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Date: February 13, 2026

To,
The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East),
Mumbai - 400 051
NSE Symbol: DIFFNKG

To,
The Manager
Corporate Relationship Department
BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
BSE Scrip Code - 544264

Dear Sir/Madam,

Subject: Transcript of the Analysts/Institutional Investors Meeting / Call on Financial Results for the quarter and nine months ended December 31, 2025

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call on Un-Audited Financial Results (Standalone and Consolidated) for the quarter and nine months ended December 31, 2025 held on Monday, February 09, 2026 at 04:30 p.m. (IST).

The above information is also available on the website of the Company i.e.
https://www.diffusionengineers.com/investors-relation

Kindly take the information on record.

Thanking You.
Yours faithfully,

For Diffusion Engineers Limited

Chanchal Rajesh Jaiswal
Digitally signed by Chanchal Rajesh Jaiswal
Date: 2026.02.13 15:17:29 +05'30'

Chanchal Jaiswal
Company Secretary and Compliance Officer
Membership no. A67136

"Diffusion Engineers Limited

Q3 & 9M FY '26 Earnings Conference Call"

February 09, 2026

MANAGEMENT: **MR. PRASHANT GARG – CHAIRMAN AND MANAGING DIRECTOR – DIFFUSION ENGINEERS LIMITED**
MR. ABHISHEK MEHTA – CHIEF FINANCIAL OFFICER – DIFFUSION ENGINEERS LIMITED
MS. CHANCHAL JAISWAL – COMPANY SECRETARY AND COMPLIANCE OFFICER – DIFFUSION ENGINEERS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Diffusion Engineers Limited Q3 and 9-Month FY '26 Earnings Conference Call. This conference call may contain certain forward-looking statements based on the beliefs, opinions, and expectations as on the date of this call. These statements are not the guarantees of future performance and involve certain risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this call is being recorded.

I now hand the conference over to Mr. Prashant Garg, Chairman and Managing Director for Diffusion Engineers Limited. Thank you, and over to you, sir.

Prashant Garg: Good evening, everyone, and welcome to Diffusion Engineers' earnings conference call for the third quarter and nine months ended December 31st, 2025. We are delighted to have you join us today. I am joined by Mr. Abhishek Mehta, our CFO; Ms. Chanchal Jaiswal, Company Secretary and Compliance Officer; and our Investor Relations team from Adfactors PR. The investor presentation and media release have been uploaded to the stock exchanges and are available on our website.

Before we dive into the quarterly performance and strategic developments, let me briefly introduce our company for those of you who may be new to our story. Diffusion Engineers Limited, founded in 1982 and headquartered in Nagpur, is a leading Indian engineering solution provider focused on welding consumables, wear plates and parts, and heavy engineering equipment. With over four decades of expertise, the company serves critical maintenance and performance needs across core industrial sectors, including industries such as cement, steel, power, mining, engineering, and sugar.

DEL operates a fully integrated manufacturing platform, uniquely producing specialized electrodes, flux-cored wires, composite wear plates, ready-to-fit wear parts, and heavy engineering equipment all under one roof. This integration ensures high quality, cost efficiency, and reliability for demanding industrial applications. Over 80% of our revenues are coming from repeat customers, reflecting our strong customer relationships.

The company manufactures critical equipment such as High-Pressure Grinding Rolls, industrial fans, air separators, air heaters, and other such large and complex equipment from its Nagpur-based facilities and exports to 30 plus countries. With IPO-funded capacity expansion underway and a focus on higher-value engineering products, DEL is well-positioned for accelerated growth over FY '27 to FY '29.

FY '26 has been a year of steady execution, strengthening fundamentals, and strategic capacity creation for Diffusion Engineers. Despite operating at high utilization levels, we have continued to deliver double-digit growth, improving profitability and enhancing our long-term growth visibility. Our performance this year reflects the strength of our integrated business model, deep customer relationships across industries, and four decades of engineering expertise. During the period under review, the company delivered healthy revenue growth supported by strong execution across welding consumables, wear solutions, and heavy engineering.

