Expected Cash Flow for the Next Ten Years	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Year 1	5.90	4.36
Year 2	2.93	1.61
Year 3	1.50	2.53
Year 4	1.72	1.35
Year 5	1.99	1.62
Year 6 to 10	14.08	10.98

The estimates of future salary increase, considered in actuarial valuation, take into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. The Company evaluates these assumptions annually based on its long-term plans of growth and industry standards. The discount rate is based on prevailing market yields on government securities as at balance sheet date for the estimated term of the obligations.

NOTE 37 CONTINGENT LIABILITIES

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Contingent Liabilities not provided for :		
Claims against the company not acknowledge as Debt		
a. GST liability disputed	4.50	-
	4.50	-

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 38 RELATED PARTY TRANSACTIONS

38.1 Names of related parties and description of relationship:

Relationship	Name of the related party
Subsidiary Companies	Diffusion Super-Conditioning Services Pvt. Ltd.
	Nowelco Industries Pvt. Ltd.
	Diffusion Hernon Adhesive & Sealants Pvt Ltd
	Diffusion Engineers Singapore Pte. Ltd.
	Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi
Step-down Subsidiary	M/s Diffusion Wear Solutions Philippines Inc. (100% subsidiary of Diffusion Engineers Singapore Pte Ltd)
Associate of Subsidiary	M/s Mecdiff SD. BHD. (Associate of Diffusion Engineers Singapore Pte Ltd)
Associate company	LSN Diffusion Ltd
Key Management Personnel	Mr. Prashant Garg
	Mr. Ramesh Kumar Narasinghbhan
	Mr Abhishek Mehta
	Ms Chanchal Jaiswal
Independent Director	Mr. Ajay Jain #
	Mr. Anil Trigunyat
	Ms. Anita Vijaykar #
	Mrs. Deepali Sameer Bendre
	Mr. Sherry Samuel Oommen
Relatives of Key Managerial Personnel/ Director	Mrs. Chitra N Garg
	N. K. Garg HUF
	Mr. Nitin N Garg
	Mrs Neelu Garg
	Ajay Jain (H.U.F)
	Mrs Daksha Jain
	Mrs Disha Mehta
	Mrs. Renuka Garg
Common Management	Benvira Forward Algorithms Private Limited
	N.K.Garg Foundation
	BTSG Awareness Foundation
	Devi Kiran LLP

38.2 Details of related party transactions

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Sales		
Diffusion Engineers Singapore Pte. Ltd.	28.95	30.79
Diffusion Hernon Adhesive & Sealants Pvt Ltd	1.92	0.45
Diffusion Super-Conditioning Services Pvt. Ltd.	98.21	91.73
M/s Diffusion Wear Solutions Philippines Inc.	91.55	63.51
M/s Mecdiff SD. BHD.	7.83	12.58
Nowelco Industries Pvt. Ltd.	7.81	3.60
Benvira Forward Algorithms Private Limited	-	5.41
Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	34.86	-
Purchase		

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Diffusion Super-Conditioning Services Pvt. Ltd.	0.57	0.75
LSN Diffusion Ltd	37.60	42.96
Nowelco Industries Pvt. Ltd.	95.36	141.13
M/s Diffusion Wear Solutions Philippines Inc.	7.88	-
Reimbursement		
Benvira Forward Algorithms Private Limited	1.34	0.01
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.56	0.26
Diffusion Super-Conditioning Services Pvt. Ltd.	1.08	1.43
LSN Diffusion Ltd	-	0.09
Nowelco Industries Pvt. Ltd.	10.08	5.43
Mr. Prashant Garg	0.22	2.41
N.K.Garg Foundation	0.00	-
Contribution towards CSR		
BTSG Awareness Foundation	0.50	-
Commission		
Mr. Ajay Jain	-	0.35
Mrs. Renuka Garg	-	0.35
Ms. Anita Vijaykar	-	0.35
Mrs. Chitra N Garg	-	0.35
Mr. Anil Trigunyat	-	0.35
Debit / (Credit) due to exchange fluctuation		
Diffusion Engineers Singapore Pte. Ltd.	0.37	0.18
LSN Diffusion Ltd	(0.19)	0.28
M/s Diffusion Wear Solutions Philippines Inc.	0.14	0.08
M/s Mecdiff SD. BHD.	(0.04)	0.08
Benvira Forward Algorithms Private Limited		-
Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	0.19	-
Dividend		
Mr. Prashant Garg	2.61	6.98
Ajay Jain (H.U.F)	0.02	0.05
Mr. Nitin N Garg	1.72	4.67
Mrs Daksha Jain	0.00	0.00
Mrs. Chitra N Garg	1.53	4.08
Mrs. Neelu Garg	0.01	0.03
Mrs. Renuka Garg	0.13	0.36
N. K. Garg HUF	0.52	1.42
Ms. Anita Vijaykar	0.00	0.00
Mr Abhishek Mehta	0.00	0.00
Mr Ajay Jain	0.01	0.01
Remuneration		
Mr. Prashant Garg	24.00	20.00
Mrs. Neelu Garg	5.52	5.52
Sitting Fees to Directors		
Renuka Garg	0.07	0.36
Ajay Jain	0.13	0.40
Anil Trigunayat	0.40	0.11
Anita Vijaykar	0.13	0.40

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Prashant garg	0.16	0.41
Chitra Garg	0.38	0.11
Mr. Nitin N Garg	0.33	-
Mrs. Deepali Sameer Bendre	0.26	-
Mr. Sherry Samuel Oommen	0.27	-
Rent		
Mrs. Chitra N Garg	3.40	3.03
N. K. Garg HUF	0.25	0.22
Mr. Prashant Garg	0.81	0.73
Key Managerial Personnel - Remuneration		
Mr Abhishek Mehta	1.82	1.82
Ms Chanchal Jaiswal	0.86	0.60
Mr. Ramesh Kumar Narasinghbhan	2.40	-
Relatives of Key Managerial Personnel - Consultancy		
Mrs Disha Mehta	1.59	1.50
Rent Receipt		
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.21	0.17
Purchase of land		
Mr. Prashant Garg	-	13.33
Mr. Nitin N Garg	-	13.33
Mrs. Chitra N Garg	-	13.33
	476.31	497.85

38.3 Details of outstanding to/from related parties

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Trade Payables		
LSN Diffusion Ltd	4.71	-
Nowelco Industries Pvt. Ltd.	0.65	-
M/s Diffusion Wear Solutions Philippines Inc.	5.52	
Trade receivables		
Diffusion Engineers Singapore Pte. Ltd.	16.69	23.79
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.59	0.36
Diffusion Super-Conditioning Services Pvt. Ltd.	26.98	19.33
M/s Diffusion Wear Solutions Philippines Inc.	63.92	24.03
M/s Mecdiff SD. BHD.	4.03	7.78
Nowelco Industries Pvt. Ltd.	7.06	6.82
Benvira Forward Algorithms Private Limited	6.42	6.28
Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	7.18	
Total Debit Notes towards expenses		
Nowelco Industries Pvt. Ltd.	-	1.17
Rent Deposit		
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.04	0.04

Mr Ajay Jain [DIN: 02815416] and Ms Anita Vijayakar [DIN:01190200] ceased to be Independent Directors of the company upon completion of their term at the close of business hours on September 13, 2024.

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 39 FINANCIAL INSTRUMENTS BY CATEGORY

A. Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the financial instruments of the Company

Financial Instruments by category	Carrying Value	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Financial Assets at Amortised Cost		
Cash and Bank Balances	1,184.50	25.53
Investments	225.43	156.83
Other Financial Assets	98.77	62.00
Trade Receivables	863.52	646.80
Loans and advances	112.53	154.43
Total	2,484.74	1,045.59
Financial Liabilities at Amortised Cost		
Trade Payables	319.35	308.83
Borrowings	216.30	337.08
Other Financial Liabilities	18.33	23.36
Total	553.98	669.27

Financial Instruments by category	Fair Value	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Financial Assets at Amortised Cost		
Cash and Bank Balances	1,184.50	25.53
Investments	360.36	295.38
Other Financial Assets	98.77	62.00
Trade Receivables	863.52	646.80
Loans and advances	112.53	154.43
Total	2,619.67	1,184.15
Financial Liabilities at Amortised Cost		
Trade Payables	319.35	308.83
Borrowings	216.30	337.08
Other Financial Liabilities	18.33	23.36
Total	553.98	669.27

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables, loans, trade payables, and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term receivables/payables are evaluated by the Company based on parameters such as interest rates, risk factors, individual creditworthiness of the counterparty and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables.

All foreign currency denominated assets and liabilities are translated using exchange rate at reporting date.

Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs based on unobservable market data.

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets:

Particulars	Carrying Amount	Year ended 31 st March, 2025		
		Level of input used in		
		Level 1	Level 2	Level 3
Financial Assets at Amortised Cost				
Cash and Bank Balances	1,184.50	-	-	1,184.50
Investments	225.43	262.14	-	225.43
Other Financial Assets	98.77	-	-	98.77
Trade Receivables	863.52	-	-	863.52
Financial Liabilities at Amortised Cost				
Trade Payables	319.35	-	-	319.35
Borrowings	216.30	-	-	216.30
Other Financial Liabilities	18.33	-	-	18.33

Particulars	Carrying Amount	Year ended 31 st March, 2024		
		Level of input used in		
		Level 1	Level 2	Level 3
Financial Assets at Amortised Cost				
Cash and Bank Balances	25.53	-	-	25.53
Investments	156.83	201.56	-	156.83
Other Financial Assets	62.00	-	-	62.00
Trade Receivables	646.80	-	-	646.80
Financial Liabilities at Amortised Cost				
Trade Payables	308.83	-	-	308.83
Borrowings	337.08	-	-	337.08
Other Financial Liabilities	23.36	-	-	23.36

40 FINANCIAL INSTRUMENTS

B. Financial Risk Management

Diffusion engineers limited is exposed primarily to market risk (fluctuation in foreign currency exchange rates & interest rate), credit, liquidity which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment & seeks to mitigate potential adverse effects on the financial performance of the Company.

1. Capital Management :

The Group's capital management objectives are:

- The Board policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital employed.
- The Company manages capital risk by maintaining sound/optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio and net borrowings-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary.
- The Company uses debt equity ratio as a capital management index and calculates the ratio as the net debt divided by total equity. Net debts and total equity are based on the amounts stated in the financial statements.

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

(iv) **Debt Equity Ratio is as follows:**

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Debt (A)	216.30	337.08
Equity (B)	3,550.42	1,783.20
Debt Equity Ratio (A/B)	0.06	0.19

2. Credit Risk :

- (i) Credit risk is the risk of financial loss arising from counter-party failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit.
- (ii) Financial instruments that are subject to concentration of credit risk principally consists of trade receivables, investments, derivative financial instruments and other financial assets. None of the financial instruments of the Company results in material concentration of credit risk.

