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: 14/08/2026

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: INE184O01015

Subject:

1. **Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"): Electronic copy of the Notice of the 44th Annual General Meeting ("44th AGM") and Annual Report for the financial year ended 31st March 2026; and**
2. **Intimation of cut-off date of 26th August 2026 to determine the eligibility of the members to cast their vote through remote e-Voting and e-Voting during the 44th AGM.**

Dear Madam/ Sir,

This is further to our intimation dated May 16, 2026 regarding convening of the 44th AGM of the Company on Monday, 07th September 2026 through Video Conferencing/ Other Audio-Visual Means (VC/ OAVM) facility.

Please find enclosed herewith the electronic copy of the Notice of the 44th AGM, and the Annual Report for the financial year ended 31st March 2026, 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 2026 can be accessed, is being dispatched to those members whose email address is not registered with the Company/ Depository Participant(s).

Notice of the 44th AGM and the Annual Report for the financial year ended 31st March 2026 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

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 Wednesday, 26th August 2026 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 44th AGM.

Please take the same on record.

Thanking you,

Yours truly,

For DIFFUSION ENGINEERS LIMITED

Chanchal Rajesh Jaiswal
Digitally signed by Chanchal Rajesh Jaiswal
Date: 2026.08.14 09:58:00 +05'30'

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

Place: Nagpur
Date: August 14, 2026
Registered Office: T- 5 & 6, MIDC, Hingana, Nagpur,
Maharashtra, India, 440016

Encl.: *as above*

Great Place To Work® Certified™

DIFFUSION

Innovative superconditioning solutions

44th Annual Report **2025-26**

Table of Contents

The Force Behind Industries That Move The World

A declaration of our role, Diffusion Engineers Limited is a direct proxy to India's engineering economy: **When India builds, we enable it. When global industries move, we are woven into the material science that makes movement possible.**

The industries that power economies, build infrastructure and manufacture the goods of modern life are dependent, at their core, on the quality and reliability of the engineering inputs that sustain them.

Every weld joint, every wear-resistant surface, and every fabricated component must meet accurate standards of performance that directly determine the operational efficiency, safety and longevity of the end application.

Over four decades, the Company has built its business around the consistent delivery of these standards across a diverse range of industrial end-markets, both domestic and international.

Our consistent track record of technical reliability, combined with long-standing customer partnerships, has solidified our position across the engineering value chain and it is upon this foundation that we base our confidence in the prospects before us.

About the Report

REPORTING PRINCIPLES

Diffusion Engineers Limited presents its Annual Report for the fiscal year 2025-26 offering a comprehensive overview of our financial and non-financial performance. For the purpose of this report, Diffusion Engineers Limited is referred to as, "Diffusion", "Diffusion Engineers", "the Company", "we", "our", and "us". This report emphasizes our commitment to creating value for stakeholders by adopting a sustainable business approach that prioritizes Environmental, Social, and Governance (ESG) factors. Our Annual Report aims to offer both quantitative and qualitative insights into key material aspects, as well as our interactions with stakeholders.

REPORTING PERIOD

This Annual Report comprehensively assesses the Company's financial and non-financial achievements during the period from April 01, 2025, to March 31, 2026. In addition to presenting current performance metrics, comparative data spanning the last three to five years has been integrated into the report, offering valuable insights into performance trends over time.

Responsibility Statement: Our Board, in collaboration with management, recognizes the shared responsibility for ensuring the integrity of the information presented in this report. Both the Board and management affirm that the contents of this report are presented in a fair, transparent, and balanced manner.

REPORTING SCOPE AND BOUNDARY

This company's financial reports, including the Director's Report, Management Discussion and Analysis, and Corporate Governance Report, adhere to the Companies Act of 2013, Indian Accounting Standards, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations of 2015.

INDEPENDENT ASSURANCE

The financial statement's assurance is provided by our statutory auditors as mentioned in the Corporate Information section.

The Diffusion Approach

Built to Sustain the Industries that Build our world

From Welding Science to Heavy Engineering Excellence - We Are Diffusion Engineers

To invest in Diffusion Engineers is to invest in India's industrial backbone.

We are a direct proxy to the country's large and growing engineering economy - a pioneer in wear solutions and an established leader in heavy engineering excellence.

Across four decades, we have built relationships with marquee corporate brands in India and with key industrialised nations worldwide.

Our capability spans the entire engineering value chain: **from the metallurgical precision of a welding rod to the fabrication of complex heavy engineering equipment.**

Woven into India's peripheral story, the Company excels at delivering competencies that span the full arc of engineering capability, from the science of a welding rod to the fabrication of heavy engineering equipment.

Forged in Expertise. Trusted by Industry. Built for What's Next.

A Pioneer in Wear Solutions and Heavy Engineering Excellence since 1982

WE BUILD THE OPERATIONS OF THOSE WHO RUN THE WORLD.

From cement kilns to steel mills, from power plants to mining rigs- if it runs hard, we keep it running. We are the invisible engine behind the world's most critical industries.

WHEN OTHERS SUPPLY A PART, WE DELIVER A PROMISE.

We started with a welding electrode in 1982. Today we deliver complete engineering solutions: consumables, wear plates, wear parts, heavy machinery, and lifecycle services. One partner. End to end.

RELIABILITY IS NOT OUR PITCH. IT IS OUR METALLURGY.

43 years of alloy science go into every rod, wire, and plate we make. Our products do not just perform, they outlast. That is not a claim. That is chemistry.

WE DO NOT COMPETE ON PRICE. WE COMPETE ON PRODUCTIVITY.

Downtime costs more than our solutions. Every hour a kiln sits idle, a casting line stops, a crusher halts is a cost our customers cannot afford. We are in the business of preventing that cost.

WITH A STRONG GLOBAL FOOTPRINT WE DELIVER EXCELLENCE SINCE 1982

We have Tie-ups with over **95** distributors in the domestic market and **9** distributors in the overseas market. that make us our clients' first choice.

WE ARE DIFFUSION ENGINEERS. WE ARE WHERE STRENGTH IS FORGED.

11,000+ projects. **500+** Marquee Clients. **35+** countries. And a single conviction: the industries that build our world deserve a partner built for them.

What sets Diffusion apart

SYNERGISTIC FORWARD INTEGRATION

We have systematically expanded our capabilities over four decades progressing from manufacturing special welding electrodes to producing flux-cored wires, wear plates, wear parts, and now heavy engineering equipment. Each step broadened our scope, deepened our expertise, and made us more indispensable to the industries we serve.

STARTED WITH SPECIAL WELDING ELECTRODES- THE FOUNDATION OF OUR METALLURGICAL EDGE

- Progressed into flux-cored wires, leveraging backward integration for cost and quality control
- Moved into wear plates and wear parts using our own wires, capturing the full margin
- Now manufacturing heavy engineering equipment the highest-value step in our integration journey
- Each product line feeds the next creating a self-reinforcing competitive moat
- From electrode to full engineering solution one roof, one partner

SERVING OEMS & END-USERS DIRECTLY

Diffusion serves a dual market supplying both- OEMs who manufacture heavy industrial machinery and the end-customers who operate that machinery. This two-channel approach is rare, powerful, and significantly enhances our market credibility and pricing resilience.

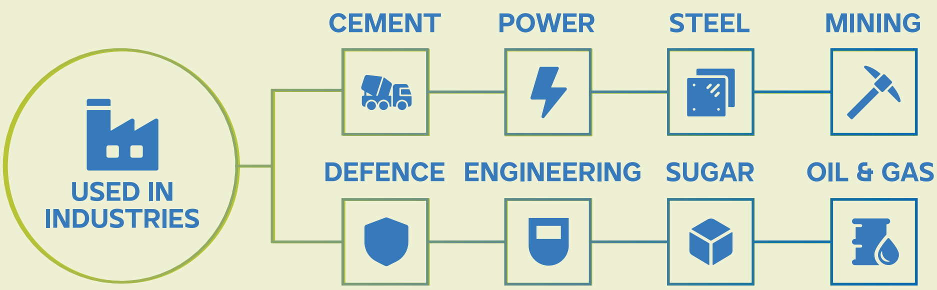
- Supply welding consumables and components directly to OEMs in cement, steel, power, and mining sectors
- Simultaneously serve the same OEMs' end-customers with wear solutions, heavy parts, and services
- In several product lines including rollers, we now compete directly with the OEMs we supply
- More than ₹100 crore worth of rollers supplied to OEMs and direct customers alike
- Dual access gives us unmatched visibility into industry requirements, specifications, and trends
- OEM supplier + OEM competitor- a uniquely advantaged position

LONG-STANDING CUSTOMER RELATIONSHIPS

Over four decades of on-ground delivery have built a customer base that stays. More than 80% of our customers return to us because our products and services have become integral to their plant operations and maintenance planning.

- More than 80% repeat customer rate- a strong proof of product and service reliability
- Clientele of 500+ across Cement, Power, Steel, Engineering, Mining, Sugar, Defence, Oil & Gas, and Paper
- 11,000+ projects successfully executed building institutional trust across every sector
- 95+ domestic distributors and 9 international distribution partners
- High share of repeat orders provides revenue visibility and reduces sales acquisition costs
- Customer relationships that span decades of partnerships

DIFFUSION
Innovative superconditioning solutions



STRATEGICALLY LOCATED MANUFACTURING

All five of Diffusion's manufacturing units are located in Nagpur India's geographic centre and the zero-mile city. This central positioning is a structural logistics advantage that directly reduces transit time, lowers freight cost, and enables faster, more reliable service delivery to customers across the country.

Nagpur sits at the intersection of India's key national highway and rail corridors, as ports across all three sides are equidistant to the Company

- Efficient last-mile service delivery including to remote industrial and mining locations
- Five manufacturing units:
- Unit I (Special Purpose Welding Electrodes)
- Unit II (Flux Cored Wires, Wear Plates and Wear Parts)
- Unit III (Anti-wear Consumables)
- Unit IV (Flux-Cored Wires, Wear Plates, and Heavy Engineering Machinery)
- Unit V (Special Purpose Electrodes and Wire Strips)
- Expansion of an existing facility, an integral part of Unit IV- Nimji expansion (within Nagpur)
- Geographic concentration enables unified quality control and rapid inter-unit coordination

CONSISTENT FINANCIAL PERFORMANCE

Our financial track record is a compounding trajectory sustained across years, through economic cycles and market shifts. Disciplined cost management, improving product mix, and operating leverage have driven consistent margin expansion alongside revenue growth and product mix.

- Revenue CAGR of 21% over 5 years reflecting consistent volume and mix improvement
- EBITDA CAGR of 22% over 5 years growing faster than revenue, showing operating leverage
- PAT CAGR of 32% over 5 years the highest compounding rate, reflecting improving margins and cost control
- EBITDA margin expanded to ~14.05% in FY26 driven by favourable product mix and disciplined cost management
- Return on Capital Employed improved to ~16.27% efficient deployment of capital across the business
- Debt-to-equity reduced to ~0.07x near debt-free balance sheet providing strategic flexibility
- 15% final dividend recommended for FY26 commitment to consistent shareholder returns
- Revenue 21% · EBITDA 22% · PAT 32% 5-year CAGR

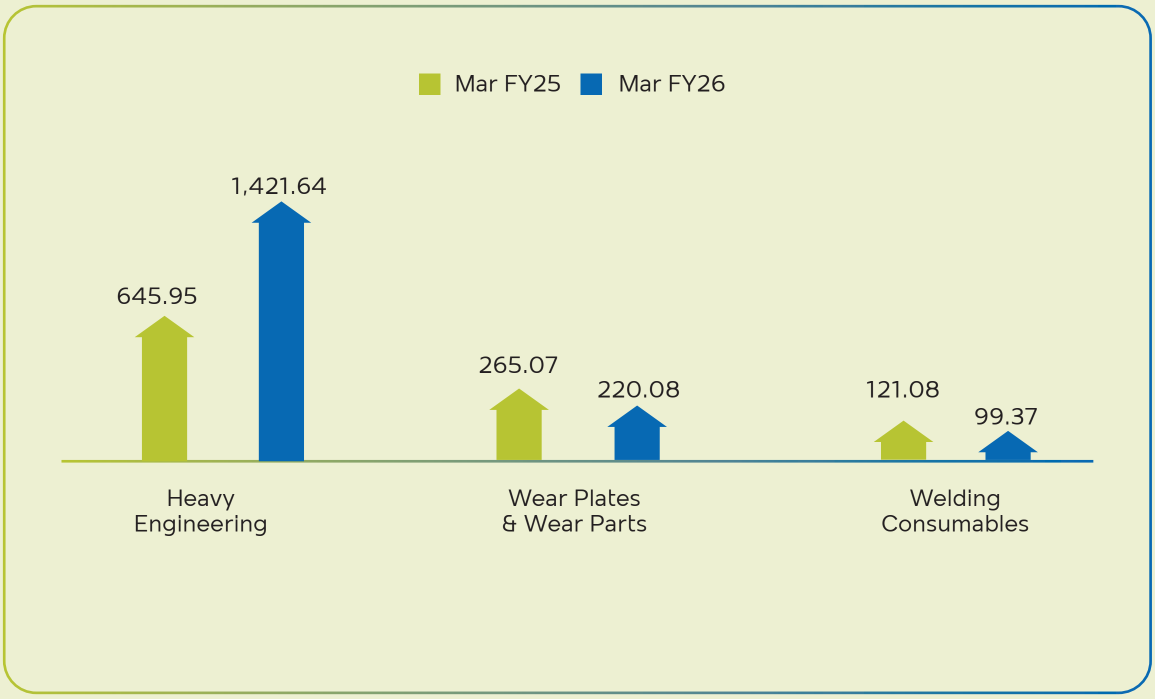
EXPERIENCED PROMOTERS & MANAGEMENT

Diffusion's leadership brings together promoter-level industry conviction and professional management depth. The promoters have over 20 years of hands-on experience in the business they founded supported by a senior management team with specialised expertise across metallurgy, marketing, exports, and engineering operations. Promoters with 20+ years of direct industry experience- not financial investors, but operators

- Promoters with 20+ years of direct industry experience
- Chairman & MD holds B.E. (top-ranked, Nagpur University) and MBA from Saïd Business School, Oxford
- Senior leadership spans:
- Chairman and Managing Director
- Chief Financial Officer
- Senior VP - Sales and Marketing (PAN India)
- Senior VP - Sales and Marketing (RPR Division)
- Senior VP- Operations
- Senior VP- OEM
- Vice President- Export
- Deputy General Manager - HR
- Company Secretary and Compliance Officer
- In-house DSIR-recognised R&D laboratory- continuous product innovation as a management priority
- ESOP scheme approved in FY25-26 aligning employee interests with long-term value creation
- N. K. Garg Scholarship Programme ensures a pipeline of engineering talent from Nagpur's premier institutions
- Global board: independent directors with backgrounds spanning diplomacy, law, finance.

₹ in Mn

Type	Mar-25	Mar-26
Heavy Engineering	645.95	1,421.64
Wear Plates and Wear Parts	265.07	220.08
Welding Consumables	121.08	99.37
Grand Total	**1,032.09**	**1,741.09**



PROJECTS COMPLETED
11,000+

REPEAT CUSTOMER RATE
80%+

5-Yr PAT CAGR
32%

COUNTRIES SERVED
35+ Nations

5-YR REVENUE CAGR
21%

IN BUSINESS SINCE
1982

CLIENTELE
500+

Highlights & Gist

FY25-26 in a Snapshot

A landmark year with record revenues, expanded capacity, and a commendable order book in Diffusion's four-decade history.

₹ 4,066.28 Mn
Consolidated Revenue from Operations

₹ 504.10 Mn
Consolidated Profit After Tax

₹ 571.42 Mn
Consolidated EBITDA

₹ 1,741.09 Mn
Order Book

EPS (In ₹.)
13.50

EBITDA Margin (%)
14.05%
(*excluding other income)

95 distributors in domestic market

9+ distributors in the overseas market

What to Watch

A Guided Tour of the Report

Every section of this Annual Report tells a chapter in Diffusion's story of building India. Here is your quick reference guide to what each section holds-and why it matters to you as an investor.

1. **CHAIRMAN'S DESK (PAGE 12)**
   A strategic outlook of The Chairman, Mr. Prashant Garg, on global opportunities, India's export potential, and the strategic priorities shaping Diffusion's future
2. **THE METALLURGY OF RELIABILITY (PAGE 22)**
   Our 40+ year edge in welding alloy science. This section explains how deep metallurgical expertise translates into products with measurably longer field lifespans and why customers keep coming back.
3. **BUILT FOR THE FUTURE (PAGE 23)**
   Forward integration is Diffusion's structural moat. From welding consumables, advanced wear protection solutions to integrated engineering partnerships, the company has progressively expanded the depth and scope of its value proposition evolving from a product supplier into a collaborative engineering partner for industries that form the backbone of global manufacturing economy.
4. **AHEAD OF THE MARKET CURVE (PAGE 27)**
   Unit IV expansion, the B33 MIDC Hingna facility, the Abu Dhabi plant, and enhanced solar capacity form the capital programme that will underpin the company's next phase of growth.
5. **PRODUCT PORTFOLIO (PAGE 29)**
   Five product lines. Special-purpose electrodes, flux-cored wires, cold repair compounds, wear plates, wear parts each with its own market opportunity and growth lever.
6. **RISK MANAGEMENT (PAGE 31)**
   Four principal risks identified raw material volatility, energy costs, supply-chain disruptions, and import competition each with concrete mitigation measures already in execution.
7. **KEY PERFORMANCE INDICATORS (PAGE 32)**
   Five years of consistent growth across revenue, EBITDA, PAT, ROCE, and operating cash flow-with all figures clearly charted for trend analysis.
8. **MD&A (PAGE 40)**
   The most granular investor read. Segment-by-segment performance, order book analysis, margin drivers, capex update, and the road ahead- all in one place.

Leadership Message

Chairman's Communique

DEAR STAKEHOLDERS,

It is both an honour and a privilege to write to you as Chairman of Diffusion Engineers, after close to twenty-two years with this Company. FY26 was a year in which a great deal of what we had been building quietly for some time began to become visible - in our order book, in our new workshops, and in the confidence our customers placed in us. I am grateful to our people for the discipline and resolve with which they navigated a demanding external environment, and for keeping our attention where it belongs: on engineering quality, on execution, and on growth that endures beyond a single year.

THE INDUSTRY WE SERVE

India's core industries are in the midst of a structural upcycle, and Diffusion Engineers is built precisely for this moment. Cement capacity is expanding at a pace unseen in over a decade. Steel output and capacity additions are at record levels. Power infrastructure is being commissioned faster than before, and mining activity is intensifying. Across every sector we serve, the common thread is the same: the machinery must not stop. Downtime is no longer an operational inconvenience; it is a strategic liability. That single reality defines our purpose, sharpens our focus and validates the path we have walked since 1982. We do not merely follow industrial cycles. We are positioned to serve them at their peak, and to hold firm when they moderate.

This second point deserves elaboration, because it is central to how I would like you to understand our Company. A large majority of what we sell is consumed, worn away and replaced in the ordinary course of running a plant - maintenance and hard-facing consumables, wear plates, ready-to-fit wear parts and on-site repair services. A wear liner, a grinding roller or a crusher component has a defined working life; when that life ends, it must be replaced whether or not a new plant is being built. We therefore participate not only in India's capital expenditure cycle, but in the steadier maintenance economy of the country's installed industrial base - a base that becomes larger with every plant commissioned. It is a quieter source of demand than a project order, and a considerably more dependable one.

THE MARKETS AHEAD OF US

The global wear plate market is on a compelling trajectory, expanding from USD 5.21 billion in 2025 to an anticipated USD 9.63 billion by 2035, driven by sustained industrial activity across coal mining in Asia and transportation and mineral extraction in Europe. Closer to home, India's wear plate market, currently valued at USD 122.8 million, is projected to reach USD 186.8 million by 2033 at 7-7.5% CAGR - and these figures cover wear plates alone, with wear parts additional to them. Every percentage point of that growth lands squarely in the industries we have served for more than four decades: cement, steel, power, quarrying and mining.

On the heavy engineering side the opportunity is equally substantial. Earthmoving, construction and mining machinery, together with process plant equipment, remain the largest and fastest-growing segments, propelled by rising manufacturing and construction activity, accelerating foreign direct investment, technological advancement, and a government that has placed industrial growth at the centre of national policy through the Production Linked Incentive schemes, expanded infrastructure investment and a sustained commitment to ease of doing business.

In FY26, India continued to stand out globally, anchored by a stable democratic framework and an outward-looking foreign policy. The Government's long-term vision, Viksit Bharat @ 2047, sets an ambition that reaches well beyond any single planning horizon. Manufacturing has regained strategic prominence, with its share of Gross Value Added rising to 17% in FY25, supported by record public infrastructure spending; the Union Budget for 2025-26 reinforced this with an allocation of Rs. 11.21 lakh crore towards core capital expenditure. Our confidence, however, rests less on the size of these markets than on the character of the forces driving them: higher industrial output, more intensive equipment utilisation, greater maintenance spend and elevated capital expenditure across our core sectors. These are precisely the conditions in which our Company has historically performed at its best. We are not repositioning ourselves for this upcycle. We are already within it, with the products, capacities, customer relationships and engineering depth required to participate at scale.

PERFORMANCE AND RESILIENCE IN FY26

FY26 was a year of strong order inflow. Backed by sustained momentum across domestic and international markets, our comprehensive order book stood at Rs. 1,994.82 million as on 30 April 2026 - close to twice the level of a year earlier, and led by heavy engineering. An order book is only as meaningful as the confidence behind it - a judgement by demanding industrial customers that our engineering, our metallurgy and our delivery reliability are worth committing to well in advance.

Demand remained firm across cement, steel, power, mining and engineering, supported by higher industrial activity and greater maintenance and capital spending. Execution of certain long-lead heavy engineering orders was phased through the year, reflecting extended sourcing timelines for heavy forgings and customers' own delivery requirements; consequently, a larger share of revenue was recognised in the second half. Our high proportion of repeat customers - and the absence of undue dependence on any single one of them - continues to reflect both the critical nature of what we supply and the durability of the relationships we have built around it.

