Date: November 06, 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: Report of Monitoring Agency for the quarter ended September 30, 2026.

Pursuant to Regulation 32(6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Regulation 41(4) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, please find enclosed herewith Monitoring Agency Report issued in respect of the utilization of the proceeds of the Initial Public Offer ("IPO") of the Company for the quarter ended September 30, 2026 by CRISIL Ratings Limited, the Monitoring Agency.

This report will also be hosted on the Company's website viz.
https://www.diffusionengineers.com/investors-relation

We request you to take the above on record.

Thanking You.
Yours faithfully,

For Diffusion Engineers Limited

Chanchal Rajesh Jaiswal
Digitally signed by Chanchal Rajesh Jaiswal
Date: 2026.11.06 10:29:56 +05'30'

Chanchal Jaiswal
Company Secretary and Compliance Officer
ICSI Membership no. A67136

Enclosed as above

Monitoring Agency Report

for

Diffusion Engineers Limited

for the quarter ended

September 30, 2026

Crisil Ratings Limited
Corporate Identity Number: U67100MH2019PLC326247
Registered Office: Lightbridge IT Park, Saki Vihar Road, Andheri East, Mumbai- 400 072. India
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CRL/MAR/GDS4651/2026-27/2049

November 05, 2026

To
Diffusion Engineers Limited
T-5 and T-6, Nagpur Industrial Area,
MIDC, Hingna, Nagpur,
Maharashtra, 440016

Dear Sir/Madam,

Monitoring Agency Report for the quarter ended September 30, 2026- in relation to the Initial Public Offer ("IPO") of Diffusion Engineers Limited ("the Company")

Pursuant to Regulation 41(2) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**SEBI ICDR Regulations**") and Monitoring Agency Agreement dated September 16, 2024, enclosed herewith the Monitoring Agency Report, issued by Crisil Ratings Limited, Monitoring Agency, as per Schedule XI of the SEBI ICDR Regulations towards utilization of proceeds of IPO for the quarter ended September 30, 2026.

Request you to kindly take the same on records.

Thanking you,
For and on behalf of Crisil Ratings Limited

Shounak Chakravarty
Director, Ratings (LCG)

Crisil Ratings Limited
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Report of the Monitoring Agency (MA)

Name of the issuer: Diffusion Engineers Limited

For quarter ended: September 30, 2026

Name of the Monitoring Agency: Crisil Ratings Limited

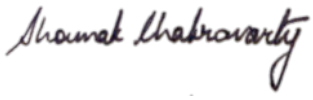
(a) Deviation from the objects: Not applicable

(b) Range of Deviation: Not applicable

Declaration:
We declare that this report provides an objective view of the utilization of the issue proceeds in relation to the objects of the issue based on the information provided by the Issuer and information obtained from sources believed by it to be accurate and reliable. The MA does not perform an audit and undertakes no independent verification of any information/ certifications/ statements it receives. This Report is not intended to create any legally binding obligations on the MA which accepts no responsibility, whatsoever, for loss or damage from the use of the said information. The views and opinions expressed herein do not constitute the opinion of MA to deal in any security of the Issuer in any manner whatsoever. Nothing mentioned in this report is intended to or should be construed as creating a fiduciary relationship between the MA and any issuer or between the agency and any user of this report. The MA and its affiliates also do not act as an expert as defined under Section 2(38) of the Companies Act, 2013.

The MA or its affiliates may have credit rating or other commercial transactions with the entity to which the report pertains and may receive separate compensation for its ratings and certain credit-related analyses. We confirm that we do not perceive any conflict of interest in such relationship/interest while monitoring and reporting the utilization of the issue proceeds by the issuer.

We have submitted the report herewith in line with the format prescribed by SEBI, capturing our comments, where applicable. There are certain sections of the report under the title "Comments of the Board of Directors", that shall be captured by the Issuer's Management / Audit Committee of the Board of Directors subsequent to the MA submitting their report to the issuer and before dissemination of the report through stock exchanges. These sections have not been reviewed by the MA, and the MA takes no responsibility for such comments of the issuer's Management/Board.