3. Liquidity Risk :

Liquidity Risk Management : Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Maturities of Borrowings :

The following table details the Group's expected maturity for borrowings :

Exposure to Risk	As at 31 st March, 2025	As at 31 st March, 2024
Interest bearing borrowings:		
On Demand	216.30	337.08
Less than 180 Days	-	-
181-365 Days		
More than 365 Days		

4. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Company's exposure to market risk is primarily on account of foreign currency exchange rate risk.

a) Foreign Currency Exchange Rate Risk :

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in AED, US Dollar, Australian Dollar, Great Britain Pound, Euro, SGD against the respective functional currencies of the Company. The Company, as per its risk management policy, evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks & uses derivative instruments primarily to hedge foreign exchange (if required).

Notes forming part of the Standalone Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Foreign Currency Exposures :

Particulars	Currency type	As at March 31, 2025	As at March 31, 2024
I. Trade receivables/Advance	USD	1.55	0.98
	EURO	0.21	0.04
Total		1.76	1.02
II. Borrowing balances :	USD		-
Total			-
III. Trade payables :	USD	0.30	0.30
	EUR	0.02	0.02
Total		0.32	0.32

Foreign Currency Sensitivity :

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.

Particulars	Currency	Change in rate	Effect on profit before tax
Year ended 31 March 2025	USD	10%	0.13
	USD	-10%	(0.13)
	EUR	10%	0.02
	EUR	-10%	(0.02)
Year ended 31 March 2024	USD	10%	0.07
	USD	-10%	(0.07)
	EUR	10%	0.00
	EUR	-10%	(0.00)

b) Interest Rate Risk :

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

Floating Interest rate exposure :	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Secured Loans :		
Loans repayable taken from Banks:	216.30	337.08
Total	216.30	337.08

Interest Rate Sensitivity :

The sensitivity analyses below have been determined based on exposure to interest rate. For variable rate liabilities, analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. With all other variables held constant, the Company's profit before tax is affected through the impact on variable rate borrowings, as follows:

Particulars	Increase / Decrease in Basis Points	Effect on Profit Before Tax(Loss)
As at March 31, 2025	+100	(2.16)
	-100	2.16
As at March 31, 2024	+100	(3.37)
	-100	3.37

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 41 SEGMENT REPORTING

The Company has not presented standalone segment information as permitted by Ind AS 108 – Operating Segments, as segment information of the Group is included in consolidated financial statements.

NOTE 42 RATIO ANALYSIS

Sr No.	Ratio Analysis	Numerator	Denominator	31 st March 2025	31 st March 2024	% Variance	Reason for variance
1	Current Ratio	Current Assets	Current Liabilities	4.20	1.80	134.11%	Variance is due to increase in cash and cash equivalents due to IPO proceeds
2	Debt Equity Ratio	Total borrowings	Sharholder's Equity	0.06	0.19	-67.77%	Variance is due to repayment of debt and issue of fresh equity
3	Debt Service Coverage Ratio	Earnings available for debt service	Debt Service	27.75	26.95	2.97%	
4	Return on Equity Ratio	Profit After Tax	Avg. Shareholders Equity	12.66%	14.85%	-14.80%	
5	Inventory Turnover Ratio	Net Sales	Average Inventory	5.77	5.43	6.15%	
6	Trade Receivables Turnover Ratio	Net Credit Sales	Average Trade Receivables	4.18	3.73	12.05%	
7	Trade Payables Turnover Ratio	Total Purchases	Average Trade Payables	6.19	5.40	14.59%	
8	Net Capital Turnover Ratio	Net Sales	Average Working Capital	2.28	4.58	-50.29%	Variance is due to increase in cash and cash equivalents due to IPO proceeds
9	Net Profit Ratio	Profit After Tax	Net Sales	10.68%	9.10%	17.39%	
10	Return on Capital employed	EBIT	Capital Employed	12.09%	15.73%	-23.17%	Variance is due to issue of fresh equity and increase in operating margins
11	Return on Investment	Profit After Tax	Sharholder's Equity	9.51%	13.12%	-27.54%	Variance is due to issue of fresh equity and increase in operating margins

Explanation :

Total Debt represents Current Borrowings + Non Current Borrowings.

Shareholders Equity represents Equity Share Capital + Other equity

Earnings available for debt service represents Profit Before Tax + Depreciation and Amortizations + Interest on Debt

Notes forming part of the Standalone Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Debt Service represents Interest on Debt + Scheduled Principal Repayment of Non Current Borrowings

Net Sales represents Domestic Sales + Export Sales + Scrap Sales

Capital Employed represents Total Equity + Borrowings

NOTE 43 PROPOSED DIVIDEND

Board of Directors proposes 15% Final Dividend on Equity shares subject to approval in AGM.

NOTE 44 OTHER AMENDMENTS WITH RESPECT TO SCHEDULE III

The Company does not have any Benami property, where any proceedings have been initiated or pending against the company for holding any Benami property.

The company is not declared as wilful defaulter by any bank or financial Institution or other lender

The Company does not have any transactions with Companies struck off.

The Company has not traded or invested in Crypto currency or Virtual currency during the financial year.

The company has filed certain Adjudication/Regularization Applications before the Registrar of Companies, Mumbai.

The Company has not given any advance or loan or invested funds to any other person / entities, including foreign entities (intermediaries) with the understanding that the intermediary shall:

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (ultimate beneficiaries) or
- (ii) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

The company have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall:

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (ultimate beneficiaries) or
- (ii) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

The Company does not have any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).

NOTE 45

Previous year's figures have been regrouped / rearranged wherever necessary, to conform to the current year's classification / disclosure.

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN : 25111592BMMJFJ8535
Date : 15-05-2025

RAMESH KUMAR NARASINGHBHAN
Chief Executive Officer
Place : Nagpur
Date : 15-05-2025

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 15-05-2025

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 15-05-2025

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : 15-05-2025

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 15-05-2025

Consolidated Independent Auditor's Report

TO THE MEMBERS OF
DIFFUSION ENGINEERS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **DIFFUSION ENGINEERS LIMITED** (hereinafter referred to as the 'Holding Company') and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entities, which comprise the consolidated Balance Sheet as at March 31, 2025, and the consolidated statement of Profit and Loss including the statement of Other Comprehensive Income and the consolidated Cash Flows Statement and the Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and jointly controlled entities, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the group, its associates and jointly controlled entities as at March 31, 2025, of consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by ICAI, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Ind AS Financial Statements for the financial year ended March 31, 2025. These matters were addressed in the context of our audit of the Consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated financial statements. The results of our audit

procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
Revenue recognition Revenue is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. During the year ended March 31, 2025, the Company has recognised revenue amounting to ₹ 3,351.96millions. Terms of sales arrangements, including the timing of transfer of control, delivery specifications including incoterms in case of exports, timing of recognition of sales require significant judgment in determining revenues. The risk is, therefore, that revenue may not get recognised in the correct period. Therefore, there is a significant risk associated with timing of revenue recognition in accordance with terms of Ind AS 115 'Revenue from contracts with customers'. Accordingly, due to the significant risk associated with revenue recognition in accordance with terms of Ind AS 115 'Revenue from contracts with customers', it has been determined to be a key audit matter in our audit of the Consolidated financial statements.	Our audit procedures included the following: Evaluated Company's revenue recognition policy and its compliance in terms of Ind AS 115 'Revenue from contracts with customers'. <ul style="list-style-type: none"> Assessed the design and tested the operating effectiveness of internal controls related to revenue recognition. Evaluated the general information and technology control environment and tested the operating effectiveness of key IT application controls over recognition of revenue. Tested samples of individual sales transaction and traced to sales invoices, sales orders, (received from customers) and other related documents. Further, in respect of the samples tested, reviewed recognition of revenue when the conditions for revenue recognitions are met. Selected sample of sales transactions made pre- and post-year-end, traced the period of revenue recognition to underlying documents. Performed procedures to identify any unusual trends of revenue recognition. Assessed the relevant disclosures made within the Consolidated financial statements.

Information other than the Financial Statements and Auditor's Report thereon

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Consolidated Financial Statements and our auditor's report thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Companies Act, 2013 that give a true and fair view of the

consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for assessing the ability of the Group and of its associates and jointly controlled entities to continue

as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for overseeing the financial reporting process of the Group and of its associates and jointly controlled entities.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Other Matters

We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of ₹330.67 millions as at 31st March 2025, total revenues of ₹525.10 millions and net cash flows amounting to ₹31.26 millions for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of ₹19.51 millions for the year ended 31st March, 2025, as considered in the consolidated financial statements, in respect of associate, whose financial statements have not been audited by us. These Standalone financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of the subsidiary companies, associate companies and joint ventures, incorporated in India, as noted in the 'Other Matter' paragraph we give in the "Annexure A" a statement on the matters specified in paragraph 3(xxi) of the Order.
2. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2025 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31st March, 2025 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to Consolidated Financial Statements of the Holding Company and its subsidiary companies, associates companies and jointly controlled entities, and the operating

effectiveness of such controls, refer to our separate report in "Annexure B" to this report;

- (g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, associates and jointly controlled entities incorporated in India, the managerial remuneration for the year ended March 31, 2025 has been paid/provided by the Holding Company, its subsidiaries, associates and jointly controlled entities incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and jointly controlled entities.
 - ii. The holding Company and its subsidiary companies did not have any material foreseeable losses on long-term contracts including derivative contracts.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies incorporated in India.
 - iv. a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

- b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- c) Based on the audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clause (a) & (b) contain any material misstatement.
- v. The final dividend paid by the Company during the year in respect of that declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend. The interim dividend declared and paid by the Company during the year is in accordance with section 123 of the Act to the extent it applies to payment of dividend. As stated in Note No 43 to the standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend;
- vi. Based on our examination which included test checks and based on the other auditor's reports of its subsidiary companies, associate companies and joint venture companies incorporated in India whose financial statements have been audited under the Act, the Parent Company, its subsidiary companies, associate companies and joint venture companies incorporated in India have used accounting software(s) for maintaining their respective books of account for the financial year ended March 31, 2025, which has a feature of recording

audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the software(s).

Further, during the course of audit, we and respective other auditors, whose reports have been furnished to us by the Management of the Parent Company, have not come across any instance of audit trail feature being tampered with.

As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable from April 1, 2023, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the

statutory requirements for record retention is not applicable for the financial year ended March 31, 2025.

For **PGS & Associates**

Chartered Accountants

Firm Registration No.: 0122384W

UDIN: 25111592BMMJFL4292

Premal H Gandhi

Partner

Membership Number: 111592

Place: Mumbai

Date: 15th May 2025

ANNEXURE A

To the independent Auditors' Report of even date on the Consolidated Financial Statements of Diffusion Engineers Limited (referred to in paragraph 1, under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date)

In terms of the information and explanation sought by us and given by the company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

(xxi) There are no qualifications or adverse remarks by the respective auditors in the Companies (Auditors report) Order (CARO) report of the companies included in the consolidated financial statements.