Our consolidated EBITDA margins remained stable at around 13% to 14%, despite operating in a high-capacity utilization environment. This stability underscores our disciplined cost management and improving product mix. Importantly, we continue to see margin headroom as new capacities come online and scale efficiencies kick in. Profitability has also been supported by better absorption, operating leverage, and a growth contribution from higher-value products and solutions.

Our order book continues to remain robust, standing close to INR2 billion, reflecting sustained demand across cement, steel, power, mining, and infrastructure sectors. We are particularly encouraged by strong traction in wear plates and engineered parts, continued demand for specialized welding consumables, and healthy inquiry levels for large heavy engineering equipment including High-Pressure Grinding Rolls. Over 80% of our business comes from repeat customers, which highlights the sticky nature of our offerings and the trust customers place in our execution capabilities.

Currently, we are operating at approximately 85% capacity utilization across key product segments. While this reflects strong demand, it also reinforces the importance of our ongoing capacity expansion program. Our integrated operations from consumables to wear plates to heavy engineering equipment continue to differentiate us in the marketplace. Very few players in India possess this end-to-end capability under one roof, and this remains our key competitive advantage.

An update on capex and expansion. As you are aware, we are in the midst of a significant expansion phase fully funded through our IPO proceeds. Some of the key updates include; welding consumables expansion expected to come alive shortly, adding 10 tons per day of incremental electrode manufacturing capacity. Wear plate capacity increased by 25% to more than 250 square meters per day.

A new wire manufacturing line enhancing backward integration and improved margins is getting ready at our manufacturer's place. Commissioning of a new heavy engineering facility by the end of FY '26. We expect that these new assets will deliver an asset turnover of 3x to 3.5x, with full utilization to be achieved over the next two to three years, that is by FY '28-'29.

Our long-term strategy and vision. Our strategy remains focused on increasing the share of value-added high-margin products, deepening relationships with marquee customers, expanding our global footprint with exports now reaching above 30 plus countries, and leveraging on our DSIR-approved R&D facility to drive product innovation and customization. With the current expansion cycle, we are building the foundation for the next phase of growth.

The outlook and guidance for looking ahead. We remain confident of delivering double-digit revenue growth even at our current utilization levels. With new capacities coming online, FY '27 onwards should start seeing accelerated growth in the range of 25%. Over the medium term, we are targeting EBITDA margins of 15% to 16% driven by scale, backward integration, and a richer product mix.

Our long-term aspiration is to build Diffusion Engineers into an INR6 billion top-line post-capex. The demand environment across infrastructure, cement, mining, and manufacturing remains supportive, backed by government initiatives such as Make in India and PLI, as well as rising private capex.

With that, now I invite our CFO, Mr. Mehta, to take you through Q3 and 9 months FY '26 financial performance.

Abhishek Mehta: Thank you, Prashant sir. I will now walk you through our standalone and consolidated financial performance for Q3 and 9 months FY '26. We'll start with consolidated financial performance highlights for the quarter ended 31st December 2025. Revenue from operations was INR1008.24 million in Q3 FY '26 as against INR791.98 million in Q3 FY '25, a Y-o-Y increase of 27.31%.

EBITDA, excluding other income, was at INR135.05 million in Q3 FY '26 as against INR104.72 million in Q3 FY '25, an increase of 28.96%. EBITDA margin, excluding other income, for the quarter was at 13.39%. Profit after tax stood at INR120.11 million in Q3 FY '26 as compared to INR71.01 million in Q3 FY '25, a Y-o-Y increase of 69.14%.

Consolidated performance highlights for nine months ended 31st December 2025. Revenue from operations was INR2,650.54 million in 9 months FY '26 as against INR2,327.47 million in 9 months FY '25, a Y-o-Y increase of 13.88%.

EBITDA, excluding other income, was at INR364.54 million in 9 months FY '26 as against INR323.75 million in 9 months FY '25, an increase of 12.60%. EBITDA margin, excluding other income, for nine months was at 13.75%. Profit after tax stood at INR344.40 million in 9 months FY '26 as compared to INR230.29 million in 9 months FY '25, a Y-o-Y increase of 49.55%.