The year also brought considerable volatility in several key inputs, tungsten in particular. I would rather address this directly than pass over it. We managed the pressure through disciplined quoting practices, immediate back-to-back procurement against fixed-price contracts, price-variation provisions on staggered-delivery orders, and a deliberate refusal to hold speculative inventory. Backward integration into strip slitting has begun to reduce our dependence on external supply for a key raw material. Our operating margins held through the year despite this pressure, which I regard as evidence that the improvement in profitability we have achieved over the past several years is structural rather than a function of favourable input prices.

FROM PRODUCTS TO ENGINEERING SOLUTIONS

It is worth pausing on how this Company has changed. We began with special-purpose welding electrodes. From there we moved into flux-cored wires, then into composite wear plates manufactured from our own wires, then into ready-to-fit wear parts, then into complete heavy engineering equipment, and alongside all of it into on-site industrial services. This has not been diversification for its own sake. Each step has been an extension of a single competence - welding metallurgy and alloy design - into a form of greater value to the customer.

The result is that a cement plant, a steel mill or a captive power station can today obtain from us the electrode, the wear plate, the finished mechanical equipment and the site repair service, with matched metallurgy across all of them. We increasingly participate in the entire lifecycle of our customer's equipment, from the materials that go into it to the services that keep it running. This is a materially stronger position than that of a supplier of any one of those items, and it explains both the loyalty of our customer base and the widening size of our orders.

INVESTING AHEAD OF DEMAND

For the past two years our constraint has not been demand. It has been capacity. Our consumables and wear plate units have operated at high utilisation for an extended period, and there were occasions when customers moderated their orders because they could see our floors were full. We have addressed this decisively.

At Nimji, our heavy engineering and wear plate expansion roughly doubles capacity from 9,000 MT to 18,000 MT, with a large new shed, additional wear plate lines and advanced machining capability including new CNC horizontal and large vertical turning machines. The unit is being commissioned in phases, with floors released progressively through the year, and is designed to be self-sufficient - producing its own wires and wear plates for the equipment it fabricates. At our Hingna facility we have commissioned a new electrode plant capable of producing 10 tonnes per day of special welding electrodes, together with a strip-slitting line that secures uninterrupted supply of strip for our flux-cored wires. Wear plate capacity has been raised steadily, supported by additional metal processing machinery for faster execution. The overall programme is expected to be complete in all respects by Q2 FY27, funded through internal accruals and IPO proceeds without recourse to significant borrowing.

Average capacity utilisation will naturally reset lower as these assets come on stream before rising again with volumes. I would ask shareholders to view that interval for what it is: the ordinary arithmetic of investing ahead of demand. What this capacity buys us is more consequential - the ability to accept larger and more complex assignments, to convert our order book faster, to carry more of the value chain within our own walls, and over time to earn the operating leverage that a doubled asset base makes possible.

TECHNOLOGY AND CAPABILITY

Technology remains the foundation of our competitive position. Our DSIR-recognised, NABL-accredited research facility continues to lead our work in alloy development, surface engineering, wear protection and special welding technologies. We have also strengthened our in-house design capability, moving from working to customer-supplied drawings towards originating our own engineering solutions - a shift that changes the conversation we are able to have with a customer.

NEW PLATFORMS FOR GROWTH

We are steadily building credentials in sectors where our metallurgy, materials science and precision engineering can open new avenues. In railways, our existing wear liner business supplying ballast cleaning and track maintenance machines continues to grow, and we have progressed through the qualification process for coach and locomotive components, including capability inspection of our facilities. In defence, our order from the Heavy Vehicle Factory for flux-cored wires, our supply of armouring welding consumables, and our strategic investment in Tejorup Sunmay Systems Pvt. Ltd. - a developer of indigenous man-portable air defence systems, in which we would hold manufacturing rights following prototype approval - position us for participation in India's defence indigenisation over time. We are equally engaged with nuclear, mining and oil and gas applications.

Internationally, our approach is services-first and asset-light: we enter a market with mobile equipment and local people, establish credibility through service, and build from there. The template proved in the Philippines is now being extended through our operations in Turkey and our newly established facility in the UAE, supported by representation in Saudi Arabia and an expanding distributor network. We export to more than thirty-five countries. The intent is straightforward - to take our specialised engineering and wear-management capabilities closer to the customer, and to build a progressively more diversified geographic revenue base.

OUTLOOK

We enter FY27 with a stronger order book, expanded manufacturing capability and healthy demand conditions across our end markets. Our priorities are clear: execute the order book we hold, ramp the new capacities to productive utilisation, continue improving our product and customer mix, and maintain the cost discipline that has served us well. We expect Anti-wear and Welding Consumables, Wear Plates and Wear Parts, and Heavy Engineering each to grow, with the mix continuing to shift towards higher-value engineered solutions. Our R&D laboratory will continue to lead product development, and we are broadening our distribution reach through memoranda of understanding with over fifty dealers across India.

Our Company today has more capacity, more capability, a broader product range, deeper customer relationships and a wider set of end markets than at any point in its history, and it carries a balance sheet strong enough to fund its own next phase. That is the foundation on which we intend to build.

WITH GRATITUDE

I thank you, our shareholders, for the confidence you continue to place in this organisation. To our employees, whose skill and commitment underpin every milestone we achieve, my gratitude is deepest of all - the work described in these pages is theirs. I thank our Board for the governance and counsel that ensure we grow with integrity, and our customers, vendors, suppliers, bankers and community partners for their trust and partnership. Together we begin a new chapter, one for which we have prepared carefully and to which we look forward with confidence.

Warm regards,
Prashant Garg
Chairman & Managing Director,
Diffusion Engineers Limited

Corporate Overview

Diffusion-A Name Synonymous to Conviction

FOUNDED
in 1982

HEADQUARTERS
Nagpur, Maharashtra strategically located at India's geographic centre

LISTED
BSE & NSE IPO on 4th October 2024

GLOBAL PRESENCE
35+ nations | Subsidiaries in Turkey, UAE, Philippines, Singapore | Associate companies in UK & Malaysia

CORE BUSINESS
Welding consumables, wear plates, wear parts, heavy engineering equipment all under one roof

CLIENTS SERVED
500+ clients, 11,000+ projects completed across cement, steel, power, mining, defence, oil & gas

DISTRIBUTION
95+ domestic distributors, 9 international partners, 50+ new dealer MoUs signed in FY26

AWARDS AND ACCOLADES
11 Recognized for engineering excellence and innovation

R&D
DSIR-recognised in-house laboratory developing high-performance, application-specific products

OUR MISSION

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

OUR VISION

To drive the world's engineering progress with 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.

OUR CORE VALUES

Reliability Our promise is our performance. We show up, follow through, and stand firm.

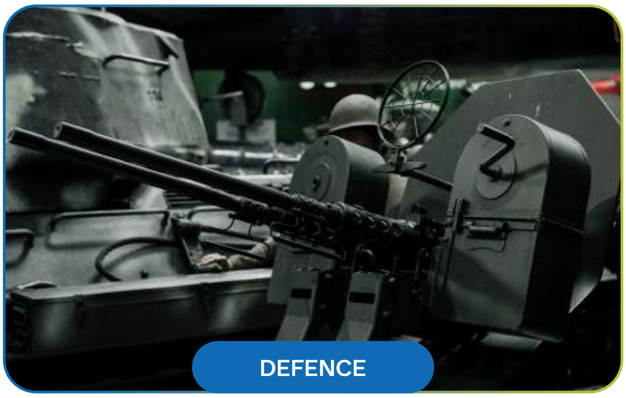
Precision Excellence is engineered, not improvised. Every detail matters.

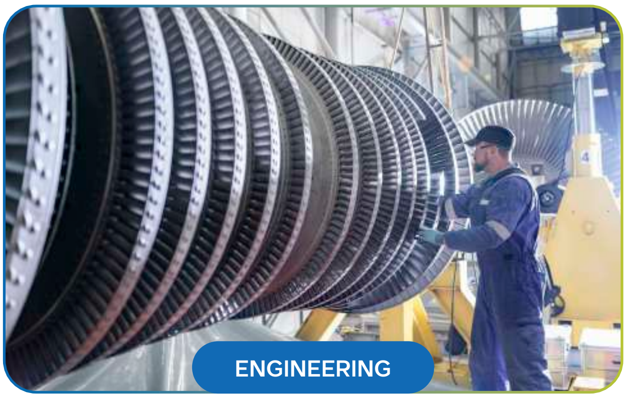
Speed with Clarity Fast, but never frantic. We act with purpose, clarity, and structure.

Integrity & Sustainability Standards, ethics, and safety are non-negotiable.

Growth Mindset The future is built by learners. We stretch our thinking and lead with curiosity.

INDUSTRIES WE SERVE





Our Journey - From Spark to Scale

Established 1982 | Four Decades Of Forging Industrial Trust

What began as a private limited company making welding consumables has grown into a publicly listed, multi-facility, multi-country engineering powerhouse. Every decade, Diffusion has expanded its footprint—geographically, technologically, and in terms of the solutions it delivers to India's core industries.

The Company has evolved from a welding consumable trading business into an integrated industrial solutions platform with strong capabilities across metallurgy, manufacturing, engineering services, and industrial applications.

The company now operates as a fully integrated industrial solutions provider with capabilities spanning:

- Proprietary metallurgy
- In-house manufacturing
- Engineering services
- Reconditioning solutions
- Allied industrial product distribution

1982

Company incorporated by former professionals from Larsen & Toubro, including Mr. N. K. Garg, with an initial focus on trading welding rods and electrodes.

1993

Commissioned the first manufacturing facility in Nagpur, Maharashtra, marking the transition into manufacturing of welding electrodes.

1995

Entered into a technical joint venture with German technocrat Mr. Manfred Kluge for technology transfer and machinery support, strengthening technical capabilities

1996

Expanded product portfolio with the commencement of Flux Cored Wire (FCW) manufacturing.

2000

Diversified into service welding operations through the establishment of a second manufacturing facility.

2003

Mr. Prashant Garg joined the organization, strengthening leadership continuity and growth strategy.

2006

Expanded into fabrication and engineering solutions for large industrial components

2021-22

Developed a comprehensive industrial solutions portfolio including welding consumables, reconditioning and repair solutions, anti-wear powders, and welding & cutting machinery trading.

2026

Upwards growth, high order book value, Expansion of facilities, Serving India's biggest conglomerates

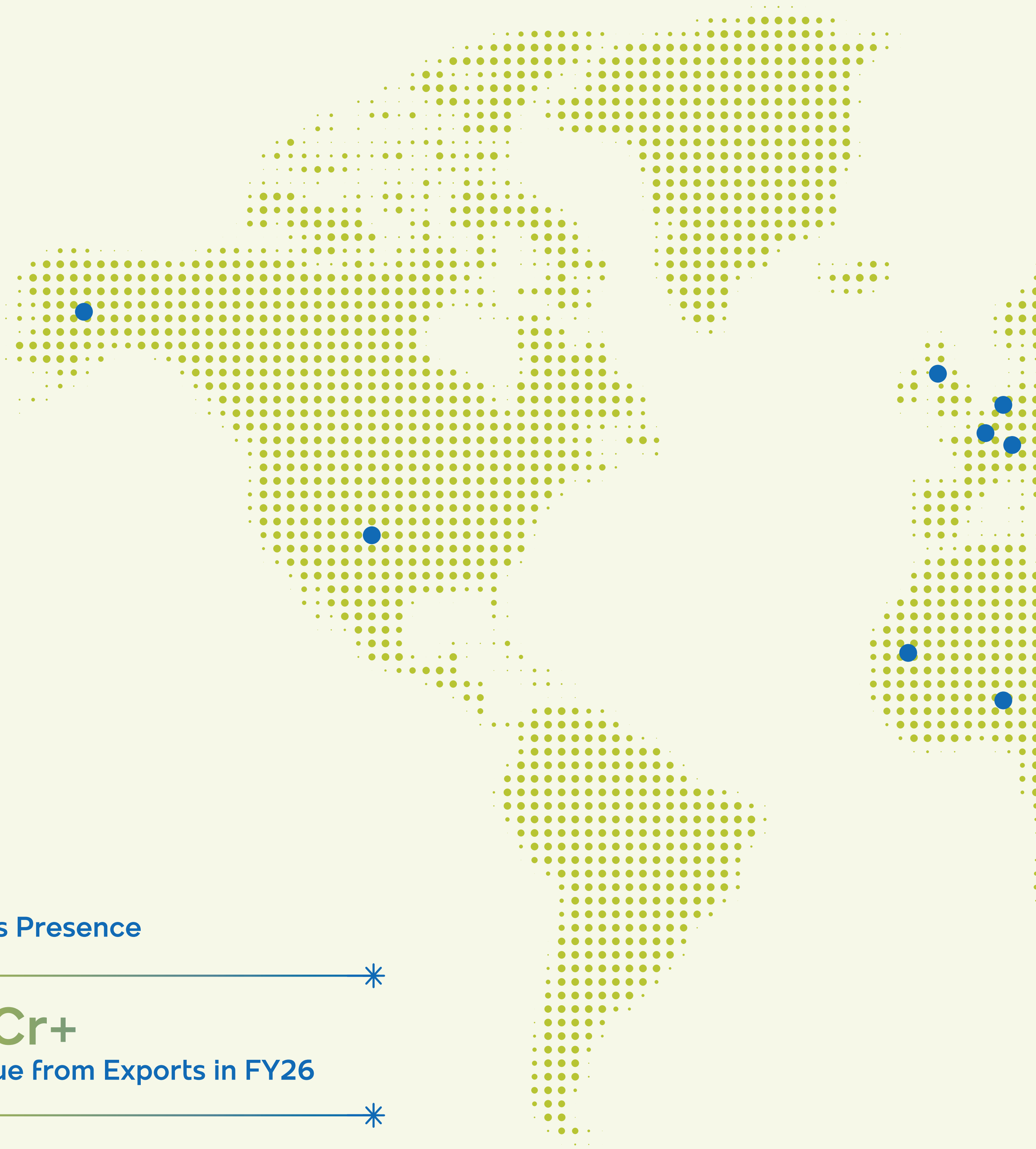
2020

Strengthened promoter-led ownership structure while continuing strategic collaboration and technical association. Mr. Prashant Garg appointed as Managing Director, leading the next phase of strategic expansion and operational growth.

2024

Achieved a major milestone with successful listing on both the BSE and NSE through the company's IPO on October 4, 2024.

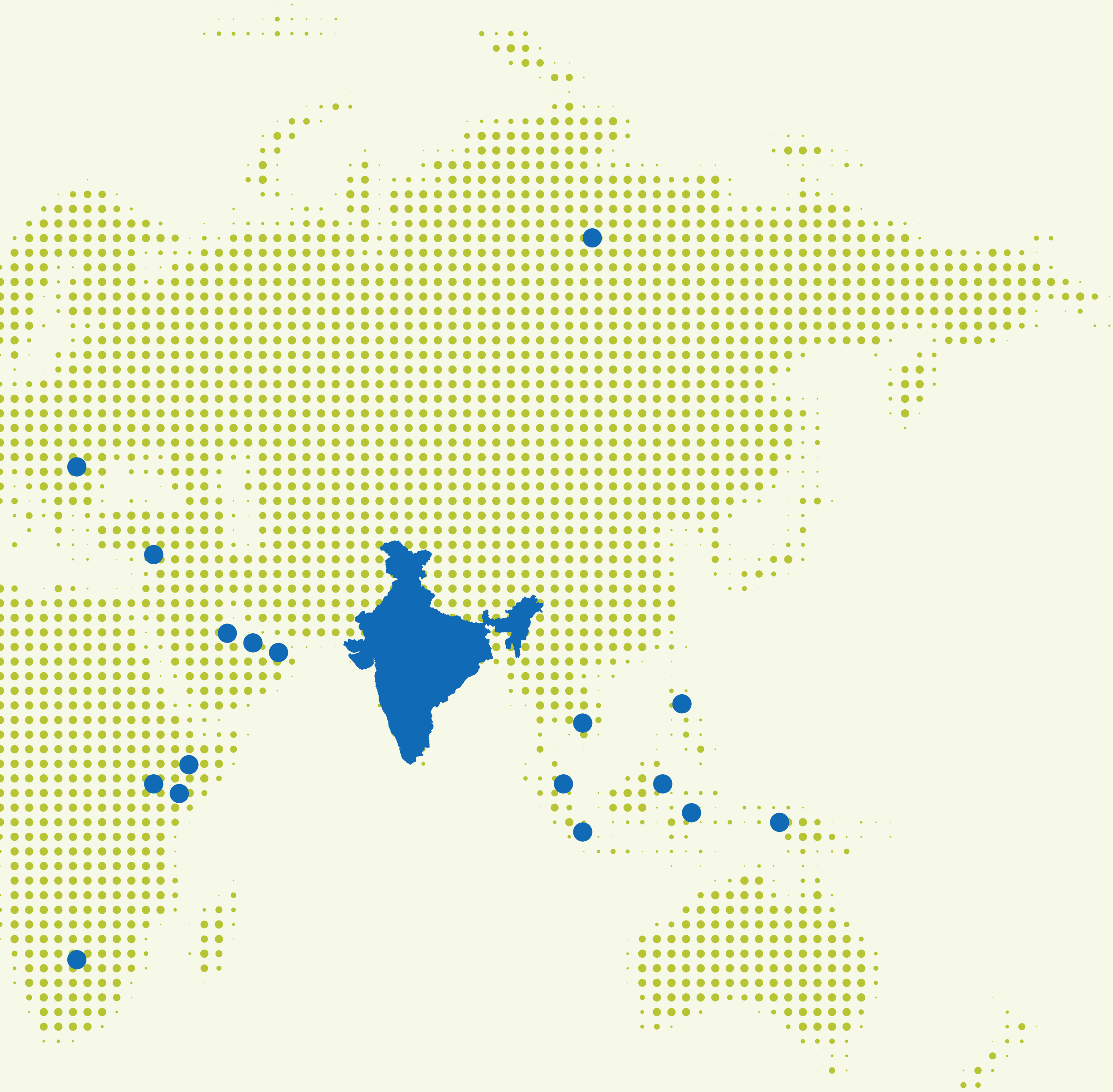
Making a Global Mark



35+
Nations Presence

30 Cr+
Revenue from Exports in FY26

21%
Revenue Growth (5-Year CAGR)



Competitive Advantage

The Metallurgy of Reliability

DEEP SCIENCE.
PROVEN PERFORMANCE.
REPEAT ORDERS

In industrial applications, reliability is not a differentiator it is the price of admission. What sets Diffusion Engineers apart is the depth of its metallurgical and materials science expertise, built over 40 years of designing welding alloys and consumables for the harshest operating environments in the world. This expertise is the engine behind every product, every service, and every customer relationship.

Why Metallurgy is Our Moat

- Our foundational roots as a welding alloy design firm give us an understanding of materials science that general engineering fabricators simply do not have
- This expertise enables us to design wear parts, plates, and heavy equipment with measurably extended service lives directly reducing customer downtime and replacement costs
- Our DSIR-recognised R&D laboratory enables us to develop and test high-performance, application-specific alloys that competitors cannot easily replicate
- We hold ISO 9001:2015 (Quality), ISO 14001:2015 (Environment), and ISO 45001:2018 (Safety) certifications, and NABL accreditation under ISO/IEC 17025:2017

The Superconditioning Edge

'Superconditioning' is Diffusion's proprietary concept-the science of restoring worn industrial equipment to a condition that exceeds its original specification through precision alloy application and controlled heat management. This capability means:

- A worn-out kiln shell, grinding roller, or casting roller does not need to be scrapped-it can be reconditioned to extend its life by years
- Customers save capital expenditure, reduce procurement lead times, and maintain operational continuity
- Diffusion earns recurring revenue and builds deep, sticky relationships with plant maintenance teams

Typical Components Reconditioned

- VRM Tyres | CCS Rolls Cladding | Roller Press Rolls
- Crusher Hammers | Sinter Spikes | Grinding Rolls | Loco Wheels
- Bucket Edges | Crusher Rotors | Fan Refurbishments

CERTIFICATIONS & ACCREDITATIONS

ISO 9001:2015
Quality Management

ISO 14001:2015
Environment Management

ISO 45001:2018
Occupational Health & Safety

ISO/IEC 17025:2017
(NABL) Testing & Calibration

Strategic Advantage

Built for the Future

FORWARD INTEGRATION: FROM ELECTRODE TO ENGINEERING SOLUTION

Diffusion Engineers started in 1982 selling welding electrodes to core industries. Forty-three years later, we supply not just electrodes but flux-cored wires, wear plates, wear parts, heavy engineering machinery, and a full suite of industrial services and OEMs.

This is forward integration in its most powerful form: we began supplying raw materials to OEMs, and over time we have become a competitor to those OEMs in several product lines while continuing to supply them with our consumables.

The Integration Model

The strength of our integration model lies in a single insight: we make the electrodes and the wires that are used to produce wear plates and wear parts. That means we are selling our raw material to ourselves at a margin that no external buyer can match. This gives us:

- **Full control over input quality**
  our wear plates and parts are made using our own flux cored wires, so we control the metallurgical output end-to-end
- **Cost advantage**
  we capture the margin on consumables that external wear plate manufacturers pay to us; as an integrated player we retain that margin
- **Product quality assurance**
  because we design the alloy with precise knowledge of what the finished plate or part is capable of withstanding

The Dual relation with OEMs- Our Unique Competitive Position

Diffusion Engineers occupies a distinctive and deliberately cultivated position within the heavy engineering supply chain. We supply precision-engineered components including grinding rollers, kiln components, and casting rollers to original equipment manufacturers who produce heavy engineering equipment for India's core industries. Those same Original Equipment manufacturers (OEMs) are, simultaneously, our customers for welding consumables. And in several product categories, they have also become our direct competitors.

This is a structural advantage to be leveraged.

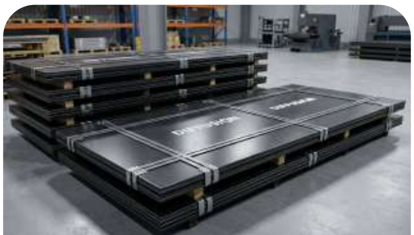
Our long-standing commercial relationships with OEMs have given us an unusually deep understanding of their production processes, technical specifications, and end-customer requirements. That institutional knowledge accumulated over decades of collaborative supply enables us to develop products and services that reach end-users directly, without the intermediation of the OEM. The result is a value proposition that delivers equivalent or superior quality at a more competitive price point, while preserving healthy margins for Diffusion.