ANNEXURE B TO THE CONSOLIDATED INDEPENDENT AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION OF OUR REPORT OF EVEN DATE)

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")**Opinion**

We have audited the internal financial controls over financial reporting of **DIFFUSION ENGINEERS LIMITED** (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") as of March 31, 2025 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2025, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy

and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **PGS & Associates**
Chartered Accountants
Firm Registration No.: 0122384W
UDIN: 25111592BMMJFL4292

Premal H Gandhi
Partner
Membership Number: 111592

Place: Mumbai
Date: 15th May 2025

Consolidated Statement of Asset and Liabilities

as at 31st March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	As at 31 st March, 2025	As at 31 st March, 2024
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3	974.00	905.71
(b) Capital work-in-progress	3 (a)	31.44	11.05
(c) Intangible assets	4	4.83	4.25
(d) Financial assets			
(i) Investments	5	346.01	291.95
(ii) Other financial assets	6	90.46	62.09
Total non-current assets		1,446.74	1,275.05
(2) Current Assets			
(a) Inventories	7	682.73	532.12
(b) Financial Assets			
(i) Trade receivables	8	848.01	666.47
(ii) Cash and cash equivalents	9	1,270.54	78.13
(iii) Other bank balances	10	-	-
(iv) Loans and advances	11	117.55	154.84
(v) Others financial assets	12	10.69	11.58
(c) Other current assets	13	68.17	37.05
Total current assets		2,997.69	1,480.19
Total Assets		4,444.42	2,755.24
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	14	374.26	280.21
(b) Other equity	15	3,314.51	1,626.84
Equity attributable to equity holders of the Parent		3,688.77	1,907.05
(c) Non-controlling interests	15	4.46	3.14
Total equity		3,693.24	1,910.19
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	-	-
(ii) Other financial liabilities	17	10.28	9.99
(b) Provisions			
(c) Deferred tax liabilities (net)	18	55.94	52.43
Total non-current liabilities		66.22	62.43
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	19	232.14	344.35
(ii) Trade payables	20		
Total outstanding dues of micro, small and medium enterprises		28.83	111.59
Total outstanding dues of creditors other than micro enterprises, small and medium enterprises		256.08	197.56
(iii) Other financial liabilities	21	8.99	22.23
(b) Provisions	22	21.49	8.66
(c) Other current liabilities	23	137.43	98.24
Total current liabilities		684.96	782.63
Total Equity and liabilities		4,444.42	2,755.24

The accompanying notes form an integral part of the consolidated financial statements

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As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN : 25111592BMMJFL4292
Date : 15-05-2025

PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 15-05-2025

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : 15-05-2025

RAMESH KUMAR NARASINGHBHAN
Chief Executive Officer
Place : Nagpur
Date : 15-05-2025

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 15-05-2025

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 15-05-2025

Consolidated Statement of Profit & Loss

for the period ended 31st March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Revenue			
I Revenue from operations	24	3,351.96	2,781.45
II Other income	25	93.27	74.17
III Total revenue (I+II)		3,445.23	2,855.62
IV Expenses			
Cost of materials consumed	26	1,655.23	1,292.27
Purchases of stock-in-trade	27	211.61	185.55
Changes in inventories of finished goods and work-in-progress	28	(107.21)	(9.50)
Manufacturing expenses	29	468.93	388.18
Employee benefit expenses	30	419.02	360.56
Finance costs	31	22.74	17.55
Depreciation and amortization expenses	3 & 4	52.75	45.49
Other expenses	32	233.61	175.70
Total expenses (IV)		2,956.68	2,455.81
V Profit/(loss) before Exceptional Items and Tax (III-IV)		488.55	399.81
VI Exceptional Items	33	-	2.57
VII Profit before Tax and share of profit / (loss) of associates and joint ventures accounted for using the equity method (V-VI)		488.55	397.24
VIII Share of profit / (loss) of associates and joint ventures		-19.51	13.60
IX Profit before tax (VII+VIII)		469.04	410.84
X Tax expenses			
- Current tax		106.93	87.86
(Excess)/short provision of tax relating of previous years		-1.81	-
- Deferred tax		3.50	14.94
Total tax expenses		108.63	102.80
XI Net profit for the year (IX-X)		360.41	308.04
XII Other comprehensive income			
(i) Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plans		-1.80	-1.99
Income tax effect on above		0.41	0.45
(ii) Items that will be reclassified to profit or loss in subsequent periods			
Foreign currency translation of foreign operations		1.90	-2.13
Other comprehensive income for the year, net of tax		0.51	(3.67)
XIII Total comprehensive income / (loss) for the period (XI+XII)		360.92	304.38
Profit attributable to:			
Owners of the Parent		359.09	306.59
Non-Controlling Interest		1.32	1.45
Other Comprehensive Income attributable to:			
Owners of the Parent		0.51	(3.63)
Non-Controlling Interest		0.01	(0.04)
Total Comprehensive Income attributable to:			
Owners of the Parent		359.60	302.96
Non-Controlling Interest		1.33	1.41
Earnings per equity share			
Earnings per equity share [nominal value of share ₹ 10/-]			
Basic		9.59	10.94
Diluted		9.59	8.19

Significant accounting policies and notes to the Ind AS financial statements

The explanatory notes referred to above form an integral part of the Ind AS financial statements

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN : 25111592BMMJFL4292
Date : 15-05-2025

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Place : Nagpur
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Company Secretary
Place : Nagpur
Date : 15-05-2025

Consolidated Cash Flow Statement

for the year ended 31st March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	For the year ended 31 st March, 2025	For the year ended 31 st March, 2024
A Cash flows from operating activities		
Profit /(loss) before tax	488.55	397.24
Adjustments:		
Depreciation and amortisation	52.75	45.49
Bad Debts & Write Off	8.51	9.56
Gain / (loss) on remeasurements of the defined employee benefit plans	(1.39)	(1.54)
Net (gain)/loss on financial instruments at fair value through profit or loss	7.40	(29.43)
Liabilities written-back	-	-
Interest and Finance Charges	22.74	17.55
Interest Income	(42.01)	(4.27)
Share of profit / (loss) of associates and joint ventures	-	-
Unrealised exchange (gain)/loss	1.90	(2.13)
Exceptional Item	-	2.57
Operating cash flows before working capital changes and other assets	538.44	435.05
(Increase) / decrease in inventories	(150.61)	(15.04)
Decrease/ (increase) in Trade and Other Receivables	(180.24)	(60.62)
(Decrease) / increase in other current assets	(31.09)	6.70
(Decrease) / increase in Trade and Other Payables	(37.21)	77.83
(Decrease) / increase in other current liabilities	42.69	19.12
(Decrease) / increase in other current provisions	12.84	3.53
Cash generated from operations	194.83	466.59
Income taxes refund / (paid), net	(108.63)	(102.80)
Net Cash Flow From/(Used In) Operating Activities (A)	86.20	363.79
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase/ Sale of property, plant and equipment	(128.48)	(319.78)
Purchase/ sale of intangible assets	(0.58)	(1.70)
Purchase of CWIP	(20.38)	7.22
Disposal of assets	7.45	1.33
Non Current investment	(61.46)	(67.48)
Interest Income	42.01	4.27
Share of profit / (loss) of associates and joint ventures	(19.51)	13.60
"(Increase)/Decrease in bank balances not considered as cash and cash equivalent (net)"	-	4.13
Net Cash Flow From/(Used In) Investing Activities (B)	(180.96)	(358.42)

Consolidated Cash Flow Statement

for the year ended 31st March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	For the year ended 31 st March, 2025	For the year ended 31 st March, 2024
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	-	(16.70)
Proceeds from short-term borrowings(Net)	(112.21)	(119.88)
Finance Cost paid	(22.74)	(17.55)
Dividend Paid	(15.96)	(18.22)
Proceeds from Issue	1,438.08	202.37
Issue Expenses	-	(2.57)
Net Cash Flow From/(Used In) Financing Activities (C)	1,287.17	27.47
Net increase / decrease in cash and cash equivalents	1,192.42	32.84
Cash and cash equivalents at the beginning of the period	78.13	45.29
Cash & Cash Equivalents at the End of the Period(A+B+C) (refer Note 9)	1,270.54	78.13

As per our report of even date
For PGS & Associates
 Chartered Accountants
 F.R.N. : 0122384W

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PREMAL H GANDHI

Partner
 Membership Number: 111592
 Place : Mumbai
 UDIN : 25111592BMMJFL4292
 Date : 15-05-2025

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Chief Financial Officer
 Place : Nagpur
 Date : 15-05-2025

CHANCHAL JAISWAL

Company Secretary
 Place : Nagpur
 Date : 15-05-2025

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

1 CORPORATE INFORMATION:

We are engaged in the business of manufacturing welding consumables, wear plates and wear parts and heavy engineering machinery for core industries. The company was incorporated in 1982 and with over four decades of experience, our Company is dedicated to providing specialized repairs and reconditioning services for heavy machinery and equipment. Additionally, we are also involved in trading of anti-wear powders and welding and cutting machinery. We provide a super conditioning process at our manufacturing facilities, a surface treatment solution for machine components that enhances wear resistance, eliminates stress and improves their repairability ultimately extending their lifespan and reducing production costs. We have developed a synergistic system of forward integration whereby we manufacture special purpose electrodes and flux cored wires which are utilized for manufacturing wear resistance plates (commonly known as wear plates).

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of preparation and presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into

account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

Subsidiaries

These Consolidated financial statements are prepared in accordance with Ind AS on "Consolidated Financial Statements" (Ind AS 110), specified under Section 133 of the Act.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated financial statements from the date on which control commences until the date on which control ceases. Subsidiaries considered in the Consolidated financial statements as below.

Name	Country of Incorporation	FY 2024-25		FY 2023-24	
		No of shares	% of Holding	No of shares	% of Holding
Subsidiaries :-					
Indian					
1. Diffusion Super -Conditioning Services Pvt Ltd	India	3,760	98.95	3,760	98.95
2. Nowelco Industries Pvt Ltd	India	3,85,511	66.95	3,85,511	66.95
3. Diffusion Hernon Adhesive & Sealant Pvt Ltd	India	95,000	95.00	95,000	95.00

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

Name	Country of Incorporation	FY 2024-25		FY 2023-24	
		No of shares	% of Holding	No of shares	% of Holding
Foreign					
1. Diffusion Engineers Singapore Pte .Ltd	Singapore	2,50,217	100.00	2,50,217	100.00
2. Diffusion Wear Solutions Philippines Inc*	Philippines	90,00,000	100.00	90,00,000	100.00
3. Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	Turkey	1,750	70.00	-	-
Foreign Associate Company:-					
1. LSN Diffusion Ltd	United Kingdom	7,54,450	21.56	7,54,450	21.56
Foreign Associates :-					
1. Mecdiff Bhd*	Malaysia	3,00,000	30.00	3,00,000	30.00

Non-controlling interest (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

2.2 Basis of Measurement

These group financial statements have been prepared in Indian Rupee which is the functional currency of the Holding Company. These financial statements have been prepared on historical cost basis, except for certain financial instruments which are measured at fair value or amortised cost at the end of each reporting period, as explained in the accounting policies below.