Now I'll come to standalone performance highlights for the quarter ended 31st December 2025. Revenue from operations was INR876 million in Q3 FY '26 as against INR735.42 million in Q3 FY '25, a Y-o-Y increase of 19.12%. EBITDA, excluding other income, was at INR116.75 million in Q3 FY '26 as against INR85.67 million in Q3 FY '25, an increase of 36.27%.

EBITDA margin, excluding other income, for the quarter stood at 13.33%. Profit after tax stood at INR88.54 million in Q3 FY '26 compared to INR63.86 million in Q3 FY '25, a Y-o-Y increase of 38.65%. Now standalone performance highlights for nine months ended 31st December 2025. Revenue from operations was INR2,409.33 million in 9M FY '26 as against INR2151.18 million in 9M FY '25, a Y-o-Y increase of 12%.

EBITDA excluding other income was at INR315.16 million in 9M FY '26 as against INR273.81 million in 9M FY '25, an increase of 15.10%. EBITDA margin excluding other income for the nine months ended stood at 13.08%. Profit After Tax stood at INR329.71

million in 9M FY '26 compared to INR217.12 million in 9M FY '25, a Y-o-Y increase of 51.86%.

With that, I now open the floor to any questions you may have. Thank you for your time and continued support.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Varun Jain from Dolat Capital. Please proceed.

Varun Jain: Yeah, hi. Good evening, sir. So, my first question is on this acquisition. So, just wanted to understand like what is this company, and it is a pre-revenue company from what I've seen, and you've got 10%. So, how does it fit in?

Prashant Garg: So, we are talking about Tejorup Sunmay Systems Private Limited. This company is involved in the design and development of advanced systems for aerospace, marine, and land applications. And right now, they are focusing on developing a solution for VSHORADS. VSHORADS stands for Very Short Range Air Defense Systems, and they are in the process of developing laser beam riding man-portable missiles.

The fact that they are a pre-revenue company is absolutely right, but they have been able to secure a project prototype sanction order under Make II category of DAP 2020. And they are only one of the two companies in India who have got this project sanction order. And they are in advanced stages of developing the solution which is needed for these man-portable missiles, which have become very, very critical for manning and for protecting our borderlines.

And currently, there is no other Indian company or, in fact, in the world, there are only two companies who have this solution. And this Indian company is now trying to develop this under Atmanirbhar Bharat and make a full indigenous solution. Now, the purpose of investment is not just financial; it is also strategic because with this investment, we also get manufacturing rights once the prototype is approved by the regulatory authorities, which can be DRDO and Indian Army.

So, in exchange of this investment, we also get involved directly in the development of the prototype and in the engineering of mass production once the prototype is approved. So, this is the reason why we have invested in this company.

Varun Jain: Sir, you have just bought 10%, so that is just so that you can be the welding supplier to them? And the main technology which they are using to manufacture, all that will rest with them and they'll be producing and selling, you'll just be the welding supplier and that's why you've started this relationship with a 10% stake?

Prashant Garg: No, we are not just a welding company; we are an engineering company now, and we aspire to become a broad-based engineering company and not just a welding company. And when we say that we will get the manufacturing rights, our intention is to manufacture the entire system and not just aspects related to welding in this solution that they are developing. So, we will get the manufacturing rights to manufacture the missile as well as the launcher.

Varun Jain: Okay, okay. And so just -- since you have paid like, I think you've valued it something between INR40 to INR45 crores -- so sir, how have you valued this company since they don't have any revenue?

Abhishek Mehta: Varun, I would take this question. I'm Abhishek Mehta. So, we have done valuation based on the valuation reports received from the valuers and also the estimated value of the PSO which they have received and the estimated orders if the prototype is done. So, it is valued on that basis; we have taken valuation reports of two-three valuers for this purpose.

Varun Jain: Okay, sir. Okay. And sir, what is your guidance for FY '27 revenue and margin guidance?

Abhishek Mehta: So, for revenue guidance, we will be in the late teens for sure. And our EBITDA would remain in this level, maybe 1% or 2%, 1% which may be 100 to 200 bps we expect to increase, which in turn will increase our PAT margins.

Varun Jain: Okay, okay, sir. That's all. I'll come back in the queue. Thank you.

Moderator: The next question is from the line of Varun Jain from Dolat Capital. Please proceed.