Signature: 

Name and designation of the Authorized Signatory: Shounak Chakravarty
Designation of Authorized person/Signing Authority: Director, Ratings (LCG)

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1) **Issuer Details:**

Name of the issuer: Diffusion Engineers Limited

Names of the promoter: Mr. Prashant Garg,
Ms. Chitra Garg,
Mr. Nitin Garg

Industry/sector to which it belongs: Other Industrial Products

2) **Issue Details**

Issue Period: Thursday, September 26, 2024, to Monday, September 30, 2024

Type of issue (public/rights): Initial Public Offer (IPO)

Type of specified securities: Equity Shares

IPO Grading, if any: NA

Issue size: Rs 1,579.64 million

Particulars of the Issue Size	Amount (Rs. million)
Gross proceeds of the Fresh Issue	1579.64#
Less: Issue Expenses	157.69
Net Proceeds	**1,421.95**

#Crisil Ratings shall be monitoring the gross proceeds amount.

3) **Details of the arrangement made to ensure the monitoring of issue proceeds:**

Particulars	Reply	Source of information/ certifications considered by Monitoring Agency for preparation of report	Comments of the Monitoring Agency	Comments of the Board of Directors
Whether all utilization is as per the disclosures in the Offer Document?	Yes	Management undertaking, statutory auditors certificate^, Prospectus dated 30/09/2024 ("hereinafter referred as "Offer document"), Bank Statements	Proceeds were utilized towards Funding capital expenditure, general corporate purposes and issue expenses	No Comments

Particulars	Reply	Source of information/ certifications considered by Monitoring Agency for preparation of report	Comments of the Monitoring Agency	Comments of the Board of Directors
Whether shareholder approval has been obtained in case of material deviations from expenditures disclosed in the Offer Document?	NA	Management undertaking, statutory auditors certificate^	No Comments	No Comments
Whether the means of finance for the disclosed objects of the issue has changed?	No		No Comments	No Comments
Is there any major deviation observed over the earlier monitoring agency reports?	No		No Comments	No Comments
Whether all Government/statutory approvals related to the object(s) have been obtained?	NA		No Comments	No Comments
Whether all arrangements pertaining to technical assistance/collaboration are in operation?	NA		No Comments	No Comments
Are there any favorable events improving the viability of these object(s)?	No		No Comments	No Comments
Are there any unfavorable events affecting the viability of the object(s)?	No		No Comments	No Comments
Is there any other relevant information that may materially affect the decision making of the investors?	No		No Comments	No Comments

NA represents Not Applicable

^Certificate dated October 28, 2026, issued by M/S PGS & ASSOCIATES, Chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

4) Details of object(s) to be monitored:

i. Cost of the object(s):

Sr. No.	Item Head	Source of information/ certification considered by MA for preparation of report	Original cost (as per the Offer Document) (Rs in million)	Revised Cost (Rs in million)	Comment of the Monitoring Agency	Comments of the Board of Directors		
						Reason of Cost revision	Proposed financing option	Particulars of firm arrangements made
1	Funding capital expenditure requirements towards Proposed Expansion of the existing manufacturing facility at Unit IV	Management undertaking, Statutory Auditors Certificate^, offer document	713.80	NA	No revision	No Comments		
2	Setting up of a new manufacturing facility at Hingna, Sonegaon District, Nagpur, Maharashtra (**"Proposed Facility"**)		303.85	NA	No revision	No Comments		
3	Funding working capital requirements of the Company		220.00	NA	No revision	No Comments		
4	General Corporate Purposes#		184.30	NA	No revision	No Comments		
	Subtotal		**1,421.95**	**-**	**-**	**-**		
5	Expenses in relation to the Fresh Issue		157.69	NA	No revision	No Comments		
	Total		**1,579.64**	**-**	**-**	**-**		