2.3 Use of judgments, estimates and assumptions

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

2.4 Property, plant and equipment

Recognition and measurement

Freehold land is carried at historical cost. All other items of property, plant and equipment are measured at cost of acquisition or construction less accumulated depreciation and accumulated impairment loss, if any.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any discounts and rebates are deducted in arriving at the purchase price.

Borrowing costs directly attributable to the construction or acquisition of a qualifying asset up to completion or acquisition are capitalized as part of the cost. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment under construction are disclosed as capital work-in-progress. Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date are disclosed under "Other non-current assets".

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit and loss as incurred.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/expenses in the statement of profit and loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment as prescribed in Schedule II of the Companies Act 2013 except in the cases mentioned below where the management based on the technical evaluation have estimated the life to be lower than the life prescribed in schedule II.

Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Depreciation is also not recorded for Land.

2.5 Intangible assets

Recognition and measurement

Intangible assets are recognised when the asset is identifiable, is within the control of the Group, it is probable that the future economic benefits that are attributable to the asset will flow to the Group and cost of the asset can be reliably measured.

Intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they

are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation is not recorded on intangible assets under development until development is complete and the asset is ready for its intended use.

The intangible asset are amortised over the estimated useful lives as given below: -

Computer Software : 3 years

2.6 Inventories

Raw materials and traded goods are valued at lower of cost or net realizable value. The costs of these items of inventory comprises of cost of purchase and other incidental costs incurred to bring the inventories to their present location and condition. However, raw materials are written down below cost only when the finished product to which they belong are written down below cost and the replacement cost of that raw material is lower than cost. Cost of raw materials and traded goods are determined on "Weighted Average" / "FIFO" basis.

Work-in-process and Finished goods are valued at lower of cost or net realizable value. The cost includes direct materials, labour, other direct costs and related production overheads based on normal operating capacity. Cost is determined on "Weighted Average" / "FIFO" basis.

2.7 Foreign currencies transactions

Transactions and balances

In preparing the financial statements of each individual Company entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

2.8 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

capitalized in the cost of that asset. Qualifying assets are those assets which necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised in the year in which they are incurred.

2.9 Current and Non-Current Classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification.

All assets and liabilities are classified into current and non-current.

An asset is treated as current when it is:

It is expected to be realised in or is intended for sale or consumption in the Group normal operating cycle

Held primarily for the purpose of trading

It is expected to be realised within 12 months after the reporting date; or

It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

A liability is current when:

It is expected to be settled in the Group normal operating cycle;

It is held primarily for the purpose of being traded;

It is due to be settled within 12 months after the reporting date; or

The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

2.10 Investment

Current investments are carried at lower of cost and fair value. Non-current investments are stated at cost. Provision for diminution in the value of long term investment is made only if such a decline is other than temporary.

Investments in associates and joint venture

The Group has elected to recognise its investments in associate and joint venture companies at cost in accordance with the option available in Ind AS 27, Separate Financial Statements.

2.11 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Group net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an annual independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group makes specified monthly contributions towards government administered provident fund scheme. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2.12 Lease

The Group, as a lessee, recognises a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Group has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-

use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses incremental borrowing rate.

For short-term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term.

2.13 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expenses are recognised in statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income (OCI).

Current tax

Current tax is the tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of the previous year. It is measured using tax rates (and tax laws) enacted or substantially enacted by the reporting date.

Current tax assets/liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax assets (if any) are recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets/liabilities are reviewed at each balance sheet date and are recognised/ reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

2.14 Provisions

A Provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material)

2.15 Contingent Liabilities

Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by the future events not wholly within the control of the company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent Assets

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

2.16 Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Financial assets include cash and cash equivalents, trade and other receivables, investments in securities and other eligible current and non-current assets.

At initial recognition, all financial assets are measured at fair value. Such financial assets are subsequently classified under one of the following three categories according to the purpose for which they are held. The classification is reviewed at the end of each reporting period.

Financial assets at amortised cost: At the date of initial recognition, are held to collect contractual cash flows of principal and interest on principal amount outstanding on specified dates. These financial assets are intended to be held until maturity. Therefore, they are subsequently

measured at amortised cost by applying the Effective Interest Rate (EIR) method to the gross carrying amount of the financial asset. The EIR amortisation is included as interest income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

Financial assets at fair value through other comprehensive income: At the date of initial recognition, are held to collect contractual cash flows of principal and interest on principal amount outstanding on specified dates, as well as held for selling. Therefore, they are subsequently measured at each reporting date at fair value, with all fair value movements recognised in Other Comprehensive Income (OCI). Interest income calculated using the Effective Interest Rate (EIR) method, impairment gain or loss and foreign exchange gain or loss are recognised in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from the OCI to Statement of Profit and Loss.

Financial assets at fair value through profit or loss: At the date of initial recognition, financial assets are held for trading, or which are measured neither at Amortised Cost nor at Fair Value through OCI. Therefore, they are subsequently measured at each reporting date at fair value, with all fair value movements recognised in the Statement of Profit and Loss.

Investment in Equity shares of associates and joint venture are valued at cost.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109.

The Group assesses impairment based on the expected credit losses (ECL) model to all its financial assets measured at amortised cost.

(b) Financial liabilities

Financial liabilities include long-term and short-term loans and borrowings, trade and other payables and other eligible current and non-current liabilities.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other payables, net of directly attributable transaction costs. After initial recognition,

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

financial liabilities are classified under one of the following two categories:

Financial liabilities at amortised cost: After initial recognition, such financial liabilities are subsequently measured at amortised cost by applying the Effective Interest Rate (EIR) method to the gross carrying amount of the financial liability. The EIR amortisation is included in finance expense in the profit or loss.

Financial liabilities at fair value through profit or loss: which are designated as such on initial recognition, or which are held for trading. Fair value gains / losses attributable to changes in own credit risk is recognised in OCI. These gains / losses are not subsequently transferred to Statement of Profit and Loss. All other changes in fair value of such liabilities are recognised in the Statement of Profit and Loss.

The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

2.17 Revenue Recognition

Revenue from contracts with customer

Revenue from contract with customers is recognised when the Group satisfies performance obligation by transferring promised goods and services to the customer. Performance obligations are satisfied at the point of time when the customer obtains controls of the asset. Revenue is measured based on transaction price, which is the fair value of the consideration received or receivable, stated net of discounts, returns and goods & service tax. Transaction price is recognised based on the price specified in the contract, net of the estimated sales incentives/ discounts if any.

Rental income

Rental income from investment property is recognised as part of revenue from operations in profit or loss on a straight-line basis over the term of the lease.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will

flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Receipts from insurance claims are accounted after the same is approved by the insurance company.

2.18 Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.19 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Group. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Group.

2.20 Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, cash on hand and highly liquid short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.21 Statement of Cash Flows

Statement of Cash flows is reported using the indirect method, whereby profit for the year is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated based on the available information.

2.22 Operating Cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land Freehold	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office equipment	Computers	Total	Capital work in progress (CWIP)
As at 31 March 2023	86.73	255.70	361.33	13.22	35.78	22.39	5.55	780.70	18.27
Additions	229.41	7.99	71.21	2.63	4.64	0.94	2.04	318.88	11.66
Sales/Disposals/ Adjustments	-	-	0.57	-	0.35	-	0.41	1.33	18.88
As at 31 March 2024	316.14	263.70	431.97	15.85	40.07	23.33	7.18	1,098.24	11.05
Additions	23.96	6.51	80.34	2.16	6.77	2.50	2.06	124.30	20.38
Sales/Disposals/ Adjustments	-	-	6.36	-	1.01	-	0.08	7.45	-
As at 31 March 2025	340.10	270.21	505.95	18.01	45.83	25.83	9.16	1,215.09	31.44
Accumulated depreciation									-
As at 31 March 2023	-	31.01	91.32	4.33	10.64	7.88	2.75	147.94	-
Depreciation for the year	-	8.30	29.32	1.38	3.98	0.73	1.21	44.91	-
Sales/Disposals/ Adjustments	-	-	-	-	-	-	0.32	0.32	-
As at 31 March 2024	-	39.31	120.64	5.71	14.62	8.61	3.64	192.53	-
Depreciation for the year	-	7.82	35.59	1.94	3.45	1.49	1.63	51.93	-
Sales/Disposals/ Adjustments	-	-	2.92	-	0.40	-	0.04	3.36	-
As at 31 March 2025	-	47.13	153.31	7.65	17.67	10.10	5.23	241.09	-
Net block									
As at 31 March 2024	316.14	224.39	311.33	10.15	25.45	14.72	3.54	905.71	11.05
As at 31 March 2025	340.10	223.08	352.63	10.37	28.16	15.73	3.93	974.00	31.44

NOTE 3A CAPITAL WORK-IN-PROGRESS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Carrying amount at end of year	31.44	11.05

Ageing of Capital work-in-progress

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Less than 1 year	20.38	11.05
1-2 years	11.05	
2-3 years		
More than 3 years		
Total	31.44	11.05

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 4 INTANGIBLE ASSETS

	Technical Know-how	Software	Total
As at 31 March 2023	0.13	4.31	4.44
Additions during the period		2.28	2.28
Disposals / Adjustments during the year			
As at 31 March 2024	0.13	6.59	6.72
Additions during the period		1.40	1.40
Disposals / Adjustments during the year			
As at 31 March 2025	0.13	7.99	6.03
Accumulated amortisation:			
As at 31 March 2023	-	1.89	1.89
Charge for the year		0.58	0.58
Disposals / Adjustments during the year			
As at 31 March 2024	-	2.47	2.47
Charge for the year	-	0.83	0.83
Disposals / Adjustments during the year			
As at 31 March 2025	-	3.30	3.30
Carrying amount (net)			
As at 31 March 2024	0.13	4.12	4.25
As at 31 March 2025	0.13	4.69	4.83

NOTE 5 INVESTMENTS (NON-CURRENT ASSETS)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Equity instruments		
(i) 'Investment carried at cost (Unquoted)		
(a) '- in Associates		
Investment in Mecdiff	3.96	3.83
(b) '- in Joint venture		
LSN Diffusion Ltd (Fully Paid Equity Shares) - 7,54,450 (March 31, 2022 - 7,54,450 shares, April 01, 2021 - 7,54,450 shares)	64.50	84.14
	68.46	87.97
(ii) 'Investment carried at fair value through Profit and loss		
Quoted		
(a) Investment in Equity		
'-Equity shares	23.96	0.51
(b) Investment in mutual funds		
'- Mutual funds	253.58	203.45
	277.54	203.97
Other Investment		
National Saving Certificate	0.01	0.01
Total (i+ii)	346.01	291.95
(a) Investments in quoted instruments:		
Aggregate carrying value	241.14	158.93
Aggregate market value	277.52	203.97

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 6 OTHER NON-CURRENT FINANCIAL ASSETS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Security deposit*	0.30	14.56
Fixed deposit with Bank	90.16	47.53
Total	90.46	62.09

* Security deposit has been shown on transaction cost where terms not ascertainable.