Varun Jain: Yes, sir. So, I had another follow-up, you had indicated in the past that you were L1 in, I think, some railway contracts for Vande Bharat. So, just wanted to know what's the status on that?

Prashant Garg: Yes, so we have received LOI for -- so there were six contracts in which we were in the top two bidders. And typically we don't, because we don't have a previous experience and we are not approved vendors yet, we will get trial orders, so to say, considering part quantities out of the total tendered quantity. And in six contracts, we were in the top two bidders category out of which we've received LOIs for already three such contracts.

And post receipt of LOIs, our capacity assessment and capability assessment has been carried out by RITES. So, and we are expecting their reports; we are expecting it to be positive and approved. And post that, we will get a confirmed purchase order from the tender issuing authorities, which are different divisions of Railways. So, that is work in progress, and already three LOIs we've been received, and our manufacturing facilities have been inspected by RITES and you know, we are in the process of getting the orders and then order execution will start.

Varun Jain: Okay. And so sir, what is the timeline for this, if you can indicate something?

Prashant Garg: So, I think these contracts will be executed within the next, you know, three to five months depending on the size of the contracts.

Varun Jain: Yes. Okay. And sir, are they like higher margin contracts compared to your other, you know, roller press roller and other orders?

Prashant Garg: So, these are -- please bear in mind that we are entering into a new sort of space and because these are developmental orders, we can't really comment on the margins as of now because there is a learning curve involved and these are new activities that we are doing. So, estimated margins we have some numbers, but it is only after the execution of the project or in the late stage of the project execution, we will come to know what margins we are making.

But even if in either case, high margin or low margin, the numbers are not going to make significant difference in the overall margin scenario of the company because these are contracts which we will get -- they will not be very sizable in value, but they are very important to open new gates for us going forward once these items get approved by Railways.

Varun Jain: And I think your Unit 5 was being done, so that was for this wire stripper, right, which you guys were importing? So, is that done?

Prashant Garg: Yes, the slitting line for making wires has been completed and has been installed and we are already producing our own strips, which is a very important raw material for our flux-cored wire production. I'm also happy to inform you that yesterday we commissioned the 10-ton electrode plant and that has also gone online. So, our indicated manufacturing expansion at Unit 5 is already completed.

Varun Jain: Okay. So, sir now you won't need to import this wire stripper at all or still there will be requirement?

Prashant Garg: No, so we were not importing the strips before also; we were buying it from outside. This we have made it in-house, which will help us increase our margins for manufacturing of this flux-cored wire. Part of the quantity is still being bought because the current machine meet -- so our requirements are increasing for strips and I think we will need to add part of the equipment more to have 100% in-house manufacturing of the strips. But more than 50% is coming from in-house and balance is coming from our regular vendors, which over time will further increase -- the percentage will further increase from in-house production.

Varun Jain: Okay, sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Bijal Shah from RTL Investments. Please proceed.

Bijal Shah: Yes. Thanks a lot for the opportunity. First question is -- did I get it correct that you said that once your capacity expands, the revenue potential of entire company would be around INR600?

Prashant Garg: So, we indicated that our asset turns is close to 3 to 3.5 x of our investment. The capacity expansion started happening when our revenue was around INR335 crores, which was last year and our previous plant and machinery asset size was roughly around INR95 crores. So, that is how we came up with this number of 3 to 3.5x. And we are investing close to INR100 crores. So, considering that after our capacities go fully live and utilization comes to around 85% of the added capacity, we expect to be able to do a turnover of INR600 crores to INR700 crores with this additional capacities.

Bijal Shah: Okay. And by what time frame do you think that your capacity utilization will reach around 85%?

Prashant Garg: So, we expect it to happen by anywhere between FY '28 and FY '29.

Bijal Shah: Okay, thank you. And another question is on your recent acquisition. So, I just want to understand that what are your credentials in making missile or launcher because if I look at your product line, it is -- though there is some amount of heavy engineering involve, but these are very different kinds of products. So, what are your credentials here? And secondly, if the other company gets a prototype approved, does DRDO allow it to kind of a contract manufacturer to some—I mean, manufacture with anyone or it is that company itself has to produce it?