This dual position as supplier, customer, and competitor to the same set of OEMs is not a market anomaly. It is the natural consequence of consistent forward integration and the progressive deepening of our engineering capabilities.

Across repair services, wear solutions, and related engineering products, we actively compete in the same market segments as the OEMs we supply with the advantage of deeper field knowledge and lower overhead. Our kiln consultancy and alignment services are delivered directly at the plant level, establishing the Company as an indispensable partner to end-users entirely independent of the OEM relationship.

Electrodes

Wires


Wear Plates


Heavy Machinery

Vertically Integrated Industrial Platform

Combining Metallurgical Expertise, Manufacturing Excellence, and Engineering Capabilities

Stage	Capability Area	Key Activities	Strategic Value
01	Proprietary Foundation: Metallurgical & Alloy Expertise	Development of proprietary alloy compositions engineered for wear, abrasion, impact, corrosion, and high-temperature applications.	Establishes the technical foundation for all downstream products and industrial solutions.
02	In-House Manufacturing	Manufacturing of • Special-purpose welding electrodes • Flux-cored wires • High-performance wear plates • Surface coating and anti-wear welding consumables	Ensures quality control, process reliability, and product customization through integrated manufacturing capabilities.
03	Closed-Loop Integration	Deployment of in-house products for: • Equipment reconditioning and life-extension services • Heavy engineering and fabrication projects • Ready-to-use wear parts	Creates operational synergy by integrating manufactured products into value-added industrial applications and services.
04	Complementary Trading Portfolio	Trading of allied industrial products including welding equipment, powders, industrial sprays, and sealants.	Expands customer engagement, strengthens relationships, and enhances revenue opportunities while supporting core manufacturing operations.

From Electrode to Solution The Full Value Chain

Step 1: Special Purpose Electrodes
Foundation product. High-performance alloy rods for demanding welding applications across all core industries.

Step 2: Flux Cored Wires
Higher-value tubular consumables enabling faster, more efficient welding. Backward integration gives us cost and quality advantages.

Step 3: Wear Plates
Manufactured using our own flux-cored wires via open arc welding. Superior hardness and wear resistance. Industry-leading capacity.

Step 4: Wear Parts
Ready-to-fit components using our wear plates, forgings, castings, and hard-facing consumables. Rental model introduced in FY25.

Step 5: Heavy Engineering Equipment
Large-scale bespoke equipment - air separators, grinding rollers, FD fans, mill bodies, RAPH rotors for cement, steel, power, sugar.

Step 6: Industrial Services
Service welding, kiln consultancy, alignment services, emergency reconditioning. Lifecycle management. Door-opener for other verticals.

Customer value delivered.

The most powerful consequence of forward integration is that Diffusion can serve a customer across every stage of the asset lifecycle—from the initial welding consumable used during commissioning, to the wear parts supplied during operations, to the reconditioning service performed during breakdown.

11,000+
projects completed-**a testament to repeat customer trust**

80%
High share of repeat customers-**our strongest leading indicator**

500+
clientele across cement, steel, power, mining, engineering, defence, oil & gas-**a breadth of metallurgical expertise**

Closed-Loop Engineering Model

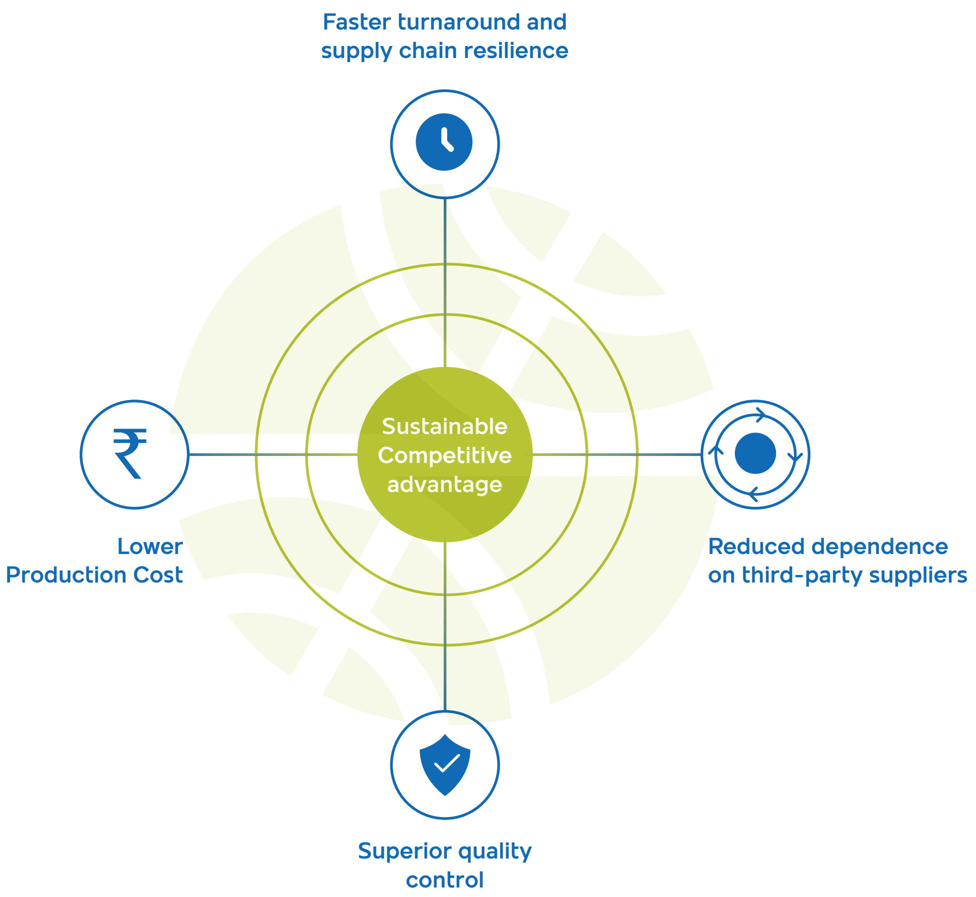
Building a Sustainable Competitive Advantage Through Vertical Integration

Our closed-loop engineering model enables seamless integration across metallurgy, manufacturing, engineering services, and industrial product deployment. By controlling critical stages of the value chain internally, we enhance operational efficiency, improve product reliability, and create long-term strategic advantages.

Key Advantage	Business Impact
Lower Production Costs	Integrated operations reduce external dependencies, optimize resource utilization, and improve overall cost efficiency.
Superior Quality Control	End-to-end oversight ensures consistent product performance, higher reliability, and adherence to stringent industrial standards.
Reduced Dependence on Third-Party Suppliers	In-house capabilities strengthen supply security, improve operational flexibility, and minimize procurement risks.
Faster Turnaround & Supply Chain Resilience	Streamlined processes enable quicker response times, enhanced project execution, and improved customer service continuity.

This integrated operating model creates a sustainable competitive advantage by combining technical expertise, manufacturing control, and execution capability into a scalable and resilient industrial platform.

A Closed - Loop Engineering Model



Growth Investments

Ahead of the Market Curve

CAPACITY EXPANSION | NEW FACILITIES | INTERNATIONAL FOOTPRINT

FY26 was the year Diffusion completed a significant phase of its capital expenditure programme and set the foundations for the next. Two new facilities are either recently commissioned or currently coming on stream-and a third geography (the Middle East) is being added to the Diffusion map

CURRENT MANUFACTURING FOOTPRINT 5 UNITS, ALL IN NAGPUR

Unit I

Special purpose welding electrodes

T-5, T-6, Nagpur Industrial Area, MIDC, Hingna, Nagpur-440016 Maharashtra

Operational since 1994

Unit II

Flux cored wire, wear plates and wear part through fabrication and machining

N-78, N-79, Nagpur Industrial Area, MIDC, Hingna, Nagpur - 440016 Maharashtra

Operational since 2000

Unit III

Anti-wear consumables,

T-12, Nagpur Industrial Area, MIDC, Hingna, Nagpur - 440016 Maharashtra.

Operational since 2015

Unit IV

Flux cored wires, wear plates and heavy engineering machinery

Khasra No. 35, 36, 38/1, 38/2, 38/3, Khapri (Uma), Nagpur- 441 501, Maharashtra

Operational since 2016

Unit V

Special purpose electrodes and wire strips

Plot Nos. 33-B/1/1/ & 33-B/1/1/Part, MIDC, Hingna, Sonegaon District (Seem), Nagpur - 440016, Maharashtra

Operational since 2025

Unit I
Special-purpose welding electrodes, 2,000 sq. mtrs. Operational since 1994

Unit II
Flux-cored wires, wear plates, wear parts, 13,068 sq. mtrs. Operational since 2000

Unit III
Anti-wear consumables, 1,000 sq. mtrs. Operational since 2015

Unit IV
Flux-cored wires, wear plates, heavy engineering 86,197 sq. mtrs. Operational since 2016

Unit V
Special purpose electrodes and wire strips, Plot No. 33-B/1/1 & 33-B/1/1 Part, MIDC Hingna Nagpur, Area-10,850 sq. mtrs, On lease

UPCOMING FACILITIES

- Unit 4 Expansion, Work-in-progress.
  Products: Wear plates, flux-cored wires, and heavy engineering equipment

Our new facilities are funded through internal accruals and IPO proceeds. Together, they will nearly double Diffusion's production capacity across all three business segments - Welding Consumables, Wear Plates & Parts, and Heavy Engineering.

CAPEX PROGRAMME - WHAT HAS BEEN DONE

- Additional flux-cored wire manufacturing line commissioned at Nimji
- Advanced wire-drawing machine installed at Nimji
- CNC Horizontal-Lathe Machine deployed-enabling larger, higher-precision components
- 6.5-metre swing Vertical Lathe Machine deployed-significantly expanding machining envelope
- CNC Horizontal-Boring Machine (X-8m; Y-3.5m; Z+W-2m) under commissioning
- 1.4 MW captive rooftop solar plant approved at Nimji-reducing energy costs and carbon footprint

NEW VERTICALS - EXPANDING THE OPPORTUNITY SET

- Indian Railways-flux-cored wires and heavy components for rolling stock maintenance
- Nuclear Energy-high-specification consumables and precision engineering
- Defence-flux-cored wire order from Heavy Vehicle Factory secured; further development ongoing
- Oil & Gas / Petrochemical-large-bore precision components leveraging new CNC capabilities
- High-Performance Grinding Rollers for Cement-advanced product development underway
- Kiln Services-standalone offering complementing wear consumables business

GOING GLOBAL - DIFFUSION'S INTERNATIONAL EXPANSION

Diffusion already exports to 30+ countries with a proven track record. The next step is a manufacturing and service presence outside India.

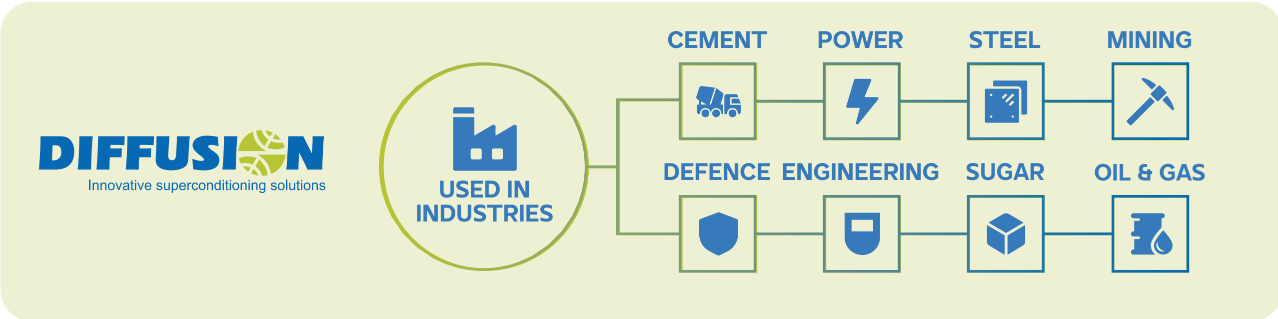
- Diffusion Engineers Middle East-UAE subsidiary incorporation; Abu Dhabi plant
- Commencing operations shortly-targeting welding services and light fabrication for the Gulf market
- Existing subsidiaries in Singapore, Turkey, Philippines operational
- Associate Companies in the UK (LSN Diffusion Limited) and Malaysia (Mecdiff Sdn Bhd)
- Regional service centres and stock points being established in strategic global markets

Product Portfolio

A Diversified Portfolio

The portfolio of the Company comprises of five distinct product lines, all anchored in metallurgical expertise, all serving the same core industrial customers. Each product line reinforces the others-and together they make Diffusion genuinely irreplaceable to its customers.

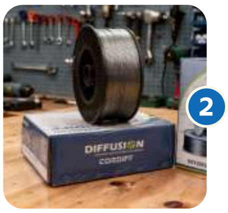
Built on a fully integrated manufacturing ecosystem, our portfolio delivers end-to-end industrial solutions across metallurgy, manufacturing, engineering, and allied industrial applications.



1. SPECIAL PURPOSE ELECTRODES

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

Diffusion's special-purpose electrodes are engineered for demanding applications across cement, steel, power, and other core industries with proprietary alloy formulations that deliver superior wear resistance and bonding strength.



2. FLUX CORED WIRES

A tubular welding consumable filled with a flux mixture of minerals, metal powders, and chemical agents. It shields the molten weld pool, stabilises the arc, and removes impurities during welding enabling higher welding speeds and more efficient, rapid welding processes. Our backward integration (we make the wires ourselves) gives us a critical cost and quality advantage in wear plate production.

3. COLD REPAIR COMPOUNDS

Cold repair compounds, based on polymer chemistry and ceramic composites, are used for maintenance coatings, anti-corrosive coatings, electrical insulation coatings, structural coatings, and floor coatings. These products withstand extreme wear and tear and are used across plant maintenance applications where shutdown time is critical..

4. WEAR PLATES

Wear plates (abrasion-resistant plates) protect equipment surfaces from abrasion, impact, corrosion, and high-temperature wear in harsh industrial environments. Diffusion manufactures wear plates using an open arc welding process, leveraging backward integration with its flux-cored wire production offering superior hardness and wear resistance at lower cost

5. WEAR PARTS

Ready-to-fit wear parts manufactured using wear plates, forgings, castings, and hard-facing consumables providing quality, cost-effective, and higher-performance solutions for cement, steel, and mining equipment. Our self-sufficient facility enables a complete solution and our rental model adds a recurring revenue stream without capital on our books

The Integrated Approach

Our Services

Diffusion's services segment is the differentiating factor that keeps customers engaged across the full asset lifecycle-and the platform from which new product opportunities are consistently identified.

1. SERVICE WELDING

Diffusion Engineers is a pioneer in offline, in-situ, and emergency breakdown reconditioning. Our expertise restores the life of worn-out components, reducing replacement costs and downtime.

- Typical components reconditioned: VRM Tyres, CCS Rolls Cladding, Roller Press Rolls, Crusher Hammers, Sinter Spikes, Grinding Rolls, Loco Wheels, Bucket Edges, Crusher Rotors, Fan Refurbishments
- Offerings span inspection, repair, and upgrades ensuring optimal performance and equipment durability
- Available for: Cement, Steel, Power, Mining, Sugar, and Engineering sectors

2. HEAVY ENGINEERING SERVICES

We specialise in manufacturing and fabrication of heavy engineering equipment for cement, steel, power, sugar, and other core industries. Our dedicated Unit IV in Khapri (Uma), Nagpur ensures high quality production and precision engineering. Equipment ranges from 10 tons to 500 tons.

- Product portfolio includes: Air separators, High-pressure grinding rollers, Forced draft (FD) fans, Mill bodies, Rotary air pre-heater (RAPH) rotors, Tandem wagon tipplers, Coal pulverizer mill shells, Impeller fans, Hammer crusher assemblies
- End-to-end repair and maintenance services for mission-critical equipment directly at client sites
- Currently serves approximately 50 clients with bespoke solutions

3. KILN CONSULTANCY & FABRICATION

Our Kiln Consultancy and Fabrication Services are designed to keep rotary kilns running in perfect alignment smoothly, safely, and efficiently without interrupting production. We combine advanced optoelectronic alignment systems, in-situ machining, and deep field-engineering expertise to prevent failures before they escalate, reduce energy losses, and extend the life of critical components.

Advanced optoelectronic alignment systems precision measurement without shutdown

- In-situ machining correcting defects at the installation without disassembly
- Emergency breakdown repairs rapid response to minimise production loss
- Recently launched as a standalone commercial offering to complement wear-consumables business

SERVICE WELDING

KILN CONSULTANCY & FABRICATION

HEAVY ENGINEERING SERVICES

Risk Management

Navigating Business Challenges

Risk is an inescapable element of all enterprises. Diffusion Engineers is committed to managing its risks proactively. A robust risk management strategy ensures that risks are minimised, circumvented, retained, or apportioned. The Risk Management Committee oversees all risks and evaluates the effectiveness of the risk management strategy.

During FY26, 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 profit margins.

Mitigation

- Implemented multi-vendor sourcing to avoid dependence on any single supplier
- Introduced price-variation clauses in long-term contracts-pricing adjusted based on agreed benchmarks

Risk 2

ENERGY AND UTILITIES COST ESCALATION

Increases in grid tariffs or fuel prices inflate conversion costs at our energy-intensive manufacturing plants.

Mitigation

- Implemented energy-efficiency retrofits across facilities
- 1.4 MW captive rooftop solar plant commissioned at Nimji unit in Q4 FY26

Risk 3

SUPPLY CHAIN DISRUPTIONS

Geopolitical events or port congestion could delay critical inputs, especially specialty alloys sourced internationally.

Mitigation

- Maintained strategic safety stocks for critical alloy inputs
- Established dual-port routing options for international shipments
- Localising select grades through Indian ferro-alloy suppliers-reducing import dependence

Risk 4

COMPETITIVE PRESSURE FROM LOW-COST IMPORTS

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

Mitigation

- Moving from 'supply and forget' to strategic partner for full lifecycle management of industrial equipment
- Providing faster on-site service-response time as a competitive differentiator
- Differentiated offerings through proprietary high-performance consumables that Asian producers cannot replicate
- Make in India' preference in Government and PSU tenders benefits domestically manufactured products

Numbers that Define Our Story

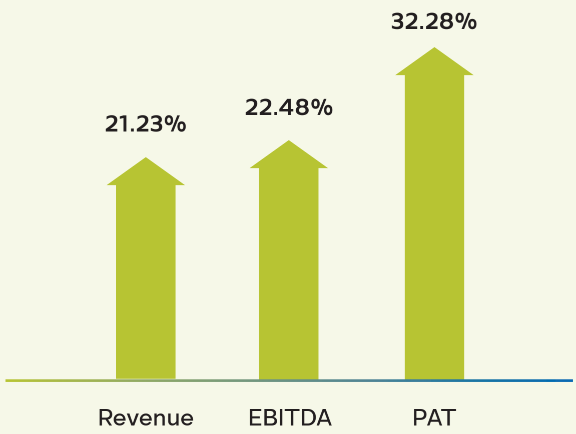
Financial Performance

Key Performance Indicators

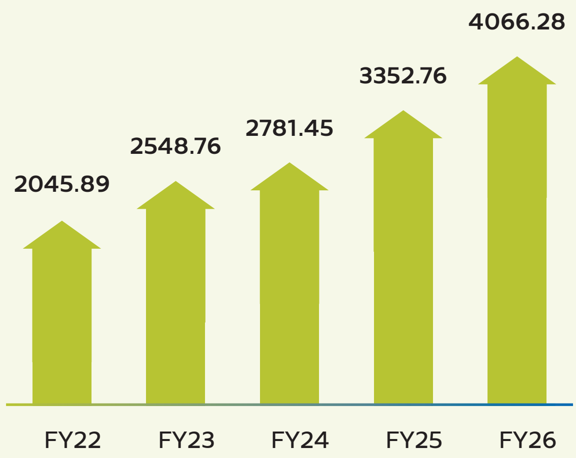
FIVE-YEAR FINANCIAL SUMMARY—CONSOLIDATED

Our performance across key financial 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.