NOTE 7 INVENTORIES

(Valued at cost, unless otherwise stated)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
(At lower of cost and net realisable value)		
Stock in trade		
Raw Materials	271.99	262.91
Work in Progress	183.01	111.89
Finished goods & Traded Goods	209.59	139.98
	664.59	514.78
Stock - In - Transit		
Raw Materials	17.92	15.15
Consumables, Stores and Spare parts	0.22	0.89
Traded Goods	-	1.30
	18.14	17.34
Total	682.73	532.12

NOTE 8 TRADE RECEIVABLES

(Unsecured / secured, considered good unless otherwise stated)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Secured, considered good	-	-
Unsecured, considered good*	852.35	669.04
Less: Allowance for expected credit loss	4.34	2.57
Total	848.01	666.47
Receivables from related parties (Refer Note 37)	10.45	7.78
Receivables from others	837.56	658.70
	848.01	666.47

* There are some cases pending before Hon'ble NCLT court against some parties amounting to ₹ 4.24 million. The company will provide necessary treatment in the books as per the directions of Hon'ble NCLT Court.

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Trade Receivables ageing schedule as at 31st March, 2025

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables - considered good	757.62	50.40	23.68	5.79	10.63	848.11
(ii) Undisputed Trade receivables - considered doubtful						-
(iii) Disputed trade receivables considered good						-
(iv) Disputed trade receivables considered doubtful	-	-	-	-	4.24	4.24
Total	757.62	50.40	23.68	5.79	14.87	852.35
Expected Credit Loss						4.34
Net						848.01

Trade Receivables ageing schedule as at 31st March, 2024

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables - considered good	562.01	48.27	28.87	9.39	13.22	661.75
(ii) Undisputed Trade receivables - considered doubtful	0.28					0.28
(iii) Disputed trade receivables considered good			0.00	0.01	7.00	7.02
(iv) Disputed trade receivables considered doubtful	-	-	-	-		-
Total						669.04
Expected Credit Loss					-	2.57
Net						666.47

NOTE 9 CASH AND BANK BALANCES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Cash and Cash Equivalents		
Cash on hand	1.31	2.01
Balance with scheduled banks		
in current accounts	175.63	55.41
Fixed deposit with current maturity	1,027.31	20.71
Cheque in Hand	66.29	-
	1,270.54	78.13

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 10 OTHER BANK BALANCES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Dividend accounts	-	-
Total	-	-

NOTE 11 LOANS AND ADVANCES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Loan to employees	9.50	4.61
Advance to others	62.03	150.23
Advance for Capex	46.02	-
Total	117.55	154.84

NOTE 12 OTHERS FINANCIAL ASSETS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Deposits recoverable	9.95	11.47
Mutual Funds Receivables	0.00	0.00
Interest receivable	-	0.04
MAT credit	0.74	0.08
Total	10.69	11.58

NOTE 13 OTHER CURRENT ASSETS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Prepaid expenses	5.08	0.78
Preliminary Expenses	0.04	0.04
Balances with government authorities		
Security Deposits	11.88	-
GST receivable	11.43	4.00
Tds receivable	1.18	0.46
Export and other incentive receivable	31.93	29.04
Advance income tax	-	0.35
Custom duty paid	3.05	0.10
Vat and sales tax	0.32	0.32
Balances with others		
Defined benefit plan- gratuity fund	-2.31	1.57
Other recoverable	4.87	0.39
Other receivable	0.70	-
Total	68.17	37.05

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 14 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Authorised share capital		
Equity share capital		
4,00,00,000 (Previous Years 50,00,000) equity shares of ₹10 each	400.00	400.00
	400.00	400.00
Issued, subscribed and paid-up share capital		
Equity share capital		
3,74,26,259 (Previous Years 280,21,259) Equity shares of ₹ 10/- each fully paid up	374.26	280.21
	374.26	280.21

Rights, preferences and restrictions attached to the equity shares

The Group has issued only one class of equity shares having a face value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Group declares and pays dividend in Indian Rupees. The dividend proposed by board of directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Group, the holder of equity shares will be entitled to receive remaining assets of the Group after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

Details of shares held by each shareholder holding more than 5%

Name of Shareholders	As at 31 st March, 2025		As at 31 st March, 2024	
	% held	Nos	% held	Nos
Equity shares with voting rights				
NK Garg (HUF)	5.57%	20,85,279	7.44%	20,85,279
Mr Prashant Garg	27.73%	1,03,79,551	37.04%	1,03,79,551
Dr Nitin Garg	18.37%	68,76,254	24.54%	68,76,254
Mrs Chitra Garg	16.38%	61,30,971	21.88%	61,30,971

Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	As at 31 st March, 2025	As at 31 st March, 2024
Equity shares		
Outstanding at the beginning of the year	2,80,21,259	37,37,467
Add: Shares issued during the year	94,05,000	2,42,83,792
Outstanding at the end of the year	3,74,26,259	2,80,21,259

Number of shares held by promoters and promotor group:

Name of Shareholders	As at 31 st March, 2025		As at 31 st March, 2024	
	% held	Nos	% held	Nos
Mr Prashant Garg	27.73%	1,03,79,551	37.04%	1,03,79,551
Dr Nitin Garg	18.37%	68,76,254	24.54%	68,76,254
Mrs Chitra Garg	16.38%	61,30,971	21.88%	61,30,971
Nitin and Renuka Garg	1.41%	5,26,967	1.88%	5,26,967
Prashant and Neelu Garg	0.18%	65,548	0.23%	65,548
NK Garg (HUF)	5.57%	20,85,279	7.44%	20,85,279
Neelu Prashant Garg	0.06%	22,400	0.08%	22,400

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 15 CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE PERIOD ENDED 31ST MARCH, 2025

A EQUITY SHARE CAPITAL

	No. of Shares	Amount
Balance as at March 31, 2023	37,37,467	37.37
Add: Issue during the year	2,42,83,792	242.84
Balance as at March 31, 2024	2,80,21,259	280.21
Add: Issue during the year	94,05,000	
Balance as at March 31, 2025	3,74,26,259	374.26

B OTHER EQUITY

Particulars	Retained Earnings	Securities Premium	Capital Redemption Reserve	Capital Reserve	Capital Investment Subsidy	General Reserve	Currency translation reserve	Total attributable to the owners of the Company	Non Controlling interests (NCI)	Total
Balance as at 31 March 2023	1,211.89	29.36	4.72	15.92	0.08	122.05	(1.43)	1,382.61	1.69	1,384.29
Profit for the year	306.59							306.59	1.45	308.03
Translation Reserve Movement							(2.13)	(2.13)		(2.13)
Net change in fair value of Equity investments								-		-
Remeasurement of net defined benefit plan	(1.54)							(1.54)		(1.54)
Less: interim dividend	(7.01)							(7.01)		(7.01)
Less: final dividend	(11.21)							(11.21)		(11.21)
Issue of share		199.71						199.71		199.71
Utilised against bonus share		(229.07)	(4.72)			(6.39)		(240.18)		(240.18)
Balance as at 31 March 2024	1,498.73	-	0.00	15.92	0.08	115.66	(3.56)	1,626.84	3.14	1,629.98
Profit for the year	359.09							359.09	1.32	360.41
Translation Reserve Movement							1.90	1.90		1.90
Net change in fair value of Equity investments								-		-
Remeasurement of net defined benefit plan	(1.39)							(1.39)		(1.39)
Less: interim dividend								-		-
Less: final dividend	(15.96)							(15.96)		(15.96)
Issue of share		1,485.59						1,485.59		1,485.59
Utilised against bonus share								-		-
Utilised against Issue expenses		(141.56)						(141.56)		(141.56)
Balance as at 31 March 2025	1,840.48	1,344.03	0.00	15.92	0.08	115.66	(1.66)	3,314.51	4.46	3,318.98

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Description of Reserves

Retained earnings

Retained earnings represents surplus/accumulated earnings of the Group and are available for distribution to shareholders.

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Capital Redemption Reserve

In FY 2001-02 Group completed the Buy-Back of 4,72,150 equity shares of ₹ 10/- each at a Premium of ₹ 25.62 per share. The total consideration paid was ₹ 1,68, 17,981/- out of which the Premium of ₹ 1,20,96,481/- was paid by utilising the share premium account. The company has also transferred ₹ 47,21,500/- to the capital redemption reserve account from General Reserve as a consequent to the Buy-Back of shares.

Capital Reserve

The Group started creating the capital reserve for receipt of state subsidy from the year 1992-93.

General reserves

General Reserve represents appropriation of retained earnings and are available for distribution to shareholders.

As per our report of even date

For PGS & Associates

Chartered Accountants

F.R.N. : 0122384W

PREMAL H GANDHI

Partner

Membership Number: 111592

Place : Mumbai

UDIN : 25111592BMMJFL4292

Date : 15-05-2025

RAMESH KUMAR NARASINGHBHAN

Chief Executive Officer

Place : Nagpur

Date : 15-05-2025

For and on behalf of the Board of Directors of

Diffusion Engineers Limited

PRASHANT N. GARG

Chairman & Managing Director

DIN :- 00049106

Place : Nagpur

Date : 15-05-2025

ABHISHEK MEHTA

Chief Financial Officer

Place : Nagpur

Date : 15-05-2025

NITIN N GARG

Director

DIN :- 08558736

Place : Nagpur

Date : 15-05-2025

CHANCHAL JAISWAL

Company Secretary

Place : Nagpur

Date : 15-05-2025

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 16 BORROWINGS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Secured		
Term Loan	-	-
Total	-	-

NOTE 17 OTHER NON-CURRENT FINANCIAL LIABILITIES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Vehicle and laptop Scheme	4.73	4.72
Deposits from distributors	5.55	5.27
Total	10.28	9.99

NOTE 18 DEFERRED TAX LIABILITIES (NET)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Deferred Tax Liability:		
Timing Difference on account of Carrying amount of Property, plant and equipment and Intangible assets in the Financial Statements and the Income Tax Return	55.94	53.35
Deferred Tax Assets:		
Expense allowable for tax purpose when paid (Section 43B items)	-	0.92
Total	55.94	52.43

NOTE 19 BORROWINGS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Secured		
Loan From Banks	232.14	344.35
Total	232.14	344.35

Note 19.1

- Interest rate of the above loan in range between 8.5% to 9.25%.**
- Borrowings from banks are secured by way of :-
Secured against Mortgage of Land & Building, book debts & hypothication of Stock.