Prashant Garg: So, I understood part of your question which you asked, that what credentials or sort of experience do we have. I did not understand the second bit of the question, sorry. If you can please repeat that?

Bijal Shah: Yeah, prototype is with the company where you have taken 10% stake. Now wouldn't government ask that company itself to produce it? It is like you take, make a prototype and what you are suggesting is that they can just make a prototype and then they can get it contract manufactured anywhere that kind of arrangement, which looks really difficult in such high-stake defence kind of orders. So, that is what I want to understand, that what are the regulations around allowing it to be manufactured by somebody else?

Prashant Garg: Right. So, A, we are already a defence supplier. So we are supplying our welding consumables for manufacturing of the T-90 tank and armouring applications. We are also bidding for precision-manufactured parts in the defence sector where not just the welding consumables, but it also needs engineering fabrication and machining capabilities.

So, while you're right to observe that we are involved in heavy engineering which involves manufacturing of large parts involving machining, fabrication, heat treatment and other complex operations, but we also manufacture precision engineering parts which are smaller in size.

So, we have also supplied some parts to Skyroot, which is a private space-tech company based out of Hyderabad which used the parts that we supplied to them as dies for the filling of their propellants in the rockets. So, we have experience and it's just that the engineering capability and machining capabilities we have, we would need to invest more in a newer facility to manufacture smaller parts. Right now, we are making larger parts, but the engineering capability exists with us.

Bijal Shah: Do you have propulsion technology, technology for propulsion I mean to say?

Prashant Garg: No, so that is developed by Tejorup Sunmay Systems Private Limited in consultation with DRDO and HEMRL and they are -- so the Army and the Indian Armed Forces need this solution so quickly that they are almost for prototyping, they are offering their own labs and 3D printing facilities to manufacture these parts in-house.

While, because they want to get this project successful and the most important bit is to make it indigenous so that they don't have to depend on foreign countries and the supply chain disruptions that may happen because of geopolitics. So, for prototyping, it's almost like they are taking over, but we are getting involved in this phase and prototyping will take at least one to two years to get approved.

So, we are now getting involved at this stage to start developing the engineering and manufacturing facilities to manufacture the parts once the prototyping is done. So, propulsion technology is not our bit; that will be developed by Tejorup in support by the Indian Armed Forces and the DRDOs, who already have a very well-established propulsion technology. Our bit is more on the contract manufacturing side which you mentioned. So, once the design is ready, we will be the manufacturing partners who will make the item as per the design developed by Tejorup.

Bijal Shah: Okay, sir. Got it. Thank you very much.

Moderator: Thank you. The next question is from the line of Sai Saket from Neem Capital. Please proceed.

Sai Saket: Hi. Thanks for the opportunity. So my question is with regard to the capacity expansion in the heavy engineering segment. So I understand that the additional capacity will have a asset turnover of 3x. So there's a sort of a vision with regard to the revenue that we're looking to arrive at?

But could you provide some more color on the pathway to get to that revenue? For example, is this additional capacity going to help us run through the order book quickly or do you think it provides us an opportunity to manufacture more complex engineering products? Could you provide some more color on the pathway?

Prashant Garg: So the additional capacity will, first of all, enable us to get more orders because we are restricted by the number of orders we accept because of our current capacity utilization. Our customers can clearly see that we are busy and we are almost full. So they don't load us more with more contracts because they can see our capacity utilization is already high.

While they are also seeing the erection in progress and the plant coming sort of online like the construction of the plant happening. So they've already started coming to us and started asking us how much more orders can we load on you. So more orders because of more capacity. This is one part of the answer.

And the second is, of course, we are adding to our machining capabilities, which will enable us to manufacture more complex and precision parts, especially of the larger size when it comes to heavy engineering product line of our business. This could not have happened without a newer plant, a plant with more space where we could have installed these machines. So also the nature of items will change a bit and we will start accepting orders where we can carry out critical machining of large parts.

Sai Saket: Understood. Thanks for that clarity. And as a follow-up to the previous participant's question with regard to the investment in Tejorup. So, it sounds like we -- sort of the manufacturing rights that the company expects, it sounds like it doesn't necessarily entail an end-to-end solution?