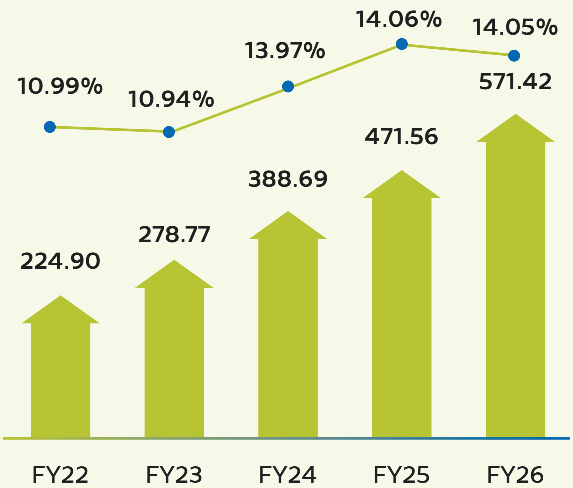
5 Years CAGR (%)



Revenue (₹ Mn)

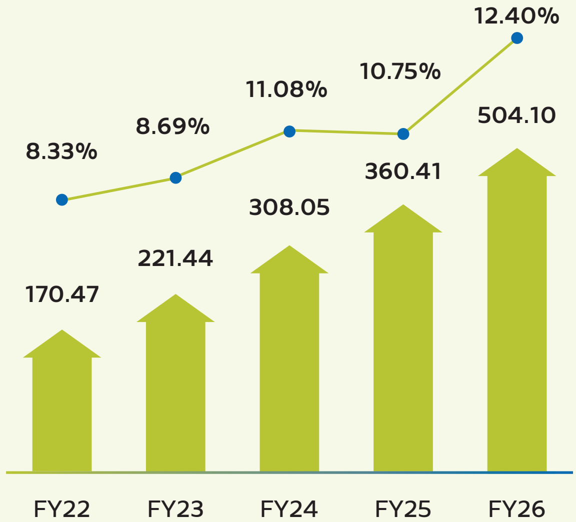


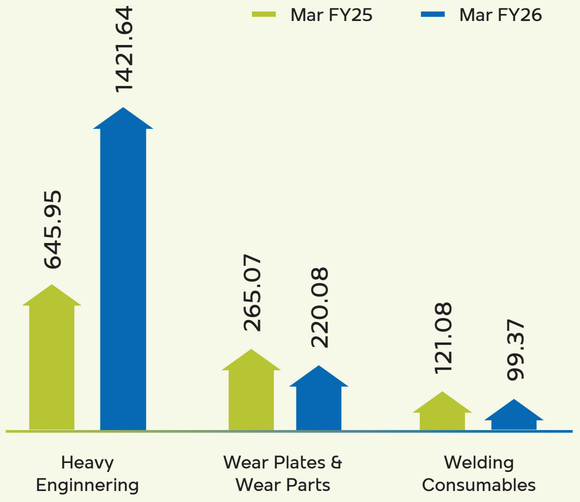
***EBITDA Margin (₹ Mn) (%)**



EBITDA (Excluding Other Income)

PAT Margin (₹ Mn) (%)

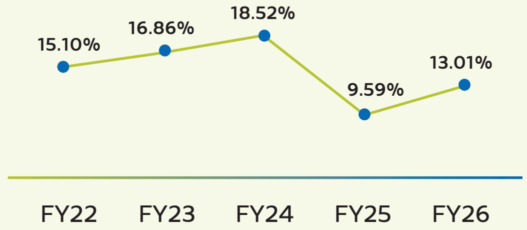




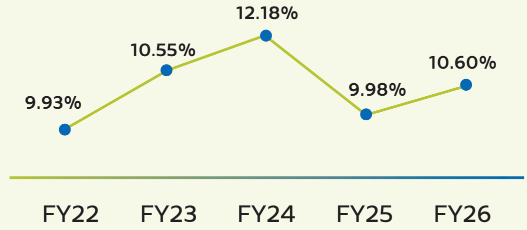
₹ in Mn

TYPE	Mar-25	Mar-26
Heavy Engineering	645.95	1421.64
Wear Plates and Wear Parts	265.07	220.08
Welding Consumables	121.08	99.37
Grand Total	**1032.09**	**1741.09**

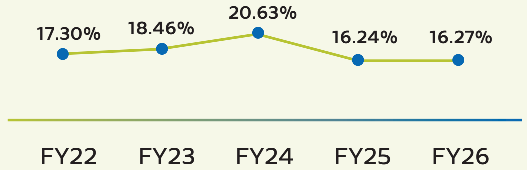
RoE (%)



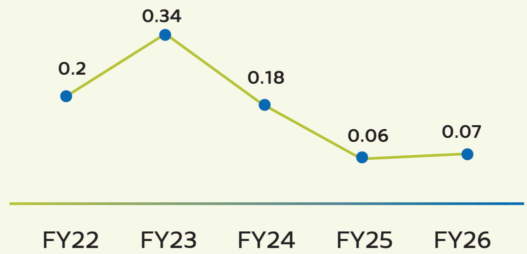
RoA (%)



RoCE (%)



Total Debt to Equity Ratio (X)



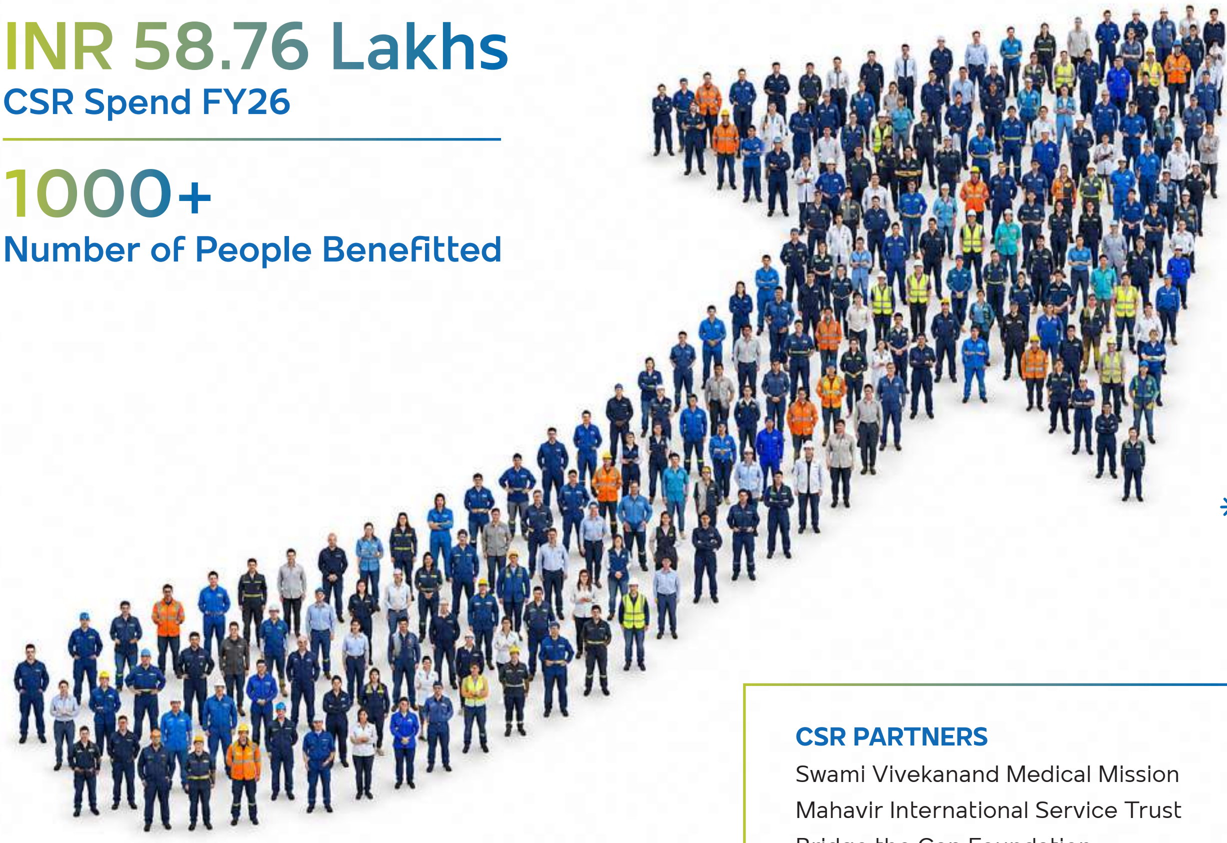
The decline in ROE and ROCE in FY25 is primarily attributed to the increase in equity base following the IPO

Corporate Social Responsibility

Fostering a Conscious Tomorrow

INR 58.76 Lakhs
CSR Spend FY26

1000+
Number of People Benefitted



CSR PARTNERS
Swami Vivekanand Medical Mission
Mahavir International Service Trust
Bridge the Gap Foundation
Harshini Social Welfare Foundation
N.K Garg Foundation

HEALTHCARE AND WELL BEING

Healthcare remained the cornerstone of the Company's CSR initiatives during the year, reflecting its commitment to improving access to quality medical care, strengthening healthcare infrastructure, and supporting the well-being of underserved communities.

The Company partnered with reputed healthcare institutions and charitable organisations to facilitate access to critical cardiac treatments, including heart valve replacements, angioplasty procedures, and paediatric heart surgeries for economically disadvantaged patients The Company also extended financial assistance towards post-operative care and essential medical treatment, ensuring continuity of care for vulnerable beneficiaries.

Furthering its commitment to improving quality of life, the Company supported mobility restoration by sponsoring Jaipur Foot prosthetics for amputees, enabling greater independence and social inclusion. Community healthcare was strengthened through the organisation of medical camps, cataract treatment support, and nutrition initiatives for children, addressing preventive as well as curative healthcare needs.

The Company also invested in healthcare infrastructure by supporting the establishment of a human milk bank for premature and vulnerable newborns and facilitating access to safe drinking water through the installation of a community RO water purification plant.

EDUCATION

The Company's education initiatives focused on enhancing learning opportunities for children and supporting deserving students in pursuing higher education.

Through strategic partnerships, the Company contributed towards the development of government schools and Anganwadis, strengthening educational infrastructure and improving access to quality learning in rural communities.

During the year, scholarships and financial assistance were extended to meritorious students from economically weaker backgrounds, enabling them to continue their academic aspirations. The Company also supported professional education and contributed to the enhancement of educational infrastructure through the donation of essential learning equipment.

PROMOTION OF SPORTS

Recognising the transformative role of sports in nation-building and youth development, the Company continued to support both grassroots participation and high-performance sporting excellence.

Our CSR initiatives ranged from contributing to nationally recognised athlete development programmes to creating sports infrastructure and providing equipment for aspiring young players. The Company also organised regional sporting events and extended scholarships and coaching support to promising athletes, enabling them to access quality training and competitive opportunities while nurturing sporting talent at multiple levels.

The N.K. Garg Sports Scholarship was awarded to a promising young cricketer from Nagpur, along with a complete cricket kit, supporting her training and participation in competitive tournaments. The Company also sponsored club fees at City Gymkhana Cricket Academy for an emerging cricketer from a modest background, opening access to quality coaching and competitive opportunities.

ENVIRONMENTAL SUSTAINABILITY

The Company remained committed to preserving the natural environment through sustained afforestation and plantation development initiatives Continued maintenance of green spaces has contributed to enhancing local biodiversity, strengthening ecological balance, and reinforcing the Company's long-term commitment to environmental stewardship.

FUTURE OUTLOOK FOR CSR

The Company will also strive to creating meaningful and lasting social impact through programmes that improve healthcare access, expand educational opportunities, promote youth development through sports, and strengthen environmental sustainability, thereby contributing to the long-term well-being of the communities it serves.

Governance Framework

Board of Directors

Backed by proven leadership and measurable execution capabilities, our management team brings together over 150 years of cumulative industrial expertise, driving consistent operational excellence and long-term business growth. Supported by decades of domain knowledge and deep industry understanding, the Company has built a strong foundation for sustainable expansion and value creation.

The Company's Board is constituted in full compliance with the Companies Act, 2013 and SEBI Listing Regulations - reflecting not merely regulatory adherence, but a genuine commitment to transparent, accountable, and independent oversight. Of the six serving directors, three are Independent Directors, ensuring that Board deliberations are anchored in objectivity and strong governance practices.

Mr. Prashant Garg

Chairman and Managing Director
(DIN: 00049106)

Mr. Prashant Garg is the Chairman and Managing Director of the Company. He holds a Bachelor's degree in Engineering from Nagpur University and a Master's degree in Business Administration from Saïd Business School, University of Oxford. He has been associated with the Company since 2003 and possesses over 22 years of experience in the industry in which the Company operates. Mr. Garg provides overall strategic direction and leadership to the Company. He plays a key role in driving innovation, overseeing new product development, and facilitating the infusion of advanced technologies into the Company's manufacturing and operational processes. His leadership has contributed to the strengthening of the Company's manufacturing capabilities and the expansion of its product portfolio through the introduction of new product lines and process innovations. Under his guidance, the Company continues to focus on technological advancement, operational excellence, and sustainable growth. Mr. Garg's strategic vision and industry experience have been instrumental in enhancing the Company's market presence and supporting its long-term growth initiatives.

Mrs. Chitra Garg

Non-Executive Director
(DIN: 01784644)

Ms. Chitra Garg is a Non-Executive Non-Independent Director of the Company. She holds a Master's degree in Arts (Geography) from Agra University. She has been associated with the Company and its group entities for several decades and has played an important role in supporting the Company's growth and development over the years. She has been serving as a Director on the Board of Diffusion Super Conditioning Services Private Limited, a subsidiary of the Company, since 1995 and is also a Partner in Devi Kiran Advisory Services LLP. In addition, she holds a directorship in the N K Garg Foundation, a not-for-profit organisation. With her long-standing association with the Company, Ms. Garg brings valuable institutional knowledge and continuity to the Company's operations. She contributes to the Company through her involvement in overseeing general administrative matters. Her experience and familiarity with the Company's legacy and values support the management in ensuring operational stability and sustained organisational development.

Dr. Nitin Garg

Non-Executive Director
(DIN: 08558736)

Dr. Nitin Garg is a Non-Executive Director of the Company. He holds a Bachelor's degree in Medicine and Bachelor's degree in Surgery from Nagpur University. He has completed a Master's degree in General Surgery from Manipal Academy of Higher Education and a Master's degree in Neurosurgery from the National Institute of Mental Health and Neuro Sciences (NIMHANS). He has also undertaken a fellowship at the University of Pittsburgh. He is presently practising as a neurosurgeon in Bhopal. Dr. Garg is the founder of BTSG Awareness Foundation, a non-profit organisation, and CENOS Health Care Private Limited. Dr. Garg brings an entrepreneurial outlook and leadership perspective to the Company through his experience in establishing and managing professional and social initiatives. His diverse professional and philanthropic activities aid in organisational development, long-term value creation, and strengthening the Company's engagement with broader stakeholder communities.

Mr. Anil Trigunayat

Independent Director

(DIN: 07900294)

Mr. Anil Trigunayat serves as an Independent Director on the Board of the Company. He holds a Master of Science (Physics) degree from Agra University and a Diploma in the Foreign Services Programme from Oxford University. He had a distinguished career in the Indian Foreign Service with the Government of India, serving in various diplomatic capacities across different countries. He retired in 2016 after serving as India's Ambassador to Libya and Jordan and as High Commissioner to Malta. With his extensive diplomatic experience and global exposure, Mr. Trigunayat brings valuable insights in areas such as international relations, strategic affairs, and stakeholder engagement. His experience in dealing with diverse geopolitical and economic environments provides the Company with a broader perspective on global developments, international cooperation, and strategic opportunities. His guidance supports the Company in strengthening its external engagement, understanding evolving global dynamics, and fostering a forward-looking strategic outlook

Mr. Sherry Oommen

Independent Director

(DIN: 07059616)

Mr. Sherry Oommen serves as an Independent Director on the Board of the 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 a member of the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India, and has also cleared the Professional Programme examination conducted by the Institute of Company Secretaries of India. In addition, he holds a Master's degree in International Taxation from the National Academy of Legal Studies and Research (NALSAR) University of Law, Hyderabad. Mr. Oommen has extensive professional experience in legal advisory and taxation matters. He is presently a Partner at M/s. Omega Alliance, Advocates and Solicitors, Kochi, Kerala. The Company benefits from his multidisciplinary expertise in law, taxation, and corporate regulations. His experience provides valuable perspective in addressing complex legal and tax matters, evaluating regulatory developments, and guiding the Company on strategic compliance and structuring aspects. His professional insight supports the Company in navigating evolving regulatory frameworks and strengthening its legal and tax governance practices.

Mrs. Deepali Bendre

Independent Director

(DIN: 10753545)

Mrs. Deepali Bendre is an Independent Director on the Board of the Company. She holds a Master's degree in Commerce from Pune University and is a member of the Institute of Chartered Accountants of India (ICAI). She brings with her over 28 years of rich professional experience as a practising Chartered Accountant with specialization in the areas of finance and accounting. She is currently a Partner at M/s. Diwan & Dasture, Chartered Accountants, Nagpur, Maharashtra. Through her extensive professional experience and independent perspective, she contributes significantly to the Company in areas relating to financial oversight, strengthening of internal controls, regulatory compliance, and adoption of sound governance practices. Her guidance and professional insights support the Company in maintaining financial discipline, transparency, and adherence to statutory and regulatory requirements.

Leadership Team

Mr. Prashant Garg
Chairman & Managing Director

Mr. Abhishek Mehta
Chief Financial Officer

Mr. Ajay Urkude
Senior Vice President - Sales and Marketing (PAN India)

Mr. Shreekant Premkhede
Senior Vice President Operations

Mr. Manoj Srivastava
Senior Vice President, Sales & Marketing

Mr. Kaushik Chakraborty
Vice President - OEM

Mr. Ajit Kotasthane
Vice President, Export

Ms. Chanchal Jaiswal
Company Secretary and Compliance officer

Ms. Trushtee Edbor
Deputy General Manager - HR

Committees

The Board operates through five dedicated committees Audit, Stakeholders Relationship, Corporate Social Responsibility, Risk Management, and Nomination & Remuneration, each chaired by an Independent Director, with the sole exception of the Risk Management Committee, which is appropriately led by the Managing Director given its operational nature.

The Company also has a Management committee and Finance committee, the details of which form a part of the Corporate Governance Report

This structure ensures that financial integrity, investor grievances, executive compensation, sustainability commitments, and enterprise risk are each governed by a dedicated body with clearly defined mandates and the independence to exercise them. The composition of these committees reflects a deliberate design principle: that governance at Diffusion is not a compliance exercise, but a structural safeguard one that protects every stakeholder, from the smallest shareholder to the largest institutional investor, and provides the foundation of trust on which long-term value creation is built.

Committee	Chairman	Members
Audit Committee	Mr. Sherry Samuel Oommen (Independent Director)	Ms. Deepali Bendre Mr. Prashant Garg
Stakeholders Relationship	Mr. Sherry Samuel Oommen (Independent Director)	Mr. Prashant Garg Mr. Nitin Garg
Corporate Social Responsibility	Ms. Deepali Bendre (Independent Director)	Mr. Nitin Garg Ms. Chitra Narendra Garg
Risk Management	Mr. Prashant Garg (MD)	Mr. Anil Kumar Trigunayat Mr. Sherry Samuel Oommen Mr. Abhishek Mehta (CFO)
Nomination & Remuneration	Ms. Deepali Bendre (Independent Director)	Ms. Chitra Narendra Garg Mr. Sherry Samuel Oommen

Corporate Information

CIN
L99999MH2000PLC124154

BOARD OF DIRECTORS
Mr. Prashant Garg
Chairman and Managing Director
DIN- 00049106

Ms. Chitra Narendra Garg
Non- Executive Director
DIN- 01784644

Mr. Nitin Garg
Non- Executive Director
DIN- 08558736

Mr. Anil Kumar Trigunayat
Independent Director
DIN-07900294

Mr. Sherry Samuel Oommen
Independent Director
DIN-07059616

Ms. Deepali Sameer Bendre
Independent Director
DIN-10753545

CHIEF FINANCIAL OFFICER
Mr. Abhishek Mehta

COMPANY SECRETARY AND COMPLIANCE OFFICER
Ms. Chanchal Jaiswal

REGISTERED OFFICE:
T-5 & 6, MIDC, Hingna, Nagpur, Maharashtra, India, 440016

MOBILE NO.
+91 9158317943

E-MAIL
info@diffusionengineers.com

WEBSITE
www.diffusionengineers.com

PLANT LOCATIONS
UNIT I
T-5, T-6, Nagpur Industrial Area, MIDC, Hingna, Nagpur - 440016 Maharashtra
Operational from 1994

UNIT II
N-78, N-79, Nagpur Industrial Area, MIDC, Hingna, Nagpur - 440016 Maharashtra.
Operational from 2000

UNIT III
T-12, Nagpur Industrial Area, MIDC, Hingna, Nagpur - 440016 Maharashtra.
Operational from 2015

UNIT IV
Khasra No. 35, 36, 38/1, 38/2, 38/3, Khapri (Uma), Nagpur- 441 501 Maharashtra.
Operational from 2016

UNIT V
Plot Nos. 33-B/1/1/ & 33-B/1/1/ Part, MIDC, Hingna, Sonegaon District (Seem), Nagpur - 440016, Maharashtra
Operational since 2025

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

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

INTERNAL AUDITOR
Chitaley Mehta & Associates, Chartered Accountants, (Firm Registration No. 127021W) Nagpur.

COST AUDITOR
A B Verma & Co., Cost Accountants, Nagpur (Firm Registration No. 102527) Nagpur.

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

REGISTRAR & TRANSFER AGENT
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

MANAGEMENT DISCUSSION & ANALYSIS

GLOBAL ECONOMY

2025-26: Tenuous Resilience amid Persistent Uncertainty

The global economy navigated a challenging environment in FY 2025-26, marked by renewed trade-policy headwinds and geopolitical disruption, even as it demonstrated underlying resilience. The IMF's July 2025 World Economic Outlook Update revised global GDP growth upward to 3.0% for 2025 and 3.1% for 2026, reflecting stronger-than-expected front-loading of trade activity, lower effective tariff rates compared to early April 2025, and easier financial conditions including a softer U.S. dollar.

The October 2025 WEO subsequently revised estimates to 3.2% for 2025 and 3.1% for 2026, while the January 2026 update projected 3.3% for 2026 and 3.2% for 2027.

Source: IMF World Economic Outlook Update, July 2025

Declining Inflation

Global inflation continued its gradual descent during FY 2025-26, reaching approximately 4.2% in 2025 and projected to ease further to 3.7% in 2026, according to the IMF. Advanced economies have converged closer to their central bank targets, with the U.S. Federal Reserve navigating a delicate balance between easing inflation and trade-induced price pressures.

The European Central Bank continued monetary easing to support its lagging industrial base. Emerging market economies, including India, achieved notable disinflation, with some recording inflation at multi-year lows.

Source: IMF WEO October 2025

Trade Policy Disruptions

The year was defined by significant trade policy turbulence. U.S. tariffs, which entered a 90-day pause in April 2025, were partially reintroduced through August 2025, disrupting global supply chains, particularly U.S.-China trade corridors.

Countries across Southeast Asia, India, and parts of the Middle East benefited from trade diversion, attracting incremental manufacturing orders and FDI as global multinationals diversified their sourcing geographies. Global trade growth moderated as a result of these disruptions, though front-loading activity in early 2025 provided some buffer.

Industry and Manufacturing

Manufacturing and industrial activity remained mixed across geographies. Asia-Pacific, led by India and parts of Southeast Asia, continued to drive industrial output growth, supported by infrastructure investment, PLI-style schemes, and expanding domestic demand. Europe's manufacturing sector remained under pressure from elevated energy costs, weak end-market demand, and cautious business sentiment. The U.S. manufacturing sector experienced some resilience supported by reshoring-linked investment, even as tariff uncertainty suppressed new capacity decisions. Globally, flux-cored wire and electrode demand rose in tandem with infrastructure-linked construction activity.