^Certificate dated October 28, 2026, issued by M/s PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

#The amount utilised for general corporate purposes does not exceed 25% of the Gross Proceeds (amounting to Rs 394.91 million) from the Fresh Issue

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ii. Progress in the object(s):

Sr. No.	Item Head#	Source of information/ certifications considered by Monitoring Agency for preparation of report	Amount as proposed in the Offer Document (Rs in million)	Amount utilized (Rs in million)			Total unutilized amount (Rs in million)	Comments of the Monitoring Agency	Comments of the Board of	
				As at beginning of the quarter	During the quarter	At the end of the quarter			Reasons for idle funds	Proposed course of action
1	Funding capital expenditure requirements towards Proposed Expansion of the existing manufacturing facility at Unit IV	Management Undertaking, Statutory Auditors Certificate^, Offer document	713.80	352.14	78.65	430.79	283.01	Proceeds were utilized towards Building construction and Civil work & Purchase of Machinery (Refer Note 1& 2)	No Comments	
2	Setting up of a new manufacturing facility at Hingna, Sonegaon District, Nagpur, Maharashtra (**"Proposed Facility"**)		303.85	140.66	0.24	140.90	162.95		No Comments	
3	Funding working capital requirements of the Company		220.00	220.00	0.00	220.00	0.00	Proceeds fully utilized till the quarter ended Dec 31, 2024	No Comments	
4	General Corporate Purposes		184.30	48.63	22.86	71.49	112.81	Proceeds were utilized towards business development and strategic initiatives	No Comments	
	Net Proceeds		**1,421.95**	**761.43**	**101.75**	**863.18**	**558.77**	-	-	
5	Expenses in relation to the Fresh Issue		157.69	138.52	0.00	138.52	19.17	No utilization during the reported quarter	No Comments	
	Gross Proceeds		**1,579.64**	**899.95**	**101.75**	**1001.70**	**577.94**	-	-	

Note 1: During the quarter ended March 31, 2026, the company had transferred Rs 8.61 million from its monitoring account to its current account for utilization towards funding capital expenditure, for operational ease. The transferred proceeds stands fully utilized at end of the quarter.

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Note 2: The Company's vendor arrangements have undergone modifications compared to the disclosure in the prospectus dated September 30, 2024. Notably, the prospectus provides for such flexibility, as it states that "The company have not entered into any definitive agreements with any of these vendors and there can be no assurance that the same vendor would be engaged to eventually supply the equipment at the same cost". As a result, the modification of vendor arrangements is consistent with the disclosure outlined in the prospectus.

^Certificate dated October 28, 2026, issued by M/s PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

#Brief description of objects:

Object of the Issue	Description of objects as per the offer document filed by the issuer
Funding capital expenditure requirements towards Proposed Expansion of the existing manufacturing facility at Unit IV	The Company intends to undertake the expansion work at Khasra Nos. 36, 38/1, 38/2, 38/3 situated at Khapri (Uma), Nagpur- 441 501, Maharashtra admeasuring in aggregate 72,029.84 sq. mtrs. Or thereabouts and where the Company is having its existing manufacturing facilities. As part of the Proposed Expansion, an aggregate area of approx. 15,449.87 sq. mtrs is proposed to be constructed at the said Khasra Nos. 36, 38/1, 38/2, 38/3. The financial investment will primarily be directed towards construction, civil work, and the acquisition of machinery essential for the heavy engineering equipment and flux cored wire businesses.
Setting up of a new manufacturing facility at Hingna, Sonegaon District, Nagpur, Maharashtra (**"Proposed Facility"**)	The company intend to setup a new manufacturing facility at Plot No. 33-B/1/1 & 33-B/1/1 Part, MIDC Hingna, Nagpur, Maharashtra **(Proposed Facility).** This strategic step is driven by their objective of maximizing production efficiency and reaping various economies of scale. At the proposed facility, they plan to manufacture special purpose electrodes and wire strips which are utilized in the production of flux core wire. The setting up of a dedicated slitting line for wire strip manufacturing grants them a significant backward integration advantage. This streamlined process enhances operational efficiency and ensures a seamless supply chain between their nearby facilities for flux cored wire production.
Funding working capital requirements of the Company	Their business is working capital intensive and they fund a majority of the working capital requirements in the ordinary course of business from banks and through the internal accruals. The Company requires additional working capital for funding its incremental working capital requirements in the Fiscal 2025. The funding of the incremental working capital requirements of the Company will help in achieving the proposed targets as per the business plan. They intend to utilize Rs 220.00 million from the Net Proceeds to fund working capital requirements of the Company in the Financial Year ended September 30, 2025
General Corporate Purposes	As per offer document GCP can be utilised towards (i) part or full prepayment/repayment of borrowings, (ii) strategic initiatives, investments in subsidiaries of the Company, (iii) business development initiatives (iv) meeting general corporate contingences, and (v) any other purpose as may be approved by the Board or a duly appointed committee from time to time, subject to compliance with the Companies Act and applicable law. The quantum of utilization of funds towards the aforementioned purposes will be determined by the Board based on the amount actually available under the head "General Corporate Purposes" and the corporate requirements of the Company. However, the Company will not utilize the funds earmarked for general corporate purposes towards the Objects of the Issue and vice versa.

iii. Deployment of unutilised proceeds^:

S. No.	Type of instrument and name of the entity invested in	Amount invested (Rs in million)	Maturity date	Earnings# (Rs in million)	Return on Investment (%)	Market value as at the end of quarter (Rs in million)
1	Fixed Deposit with Yes Bank-2840300010792	93.83	13-10-2026	1.65	7.00	95.48
2	Fixed Deposit with Yes Bank-2840300010805	95.00	13-10-2026	1.67	7.00	96.67
3	Fixed Deposit with Yes Bank-2840600015768	52.00	22-01-2027	0.93	7.00	52.93
4	Fixed Deposit with Yes Bank-2840600015758	98.00	22-01-2027	1.75	7.00	99.75
5	Fixed Deposit with Yes Bank-2840600015841	107.36	06-11-2026	1.9	7.00	109.27
6	Fixed Deposit with Yes Bank-2840600016421	60.00	28-01-2027	0.76	6.95	60.76
7	Fixed Deposit with Yes Bank-2840600016431	64.13	28-01-2027	0.81	6.95	64.94
8	Balance with Monitoring Account--	9.22				9.22
	Total	**579.54**		**9.47**	**-**	**598.02**

**Out of Rs 579.54 million, Rs 1.60 million pertains to interest earned on Fixed deposits.*

#Monitoring the deployment of Interest Income earned from unutilised proceeds does not form part of the scope of Monitoring Agency report.

^Based on Management undertaking and Certificate dated October 28, 2026, issued by M/S PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

Delay in implementation of the object(s)^:

Object(s)	Completion Date		Delay (no. of days/ months)	Comments of the Board of	
	As per the Offer Document	Actual		Reason of delay	Proposed course of action
Funding capital expenditure requirements towards expansion of our existing manufacturing facility (Unit IV) at Khapri (Uma), Nagpur, Maharashtra	FY 2026 (Rs 713.80 million)	Refer Note below	Refer Note below	No Comments	
Setting up of a new manufacturing facility located at Hingna, Sonegaon District, Nagpur	FY 2026 (Rs 303.85 million)			No Comments	
General Corporate Purposes	FY 2026 (Rs 184.30 million)			No Comments	

There is a delay in the implementation relative to what is mentioned in the Prospectus.