NOTE 20 TRADE PAYABLES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
total outstanding dues of micro and small and medium enterprises	28.83	111.59
total outstanding dues of creditors other than micro and small and medium enterprises	256.08	197.56
	284.91	309.14

Note on MSME Disclosure

Outstanding to Micro, Small and Medium Enterprise : March 25 :-28.83 Millions March 24: 111.59 Millions .The identification of suppliers under "Micro, Small and Medium Enterprises Development Act, 2006" was done on the basis of the information to the extent provided by the suppliers to the Group. Total outstanding dues of Micro, Small and Medium Enterprises, which were outstanding for more than the stipulated period, are given below:

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Principal amount due and remaining unpaid	28.83	111.59
Interest paid	-	-
Interest due	-	-
Interest accrued and due	-	-
Interest due and remaining unpaid	-	-
	28.83	111.59

Trade Payables ageing schedule: As at 31st March, 2025

Particulars	Outstanding for following periods from due date of payment					
	Not due	< 1 Year	1-2 years	2-3 years	> 3 years	Total
(I) MSME	27.63	-	-	-	-	27.63
(ii) Others	89.78	149.99	3.21	4.66	8.44	256.08
(iii) Disputed dues- MSME	-	0.21	0.30	0.63	0.06	1.20
(iv) Disputed dues - Others	-	-	-	-	-	-

Trade Payables ageing schedule: As at 31st March, 2024

Particulars	Outstanding for following periods from due date of payment					
	Not due	< 1 Year	1-2 years	2-3 years	> 3 years	Total
(I) MSME	61.51	49.01	-	-	-	110.52
(ii) Others	-	191.57	2.03	3.68	0.28	197.55
(iii) Disputed dues- MSME	-	-	0.60	0.22	0.25	1.07
(iv) Disputed dues - Others	-	-	-	-	-	-

NOTE 21 OTHER FINANCIAL LIABILITIES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Interim Dividend	0.00	4.89
Liabilities For Expences	8.96	16.79
Director remuneration	0.03	0.19
Security Deposit Received from dealer	-	0.37
Total	8.99	22.23

NOTE 22 PROVISIONS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Provision for Leave Encashment	4.23	3.61
Provision for Tax- Net of Advance Tax	17.26	5.05
Total	21.49	8.66

NOTE 23 OTHER CURRENT LIABILITIES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Statutory Remittances	55.25	31.42
Advance Received from customers	14.06	36.69
Mobile Scheme	0.01	0.01
Other Credit Balances	51.55	29.35
Audit Fees Payable	0.03	0.02
Other	7.13	0.64
TDS Payable	9.40	0.11
Total	137.43	98.24

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 24 REVENUE FROM OPREATION

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Sale of Products and Services		
- Manufacturing	2,213.17	1,863.92
- Trading	418.46	304.29
- Export Sales	280.84	260.77
	2,912.47	2,428.98
Job work receipt		
- Local	405.97	326.34
- Export	13.02	2.72
	418.99	329.06
Other Operating Revenues		
Insurance, Licenses & Packing on Sales	16.39	19.78
Duty Drawback	4.11	3.63
	20.50	23.41
Total	3,351.96	2,781.45

Disclosure in accordance with Ind AS - 115 "Revenue Recognition Disclosures", of the Companies (Indian Accounting Standards) Rules, 2015

Revenue disaggregation is as follows

	As at 31 st March, 2025	As at 31 st March, 2024
Disaggregation of goods		
Manufactured Products	2,494.01	2,124.69
Trading Products	418.46	304.29
Job Works	418.99	329.06
Others	20.50	23.41
	3,351.96	2,781.45
Disaggregation based on geography		
India	3,058.10	2,517.96
Outside India	293.86	263.49
	3,351.96	2,781.45

Geographical location is based on the location of customers excluding export incentives Information about major customers

Customer Type	As at 31 st March, 2025	As at 31 st March, 2024
Customers under Government Projects	245.29	184.25
Industrial Customers	2,812.81	2,333.72
Export Customers	293.86	263.49
Total	3,351.96	2,781.45

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 25 OTHER INCOME

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Other Income		
Interest income		
- on Deposit	42.01	4.27
- Unwinding of discount on security deposits and others	-	0.20
Foreign exchange gain	6.44	2.88
Profit on Sale of Assets & Investment	36.61	20.61
Net gain/(loss) on financial instruments at fair value through profit or loss	(7.40)	29.43
Rent income	-	0.17
Insurance claim receipt	0.40	2.68
Export incentive	0.80	2.59
Freight Charges Recovered	0.20	0.06
Dividend income	1.61	0.31
Miscellaneous income	0.83	0.77
PSI subsidy	11.76	10.19
Total	93.27	74.17

NOTE 26 COST OF MATERIALS CONSUMED

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
As at beginning of the period	261.16	254.46
Add: Purchases	1,696.95	1,298.97
Less : As at end of the period	302.88	261.16
Total	1,655.23	1,292.27

NOTE 27 PURCHASES OF STOCK-IN-TRADE

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Purchases of stock-in-trade	211.61	185.55
Total	211.61	185.55

NOTE 28 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Inventories at the beginning of the year:		
Stock-in-trade	87.18	55.57
Finished goods	59.07	54.33
Work-in-progress	113.64	140.49
	259.89	250.40
Inventories at the end of the year:		
Stock-in-trade	90.87	87.18
Finished goods	92.02	60.82
Work-in-progress	184.21	111.89
	367.10	259.89
Total	(107.21)	(9.50)

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 29 MANUFACTURING EXPENSES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Consumable, stores and spare parts material Consumed		
Inventories at the beginning of the year:	11.07	12.22
Add:- Purchases for the year	74.96	69.55
Inventories at the end of the year:	12.75	11.07
	73.28	70.70
Custom duties expenses	34.86	15.91
Job work charges	200.21	157.27
Labour charges	46.86	43.45
Carriage inward and clearing charges	30.93	27.33
Power and fuel	69.71	61.07
Lease rental	7.93	7.93
Freight On Raw Material	1.54	-
Wages	-	2.72
Import Expenses	3.20	1.47
Water charges	0.39	0.34
	395.65	317.48
Total	468.93	388.18

NOTE 30 EMPLOYEE BENEFITS EXPENSES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Salaries, wages and bonus	389.30	329.87
Post employment benefits		
- Contribution to provident and other funds	16.74	16.00
- Gratuity and other defined benefit plans	3.77	3.35
- Labour welfare fund	0.00	0.00
Staff welfare expenses	3.69	3.21
Sales Incentive	5.52	6.08
Directors' Commission	-	2.05
	419.02	360.56

NOTE 31 FINANCE COST

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
- Interest expense on:		
Borrowings	18.39	14.13
Other borrowing costs	4.35	3.43
Total	22.74	17.55

NOTE 32 DEPRECIATION AND AMORTISATION EXPENSE

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Depreciation of tangible assets	51.92	44.91
Amortisation of intangible assets	0.83	0.58
Total	52.75	45.49

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 32 OTHER EXPENSES

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Rent	7.20	9.03
Security charges	8.19	7.41
Rates and taxes	5.38	3.34
Repairs and maintenance:		
- Machinery	2.52	1.71
- Vehicles	4.45	2.85
- Others	4.40	4.58
Insurance	4.56	4.88
Travelling, communication and conveyance	47.23	39.25
Directors sitting fees	2.12	1.78
Commission	6.88	6.95
Packing, forwarding and distribution	53.31	26.22
Advertisements and sales promotion	2.72	2.07
Payment to auditors		
- As auditor - Audit fees	0.55	0.55
- For other services	0.53	1.40
Bad debts w/off	8.51	9.56
Legal and professional fees	40.35	23.88
Loss on Foreign currency transactions	0.58	0.34
Expenditure on corporate social responsibility	4.38	3.00
Miscellaneous expenses	29.75	26.91
Total	233.61	175.70

NOTE 33 EXCEPTIONAL ITEMS

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Share issue Expenses	-	2.57

NOTE 34 TAX EXPENSE

Particulars	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Current tax (including earlier years)	106.93	87.86
Deferred tax	3.50	14.94
Income tax expense reported in the statement of profit and loss	110.43	102.80
Other comprehensive income		
Deferred tax charge/ (credit) on remeasurements losses of defined benefit plans	0.41	0.45
Total tax expense	110.02	102.34

The major components of income tax expense and reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 2025 25.17%, and 2024 25.17% respectively and the reported tax expense in the statement of profit or loss are as follows:

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Reconciliation of tax expense and the accounting profit multiplied by tax rate

Accounting profit before income tax	469.04	410.84
At country's statutory income tax rate of 25.17% 31 March 2025 and 31 March 2024: 25.17%)	118.06	103.41
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference Between Book Depreciation And Tax Depreciation	(4.35)	3.19
Net Expenses disallowed/allowed under Income Tax	12.00	(1.43)
Fair Value Gain as per IND AS	2.02	8.65
Effect of Deferred Tax	0.50	11.91
Others	23.96	(0.29)
	108.93	102.35

NOTE 35 EARNING PER EQUITY SHARE

Particulars	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Net profit attributable to equity shareholders		
Net profit for the year	359.09	306.59
Nominal value of equity share ₹	10.00	10.00
Total number of equity shares outstanding at the beginning of the year	37.43	28.02
Total number of equity shares outstanding at the end of the year	37.43	28.02
Weighted-average number of equity shares (Post Bonus Issue)	37.43	28.02
Basic	9.59	10.94
Diluted *	9.59	8.19

*As per para 64 of INDAS 33, the number of ordinary shares has increased as a result of a capitalisation through IPO hence diluted EPS for 2023-2024 is calculated considering the issue of shares through IPO

NOTE 36 EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution plan

The Company makes contribution to statutory provident fund as per Employees Provident Fund and Miscellaneous Provisions Act, 1952. This is a defined contribution plan as per IND-AS 19.

Particulars	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Employers Contribution to Provident Fund/ Pension Fund	14.60	13.03
Employers Contribution to ESIC	1.37	1.71
Total	15.98	14.74

Defined Benefit Plan for Gratuity & for Leave Encashment :

- (i) Actuarial gains and losses in respect of defined benefit plans are recognised in the Financial statements through other comprehensive income.
- (ii) Through its defined benefit plans the Company is exposed to a number of risks, the most significant of which are detailed below:
 - (a) **Asset Volatility :**
 - (i) The plan liabilities are calculated using a discount rate; if plan assets under perform compared to the discount rate, this will create or increase a deficit.
 - (ii) As the plans mature, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

(b) Life Expectancy :

The majority of the plan's obligations are to provide benefits for the service life of the member, so increases in service life expectancy will result in an increase in the plan's liabilities. This is particularly significant in the Company's defined benefit plans, where inflationary increases result in higher sensitivity to changes in service life expectancy.