For example, having to kind of develop the propulsion, expertise or sort of manage explosives, etcetera. So, it's largely around the sort of the outer shell of sorts or not necessarily a fully functioning system, right? You're like a certain segment of the overall VSHORADS is what you're aiming for, right?

Prashant Garg: So, even in manufacturing of such systems, there's typically not a single manufacturer who has all the sort of capabilities or the manufacturer typically doesn't own all the technologies which gets involved in the manufacturing of some such parts. You know, a lot of things involves buying things off the shelf or from different approved vendors who already have that credential and experience and things are assembled together. So, our intention is to be that ultimate aggregator where we are able to sort of assemble the entire system in our workshop and supply it to the Indian armed forces.

Sai Saket: Understood. It might be probably initial days, but has the team sort of probably you haven't arrived at that stage yet, but probably have a sense of like is this a revenue share model or a sort of a royalty model, etcetera.? I guess those details are yet to be ironed out, right?

Prashant Garg: Yes, right now the focus is to get the prototype up and running. And in the parallel we are working on the engineering for mass manufacturing. You need to understand the difference between prototyping and mass manufacturing. A lot of engineering gets into developing a lot of tools and a lot of dies and, you know, jigs and fixtures when mass manufacturing comes. So there's a lot of engineering involved in that as well. So we are taking care of that bit, while Tejorup is focusing on getting the prototype in place.

Sai Saket: Understood. Thank you all and all the very best.

Prashant Garg: Thanks.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please proceed.

Sunil Jain: Yeah. Good evening and thanks for taking my question. Sir, my question relates to what was the roller revenue which has been included in 9-month and where you see it in FY '26 and '27?

Prashant Garg: So roughly around by the end of this year, we will do close to around INR60 crores to INR70 crores by the end of FY '26. And for FY '27, we expect this to grow in a similar sort of percentage levels as indicated by Abhishek before. Please bear in mind that the INR60 crores to INR70 crores is almost like a 100% growth over last year. So considering that, next year we expect to grow at around late teens or mid-20s -- 20% to 25% levels from this year.

Sunil Jain: And sir, since the plant is starting from 1st of April, I means towards the end of this year, and will have a good capacity next year. So where you would like be looking your order booking towards the end of this year, to start with -- for the new year?

Prashant Garg: So, I think the real increase in the order book will start happening by roughly around by the end of this year, the Q4 of this year, and also, you know, by the mid or end of next Q1 of next year. So customers have already sort of started, customers regularly keep visiting our facilities and they've started seeing the expansion which is in progress and they've already started discussing about larger quantities that they typically used to plan with us.

Of course, this will take some time and some confidence building from our side, but we think by the end of Q1 next year, our order book should increase substantially from what it is right now. I think the real effect of expansion in the order book will start happening by the end of Q1.

Sunil Jain: Okay. And sir, what type of margin expansion you are looking at? This year seems like you will be near about last year margin on EBITDA level without other income. So next year where you are seeing the margin?

Prashant Garg: So, our margins in the short-term get affected by raw material price volatility. So if the volatility is sort of gradual, we don't see that much of a problem. But if it is very volatile, then of course in short-term it affects us because it takes, there is always a time lag between the raw material prices increasing and we being able to pass on that price hike to our customers.

Certain raw materials like tungsten, molybdenum, nickel and cobalt which are high sort of performance materials, the prices of these raw materials have gone up significantly in the last month or so. So, you're right to say that in spite of the fact that, our margin improvement has happened by the end of this year, we may end up at the same EBITDA levels.

But going forward, we are hoping a margin expansion of 100 to 200 basis point on our EBITDA levels in spite of this volatility considering the scale of operations as they are increasing.

Sunil Jain: So that is targeted in the next year or maybe over a period of 1 or 2-year?

Prashant Garg: In the next year, by -- by FY '27.

Sunil Jain: Okay, sir. Great. Thank you very much, sir.

Moderator: Thank you. The next question is from the line of Rohan Mehta, an Investor. Please proceed.

Rohan Mehta: Hello, good evening. Thank you for the opportunity. Sir, if you could just shed some light on any specific end industries that have been driving the demand and -- demand for our products specifically, or is it uniform across our application sectors?