Consumption and Trade

Global consumption grew modestly, supported by real wage recovery in economies that achieved significant disinflation, particularly the U.S. and India while Europe lagged on account of subdued consumer sentiment and structural economic challenges. Global trade growth was volatile, with the first half of 2025 seeing front-loading and the second half experiencing a correction as tariff effects took hold. Commodity prices, particularly for steel, nickel, tungsten, chromium, and others continued to exhibit elevated volatility, with significant implications for input cost management across the welding consumables and wear solutions supply chain.

According to SNS Insider, the Stainless Steel Market was valued at USD 185.75 billion in 2025 and is expected to reach USD 378.23 billion by 2035, growing at a CAGR of 7.41% during the forecast period 2026–2035. These factors include rising building and infrastructure development, increased manufacture of automobiles, and the development of renewable energies.

However, iron ore, coal and scrap steel used to make new steel are all critical inputs whose costs can vary significantly based on global supply-demand imbalances as well as geopolitical tensions and trade curbs. These fluctuating prices have significant impacts on the price of production, profit margins, and bring about uncertainty to manufacturers, which can hinder long-term investment planning as well as stable pricing for end-use industry.

Source: Steel Market Size, Share & Global Forecast 2026-2033

Outlook

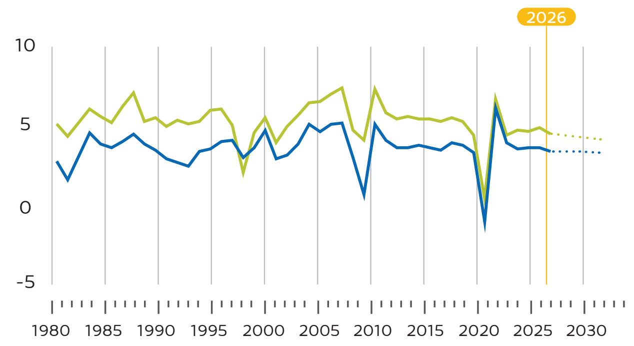
The global economic outlook for FY 2026-27 remains cautiously constructive but fragile. Growth is projected in the 3.1-3.3% range, with emerging economies particularly India and Southeast Asia continuing to outperform advanced economies. Key risks include a resurgence of trade tensions, geopolitical escalation in the Middle East, and financial market volatility linked to higher-for-longer interest rates in the U.S. On the upside, breakthroughs in trade negotiations, structural reforms, and accelerating digital and energy-transition investment could lift growth above baseline projections.

Source: IMF World Economic Outlook April 2026

REAL GDP GROWTH CHART

TREND (1980-2030)

Annual Percent change



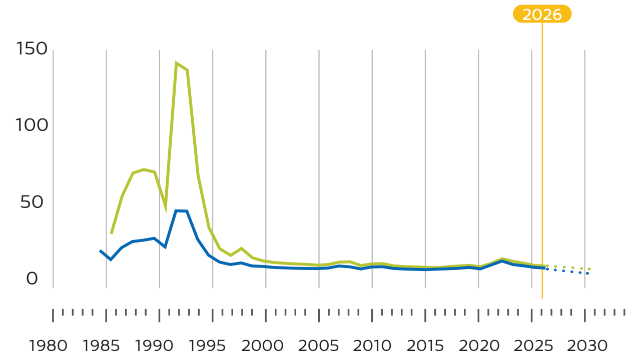
SELECTION (2026)

World 3.1 | Asia and Pacific 4.4

INFLATION RATE CHART

TREND (1980-2030)

Annual Percent change



Source: Data Mapper, imf.org

SELECTION (2026)

Emerging market and developing economies 5.4

World 4.4

INDIAN ECONOMY

India's Growth Performance in FY 2025-26

India's economy delivered an outstanding performance in FY 2025-26, with real GDP expanding by 7.7%, the sharpest annual growth rate since the post-pandemic rebound in FY 2022, and well above the initial government projection range of 6.3-6.8%.

India maintained its position as the fastest-growing major economy and the highest-growing G20 nation, demonstrating remarkable resilience in the face of U.S. tariffs (which reached 50% by August 2025), elevated energy costs from rerouted oil sourcing, and the broader geopolitical uncertainty stemming from the Middle East conflict. GDP at constant prices (base 2022-23) reached ₹323.12 lakh crore for the full year, with nominal GDP of ₹346.36 lakh crore.

Source: MOSPI Provisional National Income Estimates, June 2026 | IASPOINT GDP Data

According to data published by World GDP Ranking List on Cleartax, in 2026, India's per capita income is estimated at **$2,813** (approximately **₹2.35-₹2.45 lakh**), reflecting a steady improvement. While India remains a **$4.15 trillion economy**, its per capita income continues to rise alongside sustained economic growth and structural reforms. For comparison, India's per capita income was around **$2,500 in 2024**, indicating consistent expansion in income levels and domestic production. The latest global GDP estimates for 2026 reflect updated projections for major economies. While the US and China remain the top two economies, India currently ranks 6th in nominal terms with a nominal GDP of around $4.15 trillion. The country also remains the world's fastest-growing major economy.

KEY HIGHLIGHTS

United States:	$32.38 trillion GDP, remains the world's largest economy.
China:	$20.85 trillion GDP, continues as the second-largest economy.
India:	$4.15 trillion GDP, currently ranks 6th among the largest economies.
Fastest Growth:	India leads major economies with a projected calendar-year 2026 growth rate of 6.48%.

Source: World GDP Ranking 2026 List, Clear Tax

Quarterly Growth Trajectory

The quarterly growth trajectory for FY 2025-26 was notably strong. Q1 FY 2025-26 recorded 7.8% growth, followed by a further acceleration to 8.2% in Q2, the sharpest quarterly growth since Q4 FY 2023-24 driven by resilient domestic demand, strong manufacturing output (9.1% in Q2), and buoyant financial and real estate services (10.2%). Q3 moderated amid U.S. tariff headwinds, before growth recovered to 7.8% in Q4, consolidating the full-year outcome at 7.7%. The RBI progressively revised its GDP forecast upward through the year, from 6.5% initially to 7.4% by its February 2026 policy meeting, reflecting the economy's consistent outperformance.

Source: PIB: India's Growth Story Strengthens Q2 FY 2025-26 GDP Data

Inflation - A Historic Low

FY 2025-26 was a landmark year for inflation management in India. Headline CPI inflation declined for nine consecutive months through mid-year, reaching a multi-year low of approximately 1.6% in July 2025 before edging up to 2.1% by August.

The sharp decline was driven by a prolonged 10.5% fall in food prices over nine months the longest such decline in the CPI series. GST rationalisation effective September 22, 2025, further reduced consumer prices across approximately 11.4% of the CPI basket. The RBI revised its full-year CPI inflation forecast progressively downward to 2.0%, compared to the earlier estimate of 3.1%. This benign inflation environment enabled the RBI to maintain an accommodative monetary stance and support credit growth without reigniting price pressures.

Source: PIB: Macroeconomic Update H1 FY 2025-26

Monetary Policy - Calibrated Easing

The Reserve Bank of India's Monetary Policy Committee navigated the year with a series of carefully calibrated rate cuts. The repo rate was reduced to 5.25% by December 2025 (a 25 bps cut) and held steady at 5.25% through February 2026, maintaining a neutral stance. The RBI raised its GDP growth forecast for FY 2025-26 to 7.4% at its February 2026 meeting, reflecting confidence in the economic trajectory.

The reduction in the cost of credit, combined with healthy bank balance sheets and improved liquidity, supported strong credit disbursement to the industrial, infrastructure, and MSME segments, all of which are key customers of Diffusion Engineers' product and service portfolio.

Source: RBI Monetary Policy Decisions - Trading Economics India Interest Rate

Industrial Production and Manufacturing

India's Index of Industrial Production (IIP) maintained a healthy pace, with the capital goods sub-index recording particularly strong growth of 8.1% in December 2025 and 14.0-14.1% year-on-year in April-May 2025. Manufacturing GVA growth accelerated to 7.72% in Q1 and 9.13% in Q2 FY 2025-26, driven by PLI-linked production ramp-ups, infrastructure-linked demand for construction materials, and expanding electronics and automotive manufacturing. The construction sector grew 8.4% in Q2, while double-digit manufacturing growth was recorded in Q3, reinforcing the broad-based nature of industrial momentum.

Source: Economic Survey 2025-26: Capital Goods Sector

External Trade and FDI

India's export performance was resilient despite the tariff environment. Merchandise exports grew 2.4% during April-December 2025, while services exports expanded at a strong 6.5% pace. India's total exports (goods and services) reached USD 825.3 billion in FY 2025. The Current Account Deficit narrowed sharply to 0.2% of GDP in Q1 FY 2025-26 (from 0.9% a year earlier), supported by strong services exports and remittances of USD 35.3 billion, the world's largest recipient. Gross FDI inflows remained robust at USD 37.7 billion in April-July 2025, reaching USD 51.8 billion in H1, growing 19.4% year-on-year. India's three sovereign credit rating upgrades during the year underscored growing international confidence in its economic fundamentals.

Source: PIB: India's First Advance Estimates FY 2025-26

GST Collections and Fiscal Health

India's Goods and Services Tax collections continued to demonstrate the economy's ongoing formalisation and compliance improvements. The Union Budget for FY 2026-27 maintained India's fiscal consolidation trajectory, with the fiscal deficit brought below 4.5% of GDP in FY 2025-26.

The government's capital expenditure allocation was maintained at a record ₹11.21 lakh crore (3.1% of GDP) in FY 2025-26 and proposed to increase by 9% to ₹12.2 lakh crore in FY 2026-27. This sustained public investment commitment keeps the multi-year infrastructure pipeline of highways, railways, housing, and energy firmly on track.

Source: PIB: Union Budget FY 2026-27 — Capital Goods Sector

Outlook

Looking ahead, the RBI projects GDP growth of 6.9% for FY 2026-27 (with some downward revision risk from the Middle East conflict and energy price pressures). Private consumption, now accounting for 61.5% of GDP, the highest since FY 2012, remains the primary growth engine. Infrastructure investment, digital transformation, clean energy scale-up, and manufacturing diversification under Make-in-India will continue to drive domestic demand, providing a constructive backdrop for industrial companies serving core sectors.

Source: Trading Economics: India Full Year GDP Growth

INDUSTRIAL STRUCTURE & DEVELOPMENT

Global Welding Consumables Industry

Welding consumables comprising electrodes, filler wires, fluxes, shielding gases, and flux-cored wires remain the cornerstone of industrial fabrication across construction, automotive, energy, shipbuilding, and heavy engineering sectors.

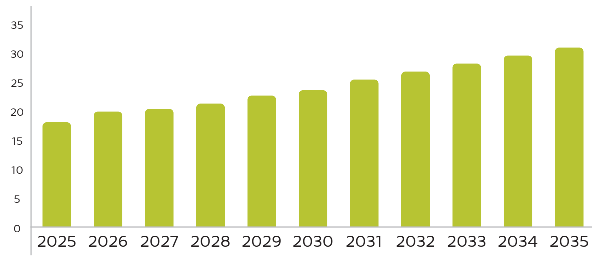
The global welding consumables market was valued at approximately USD 18.70 billion in 2025, growing to an estimated USD 31.6 billion in 2035 at a CAGR of 5.4%.

Asia-Pacific dominates with a share of approximately 47% of global revenue in 2025 (approximately USD 8.8 billion), driven by China's manufacturing base, India's expanding industrial footprint, and Southeast Asia's growing automotive and construction sectors. Stick electrodes hold the largest product segment at approximately 31% of consumption, while flux-cored wires are the fastest-growing sub-segment, expanding at a CAGR above 6% on account of automation-driven demand.

WELDING CONSUMABLES MARKET

Analysis: 2025-2035

2025 Value	2035 Forecast	Trend
USD 18.7 Bn	USD 31.6 Bn	**Bullish Growth**



Source: Market Business Insights: Global Welding Consumables Market 2025-2035

TYPES AND APPLICATIONS

Types of welding consumables in use include:

(1) Electrodes - coated metal rods for manual arc welding;

(2) Solid Wires - for MIG/MAG welding;

(3) Flux-Cored Wires - for semi-automated and automated welding and cladding, offering higher deposition rates;

(4) Submerged Arc Wires and Fluxes - for heavy-duty industrial fabrication;

(5) Thermal Spray Powders and Strip Electrodes - for hardfacing and cladding applications; and

(6) Cold Repair Compounds - for in-situ machinery rehabilitation without welding heat.

These consumables find application across construction (steel beams, bridges, buildings), automotive (chassis, body structures, EV battery enclosures), shipbuilding, oil and gas (pipelines, rigs), energy (wind towers, nuclear vessels, coal plant components), and heavy industry repair and maintenance.

Growth Trends and Drivers

Key demand drivers include: the global construction boom requiring structural welding across residential, commercial, and industrial sectors; automotive industry transformation linked to EVs requiring specialist aluminium and high-tensile weld materials; rising shipbuilding in South Korea, Japan, and China for container vessels and LNG carriers; energy infrastructure expansion (both renewables and fossil fuels); and the growing adoption of robotic and automated welding systems that favour flux-cored and solid wire consumables.

The advancement of flux-cored welding consumables for automated fabrication and Air Liquide Welding expanded for technical support services for industrial automation during the year signal market direction toward automation-compatible premium consumables.

Source: Research and Markets: Welding Consumables Market 2026-2032

EMERGING TRENDS

The welding consumables industry is being shaped by several emerging trends:

(1) Increased Automation and Robotics - Robotic welding systems are being rapidly adopted in automotive and manufacturing, driving demand for flux-cored wires compatible with automated deposition heads.

(2) Eco-Friendly Consumables - Manufacturers are developing low-fume, chromium-free, and low-emission formulations aligned with ESG mandates and regulatory requirements.

(3) Advanced Alloy Compositions - new consumables with cobalt-free, low-spatter, and cryogenic-resistant formulations are gaining share in aerospace, defence, and extreme-environment applications.

(4) Digital Integration - IoT-enabled welding process monitoring and data analytics are optimising consumable usage and ensuring weld quality traceability.

(5) Additive Manufacturing Compatibility - Metal powders compatible with directed energy deposition are emerging as a nascent but fast-growing sub-segment.

Indian Welding Consumables Industry

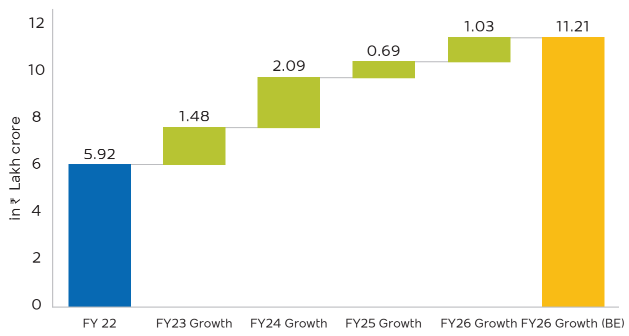
India's welding consumables market, estimated at USD 1.66 billion in 2026 (Fortune Business Insights), is on a strong growth trajectory driven by infrastructure expansion, manufacturing PLI schemes, and growing renewable energy installations.

The Indian market is expanding at a regional CAGR above the global average, supported by growing automobile assembly operations, renewable energy infrastructure development, and the government's continued push for infrastructure-led growth. Stick electrodes continue to dominate in volume terms, favoured for their versatility, low equipment cost, and effectiveness in outdoor and adverse conditions, while flux-cored wires are the fastest-growing segment.

Source: Fortune Business Insights: Welding Consumables Market India 2026

Chart IX.1: Government Capex has continued to rise steadily since FY22

Total increase from FY22 to FY26: Rs. 5.29 lakh crore (89 per cent)



Source: https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap09.pdf

SECTORS DRIVING GROWTH

- **Infrastructure**: Initiatives such as PM Gati Shakti, Bharatmala, Sagarmala, Vande Bharat, and Smart Cities Mission are driving rapid construction of bridges, highways, tunnels, ports, and buildings-all requiring extensive structural welding.
- **Manufacturing**: The PLI scheme and Make-in-India campaign are boosting domestic manufacturing output, with welding consumables as an essential input across automotive, electronics, and industrial machinery production.
- **Automotive-EV Transition**: India's rapidly growing EV industry is creating new welding requirements for lightweight aluminium alloy structures and battery pack enclosures, demanding specialised consumables.
- **Renewable Energy**: Wind tower fabrication and solar mounting structure welding represent growing consumption channels.
- **Shipbuilding and Defence**: Growing indigenisation of defence equipment and expansion of Indian shipyards are creating sustained demand for high-performance electrodes and wires.

Opportunities and Challenges

India's welding consumables sector offers significant import-substitution opportunities in specialty electrodes and flux-cored wires, where domestic manufacturers with NABL-accredited testing and proprietary alloy formulations hold a quality advantage. However, challenges persist from low-cost East Asian producers particularly China on standardised SKUs. Domestic companies with differentiated offerings, technical service capabilities, and strong OEM relationships are best positioned to capture premium market share and resist commoditisation pressure.

Source: IMARC Group: India Welding Consumables Market

Global Wear Plates / Wear Parts Industry

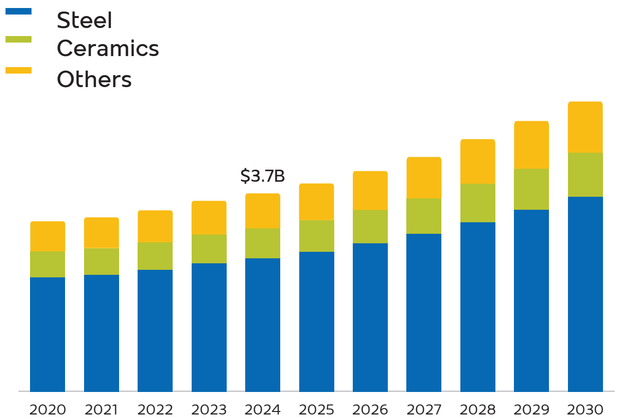
Wear plates and wear parts are critical consumables in industries operating under conditions of high abrasion, impact, corrosion, and erosion. Wear plates (e.g., AR400, AR500, Chromium Carbide Overlay) are protective shields bolted or welded onto machinery surfaces, while wear parts are replaceable active components like teeth, blades, liners, rollers that directly engage abrasive material, absorbing wear to protect the equipment itself. Together, they extend machinery life, reduce unplanned downtime, and lower total cost of ownership.

The global wear plates market was valued at USD 3.74 billion in 2024 and is projected to reach USD 5.45 billion by 2030, registering a CAGR of 6.7% during 2025—2030. Asia Pacific accounted for over 42% of the global market in 2024, supported by rapid industrialisation, expanding mining activities and rising investments in infrastructure and heavy equipment. Growing demand for durable, cost-effective wear-resistant materials continues to drive market expansion across key industrial sectors.

Source: Wear Plates Market (2025 - 2030), Grandview Research

Wear Plates Market

Size, by Material, 2020-2030 (USD Billion)



6.7%

Global market CAGR 2025-2030

Increased use of automation and precision processing for customized wear resistant steel solutions and expanding demand for lightweight yet high-performance materials in heavy equipment applications help in a consistent and continuous growth trajectory for the market.

Product Types and Segments

On the broader wear-resistant steel plate definition, which SNS Insider sizes at USD 5.21 billion in 2025 rising to USD 9.63 billion by 2035 at a CAGR of 6.35%, the segment structure is as follows. By product type, Abrasion Resistant (AR) Steel Plates dominate with a 42.15% market share in 2025, owing to their durability and wide use in tough industrial settings. Chromium Carbide Overlay (CCO) Plates are the fastest-growing sub-segment, expected to grow at a CAGR of 8.58% from 2026 to 2035, driven by their exceptional hardness and wear life in extreme environments.

The Mining Industry holds the largest share as abrasive material handling environments make durable wear solutions essential. Industrial and Manufacturing is the fastest-growing end-user segment driven by growing PLI-linked factory automation and equipment protection requirements. By hardness, the 400-500 HB category dominates and is also the fastestgrowing, reflecting balanced performance for high-impact industrial applications.

Key Growth Drivers

The wear plates and parts industry is driven by:

(1) Expanding mining activities globally for critical minerals (lithium, cobalt, copper) required for the energy transition;

(2) Infrastructure construction-bridges, dams, tunnels which require wear-resistant liners in excavation and material handling equipment;

(3) Cement and steel sector capacity expansion;

(4) Focus on sustainability and reducing equipment replacement frequency, as longer wear-life solutions directly lower carbon footprints; and

(5) Technological innovation in composite materials, ceramic overlays, and weld-deposited CCO plates that offer superior performance-to-cost ratios versus OEM replacements.

Source: GlobalNewsWire: SNS Insider Wear Resistant Steel Plate Market Report 2026

Indian Wear Plates / Wear Parts Industry

India is emerging as one of the fastest-growing wear plates markets in Asia Pacific, driven by sustained investments in infrastructure, mining, construction and industrial manufacturing. The **Indian wear plates market was valued at USD 122.8 million in 2024** and is expected to reach **USD 186.8 million by 2030**, expanding at a **CAGR of 7.2%** during 2025-2030. India accounted for **3.3% of the global wear plates market** in 2024 on the USD 3.74 billion Grand View Research base cited above, with demand supported by increasing adoption of wear-resistant materials across mining equipment, cement plants, earthmoving machinery and other heavy industrial applications.

India wear plates market, 2018-2030 (USDM)

Source: India Wear Plates Market Size & Outlook, 2024-2030, Grandview Research

The market is underpinned by robust demand from the cement, steel, mining, sugar, and power sectors, all of which are undergoing capacity expansion and operational intensity increases. India's reliance on imported wear plates, particularly CCO and ceramic composite variants from China, Germany, and the U.S., presents a significant import-substitution opportunity for domestic manufacturers with advanced overlay and bonding capabilities.

Growth Drivers

Rapid Industrialisation: India's cement sector is adding over 40 million tonnes per annum of new capacity by FY 2026-27, while the steel sector continues to expand under DMISP 2025 and Vision 300 MT targets. Both are intensive users of wear liners, rollers, crusher plates, and chute liners. Mining Expansion: The coal sector's targeted 42% output increase by 2030 and growing extraction of critical minerals expand the addressable market for crusher screens, conveyor chutes, and bucket liners. Manufacturing: PLI-linked production ramp-ups across automotive, electronics, and defence sectors increase wear part requirements in stamping dies, conveyor systems, and machining fixtures. Atmanirbhar Bharat: Government policy actively encourages import substitution in industrial components, creating a favourable procurement environment for domestic wear solution providers.