As per Company's Prospectus dated September 30, 2024, the Company had estimated to utilize Rs 1,201.95 million for the object of the issue by Fiscal 2026. However, based on certificate dated October 28, 2026, issued by M/S PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company and management undertaking, the Company has utilized Rs 417.73 million for the aforementioned objects as at the end of fiscal 2026, and Rs 643.17 million as at quarter ended September 30, 2026. Hence, there is a delay in the implementation schedule. This delay is due to the fact that the equipment ordered have higher lead time and hence complete payment is not made till the time the time equipments are received.

However, the prospectus further states that, "To the extent our Company is unable to utilize any portion of the Net Proceeds towards the aforementioned objects, per the estimated scheduled of deployment specified above, our Company shall deploy the Net Proceeds in subsequent financial year i.e. Fiscal 2026 for funding working capital requirements and Fiscal 2027 for funding capital expenditure towards Proposed Expansion and Proposed Facility towards the aforementioned Objects.

^Based on Management undertaking and Certificate dated October 28, 2026,, issued by M/S PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

5) Details of utilization of proceeds stated as General Corporate Purpose amount in the offer document^:

S. No.	Item heads	Amount (Rs in million)	Remarks
1	Business development Initiative	0.35	Proceeds utilized towards payment to Nagpur Metropolitan Region Development Authority towards Building Permission
2	Strategic Initiative	22.51	Proceeds were utilized towards Investment in Tejorup Sunmay Systems Private Limited engaged in the defence equipment manufacturing sector.
	Total	**22.86**	

**The Board of Directors of the Company vide resolution dated November 04, 2026, has approved the quantum of utilization of GCP towards mentioned item heads in line with the disclosure provided in the offer document dated September 30, 2024.*

^Based on Management undertaking and Certificate dated October 28, 2026, issued by M/S PGS & ASSOCIATES chartered Accountants (Firm Registration Number: 122384W), Statutory Auditors of the Company.

Disclaimers:

a) *This Report is prepared by Crisil Ratings Limited* ***(hereinafter referred to as "Monitoring Agency" / "MA" / "CRL")****. The MA has taken utmost care to ensure accuracy and objectivity while developing this Report based on the information provided by the Issuer and information obtained from sources believed by it to be accurate and reliable. The views and opinions expressed herein do not constitute the opinion of MA to deal in any security of the Issuer in any manner whatsoever.*

b) *This Report has to be seen in its entirety; the selective review of portions of the Report may lead to inaccurate assessments. For the purpose of this Report, MA has relied upon the information provided by the management /officials/ consultants of the Issuer and third-party sources like Statutory Auditors (or from peer reviewed CA firms) appointed by the Issuer believed by it to be accurate and reliable.*

c) *Nothing contained in this Report is capable or intended to create any legally binding obligations on the MA which accepts no responsibility, whatsoever, for loss or damage from the use of the said information. The MA is also not responsible for any errors in transmission and specifically states that it, or its directors, employees do not have any financial liabilities whatsoever to the users of this Report.*

d) *The MA and its affiliates do not act as a fiduciary. The MA and its affiliates also do not act as an expert to the extent defined under Section 2(38) of the Companies Act, 2013. While the MA has obtained information from sources it believes to be reliable, it does not perform an audit and undertakes no independent verification of any information/ certifications/ statements it receives from auditors (or from peer reviewed CA firms), lawyers, chartered engineers or other experts, and relies on in its reports.*

e) *The MA or its affiliates may have other commercial transactions with the entity to which the report pertains. As an example, the MA may rate the issuer or any debt instruments / facilities issued or proposed to be issued by the issuer that is subject matter of this report. The MA may receive separate compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors.*

f) *The MA report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRL providing or intending to provide any services in jurisdictions outside India, where it does not have the necessary licenses and/or registration to carry out its business activities referred to above.*

g) *Access or use of this report does not create a client relationship between CRL and the user.*

h) *CRL is not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing this report, MA has not taken into consideration the objectives or particular needs of any particular user.*

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