Prashant Garg: So I think the top two industries which are driving our growth or three industries would be cement, steel and power. Cement because there's a lot of capex happening in brownfield and greenfield expansion in the sector, driven primarily by capacity expansion by two or three large cement producers in India.

Steel is also seeing a major capacity expansion across different integrated steel manufacturers. And power sector also, I think there is a lot of focus again on thermal-based or coal-based power generation and there are new orders percolating from the expansion that Adani Power and NTPC is doing. So this is driving it.

Apart from this, there's also growth coming in from engineering sector which is typically, you know, players who are then supplying ultimately to the same end customer industry that I spoke to you about, which is steel, cement and power. So we're getting good amount of orders from manufacturers of equipment which are supplying to these sectors.

Rohan Mehta: Got it, sir. Got it. So, we can expect the same industry spread to remain in the foreseeable future, demand spread from these industries?

Prashant Garg: Yes, while we keep speaking to our customers and they are very confident about this sort of expansion happening for the next 3 to 5 years. And I think there is only more and more need for integrated manufacturers with good quality and timely execution and who -- and the order book can swell quickly considering the expansion happening in the industry.

Rohan Mehta: Got it, sir. Got it. Just to touch upon our capacity, if you could give us what the utilization levels are at present and if they are below the optimal levels, what kind of timelines can we expect before capacity utilization reaches optimal level? And the third part to the question is once optimal levels are reached, do we have any capex plans on the horizon maybe over the next year or two?

Prashant Garg: So, before we are undergoing this capex, our current utilization levels are 80% to 85% and after the capacity expansion gets completed, of course we are doubling our capacity, so the utilization levels will come down to say in the -- especially in the key product segment will come down to say around 50% to 60%. And I think in the next 24 months to 36 months, we should be able to get it back up to 80% to 85%.

Rohan Mehta: Understood, sir. Understood. So with the new capex after doubling, maybe two to two and a half years down, we'll again reach our current utilization levels of 85%. And 85% is a comfortable level or would you look at ramping that up as well?

Prashant Garg: No, I think 85% for manufacturing is already sort of too high; we should start expansion planning before we reach 80%, so that by the time that level comes up, we are ready with new facilities.

Rohan Mehta: Understood, sir. That makes sense. Sir, just last query, if you could shed some light on the overall, long-term strategy in terms of cross-selling, sourcing, and synergies from these basically. Relating to both sourcing and cross-selling.

Prashant Garg: So can you please explain a little bit more about cross-selling and cross-sourcing? Sorry for my ignorance.

Rohan Mehta: In terms of -- in terms of raw material sourcing, if we have any sort of cushions to take care of any volatility in raw material?

Prashant Garg: Right. No, so tungsten, for example, is seen volatility which is unlike ever seen ever. So for example, current price levels of tungsten is 300% or more, in fact, than average price levels of 2024. And I think more than 200% of average price levels of 2025. So, you can't really plan such things and you have to depend on passing on the cost to the customers.

But yes, some of the things that we are doing is, working with more vendors, especially Indian-based vendors, so that we are not concentrated or dependent on one single vendor. And also like we set up our internal strip manufacturing or strip slitting and winding facility, we also intend to sort of do some part processing in-house, so that we can cut down on cost, and can plan raw materials better.

Rohan Mehta: Got it, sir. That makes sense. That was all from my side. Thank you for taking my questions and best of luck, sir.

Prashant Garg: Thanks.

Moderator: Thank you. The next question is from the line of Sai Saket from Neem Capital. Please proceed.

Sai Saket: Thanks for the opportunity again. Um, so my question is with regard to the management commentary, in some of the earlier conference call, with regard to the seasonality aspect in the business, particularly I believe the comment was around sort of Q2 and Q4 being typically stronger or larger relative to Q1 and Q3.

But with regard to sort of now the business mix sort of moving more and more towards heavy engineering, wear plate, and wear parts. Do we see an opportunity to kind of rethink this? As it sounds like the revenue visibility going forward will largely be dependent on execution-based. So do we think that the seasonality piece would continue going forward or would this change a bit?

Prashant Garg: So, ultimately our goal is to get out of the seasonality and get an order book and execution cycle sort of synced, so that we can, always be our maximum utilization and execution from our production facilities so that, we get reliable sort of revenue numbers. But you can see that, it also depends on the order mix and the timing of the order coming in.