Challenges and Threats

Despite strong demand growth, the Indian wear plates market faces challenges: significant import volumes, primarily from China (the dominant supplier), Germany, and the U.S., driven by the cost-competitiveness and scale of foreign producers; a perception gap in domestic product quality for the most demanding applications (CCO and ceramic composites); and the need for technical sales capabilities to demonstrate life-cycle cost advantages over lower-priced imports. Import data shows year-on-year growth of 23% in wear plate imports during 2023-24, signalling both the growth in demand and the persistent gap in domestic supply capability for high-specification variants.

Source: Verified Market Reports: India Wear Plate Market
Source: Grand View Research: India Wear Plates Market

Global Heavy Engineering Equipment Industry

The global heavy engineering equipment industry encompasses large-scale machinery used in construction, mining, energy, and industrial production including excavators, cranes, crushers, bulldozers, and material handling systems. The global heavy construction equipment market is projected to grow from USD 160.11 billion in 2026 to USD 226.91 billion by 2033, at a CAGR of 5.1%. Broader definitions that also capture mining and material-handling equipment size the market at USD 209—224 billion in 2025, growing at 4-5% annually. Asia-Pacific commands the dominant regional share, driven by large-scale infrastructure programmes in China, India, Japan, and South Korea.

Source: MarketsandMarkets: Heavy Construction Equipment Market 2026-2033

Key Growth Drivers

- Infrastructure investments: Governments worldwide are allocating unprecedented budgets to transportation networks, smart cities, energy infrastructure, and urban development. The World Bank estimates USD 1.4 trillion in annual global infrastructure investment.
- Mining and energy transition: High-intensity mining operations for critical minerals and large-scale land development for renewable energy installations are expanding the addressable market for earthmoving and material handling equipment.
- Technological innovation: Automation, IoT-enabled predictive maintenance, AI-integrated excavators (e.g., Komatsu's intelligent systems launched in 2025), and electric/hydrogen-powered machinery are boosting efficiency and aligning with sustainability mandates.
- Electrification: Electric and hybrid construction machinery is gaining regulatory and market traction, particularly in Europe and urban-constrained markets. JCB secured commercial licensing from eleven European authorities for electric machinery in January 2025.

Source: Fortune Business Insights: Heavy Construction Equipment Market 2026-2034

Indian Heavy Engineering Equipment Industry

India's heavy engineering and capital goods sector is in the midst of a structural transformation, emerging as one of the country's most strategically important industries. The capital goods sector's output nearly doubled over the past decade, reaching ₹4,29,001 crore in 2023-24. PLI schemes have attracted over ₹2 lakh crore in realised investments as of September 2025, creating strong upstream demand for industrial machinery, specialised engineering systems, and high-performance components. The sector currently contributes significantly to India's GDP, with a multiplier effect across downstream manufacturing industries. The IIP capital goods sub-index surged 8.1% in December 2025 and 14.0-14.1% in April-May 2025, signalling a structural, not cyclical, growth phase.

Source: Invest India: India's Capital Goods Boom — March 2026

Construction Equipment Segment

India is the world's third-largest market for construction equipment. The construction equipment market, valued at approximately ₹69,046 crore (USD 7.91 billion) in 2025, is projected to reach ₹1,02,827 crore (USD 11.78 billion) by 2030, with sales expected to cross 165,000 units by 2028. In FY 2024-25, the construction equipment sector achieved low single-digit year-on-year volume growth despite general election-related project delays and new emission norm implementation. Earthmoving equipment led with an approximately 71% market share. In FY 2025-26, resumed infrastructure spending and accelerated project execution across Bharatmala, Smart Cities, and metro rail programmes drove a recovery in construction equipment demand. India constructed 5,313 km of highways in FY 2025-26, surpassing the target of 4,640 km.

Source: IBEF: India Engineering & Capital Goods Industry

Capital Goods Production and Exports

Capital goods production across sub-sectors continued to grow strongly in FY 2025-26. Earthmoving and Mining Machinery output surged to ₹73,000 crore in 2023-24 (from ₹31,020 crore in FY 2019-20), reflecting the combined impact of infrastructure investment and mining sector growth.

Exports of engineering goods reached ₹9,86,328 crore (USD 116.67 billion) in FY 2024-25. Capital goods exports continued to benefit from global demand for cost-competitive Indian-made equipment. The Ministry of Road Transport's allocation in Union Budget 2026-27 rose 8% to ₹3,09,875 crore, maintaining strong demand visibility for earthmoving, road-building, and material handling equipment manufacturers.

Government Policy and Incentives

The National Capital Goods Policy, formulated by the Ministry of Heavy Industries, targeted increasing the sector's contribution to manufacturing from 12% (2016) to 20% by 2025, doubling production, and increasing exports to at least 40% of total production. Phase-II of the Scheme on Enhancement of Competitiveness in the Indian Capital Goods Sector supports Advanced Centres of Excellence, Common Engineering Facility Centres, and technology upgrading initiatives. Union Budget 2025-26 proposed adding 35 capital goods for EV battery manufacturing and 28 for mobile phone battery manufacturing to the exempted list, directly stimulating domestic production. Hi-Tech Tool Rooms are proposed to be established at two locations by CPSEs to enhance high-precision machining capabilities.

Source: PIB: Make in India and the Capital Goods Revolution

Source: PIB: Union Budget FY 2026-27 — Capital Goods Strengthening

Opportunity Landscape

The Union Budget 2026—27 underscores the capital goods sector as a key driver of India's growth and industrial transformation. It prioritises expansion of manufacturing capacities in seven strategic and frontier sectors, supported by focused interventions for capital goods. The Budget strengthens the sector's role across manufacturing, and the energy transition to enhance productivity and quality standards. These measures aim to reinforce domestic capacity while supporting India's deeper integration with global markets. The Economic Survey 2025-26 notes that manufacturing GVA growth accelerated in FY26, reaching 7.72% in Q1 and 9.13% in Q2, supported largely by ongoing structural transformations within the sector.

Source: https://www.pib.gov.in/PressNoteDetails.aspx?NoteId=157180&ModuleId=3&reg=44&lang=1

The power sector has planned government investment of ₹25 lakh crore over the next five years for generation, transmission, and distribution. The cement industry is adding over 40 MT per annum of new capacity by FY 2026-27. Data centre capacity is projected to double by FY 2026-27.

Source: IBEF: Engineering & Capital Goods — Detailed Industry Presentation

OPPORTUNITIES & THREATS

Opportunities

The Company operates at the intersection of India's industrial and infrastructure growth story, and the current environment presents a broad set of demand tailwinds across its core end-markets. India's cement industry has entered a fresh expansionary cycle, with more than 40 million tonnes of new capacity slated for commissioning by FY 2026-27, supported by infrastructure spending and renewed affordable-housing demand under PMAY-Urban 2.0. Every new kiln installation and life-extension programme generates recurring demand for the Company's anti-wear welding consumables, wear plates and liners, and turnkey heavy-engineering services such as kiln shell replacement and roller reconditioning. The steel sector offers a parallel opportunity: as the world's second-largest crude steel producer, India's Vision 300 MT ambition and allied policy support are driving both greenfield capacity additions and brownfield efficiency upgrades, each requiring regular hardfacing electrode maintenance, precision roller supply, and wear-part replacement. The Company's delivery of over 300 continuous casting roller assemblies with specialised hardfacing in FY 2024-25 positions it well for repeat and expanded orders as steel capacity grows.

The energy transition creates a rare dual thrust. On the renewable side, India's target of 500 GW of non-fossil capacity by 2030 - following more than 25 GW of clean-energy additions in FY 2025 - sustains welding-intensive wind-tower fabrication and solar-structure assembly, where the Company's PTA powders and laser cladding solutions are well suited. On the thermal side, life-extension of legacy plants, underpinned by power-sector investment of around ₹25 lakh crore over five years, drives demand for in-situ repair services, high-chrome electrode overlays, and heavy-engineering fabrication. The ethanol blending programme, targeting 30% blending under the E30 roadmap by 2030, is spurring distillery capital expenditure and recurring, annuity-type demand for the Company's hardfacing consumables, cold-repair compounds, and in-situ repair services across the sugar vertical. In nuclear energy, where installed capacity is expected to nearly triple to over 22,480 MW by 2031, the Company's DSIR-recognised R&D facility and NABL-accredited laboratory provide the testing and certification platform to pursue ASME-grade, nuclear-qualified product approvals.

The mining sector offers dual growth of its own - coal output targeted to rise 42% to 1.5 billion tonnes by 2030 alongside an emerging critical-minerals push in lithium, cobalt, nickel and rare earths - both of which rely heavily on the Company's customised CCO wear plates and field-installed hardfacing in crushers, conveyors, screens and bucket assemblies. Railway electrification and fleet modernisation, spanning Vande Bharat and Amrit Bharat programmes, freight locomotive upgrades and dedicated freight corridors, extend the addressable market for the Company's automated welding systems and in-situ machining capabilities in maintenance workshops and among component OEMs. Defence indigenisation is a further avenue: with domestic production of ₹1,269 billion in FY 2024 and growing private-sector participation, precision fabrication, hardfacing and specialised consumable supply present new opportunities, reinforced by the emerging defence corridors in Uttar Pradesh and Tamil Nadu. Finally, the India-UK Free Trade Agreement and the UAE CEPA, together with India's improving relative cost competitiveness amid shifting global tariffs, strengthen the Company's export prospects, building on its established track record of international heavy-engineering deliveries such as the rotor assembly export to Russia and kiln shell exports.

Threats

These opportunities are balanced by a set of risks that the Company actively monitors and mitigates. Its core inputs - nickel, chromium, high-alloy steels, ferro-alloys and specialty wire rod - are globally traded commodities prone to sharp price swings; nickel alone moved nearly 18% within the first quarter of 2025, and such spikes can compress margins on fixed-price project contracts. Multi-vendor sourcing, quarterly repricing clauses and selective commodity hedging limit but do not eliminate this exposure. Demand is also closely linked to capital-expenditure and maintenance cycles in steel, cement, power and mining, so a prolonged downturn in any of these could defer shutdowns and reduce off-take - a cyclicality partly cushioned by diversification across power, railways, mining, defence and sugar, and by maintenance agreements guaranteeing minimum call-out levels. Low-cost imports, particularly of electrodes, wires and wear plates from China, continue to pressure commoditised segments, countered through life-cycle cost audits, proprietary alloy formulations, technical-service differentiation and Make-in-India preferences in government tenders.

On the cost side, the Company's heat-intensive operations at Nimji remain sensitive to electricity tariff and fuel-price escalation, which it addresses through on-site solar capacity, energy-efficiency retrofits and cost pass-through provisions in multi-year service agreements. Rupee depreciation against the dollar and euro raises the landed cost of imported specialty alloys, flux ingredients and precision spares; export earnings provide a natural partial hedge, while forward covers and progressive localisation of select alloy grades reduce residual exposure. Related geopolitical and logistics disruptions to specialty-alloy imports are managed through strategic safety stocks, dual-port routing and continued localisation.

On compliance and operations, Cyber-security is a growing concern, as manufacturing has become one of the most targeted sectors for ransomware in India, and an incident affecting the Company's ERP, production control or laboratory systems could disrupt operations and quality records; in response, it is investing in IT-OT security protocols, network segmentation and employee awareness programmes, and has taken cyber and crime insurance. Lastly, lengthening receivable cycles with public-sector undertakings, EPC contractors and large industrial clients pose working-capital and credit risk as project values scale - mitigated through stricter credit screening at order acceptance, milestone-based billing for heavy-engineering projects, and day-sales-outstanding KPIs, supported by the meaningful liquidity headroom of a stronger, largely deleveraged post-IPO balance sheet.

DOMAIN-WISE BUSINESS PERFORMANCE

Diffusion Engineers provides an integrated range of specialised solutions designed to extend equipment life, reduce maintenance costs, and improve operational reliability for customers across India's core industrial sectors. Across its product lines, the Company recorded a number of significant order wins and project completions during FY 2025-26, reflecting sustained demand, deepening customer relationships, and expanding technical capability.

Anti-Wear Welding Consumables

The Company's portfolio of anti-wear electrodes, flux-cored wires (FCW), thermal spray powders, and cold-repair compounds (Diffcor) continued to generate strong demand in FY 2025-26, supported by the need for high equipment availability and a growing manufacturing installed base across infrastructure-linked industrial sectors. Backward integration and capacity expansion at Unit V further strengthened the segment during the year: a new strip slitting plant - which manufactures the steel strip that is the critical raw material for FCW - commenced operations in FY 2025-26, reducing dependence on external procurement and improving control over this key input. Electrode manufacturing capacity at the same facility was augmented by 10 tonnes per day, positioning the segment to cater to growing demand without supply constraints. Commercial momentum was equally evident: the Company secured a single order of 185 tonnes of HVF wire, underscoring robust demand for its hardfacing consumables among large industrial users; established supply of welding powders to a leading private pump and valve manufacturer, extending its metal-powder footprint into precision flow-control applications; and designed and delivered a custom automation solution to the same manufacturer, reinforcing its growing capabilities in industrial automation and machine building.

Wear Plates and Wear Parts

The Company's precision-engineered wear plates and parts - designed for severe operating environments in mining, cement, steel, power generation, and sugar - continued their growth trajectory in FY 2025-26. Customer adoption of CCO and ceramic composite solutions for extreme-abrasion applications increased, reflecting growing market recognition of their life-cycle cost advantages over lower-priced commodity alternatives. The major capacity expansion at Nimji, aimed at doubling installed production capacity across wear plates and other product lines, progressed significantly during the year. The Company added 18 torches - equivalent to three machines - at the Nimji plant, increasing annual hardfacing capacity by 16,848 m^2/year and lifting total wear-overlay and cladding throughput to more than 70,000 m^2/year. During the year, it also executed a wear plate order for Howden, strengthening its position in supplying wear-resistant solutions to the air and gas handling equipment sector.

Heavy Engineering

The Company successfully executed a series of landmark projects during FY 2025-26 that reinforced its technical credentials and supported new business development across multiple sectors. These included a Tandem Tippler for the mining sector and Compound Cast Rollers for the cement industry - the latter drawing multiple follow-on orders, underscoring the trust clients continue to place in the Company's engineering capabilities. Kiln Tyres for cement applications and a Filter Press for mining were also delivered during the year, further strengthening the Company's presence in these core segments. In the thermal power space, the Company supplied multiple Industrial Fans and Rotary Air Pre-Heaters, broadening its footprint across critical process industries and reinforcing its position as a reliable partner for heavy engineering solutions.

Beyond these operational milestones, the Company continues to invest in long-term capacity building. The expansion of the Nimji facility is currently underway and, once completed, is expected to double the Company's plant capacity - a development that will significantly enhance production scale, improve operational flexibility, and position the Company to meet growing demand across its key end markets. This capacity expansion, combined with the strong project execution track record established during the year, lays a solid foundation for sustained growth in the periods ahead.

In-situ Job Work

The in-situ repair and maintenance services segment - enabling critical repairs directly at client operational sites - demonstrated strong demand in FY 2025-26, driven by expanded maintenance agreements and a growing customer preference for minimising equipment downtime. The Company's skilled technician team, equipped with advanced portable welding, in-situ machining, and coating systems, responded to an increased volume of service calls across cement, steel, and power sector clients. This segment provides a highly recurring, relationship-dependent revenue stream with strong customer-retention characteristics.

Underpinning this domain performance, the Company also advanced two operational initiatives during the year that strengthen its manufacturing base and long-term cost competitiveness.

Energy Transition - Solar Commissioning

A 1.4 MW on-site solar installation at Nimji is expected to reduce energy costs at this heat-intensive manufacturing facility, provide a partial hedge against grid tariff increases, and contribute to the Company's ISO 14001:2015 environmental management objectives and broader ESG commitments.

MANUFACTURING AND TESTING EXCELLENCE

NABL-Accredited Laboratory - The Quality Backbone

The Company's NABL-accredited materials laboratory continues to serve as the cornerstone of product quality assurance. Every production batch-whether special electrodes, flux-cored wires, thermal spray powders, or wear plates-passes through this facility for validation against stringent internal and customer-specific standards. The laboratory's dual-path abrasion testing capability-Dry-Sand Rubber-Wheel (simulating low-stress sliding wear) and Air-Jet apparatus (reproducing high-velocity particle erosion)-allows precise formulation of consumables optimised for each customer's specific operating environment.

5S and Operational Discipline

The structured 5S implementation programme, launched across all major production units in FY 2024-25, continued to deliver measurable operational improvements in FY 2025-26 including reduced material handling time, improved space utilisation, shorter setup times, and a culture of continuous improvement. This operational discipline is central to the Company's ability to manage quality consistency as production volume scales with the Nimji capacity expansion.

R&D and DSIR Recognition

The Company's R&D facility, recognised by the Department of Scientific and Industrial Research (DSIR) with certification valid through March 31, 2027, continues to develop new consumable formulations including low-fume electrodes, chromium-free flux-cored wires, and advanced alloy compositions for specialised industries such as nuclear, aerospace, and cryogenic applications. This DSIR recognition also provides the Company with tax benefits under Section 35(2AB) of the Income Tax Act, effectively subsidising R&D investment and supporting the development of differentiated products.

GO-TO-MARKET STRATEGY

Three Reinforcing Pillars

Diffusion Engineers' commercial strategy for FY 2025-26 continued to be anchored on three reinforcing pillars:

(1) Market Coverage - widening geographic and sector penetration through an expanded dealer network and geographically distributed sales force;

(2) Product Leadership - reinforcing technical differentiation through application engineering, product training, and on-site workshops; and

(3) Performance Discipline - achieving the optimal product mix, improving blended profitability, and embedding customer-success KPIs across the sales organisation.

New Business Development

The Company's dedicated New Business Development Department continued to pursue opportunities in segments and geographies with limited prior presence. This includes extending heavy engineering capabilities into new OEM relationships in the nuclear, aerospace, and defence sectors, and developing new application areas for thermal spray and laser cladding solutions in industries transitioning to more complex wear environments.

Dealer Network Expansion

The Company formalised MoUs with more than 50 channel partners across India in FY 2024—25, with continued expansion and deepening of these partnerships in FY 2025—26. As part of a structured channel development strategy led by the Sales & Marketing function, we have significantly strengthened the partner ecosystem through a systematic Channel Partner Improvement Program.

This program focuses on capability building, performance monitoring, and alignment with the Company's growth objectives. Key initiatives include structured onboarding, periodic technical and commercial training, defined stock and service norms, and performance-linked incentive frameworks. These efforts have resulted in improved partner productivity, enhanced market intelligence, and stronger brand positioning at the regional level.

In addition, the Company has expanded its channel footprint both in depth and width by increasing the number of active and committed partners. This has enabled deeper penetration into Tier-2 and Tier-3 industrial clusters, while also establishing initial access to select international markets through strategic partners.

The structured dealer programme, with clearly defined revenue-sharing models, inventory norms, and training obligations, ensures consistent product availability, faster response times, and superior customer support. This approach has also allowed the Company to enter and service new geographies that would otherwise be uneconomical through a direct sales model.

Overall, the strengthened channel network has become a key growth driver, contributing to increased market reach, improved order conversion, and sustainable revenue growth, while maintaining operational efficiency.

Technical Service and Customer Engagement

Regular product training sessions and on-site workshops conducted jointly by application engineers and product heads have been institutionalised as a core element of the Company's customer engagement model.

These sessions, tailored to specific industry use-cases, help plant teams optimise consumable usage, reduce unplanned downtime, and adopt best practices in wear management. They also function as a valuable feedback mechanism for product refinement and new application development. This hands-on approach reinforces the Company's positioning as a technical-solutions partner rather than a transactional vendor.

CERTIFICATIONS AND AWARDS

Quality and Safety Certifications

Diffusion Engineers maintained its suite of internationally recognised management system certifications throughout FY 2025-26, providing a rigorous framework for operational quality, environmental responsibility, and employee safety:

- ISO 9001:2015 – Quality Management System: Ensuring consistent delivery of products and services that meet customer and regulatory requirements, supported by continuous improvement processes.
- ISO 14001:2015 – Environmental Management System: Demonstrating commitment to minimising environmental impact, managing waste streams responsibly, and reducing the carbon footprint of manufacturing operations.
- ISO 45001:2018 – Occupational Health and Safety Management System: Providing systematic safeguards for employee health, safety, and wellbeing across all manufacturing and field service operations.
- NABL Accreditation – In-house Testing Laboratory: Ensuring the highest standards of testing accuracy, reliability, and compliance for all materials and product batches, as the testing backbone of the Company's quality value chain.
- DSIR Recognition – R&D Facility: Recognition by the Department of Scientific and Industrial Research, Government of India, valid through March 31, 2027, affirming sustained investment in indigenous technology development and process improvement.

AWARDS

Hurun

Diffusion Engineers Limited was featured among the Barclays Private Clients Hurun India Most Valuable Family Businesses, placing the Company among India's top 300 family-run enterprises by value. The promoter N K Garg Family was further conferred the Visionary Leadership Award for building a world-class industrial engineering enterprise and driving export-led growth. This recognition affirms the Company's multi-generational stewardship, disciplined governance, and consistent long-term value creation.

Dun & Bradstreet

Diffusion Engineers Limited was recognised as one of the 'Leading SMEs of India 2025' in Dun & Bradstreet's report, Rethinking the Future of India's Small and Mid-Sized Businesses. This recognition reflects the Company's financial strength, operational resilience, and sustained growth momentum, and its standing among India's leading small and mid-sized businesses.

Great Place to Work

The Company continues to be a certified Great Place to Work. This sustained recognition reflects its employee-centric culture, investment in leadership development, and the collaborative, trust-based working environment built across all levels of the organisation, differentiating Diffusion Engineers as an employer of choice in an increasingly competitive talent market.

OUTLOOK, RISKS AND CONCERNS

Outlook

India enters FY 2026-27 with a broadly supportive macroeconomic backdrop. Real GDP growth of 7.7% in FY 2025-26 has been confirmed as the sharpest since FY 2022 and positions India firmly as the world's fastest-growing major economy. Headline inflation, having moderated to a multi-year low through much of FY 2025-26, is expected to remain within manageable bounds despite some upward pressure from energy prices linked to the Middle East situation.