The amounts recognized in the Balance Sheet are as follows :

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Present value of obligation at the end of year	3.61	2.70
Fair value of plan assets at the end of year	-	-
Net liability recognized in the Balance Sheet	3.61	2.70

The amounts recognized in the Balance Sheet are as follows :

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Present value of obligation at the end of year	33.67	27.72
Fair value of plan assets at the end of year	31.36	29.29
Net liability (asset) recognized in the Balance Sheet	2.31	(1.57)

The amounts recognized in the Statement of Profit and Loss are as follows:

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Current Service Cost	0.80	0.59
Interest Cost	0.18	0.20
Past Service Cost	-	-
Benefits Paid	-	-
Recognized Net Actuarial (Gain)/ Loss	1.72	0.12
Total, included in Employee Benefit Expenses	2.71	0.90

The amounts recognized in the Statement of Profit and Loss are as follows:

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Current Service Cost	3.11	2.66
Interest Cost	(0.03)	(0.32)
Past Service Cost		
Benefits Paid		
Recognized Net Actuarial (Gain)/ Loss		
Total, included in Employee Benefit Expenses	3.08	2.35

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Changes in present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows :

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Defined benefit obligation at beginning of the year	3.61	2.70
Current Service Cost	0.80	0.59
Past Service Cost		
Interest Cost	0.18	0.20
Benefits Paid		
Actuarial (Gain)/ Loss	1.72	0.12
Defined benefit obligation at the end of the year	6.31	3.61

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Defined benefit obligation at beginning of the year	27.72	22.60
Current Service Cost	3.11	2.66
Past Service Cost	-	
Interest Cost	1.93	1.62
Benefits Paid	(0.95)	(1.14)
Other (Employee contribution,tax expenses)	(0.09)	(0.08)
Actuarial (Gain)/ Loss	1.94	2.06
Defined benefit obligation at the end of the year	33.67	27.72

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Defined benefit plan at beginning of the year	29.29	27.06
Interest income	1.96	1.93
Employer contribution	1.00	1.44
Benefits Paid	(0.86)	(1.22)
Actuarial Gain/ (Loss)	0.14	0.07
Defined benefit plan at the end of the year	31.53	29.28

The Financial assumptions used in accounting for the Gratuity Plan & Leave Encashment are set out below:

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Discount Rate	6.90%	7.10%
(ii) Salary Escalation Rate	5.00%	5.00%

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Discount Rate	6.90%	7.10%
(ii) Salary Escalation Rate	5.00%	5.00%
(iii) Expected Rate of Return on Plan Assets	6.90%	7.10%

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

The Demographic assumptions used in accounting for the gratuity plan & leave encashment are set out below:

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Retirement Age	58 years	58 years
(ii) Employee Turnover :		
18-30 Years	1.00%	1.00%
30-45 Years	1.00%	1.00%
Above 45 Years	1.00%	1.00%

Particulars	Gratuity	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Retirement Age	58 years	58 years
(ii) Employee Turnover :		
18-30 Years	1.00%	1.00%
30-45 Years	1.00%	1.00%
Above 45 Years	1.00%	1.00%

Bifurcation of Present Value of Obligations at the end of the valuation period as per Schedule III of the Companies Act, 2013

Particulars	Leave Encashment	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
(i) Current liabilities	0.97	0.80
(ii) Non Current liabilities	3.26	2.81

The Sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Expected Cash flow for following years

Gratuity:

Expected Cash Flow for the Next Ten Years	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Year 1	5.90	4.36
Year 2	2.93	1.61
Year 3	1.50	2.53
Year 4	1.72	1.35
Year 5	1.99	1.62
Year 6 to 10	14.08	10.98

The estimates of future salary increase, considered in actuarial valuation, take into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. The Company evaluates these assumptions annually based on its long-term plans of growth and industry standards. The discount rate is based on prevailing market yields on government securities as at balance sheet date for the estimated term of the obligations.

NOTE 37 CONTINGENT LIABILITIES

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Contingent Liabilities not provided for :		
Claims against the company not acknowledge as Debt		
a. GST liability disputed	4.50	-
	4.50	-

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

NOTE 38 RELATED PARTY TRANSACTIONS

38.1 Names of related parties and description of relationship:

Relationship	Name of the related party
Associate of Subsidiary	M/s Mecdiff SD. BHD. (Associate of Diffusion Engineers Singapore Pte Ltd)
Associate company	LSN Diffusion Ltd
Key Management Personnel	Mr. Prashant Garg Mr Abhishek Mehta Ms Chanchal Jaiswal Mr. Ramesh Kumar Narasinghbhan
Independent Director	Mr. Ajay Jain [#] Mr. Anil Trigunyat Ms. Anita Vijaykar [#] Mrs. Deepali Sameer Bendre Mr. Sherry Samuel Oommen
Relatives of Key Managerial Personnel	Mrs. Chitra N Garg N. K. Garg HUF Mr. Nitin N Garg Mrs Neelu Garg Ajay Jain (H.U.F) Mrs Daksha Jain Mrs Disha Mehta Mrs. Renuka Garg N.K.Garg Foundation BTSG Awareness Foundation
Common Management	Devi Kiran Advisory Services LLP Benvira Forward Algorithms Private Limited

38.2 Details of related party transactions

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Sales		
M/s Mecdiff SD. BHD.	7.83	12.58
Benvira Forward Algorithms Private Limited	-	5.41
Purchase		
LSN Diffusion Ltd	37.60	42.96
Reimbursement		
Benvira Forward Algorithms Private Limited	1.34	0.01
LSN Diffusion Ltd	-	0.09
Mr. Prashant Garg	0.22	2.05
N.K.Garg Foundation	0.00	-
Contribution towards CSR		
BTSG Awareness Foundation	0.50	-
Commission		
Mr. Prashant Garg	-	-
Mr. Ajay Jain	-	0.35
Mrs. Neelu Garg	-	-

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Mrs. Renuka Garg	-	0.35
Ms. Anita Vijaykar	-	0.35
Mrs. Chitra N Garg	-	0.35
Mr. Anil Trigunyat	-	0.35
Debit / (Credit) due to exchange fluctuation		
LSN Diffusion Ltd	(0.19)	0.28
M/s Mecdiff SD. BHD.	(0.04)	0.08
Dividend		
Mr. Prashant Garg	2.61	6.98
Ajay Jain (H.U.F)	0.02	0.05
Mr. Nitin N Garg	1.72	4.67
Mrs Daksha Jain	0.00	0.00
Mrs. Chitra N Garg	1.53	4.08
Mrs. Neelu Garg	0.01	0.03
Mrs. Renuka Garg	0.13	0.36
N. K. Garg HUF	0.52	1.42
Ms. Anita Vijaykar	0.00	0.00
Mr Abhishek Mehta	0.00	0.00
Mr Ajay Jain	0.01	0.01
Remuneration		
Mr. Prashant Garg	24.00	20.00
Mrs. Neelu Garg	5.52	5.52
Sitting Fees to Directors		
Renuka Garg	0.07	0.36
Ajay Jain	0.13	0.40
Anil Trigunayat	0.40	0.11
Anita Vijaykar	0.13	0.40
Prashant garg	0.16	0.41
Chitra Garg	0.38	0.11
Mr. Nitin N Garg	0.33	-
Mrs. Deepali Sameer Bendre	0.26	-
Mr. Sherry Samuel Oommen	0.27	-
Key Managerial Personnel - Remuneration		
Mr Abhishek Mehta	1.82	1.82
Ms Chanchal Jaiswal	0.86	0.60
Mr. Ramesh Kumar Narasinghbhan	2.40	-
Relatives of Key Managerial Personnel - Consultancy		
Mrs Disha Mehta	1.59	1.50
Rent		
Mrs. Chitra N Garg	3.40	3.03
N. K. Garg HUF	0.25	0.22
Mr. Prashant Garg	0.81	0.73
Purchase of land		
Mr. Prashant Garg	-	13.33
Mr. Nitin N Garg	-	13.33
Mrs. Chitra N Garg	-	13.33
	96.57	157.99

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

38.3 Details of outstanding to/from related parties

	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Trade Payables		
LSN Diffusion Ltd	4.71	-
Trade receivables		
M/s Mecdiff SD. BHD.	4.03	7.78
Benvira Forward Algorithms Private Limited	6.42	6.28

Mr Ajay Jain [DIN: 02815416] and Ms Anita Vijayakar [DIN:01190200] ceased to be Independent Directors of the company upon completion of their term at the close of business hours on September 13, 2024.

NOTE 39 FINANCIAL INSTRUMENTS BY CATEGORY

A. Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the financial instruments of the Group

Financial Instruments by category	Carrying Value	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Financial Assets at Amortised Cost		
Cash and Bank Balances	1,270.54	78.13
Investments	241.14	158.93
Other Financial Assets	101.15	73.67
Trade Receivables	848.01	666.47
Loans and advances	117.55	154.84
Total	2,578.39	1,132.05
Financial Liabilities at Amortised Cost		
Trade Payables	284.91	309.14
Borrowings	232.14	344.35
Other Financial Liabilities	19.27	32.23
Total	536.32	685.72

Financial Instruments by category	Fair Value	
	Year ended 31 st March, 2025	Year ended 31 st March, 2024
Financial Assets at Amortised Cost		
Cash and Bank Balances	1,270.54	78.13
Investments	277.52	203.97
Other Financial Assets	101.15	73.67
Trade Receivables	848.01	666.47
Loans and advances	117.55	154.84
Total	2,614.77	1,177.09
Financial Liabilities at Amortised Cost		
Trade Payables	284.91	309.14
Borrowings	232.14	344.35
Other Financial Liabilities	19.27	32.23
Total	536.32	685.72

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables, loans, trade payables, and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term receivables/payables are evaluated by the Company based on parameters such as interest rates, risk factors, individual creditworthiness of the counterparty and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables.

All foreign currency denominated assets and liabilities are translated using exchange rate at reporting date.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs based on unobservable market data.

Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets:

Particulars	Carrying Amount	Year ended 31 st March, 2025		
		Level of input used in		
		Level 1	Level 2	Level 3
Financial Assets at Amortised Cost				
Cash and Bank Balances	1,270.54	-	-	1,270.54
Investments	241.14	277.52	-	(36.38)
Other Financial Assets	101.15	-	-	101.15
Trade Receivables	848.01	-	-	848.01
Financial Liabilities at Amortised Cost				
Trade Payables	309.14	-	-	309.14
Borrowings	344.35	-	-	344.35
Other Financial Liabilities	32.23	-	-	32.23

Particulars	Carrying Amount	Year ended 31 st March, 2024		
		Level of input used in		
		Level 1	Level 2	Level 3
Financial Assets at Amortised Cost				
Cash and Bank Balances	78.13	-	-	78.13
Investments	158.93	203.97	-	(45.04)
Other Financial Assets	73.67	-	-	73.67
Trade Receivables	666.47	-	-	666.47
Financial Liabilities at Amortised Cost				
Trade Payables	309.14	-	-	309.14
Borrowings	344.35	-	-	344.35
Other Financial Liabilities	32.23	-	-	32.23

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

40 FINANCIAL INSTRUMENTS

B. Financial Risk Management

Diffusion engineers limited is exposed primarily to market risk (fluctuation in foreign currency exchange rates & interest rate), credit, liquidity which may adversely impact the fair value of its financial instruments. The Group assesses the unpredictability of the financial environment & seeks to mitigate potential adverse effects on the financial performance of the Group.

1. Capital Management :

The Group's capital management objectives are:

- (i) The Board policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital employed.
- (ii) The Group manages capital risk by maintaining sound/optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio and net borrowings-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary.
- (iii) The Company uses debt equity ratio as a capital management index and calculates the ratio as the net debt divided by share holders equity. Net debts and shareholders equity are based on the amounts stated in the financial statements.
- (iv) **Debt Equity Ratio is as follows:**

Particulars	As at 31 st March, 2025	As at 31 st March, 2024
Debt (A)	232.14	344.35
Equity (B)	3,688.77	1,907.05
Debt Equity Ratio (A/B)	0.06	0.18

2. Credit Risk :

- (i) Credit risk is the risk of financial loss arising from counter-party failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit.
- (ii) Financial instruments that are subject to concentration of credit risk principally consists of trade receivables, investments, derivative financial instruments and other financial assets. None of the financial instruments of the Group results in material concentration of credit risk.

3. Liquidity Risk :

Liquidity Risk Management : Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Maturities of Borrowings :

The following table details the Group's expected maturity for borrowings :

Exposure to Risk	As at 31 st March, 2025	As at 31 st March, 2024
Interest bearing borrowings:		
On Demand	232.14	344.35
Less than 180 Days		
181-365 Days		
More than 365 Days		

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

4. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Group's exposure to market risk is primarily on account of foreign currency exchange rate risk.

a) Foreign Currency Exchange Rate Risk :

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in AED, US Dollar, Australian Dollar, Great Britain Pound, Euro, SGD against the respective functional currencies of the Company. The Company, as per its risk management policy, evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks & uses derivative instruments primarily to hedge foreign exchange (if required).

Foreign Currency Exposures :

Particulars	Currency type	As at March 31, 2025	As at March 31, 2024
I. Trade receivables/Advance	USD	1.55	0.98
	EURO	0.21	0.04
Total		1.76	1.02
II. Borrowing balances :	USD		
Total			-
III. Trade payables :	USD	0.30	0.30
	EUR	0.02	0.02
Total		0.32	0.32

Foreign Currency Sensitivity :

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

Particulars	Currency	Change in rate	Effect on profit before tax
Based on YOY change between F24 & F25	USD	10%	0.13
	USD	-10%	(0.13)
	EUR	10%	0.02
	EUR	-10%	(0.02)
March 31, 2024			
Based on YOY change between F23&24	USD	+100	0.07
	USD	-100	(0.07)
	EUR	+100	0.00
	EUR	-100	(0.00)

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

b) Interest Rate Risk :

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

Floating Interest rate exposure :	As at 31st March, 2025	As at 31st March, 2024
Secured Loans :		
Loans repayable taken from Banks:	232.14	344.35
Total	232.14	344.35

Interest Rate Sensitivity :

The sensitivity analyses below have been determined based on exposure to interest rate. For variable rate liabilities, analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. With all other variables held constant, the Group's profit before tax is affected through the impact on variable rate borrowings, as follows:

Particulars	Increase / Decrease in Basis Points	Effect on Profit Before Tax(Loss)
As at March 31, 2025	+100	2.32
	-100	(2.32)
As at March 31, 2024	+100	3.44
	-100	(3.44)

NOTE 41 ADDITIONAL INFORMATION REGARDING SUBSIDIARIES AS PER SCHEDULE III OF THE COMPANIES ACT, 2013

Name of the Entity	Net Assets		Share in Profit or Loss	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount
F.Y. 2024-25				
a) Parent				
Parent- Diffusion Engineers Ltd.	95.83%	3,176.15	93.14%	336.14
b) Subsidiaries				
Indian				
Diffusion Super-Conditioning Services Pvt. Ltd.	0.37%	12.29	0.60%	2.15
Nowelco Industries Pvt. Ltd.	0.07%	2.38	1.73%	6.26
Diffusion Hernon Adhesive & Sealant Pvt. Ltd.	0.05%	1.75	0.14%	0.52
Foreign				
Diffusion Engineers Singapore Pte. Ltd.	1.61%	53.21	0.88%	3.18
Diffusion Wear Solutions Philippines Inc.	2.25%	74.48	9.65%	34.84
Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	-0.09%	-3.08	-0.74%	-2.66
Adjustments arising out of consolidation	-0.08%	(2.66)	-5.41%	-19.53
Total	100%	3,314.51	100%	360.91

Notes forming part of the Consolidated Financial Statements

for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Name of the Entity	Net Assets		Share in Profit or Loss	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount
F.Y. 2023-24				
a) Parent				
Parent- Diffusion Engineers Ltd.	93.35%	1,783.19	76.36%	232.42
b) Subsidiaries				
Indian				
Diffusion Super-Conditioning Services Pvt. Ltd.	0.55%	10.52	0.81%	2.46
Nowelco Industries Pvt. Ltd.	0.45%	8.58	1.41%	4.29
Diffusion Hernon Adhesive & Sealant Pvt. Ltd.	0.12%	2.22	0.02%	0.05
Foreign				
Diffusion Engineers Singapore Pte. Ltd.	1.15%	21.97	-13.91%	(42.33)
Diffusion Wear Solutions Philippines Inc.	5.87%	112.14	32.02%	97.47
Adjustments arising out of consolidation	-1.49%	-28.43	3.29%	10.02
Total	100%	1,910.19	100%	304.37

NOTE 43 RATIO ANALYSIS

Sr No.	Ratio Analysis	Numerator	Denominator	31 st March 2025	31 st March 2024	% Variance	Remark
1	Current Ratio	Current Assets	Current Liabilities	4.38	1.89	131.40%	Variance is due to increase in cash and cash equivalents due to IPO proceeds
2	Debt Equity Ratio	Total borrowings	Sharholder's Equity	0.06	0.18	-65.15%	Variance is due to repayment of debt and issue of fresh equity
3	Debt Service Coverage Ratio	Earnings available for debt service	Debt Service	29.37	33.30	-11.81%	
4	Return on Equity Ratio	Profit After Tax	Avg. Shareholders Equity	12.88%	18.52%	-30.44%	Variance is due to increase in Shareholders Equity as a result of IPO
5	Inventory Turnover Ratio	Net Sales	Average Inventory	5.67	5.44	4.20%	
6	Trade Receivables Turnover Ratio	Net Credit Sales	Average Trade Receivables	4.55	4.18	8.96%	
7	Trade Payables Turnover Ratio	Total Purchases	Average Trade Payables	6.68	5.58	19.57%	Variance is due to increase in purchase and timely payment

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

Sr No.	Ratio Analysis	Numerator	Denominator	31 st March 2025	31 st March 2024	% Variance	Remark
8	Net Capital Turnover Ratio	Net Sales	Average Working Capital	2.29	4.50	-49.13%	Variance is due to increase in cash and cash equivalents due to IPO proceeds
9	Net Profit Ratio	Profit After Tax	Net Sales	10.48%	10.66%	-1.72%	
10	Return on Capital employed	EBIT	Capital Employed	15.94%	20.63%	-22.77%	Variance is due to increase in Shareholders Equity as a result of IPO
11	Return on Investment	Profit After Tax	Sharholder's Equity	9.73%	16.08%	-39.45%	Variance is due to increase in Shareholders Equity as a result of IPO

Explanation :

Total Debt represents Current Borrowings + Non Current Borrowings.

Shareholders Equity represents Equity Share Capital + Other equity

Earnings available for debt service represents Profit Before Tax + Depreciation and Amortizations + Interest on Debt

Debt Service represents Interest on Debt + Scheduled Principal Repayment of Non Current Borrowings

Net Sales represents Domestic Sales + Export Sales + Scrap Sales

Capital Employed represents Total Equity + Borrowings

NOTE 44 PROPOSED DIVIDEND

Board of Directors proposes 15% Final Dividend on Equity shares subject to approval in AGM.

Note on Dividend Income from Subsidiary

Dividends Paid by Diffusion Wear Solutions Philippines Inc. have been recognized as income in Diffusion Engineers Singapore Pte Ltd's standalone financial statements for FY 2024-2025. However, in the consolidated financial statements, the dividend received from group company are eliminated as intercompany transactions do not impact the group's consolidated profit.

NOTE 45 OTHER AMENDMENTS WITH RESPECT TO SCHEDULE III

The Company does not have any Benami property, where any proceedings have been initiated or pending against the company for holding any Benami property.

The company is not declared as wilful defaulter by any bank or financial Institution or other lender

The Company does not have any transactions with Companies struck off.

The company has filed certain Adjudication/Regularization Applications before the Registrar of Companies, Mumbai.

The Company has not traded or invested in Crypto currency or Virtual currency during the financial year.

The Company has not advanced or loaned or invested funds to any other person / entities, including foreign entities (intermediaries) with the understanding that the intermediary shall:

Notes forming part of the Consolidated Financial Statements for the period ended March, 2025

(All amounts in rupees Million, unless otherwise stated)

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (ultimate beneficiaries) or
- (ii) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

The company have not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall:

- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (ultimate beneficiaries) or
- (ii) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

The Company does not have any transaction which is not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961).

NOTE 46

Previous year's figures have been regrouped / rearranged wherever necessary, to confirm to the current year's classification / disclosure.

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

For and on behalf of the Board of Directors of
Diffusion Engineers Limited

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN : 25111592BMMJFL4292
Date : 15-05-2025

PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 15-05-2025

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : 15-05-2025

RAMESH KUMAR NARASINGHBHAN
Chief Executive Officer
Place : Nagpur
Date : 15-05-2025

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 15-05-2025

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 15-05-2025



Registered office Address :

DIFFUSION ENGINEERS LIMITED

T-5/6, MIDC, Hingna, Industrial Area, Nagpur,
Maharashtra, India 440016

Website : <https://www.diffusionengineers.com/>