So, our intention is to sort of try and have equal order book or sort of similar levels of order book coming in, so that the seasonality goes out. Having said that, there is some seasonal element which will always be there because especially in -- and that depends on the major shutdowns that most of these process plants take. So rainy season is typically when it's a lull period for them to sell in the market, and that is when major shutdowns of these plants happen.

And that's when the demand sort of momentarily spikes, because all the customers, especially doing operational expenditure for maintenance and replacement of spare parts -- that's the time when the demand is the maximum because they want to carry out the maintenance during the lull period of their respective industries. So that is when, you know, Q2 sort of kicks in.

That is the time when, Q1 ending and Q2 beginning, that's when the maximum demand happens. But as you rightly pointed out, we are moving away from, just selling our consumables and getting into more engineered products, and large industrial solutions. So that will sort of reduce the effect of seasonality, but some effect will always be there.

Sai Saket: Understood, got it. And a follow-up to the sort of earlier question I had with regard to the capacity expansion. Perhaps a bookkeeping question in the sense that do we see an immediate surge in sort of depreciation aspect given the new tools and machines, that we're putting across or is that, within the more of a manageable range in a sense that we would see a good sort of year-over-year uptick?

Abhishek Mehta: So in the depreciation front, there would be some spike in it because a large amount of capex will get capitalized in this quarter. So there would be some spike; that's why we may have some impact on our PBT, but with the EBITDA margins, it will see an improvement.

Sai Saket: Understood. Thank you very much.

Moderator: The next question is from the line of Vikrant Sahu from RK Advisor. Please proceed.

Vikrant Sahu: Hello, am I audible?

Moderator: Yes, sir.

Vikrant Sahu: Yes, thanks for the opportunity, sir. I just have a few questions, like, how diversified is the Diffusion Engineers' customer base today, and has the customer concentration reduced compared to the last year?

Prashant Garg: So our customer base is very diversified. I think the single biggest customer doesn't account for even 20% of our turnover; I think it would be less than 15%. So, and we have a large customer base with large proportion of repeat orders coming in. Does that answer your question?

Vikrant Sahu: Yes, I got it. And one more question**:** over the medium term, do you expect the company to grow faster than the core business due to the smaller base or converge toward group average growth rates?

Abhishek Mehta: Sorry, we could not understand your question. If you can just repeat it, please. Could not hear you.

Vikrant Sahu: Just saying that over the medium term, do we expect the company to grow faster than the core business, due to the space of what we had currently or the growth towards the average growth rates?

Abhishek Mehta: So that's what the -- I would say we have given our guidance also, that we are expecting that we would be doing somewhere around INR600 to INR650 crores in next three to two to three years by FY'27-'28 or FY'28-'29. This is the pace at which we expect us to grow.

Prashant Garg: So as a follow-up question to his comment, can you please explain us when you say average growth rate with respect to core sector. Which growth rate are you referring to?

Vikrant Sahu: Like about the top line and the bottom line I was saying.

Prashant Garg: So are you saying that are we growing faster than the welding industry—welding consumables industry or the wear parts industry? Is that what your question is?

Vikrant Sahu: Yes, yes.

Prashant Garg: Yes, so we expect to grow faster than the average growth rates that are visible in the welding consumables or the welding solutions industry. And that is what we've indicated before also in the comment.

Vikrant Sahu: Okay, okay. Got it, sir. Thank you so much for the answer, sir. I'll re-join the queue.

Prashant Garg: Thank you.

Moderator: We take that as the last question. I now hand the conference over to Mr. Prashant Garg, Chairman and Managing Director for Diffusion Engineers Limited for the closing comments. Over to you, sir.

Prashant Garg: Thank you all for your participation and insightful questions. As we move through FY’26, we remain focused on execution, innovation, and scaling sustainably. I would also like to express my gratitude to our dedicated team members, valued clients, suppliers, bankers, and all other stakeholders who continue to place their trust in us.

For any further information, please feel free to connect with our Investor Relations team. Thank you and have a great evening ahead.

Moderator: Thank you. On behalf of Diffusion Engineers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.