The government's capital expenditure allocation of ₹12.2 lakh crore in FY 2026-27-a 9% increase over FY 2025-26 keeps the multi-year infrastructure pipeline on track across highways, housing, railways, and energy.

Demand indicators for the Company's core end-markets like cement dispatches, crude steel utilisation, renewable energy build-out, nuclear programme acceleration, and defence indigenisation all point to continued mid-to-high single-digit growth.

The Company's largely OPEX-linked business model, tied to equipment wear rates and maintenance schedules rather than greenfield capex cycles, provides an important degree of revenue resilience across economic swings.

Source: Trading Economics: India Full Year GDP Growth FY 2025-26

Risks and Concerns

Core inputs such as nickel, chromium, and high-alloy steels remain susceptible to sharp price movements, and sudden cost spikes can compress margins until customer prices reset. The Company manages this exposure through multi-vendor sourcing, quarterly repricing clauses, selective commodity hedging, and input localisation via Indian ferro-alloy suppliers.

Rupee depreciation against the dollar and euro inflates the landed cost of imported alloys and specialty spares. This is partly offset by export revenues acting as a natural hedge, forward covers on large-value dollar payables, and the progressive localisation of key inputs.

Geopolitical events and port congestion could delay specialty-alloy imports and disrupt logistics timelines. The Company mitigates this through strategic safety stocks, dual-port routing, and the localisation of select grades.

East Asian producers continue to exert price pressure on standardised SKUs. The Company defends its position through life-cycle cost audits, technical-service differentiation, proprietary high-performance formulations, and Make-in-India preference in government and PSU procurement.

Lengthening receivable cycles with PSUs and EPC contractors can strain liquidity as project values scale. This is addressed through stricter credit screening, milestone-based billing for project contracts, and day-sales-outstanding targets embedded in sales KPIs.

OVERALL ASSESSMENT

FY 2025-26 was a year of operational consolidation, strategic capacity investment, and project execution for Diffusion Engineers. The business benefited from a strongly supportive domestic macroeconomic environment, India's 7.7% GDP growth, record-low inflation, and an infrastructure-led government capex agenda, alongside resilient demand across its core end-markets. Capacity expansion investments across flux-cored wire, wear plates, special electrodes, and heavy engineering machining have significantly enhanced the Company's ability to capture a larger share of India's growing industrial maintenance and capital equipment market.

Management enters FY 2026-27 with a robust order pipeline, strengthened balance sheet post-IPO, and a deepened technical service and channel partner network. The Company's differentiated value proposition across its technical expertise, NABL-accredited quality assurance, integrated wear solutions, and insitu service capability positions it as a preferred partner rather than a commodity supplier.

Vigilance in managing raw material costs, working capital cycles, and cyber-security risks will be essential, and the Company believes its multi-pronged mitigation strategies are adequate to navigate these challenges. The Company is well-positioned to deliver sustained, profitable, and responsible growth for all stakeholders in the years ahead.

INTERNAL CONTROL SYSTEM & ADEQUACY

Regulatory Framework

In accordance with Section 134(5)(e) of the Companies Act, 2013, the Company has maintained robust Internal Financial Controls (IFC) throughout FY 2025-26. The IFC framework is designed to ensure orderly and efficient conduct of business, adherence to internal policies, safeguarding of assets, prevention and detection of frauds and errors, and timely preparation of reliable financial information.

ERP and Technology Infrastructure

The Company's robust ERP system continues to serve as the technology backbone for capturing, consolidating, and reporting financial and operational data across all locations, enabling seamless information exchange and efficient, informed decision-making. Continuous efforts are made to align internal controls and processes with globally recognised best practices, including periodic system upgrades and user training to ensure data integrity and access control.

Internal Audit and Audit Committee Oversight

The Internal Auditor, operating under a structured quarterly audit plan reviewed in consultation with the Statutory Auditors and the Audit Committee, conducts systematic audits across project execution, finance and accounting, procurement, human resources, travel, insurance, and IT systems. The Audit Committee maintained active oversight of the internal control environment, reviewed all findings and recommendations on a quarterly basis, ensured timely corrective action on significant observations, and kept the Board of Directors updated on all material developments. The delegation of authority framework——with prescribed approval limits for both revenue and capital expenditure——remained in force and was reviewed for adequacy relative to the Company's expanded scale.

Adequacy Assessment

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

OPERATIONAL & FINANCIAL PERFORMANCE

Summary of Financial Performance

The Company continued its strong growth trajectory in FY 2025-26, building on the robust financial performance. The table below provides a comparative overview across key financial parameters.

(Rs. Million)

Particulars	2025-26	2024-25	Increase %
Total Revenue (Standalone)	3733.71	3250.86	14.85%
Total Revenue (Consolidated)	4216.2	3445.23	22.38%
Earnings before interest, tax, depreciation (EBITD)-Standalone	469.29	409.62	14.57%
Earnings before interest, tax, depreciation (EBITD)-Consolidated	571.42	471.56	21.18%
Profit Before Tax (Standalone)	573.81	433.27	32.44%
Profit Before Tax (Consolidated)	650.36	469.04	38.66%
Profit after tax (PAT) (Standalone)	446.43	337.53	32.26%
Profit after tax (PAT) (Consolidated)	504.1	360.41	39.87%
Total Comprehensive Income (Standalone)	443.72	336.14	32.00%
Total Comprehensive Income (Consolidated)	511.89	360.92	41.83%
Basic Earnings Per Share (EPS) (Standalone)	11.98	9.02	32.82%
Basic Earnings Per Share (EPS) (Consolidated)	13.5	9.59	40.77%
Diluted Earnings Per Share (EPS) (Standalone)	11.98	9.02	32.82%
Diluted Earnings Per Share (EPS) (Consolidated)	13.5	9.59	40.77%

*Underlying EBITDA is defined by exclude exceptional item, other income and share of profit

KEY FINANCIAL RATIOS

The table below presents selected key financial ratios on a Consolidated and Standalone basis. The performance commentary that follows is presented on a consolidated basis, so the two sets of figures are not directly comparable.

Consolidated Ratios

Sr. No.	Ratio Analysis	31-Mar-26	31-Mar-25	% Variance	Remark
1	Current Ratio	3.28	4.38	-25.03%	Variance is due to increase in cash and cash equivalents due to IPO which are yet to be utilised
2	Debt Equity Ratio	0.07	0.06	12.29%	-
3	Debt Service Coverage Ratio	43.38	29.37	47.73%	Variance due to increase in profits
4	Return on Equity Ratio	13.03%	12.88%	1.13%	-
5	Inventory Turnover Ratio	5.73	5.44	5.32%	-
6	Trade Receivables Turnover Ratio	3.82	4.55	-16.08%	-
7	Trade Payables Turnover Ratio	6.34	6.68	-4.99%	-
8	Net Capital Turnover Ratio	1.78	2.29	-22.17%	-
9	Net Profit Ratio	12.59%	10.48%	20.12%	-
10	Return on Capital employed	16.27%	15.93%	2.11%	-
11	Return on Investment	12.42%	9.73%	27.63%	Variance due to increase in profits

Standalone Ratios

Sr No.	Ratio Analysis	31-Mar-26	31-Mar-25	% Variance	Reason for variance
1	Current Ratio	3.42	4.20	-18.67%	-
2	Debt Equity Ratio	0.07	0.06	17.31%	-
3	Debt Service Coverage Ratio	39.70	27.75	43.06%	DSCR has increased due to increase in profit
4	Return on Equity Ratio	12.07%	12.66%	-4.61%	-
5	Inventory Turnover Ratio	5.47	5.77	-5.21%	-
6	Trade Receivables Turnover Ratio	3.61	4.19	-13.69%	-
7	Trade Payables Turnover Ratio	5.99	6.19	-3.30%	-
8	Net Capital Turnover Ratio	1.67	2.29	-27.27%	Variance is due to increase in cash and cash equivalents due to IPO proceeds
9	Net Profit Ratio	12.60%	10.68%	18.03%	-
10	Return on Capital employed	14.42%	12.09%	19.31%	-
11	Return on Investment	11.61%	9.51%	22.14%	-

Note: Significant movements in current ratio and net capital turnover in FY 2024-25 reflected the one-time effect of IPO proceeds.

The Company delivered a strong financial performance in FY 2025-26, with consolidated Revenue from Operations rising 21.28% to ₹4,066.28 million, from ₹3,352.76 million in FY 2024-25. Growth was driven by healthy demand across core industrial segments, an improved contribution from overseas operations and associates, and higher order inflows. EBITDA (excluding other income) grew 21.18% to ₹571.42 million, with the EBITDA margin broadly stable at 14.05% (FY 2024-25: 14.06%).

Profitability strengthened materially at the bottom line. Profit Before Tax increased 38.66% to ₹650.36 million, aided by a higher contribution from associates and increased other income, even after absorbing a one-time expense of ₹7.00 million recognised in Q3 FY 2025-26 towards the estimated impact of the New Labour Codes on employee benefits. Profit After Tax rose 39.87% to ₹504.10 million, lifting the PAT margin to 12.40% from 10.75% in the prior year. Earnings Per Share improved 40.77% to ₹13.50, from ₹9.59.

HUMAN RESOURCE

Our People - The Foundation of Excellence

Diffusion Engineers continues to place its people at the centre of its strategic agenda, recognising that sustainable competitive advantage ultimately rests on the quality, commitment, and capability of its workforce. The Company employed 524 employees and 174 workers as of March 31, 2026.

Leadership Development

Leadership development remains a cornerstone of the Company's HR strategy. Senior leaders are continuously participating in the Post Graduate Certification in Senior Management from IIM Nagpur, strengthening their capabilities in strategic thinking, decision-making, and leadership. This ongoing development initiative enhances the Company's readiness to manage increasing organisational complexity as it scales.

Employee Retention and Culture

The Company's high employee retention rates, sustained for multiple years, reflect the culture of trust, growth opportunity, and recognition that defines its working environment. HR policies continued to evolve toward greater inclusivity, transparent performance management, and competitive compensation, particularly for skilled technical roles in welding metallurgy, CNC machining, and field service engineering. The Great Place to Work certification for the third consecutive year validates the effectiveness of this people-centric approach.

During the year, the Company introduced an Employee Stock Option Plan (ESOP) to align the interests of key employees with long-term shareholder value creation and to strengthen the retention of critical talent. Senior leadership was further reinforced through the appointment of a National Sales Head and a Head of Operations, sharpening execution across the Company's commercial and manufacturing functions as it scales.

CAUTIONARY STATEMENT

This Management Discussion and Analysis contains certain forward-looking statements based on the current beliefs, plans, and expectations of the Company's management as of the date of this Report. These statements involve known and unknown risks, uncertainties, and other factors-including domestic and global economic conditions, regulatory changes, industry competition, raw material price movements, and geopolitical developments-that could cause actual results, performance, or achievements to differ materially from those expressed or implied herein. Readers are cautioned not to place undue reliance on forward-looking statements, which are made only as of the date of this Report. The Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. The Company and its management accept no responsibility or liability for any loss or damage arising from the use of or reliance on the information contained in this Management Discussion and Analysis.

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

NOTICE

Notice is hereby given that the Forty Fourth Annual General Meeting ("44th AGM") of the members of Diffusion Engineers Limited (CIN: L99999MH2000PLC124154) ("the Company") will be held on Monday, September 07, 2026 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 the audited standalone financial statements of the Company for the financial year 2025-26 including Balance Sheet as at 31st March 2026, 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.

2. To receive, consider and adopt the audited consolidated financial statements of the Company for the financial year 2025-26 including Balance Sheet as at 31st March 2026, 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.

3. To declare final dividend of ₹ 1.50/- (One Rupees Fifty Paisa Only) per share on equity shares for the financial year ended 31st March 2026.

4. To appoint a director in place of Ms. Chitra Narendra Garg (DIN: 01784644), who retires by rotation and being eligible, offers herself for re-appointment.

SPECIAL BUSINESS:

5. **Ratification of Remuneration payable to Cost Auditor for Financial Year 2026-27**

   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 ₹60,000/- (Rupees Sixty 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, 2027.

   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."

6. **Approval for revision in remuneration of Mrs. Neelu Garg, a related party holding office or place of profit in the company**

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

   "**RESOLVED THAT** pursuant to the provisions of Section 188(1)(f) and other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable rules made thereunder, Regulation 23 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), the Company's Policy on Related Party Transactions and pursuant to the recommendation of the Nomination and Remuneration Committee and Audit Committee and approval of the Board of Directors at their respective meetings held on May 16, 2026, and subject to such other approvals, permissions and sanctions as may be necessary, consent of the Members be and is hereby accorded for revision in remuneration payable to Mrs. Neelu Garg, a Related Party and spouse of Mr. Prashant Garg, Managing Director (DIN: 00049106) of the Company, who holds office or place of profit in the Company as General Manager – Procurement, from ₹4,60,000 (Rupees Four Lakh Sixty Thousand only) per month to ₹5,52,000 (Rupees Five Lakh Fifty-Two Thousand only) per month equivalent to ₹66.24 lakh per annum with effect from April 1, 2026 up to March 31, 2027, excluding reimbursement of expenses, if any, incurred in connection with the business of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee thereof) be and is hereby authorised to grant annual increment(s) in the remuneration payable to Mrs. Neelu Garg not exceeding 20.00% effective from April 01, of every financial year from FY- 2027-2028 up to FY 2030-31, subject to compliance with the applicable provisions of the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws.

RESOLVED FURTHER THAT the Board of Directors of the Company (including any Committee thereof) be and is hereby authorised to do all such acts, deeds, matters and things and execute all such documents, instruments and writings as may be necessary, proper or expedient for the purpose of giving effect to this Resolution."

By Orders of the Board of Directors
Diffusion Engineers Limited

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

Date: August 14, 2026
Place: Nagpur
Registered Office: T- 5 & 6, MIDC, Hingana,
Nagpur, Maharashtra, India, 440016

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 No. 5 & 6 of the accompanying Notice of the 44th 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 16, 2026 considered that the special business under Item No. 5 & 6 being considered unavoidable, be transacted at the 44th Annual General Meeting (44th 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, 09/2024 and 03/2025 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, 19th September 2024 and 22nd September 2025 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 44th 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 44th 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 44th AGM and Annual Report for the financial year ended 31st March 2026 ("Annual Report for the financial year 2025-26"), 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 44th 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 44th AGM through VC/ OAVM facility and e-Voting during the 44th AGM. As the 44thAGM is being held through VC/ OAVM Facility, the Route Map is not annexed to this Notice of the 44th 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 44th AGM and facility for those members participating in the 44th AGM to cast their vote through remote e-Voting system during the 44th AGM. The members, whose names appear in the Register of Members/ List of Beneficial Owners as on August 26, 2026, are entitled for e-Voting on the resolutions set forth in this Notice of the 44th 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 44th 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 44th AGM, inter-alia, indicating the process and manner of electronic voting ("e-Voting") and electronic copy of the Annual Report for the financial year 2025-26 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 2025-26 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 2025-26 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 44th AGM, the Annual Report for the financial year 2025-26 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

Members may please note that SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated January 25, 2022 has mandated the listed companies to issue securities in dematerialized form only while processing service requests viz. Issue of duplicate securities certificate; claim from unclaimed suspense account; renewal/exchange of securities certificate; endorsement; sub-division / splitting of securities certificate; consolidation of securities certificates/folios; transmission and transposition. Accordingly, Members are requested to make service requests by submitting a duly filled and signed Form ISR—4, the format of which is available on the website of the Company's RTA. It may be noted that any service request can be processed only after the folio is KYC Compliant.

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, 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 2025-26, subject to the approval of the members at the 44th AGM. The record date fixed for determining the entitlement of the members to the final dividend is August 26, 2026.

15. Members may note that pursuant to the Finance Act, 2020, dividend income is taxable in the hands of the Shareholders effective April 1, 2020 and the Company is required to deduct tax at source from dividend paid to Members at the prescribed rates. To enable compliance with TDS requirements, Members are requested to complete and/ or update

their Residential status, PAN and Category with their Depository Participants ('DPs') or in case shares are held in physical form with the Company / RTA by sending documents through e-mail.

A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/ 15H, to avail the benefit of non- deduction of tax at source by email tds@bigshareonline.com by 11:59 PM (IST) on August 26, 2026. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an email to tds@bigshareonline.com . The aforesaid declarations and documents need to be submitted by the shareholders by 11:59 PM (IST) on August 26, 2026.

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. 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.

18. 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.

19. Documents referred to in the accompanying Notice of the 44th 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 44th AGM of the Company.

20. 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.

21. 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 44th AGM, forms an integral part of the Notice of the 44th AGM. Requisite declarations have been received from the Directors seeking appointment/ re-appointment.

22. General instructions for accessing and participating in the 44th AGM through VC/ OAVM facility and voting through electronic means including remote e-Voting: -

    - The remote e-Voting period will commence from Friday, September 04, 2026 (9:00 A.M. IST) and end on Sunday, September 06, 2026 (5:00 P.M. IST). During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on August 26, 2026 ("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 44th 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 August 27, 2026 to September 07, 2026 (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 44th 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 44th AGM.
- During the 44th AGM, the Chairman shall, after response to the questions raised by the members in advance or as a speaker at the 44th AGM, formally propose to the members participating through VC/ OAVM facility to vote on the resolutions as set out in the Notice of the 44th 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 44th 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 44th AGM, first download the votes cast at the 44th 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.
- Subject to receipt of requisite number of votes, the resolutions shall be deemed to be passed on the date of AGM

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**	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 link 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**	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.
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.com 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) • 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. • 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 atleast 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, AVP, (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. 5

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 16, 2026, 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 2026-27 at a remuneration of ₹ 60,000/- (Rupees sixty thousand only) plus out of pocket expenses and applicable taxes.

In making the decision on the appointment and remuneration of the Cost Auditors, the Audit Committee of Directors considered the Cost Auditors' performance during the previous year(s) in examining and verifying the accuracy of the cost accounting records maintained by the Company. 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 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. 5 of the accompanying Notice of the 44th 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. 5 of the accompanying Notice of the 44th AGM.

ITEM NO. 6

Mrs. Neelu Garg being spouse of Mr. Prashant Garg, Managing Director is a Related Party of the Company within the meaning of Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Mrs. Neelu Garg holds office or place of profit in the Company as General Manager – Procurement. She holds a Master of Business Administration (MBA) degree with specialization in Marketing and Finance from Tirpude Institute of Management Education, Nagpur and possesses extensive experience in procurement management, business administration and financial services.

Mrs. Neelu Garg has been looking after the procurement function of the Company since 2015. She has significantly contributed towards vendor development, procurement planning, optimization of procurement costs, realization of economies of scale and enhancement of operational efficiencies.

Mrs. Neelu Garg is presently drawing a remuneration of ₹ 4,60,000 (Rupees Four Lakh Sixty Thousand only) per month with effect from April 1, 2023. The said remuneration has remained unchanged and no revision or increase has been made therein since April 1, 2023.

Based on her performance, increased responsibilities, experience, contribution to the Company's procurement function, the Nomination and Remuneration Committee, Audit Committee and Board of Directors considered it appropriate to revise her remuneration to ₹5,52,000 per month with effect from April 1, 2026 up to March 31, 2027. The proposed revision represents an increase of 20.00% over the existing remuneration.

Further, considering the nature of her responsibilities and to ensure continuity in the management of the procurement function, approval of the Members is sought to authorise the Board of Directors (including any Committee thereof) to grant increment not exceeding 20.00% per annum effective from April 01, of every financial year from FY- 2027-2028 up to FY 2030-31, subject to compliance with the applicable provisions of the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws.

The Nomination and Remuneration Committee, Audit Committee and Board of Directors at their respective meetings held on May 16, 2026 approved the proposed revision in remuneration payable to Mrs. Neelu Garg and the authority to grant future annual increments within the aforesaid limits, subject to approval of the Members.

Pursuant to Section 188(1)(f) of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, approval of the Members is required for revision in remuneration payable to a related party holding an office or place of profit in the Company.

The Audit Committee was provided, inter alia, with details relating to the qualifications, experience, role and responsibilities of Mrs. Neelu Garg, existing and proposed remuneration, justification for the proposed revision, relationship with the related directors, expected benefits to the Company and confirmation regarding compliance with applicable laws.

The particulars of the proposed transaction are as under:

1	Name of Related Party:	Mrs. Neelu Garg
2	Names of Directors who are related:	Mr. Prashant Garg – Managing Director (DIN: 00049106) Ms. Chitra Garg – Non-Executive Director (DIN: 01784644)
3	Nature of Relationship:	Mrs. Neelu Garg is the spouse of Mr. Prashant Garg and Daughter in law of Ms. Chitra Garg.
4	Nature of Contract / Arrangement:	Revision in remuneration payable to Mrs. Neelu Garg who holds office or place of profit in the Company as General Manager – Procurement.
5	Existing Remuneration:	₹ 4,60,000 (Rupees Four Lakh Sixty Thousand only) per month, effective from April 1, 2023.
	Proposed Revised Remuneration:	₹5,52,000 per month with effect from April 1, 2026 up to March 31, 2027.
	Annual Increment:	There shall be an increment of upto 20.00% per annum effective from April 01, of every financial year from FY- 2027-2028 up to FY 2030-31 as may be decided by Board of Directors Company (including any Committee thereof).
6	Purpose and Benefits of the Transaction:	To retain an experienced professional responsible for procurement strategy, sourcing, vendor management, cost control, procurement efficiencies and supply chain management of the Company.
7	Justification for the Transaction:	The proposed remuneration is commensurate with the qualifications, experience, responsibilities and contribution of Mrs. Neelu Garg and is in line with prevailing industry practices.
8	Percentage of Annual Consolidated Turnover:	The proposed annual remuneration of ₹66.24 lakh for FY 2026-27 represents approximately 0.16% of the consolidated turnover of the Company of ₹4,066.28 million for the financial year ended March 31, 2026.
9	Any Advance Paid or Received:	Nil.

The Audit Committee and the Board of Directors have reviewed the proposed remuneration and are satisfied that the same is fair and reasonable having regard to the qualifications, experience, responsibilities and contribution of Mrs. Neelu Garg.

The Board of Directors is of the opinion that the proposed transaction is in the best interests of the Company and recommends the Ordinary Resolution set out at Item No. 6 of the Notice for approval of the Members.

Mr. Prashant Garg, Managing Director (DIN: 00049106) and Ms. Chitra Garg, Director (DIN: 01784644), and their relatives may be deemed to be interested in the Resolution. Mrs. Neelu Garg is interested in the Resolution to the extent of remuneration payable to her. Save and except the aforesaid, none of the other Directors, Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the Resolution.

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

Re-appointment of Ms. Chitra Narendra Garg (DIN: 01784644), as a Director (Item No. 4)

In terms of Section 152(6) of the Companies Act, 2013, ("the Act"), Ms. Chitra Narendra Garg (DIN: 01784644), shall retire by rotation at the 44th AGM and being eligible, offers herself for re-appointment.

The Board on the recommendation of Nomination and Remuneration Committee at its meeting held on December 05, 2023 appointed Ms. Chitra Narendra Garg (DIN: 01784644) as an Additional Director under the category of Non-Executive Director of the Company with effect from December 05, 2023. The appointment was regularised by the shareholders at the General Meeting of the Company held on December 07, 2023, subject to retirement by rotation.

Ms. Chitra Garg age 72 years is a Promoter and Non-Executive Non-Independent Director of the Company with Management & Leadership Skills. She holds a Master's degree in Arts (Geography) from Agra University. She has been associated with the Company and its group entities for several decades and has played an important role in supporting the Company's growth and development over the years. She has been serving as a Director on the Board of Diffusion Super Conditioning Services Private Limited, a subsidiary of the Company, since 1995 and is also a Partner in Devi Kiran Advisory Services LLP. In addition, she holds a directorship in the N K Garg Foundation, a not-for-profit organisation. With her long-standing association with the Company, Ms. Garg brings valuable institutional knowledge and continuity to the Company's operations. She contributes to the Company through her involvement in overseeing general administrative matters. Her experience and familiarity with the Company's legacy and values support the management in ensuring operational stability and sustained organisational development.

Ms. Chitra Narendra Garg (DIN: 01784644), is a director/ partner in the following companies/LLPs/Body Corporate during the last three years:-

1. N K Garg Foundation
2. Diffusion Super Conditioning Services Private Limited
3. Devi Kiran Advisory Services LLP

Ms. Chitra Narendra Garg is also the member of Corporate Social Responsibility Committee and Nomination and Remuneration Committee of Diffusion Engineers Limited.

Ms. Chitra Narendra Garg attended all five Board Meetings during the financial year 2025-26.

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

Ms. Chitra Narendra Garg holds 61,30,971 equity shares of the company. Sitting fees will be paid to Ms. Chitra Garg as approved by the Board.

Upon her re-appointment as a Director, Ms. Chitra Narendra Garg shall continue to hold office as a Non-Executive Director. Accordingly, the Board of Directors recommends her re-appointment for approval of the members by way of an Ordinary Resolution as set out at Item No. 4 of the Notice of the 44th AGM.

By Orders of the Board of Directors
Diffusion Engineers Limited

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

Date: August 14, 2026
Place: Nagpur
Registered Office: T- 5 & 6, MIDC, Hingana,
Nagpur, Maharashtra, India, 440016

Board Report

Dear Members,

The Board of directors take pleasure in presenting the 44th (Forty-Fourth) Board's Report on the business and operations of the Company for the financial year ended March 31, 2026.

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	
		2026	2025	2026	2025
i.	Revenue from Operations	3,542.03	3,160.87	4,066.28	3,352.76
ii.	Other Income	191.68	89.98	149.92	92.47
iii.	**Total income (I + II)**	**3,733.71**	**3,250.86**	**4,216.20**	**3,445.23**
iv.	Expenses				
	Direct Expenses	2,393.62	2,151.90	2,736.09	2,228.56
	Employee Benefits Expenses	455.23	399.15	483.88	419.02
	Finance Costs	20.22	21.95	21.47	22.74
	Depreciation and Amortisation Expenses	59.93	44.39	68.45	52.75
	Admin & Other Expenses	223.89	200.20	274.88	233.61
	Total Expenses	**3,152.90**	**2,817.59**	**3,584.78**	**2,956.68**
v.	**Profit/(Loss) Before Share of Profit of Joint Venture, Exceptional Items and Tax (III-IV)**	**580.81**	**433.27**	**631.43**	**488.55**
vi.	Share of Profit of Joint Venture	-	-	25.93	(19.51)
vii.	**Profit Before Exceptional Items and Tax(V+VI)**	**580.81**	**433.27**	**657.36**	**469.04**
viii.	Exceptional item	(7.00)	-	(7.00)	-
ix.	**Profit/(Loss) before tax (VII+VIII)**	**573.81**	**433.27**	**650.36**	**469.04**
x.	Tax expenses	127.38	95.74	146.26	108.63
xi.	**Profit/(Loss) for the period/year after tax (IX -X)**	**446.43**	**337.53**	**504.10**	**360.41**
xii.	**Total Other Comprehensive Income**	**(2.70)**	**(1.39)**	**7.79**	**0.51**
xiii.	**Total Comprehensive Income for the year (XI+XII)**	**443.72**	**336.14**	**511.89**	**360.92**
xiv.	**Paid-up Equity Share Capital (Face value of ₹ 10/-each)**	**374.26**	**374.26**	**374.26**	**374.26**
xv.	**Earnings Per Equity Share of ₹ 10/- each:**				
	- Basic	11.98	9.02	13.50	9.59
	- Diluted	11.98	9.02	13.50	9.59

FINANCIAL POSITION

(Amount In Million)

Particulars	Standalone		Consolidated	
	For the year ended March 31		For the year ended March 31	
	2026	2025	2026	2025
Equity				
Equity Share Capital	374.26	374.26	374.26	374.26
Other Equity	3,470.61	3,176.15	3,676.26	3,314.51
Non-controlling Interest	-	-	5.33	4.46
Total Equity	**3,844.87**	**3,550.42**	**4,055.86**	**3,693.24**
Non-Current Liabilities	63.73	61.62	61.91	66.22
Current Liabilities	859.86	678.99	986.54	684.96
Total Liabilities	**923.59**	**740.61**	**1,048.45**	**751.18**
Equity + Liabilities	**4,768.46**	**4,291.02**	**5,104.31**	**4,444.42**
Property, Plant and Equipment	1,076.16	950.79	1,097.35	974.00
Capital work-in-progress	221.70	31.44	229.75	31.44
Intangible Assets	6.04	4.83	6.04	4.83
Other Non-Current Assets	525.76	450.52	534.27	436.47
Current Assets	2,938.81	2,853.44	3,236.91	2,997.69
Total Assets	**4,768.46**	**4,291.02**	**5,104.31**	**4,444.42**

1. FINANCIAL PERFORMANCE

Revenue – Standalone

On a standalone basis in financial year 2025-26, our Revenue from operations has shown an increase of 12.06 % which resulted increase of Revenue to ₹ 3542.03/- million in FY 2025-26 as compared to previous FY 2024-25 which was ₹ 3,160.87/- million.

Revenue – Consolidated

On consolidated basis in financial year 2025-26, our Revenue from operations has shown an increase of 21.28 % which resulted increase of Revenue to ₹ 4066.28/- million in FY 2025-26 as compared to FY 2024-25 which was ₹ 3,352.76 million.

Profits – Standalone

On a standalone basis in financial year 2025-26, the profit before tax and exceptional items has shown an increase of 34.04% and stood at ₹ 580.81/- million and Profit after exceptional items and tax stood at ₹ 446.43/- million. Whereas, in FY 2024-25 the profit before tax and exceptional items stood at ₹ 433.27/- million and Profit after exceptional items and tax at ₹ 337.53/- million.

Profits – Consolidated

On consolidated basis in financial year 2025-26, the profit before share of profit of Joint Venture, tax and exceptional items has shown an increase of 29.25 % and stood at ₹ 631.43/- million and profit after exceptional items and tax is ₹ 504.10/- million. Whereas, in FY 2024-25 the profit before share of profit of Joint Venture, tax and exceptional items stood at ₹ 488.55/- million and Profit after exceptional items and tax at ₹ 360.41/- million.

EPS- Standalone

On Standalone basis, basic earnings per share increased to ₹ 11.98/- per Equity share for financial year 2025-26 as compared to basic earnings per share of ₹ 9.02/- per Equity share for last financial year 2024-25 and

Diluted earning per share increased to ₹ 11.98/- per Equity share for financial year 2025-26 as compared to diluted earnings per share of ₹ 9.02/- per Equity share for last financial year 2024-25.

EPS- Consolidated

On Consolidated basis, basic earnings per share increased to ₹ 13.50/- per Equity share for financial year 2025-26 as compared to basic earnings per share of ₹ 9.59/- per Equity share for last financial year 2024-25 and

Diluted earnings per share increased to ₹13.50/- per Equity share for financial year 2025-26 as compared to diluted earnings per share of ₹ 9.59/- per Equity share for last financial year 2024-25.

2. DIVIDEND

Your directors have recommended a final dividend of ₹ 1.5 per Equity share for financial year 2025-26 subject to approval of Shareholders at the ensuing 44th Annual General Meeting of the Company to be held on September 07, 2026.

3. BUSINESS DESCRIPTION AND STATE OF COMPANY'S AFFAIRS

Diffusion Engineers Limited, incorporated in 1982, operates in the field of engineering solutions, serving customers in both domestic and international markets. With over four decades of industry presence, the Company has established itself as a reliable provider of a diverse portfolio of products and services. These include the manufacture of specialized welding consumables, wear plates, and heavy engineering equipment for core sector industries, along with offering tailored repair, refurbishment, and reconditioning services for heavy machinery and equipment.

The Company's performance and operational progress reflect steady growth and a continued focus on innovation. Through strategic expansion into new markets and the execution of pioneering projects, Diffusion Engineers Limited continues to strengthen its industry position and set new benchmarks. The Company remains firmly committed to delivering superior quality, dependable solutions, and high levels of customer satisfaction. This commitment has enabled Diffusion to maintain long-standing relationships with clients and to remain a trusted partner for organizations seeking efficient and forward-looking engineering solutions in an evolving business environment.

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. The paid-up share capital remained unchanged during the year under review.

Employee Stock Option Scheme

The Company grants share-based benefits to eligible employees with a view of attracting and retaining the best talent, encouraging employees to align individual performances with the Company objectives and promoting their increased participation in the growth of the Company.

The Company had implemented Diffusion Engineers Limited – Employee Stock Option Scheme 2025 ("ESOP 2025" or "Scheme") during the Financial Year 2025-26.

Diffusion Engineers Limited – Employee Stock Option Scheme 2025 was approved by the Board at its Meeting held on May 15, 2025 and was further approved by the Shareholders through postal ballot on June 29, 2025. During the reporting year the Company has granted Employee Stock Options under the scheme to the identified employees on December 27, 2025.

The aforementioned scheme is in compliance with the terms of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SBEB Regulations"). The Company has obtained certificate from the Secretarial Auditor of the Company stating that the aforementioned scheme has been implemented in accordance with the SBEB Regulations and the resolutions have been passed by the members approving the aforementioned scheme. The certificate is available for inspection by members in electronic mode. The details as required under Part F of Schedule I pursuant to Regulation 14 of the SBEB Regulation, are available at the Company's website at https://diffusionengineers.com/ . Further details of the aforementioned ESOP Scheme during the reporting financial year 2025-26 are as follows:

Sr. No.	Particulars	Diffusion Engineers Limited – Employee Stock Option Scheme 2025
1	Number of options granted during the reporting period	3,00,000
2	Number of options vested during the year	Nil
3	Number of options exercised during the year	Nil
4	Total number of shares arising as a result of exercise of option	Nil
5	Exercise Price	The Exercise Price of the options granted shall be ₹ 325/- per equity share.
6	Number of options surrendered	-
7	Number of options lapsed	2,00,000
8	Variation of terms of options	Nil
9	Money realized by exercise of options	NA
10	Total number of options ungranted	2,00,000

*Note: As on date of this Board's Report, the 2,00,000 ESOPs granted to the eligible employee ("Grantee") under the scheme stands cancelled due to resignation by such grantee before vesting.

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 2025-26 the company incurred capital expenditure of ₹ 475.39/- million as compared ₹ 142.29/- million in the last financial year 2024-25.

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 2025-26 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 2025-26 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:

There have been no material changes or commitments affecting the financial position of the Company that have occurred between the end of the financial year to which the financial statements relate and the date of this Report.

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, our employees remain the cornerstone of our success, and we strongly believe in creating meaningful engagement with them. The Company is dedicated to nurturing employee potential through empowerment, ongoing learning opportunities, and the exchange of knowledge and experiences across the organization.

Our policies and management practices are structured to align the aspirations of our employees with the broader goals of the Company. We place significant importance on training and development initiatives, enabling our workforce to adopt and implement industry best practices. In addition, we encourage a culture of self-driven learning, allowing employees to enhance their skills and capabilities at a pace and in a learning environment that suits them best.

The Company is equally committed to building and maintaining a workplace that is fair, inclusive, and diverse. As an Equal Opportunity Employer, we uphold principles of non-discrimination across all employment practices. This commitment strengthens our workforce while providing a distinct advantage in attracting and retaining talented professionals.

We also remain dedicated to upholding and promoting human rights within our operations. Our efforts focus on encouraging responsible practices throughout our wide and diverse supply chain and fostering a corporate culture that actively supports diversity and inclusion.

Through these initiatives, the Company continues to attract and retain highly qualified and skilled professionals who contribute to its sustained growth and progress.

As of March 31, 2026, our workforce numbered 524 employees and 174 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, 2026 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

vii. Diffusion Wear Solutions Middle East for Welding Wire Rods Electrodes and Similar Products Manufacturing LLC – S.P.C

Following are Associates 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 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 is committed to maintaining high standards of corporate governance and has implemented practices that reflect transparency, accountability, and integrity in its operations. The Board of Directors recognizes that sound corporate governance plays a vital role in achieving sustainable growth and maximizing long-term value for all stakeholders. Accordingly, the Board reiterates its continued dedication to upholding these governance principles.

Corporate governance within the Company is guided by strong ethical values and responsible business practices, which contribute to strengthening the Company's credibility and reputation. The Company strives to ensure that its decisions and actions are conducted with fairness and integrity while addressing the expectations and interests of its stakeholders.

A comprehensive report on Corporate Governance forms an integral part of this Annual Report and is provided in a separate section.

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 2025-26 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.

Statutory Auditors have also provided their independent report on effectiveness of Internal Financial Controls over Financial Reporting which does not contain any qualification, reservation or adverse remark. The Auditor's Report is enclosed as separate section with the financial statements in this Annual Report.

b) Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015, the members at the 43rd Annual General Meeting held on July 22, 2025 appointed Mr. Madhav Kawde, Peer Reviewed Practicing Company Secretary (FCS-3251, CP No. 1892), as the Secretarial Auditor of the Company for a term of five consecutive years, to hold office from the conclusion of 43rd 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. Mr. Madhav Kawde has confirmed his eligibility and that he is not disqualified under the

Companies Act, 2013, for his continuance as Secretarial Auditor of the Company.

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 2025-26 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.

The Secretarial Auditor's certificate on the implementation of share-based schemes in accordance- with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, will be made available on request at the AGM, electronically.

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.

c) 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 2026 – 2027.

d) 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 2026 – 2027 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 2025-26 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.

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 an 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 Five (05) 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, terms of reference, etc. 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, 2026 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 2025-26. 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 have 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 Directors are provided with relevant documents, reports, internal policies, and reference materials to help them gain a clear understanding of the Company's operations, procedures, and governance practices.

From time to time, the Board is also presented with detailed updates on the Company's business performance, operational developments, strategic initiatives, and associated risks. These presentations assist the Directors in effectively discharging their roles and responsibilities.

In addition, the Directors are regularly informed about significant regulatory developments, amendments in applicable laws, and important judicial pronouncements to ensure that the Board remains well-informed and compliant with the prevailing legal and regulatory framework.

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	Ms. Chitra Narendra Garg	01784644	Director	Non–Executive
3	Mr. Nitin Garg	08558736	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

The Board is of the opinion that the Directors of the Company possess requisite qualifications, expertise and experience and they hold highest standards of integrity.

Appointment/Resignation of Directors during the financial year under review:

During the financial year 2025-26, there were no changes in the composition of the Board of Directors. No appointments or resignations of Directors took place during the year.

Retirement by Rotation:

In terms of the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013, Ms. Chitra Narendra Garg (DIN: 01784644), Director retires by rotation at the ensuing Annual General Meeting, and being eligible, offers herself for re – appointment. Accordingly, a Resolution for seeking members' approval for appointment of Director is included in the Notice convening the Annual General Meeting.

(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:

1. Mr Prashant Garg, Managing Director
2. Mr Abhishek Mehta [appointed as Chief Financial Officer, with effect from 29th June 2023]
3. 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: During the financial year 2025-26, Mr. Ramesh Kumar N (PAN: ABOPN4848E) tendered his resignation and ceased to be the Chief Executive Officer (Key Managerial Personnel) of the Company with effect from February 06, 2026.

34. COMMITTEES OF THE BOARD

As on March 31, 2026, the Board has seven committees:

i. Audit Committee

ii. Nomination and Remuneration Committee

iii. Corporate Social Responsibility Committee

iv. Stakeholders Relationship Committee

v. Risk Management Committee

vi. Management Committee

vii. Finance Committee

The details of the powers, functions, composition and meetings of the Committees of the Board held during the financial year 2025-26 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 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.

40. CODE OF CONDUCT

The Directors, Key Managerial Personnel (KMPs), and Senior Management of the Company have affirmed their compliance with the Code of Conduct applicable to them for the year ended March 31, 2026. Details of the Code of Conduct for Directors, KMPs, and Senior Management are provided in **Annexure-6** to this Board's Report.

The Annual Report of the Company also includes a certificate issued by Mr. Prashant Garg, Chairman and Managing Director (DIN: 00049106), confirming compliance based on declarations received from the Members of the Board, KMPs, and Senior Management. This certificate forms part of **Annexure-9**.

41. LEGAL, GOVERNANCE AND BRAND PROTECTION

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

42. 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.

43. 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.

44. 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.

45. CREDIT RATING OBTAINED

During the year under review the Company had obtained the Credit rating from CRISIL Ratings 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.

46. 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". The Great Place to Work Assessment is considered a 'Gold Standard' in workplace Culture assessment.

47. COMPLIANCE WITH THE MATERNITY BENEFIT ACT, 1961

The Company has complied with the provisions of the Maternity Benefit Act, 1961, including all applicable amendments and rules framed thereunder. The Company is committed to ensuring a safe, inclusive, and supportive workplace for women employees. All eligible women employees are provided with maternity benefits as prescribed under the Maternity Benefit Act, 1961, including paid maternity leave, nursing breaks, and protection from dismissal during maternity leave.

48. GREEN INITIATIVES

Electronic copies of Annual Report for FY 2025-26 and the Notice of 44th 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 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.

49. 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 is available on the website of the Company at https://diffusionengineers.com/leadership-team/

50. 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 during the year along with their status as at the end of the financial year is not applicable.

51. CEO/MD/CFO CERTIFICATION

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

52. 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 is not applicable to the Company.

53. ACKNOWLEDGEMENT

Your Directors place on record their sincere gratitude to the Government of India, the Securities and Exchange Board of India, the Stock Exchanges, and other regulatory authorities for their continued guidance and support extended to the Company.

The Board also acknowledges the valuable support received from the Company's bankers, investors, rating agencies, customers, suppliers, and other business associates for their continued trust and confidence in the Company.

Your Directors further commend the dedication, commitment, and professionalism demonstrated by all employees of the Company. Their collective efforts, teamwork, and unwavering focus have been instrumental in driving the Company's growth and success.

The Board expresses its gratitude to the shareholders for their continued confidence and trust in the Company and its management.

For and on behalf of Board of Directors

Sd/-
Prashant Garg
Chairman and Managing Director
(DIN: 00049106)

Place: Nagpur
Date: August 11, 2026

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	10.15
8.	Total assets	10.90
9.	Total Liabilities	00.37
10.	Investments	3.60 (Non – current Investment)
11.	Turnover	23.08
12.	Profit / (Loss) before taxation	(2.27)
13.	Provision for taxation	(0.13)
14.	Profit / (Loss) after taxation	(2.14)
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	1.80
8	Total assets	3.32
9	Total Liabilities	0.52
10	Investments	-
11	Turnover	0.97
12	Profit before taxation	0.07
13	Provision for taxation	0.01
14	Profit after taxation	0.06
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	6.35
8	Total assets	57.76
9	Total Liabilities	38.96
10	Investments	-
11	Turnover	127.74
12	Profit before taxation	5.49
13	Provision for taxation	1.52
14	Profit after taxation	3.97
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 94.65
6.	Share capital	15.03
7.	Reserves & surplus	65.85
8.	Total assets	213.92
9.	Total Liabilities	133.04
10.	Investments	15.46
11.	Turnover	308.75
12.	Profit before taxation	67.80
13.	Provision for taxation	9.31
14.	Profit after taxation	58.49
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.	SEC Reg No- CS201402095
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 1.54
6.	Share capital	13.20
7.	Reserves & surplus	111.46
8.	Total assets	144.04
9.	Total Liabilities	19.38
10.	Investments (Non-Current)	20.03
11.	Turnover	230.07
12.	Profit before taxation	43.11
13.	Provision for taxation	9.20
14.	Profit after taxation	33.90
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.	Trade Registry Number -253826
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 2.10
6.	Share capital	17.21
7.	Reserves & surplus	(4.40)
8.	Total assets	37.80
9.	Total Liabilities	24.99
10.	Investments	Nil
11.	Turnover	48.77
12.	Profit / (Loss) before taxation	(1.40)
13.	Provision for taxation	-
14.	Profit / (Loss) after taxation	(1.40)
15.	Proposed Dividend	-
16.	Extent of shareholding (In percentage)	70%

G. DIFFUSION WEAR SOLUTIONS MIDDLE EAST FOR WELDING WIRE RODS ELECTRODES AND SIMILAR PRODUCTS MANUFACTURING LLC – S.P.C

(Figures in ₹ Millions)

Sl. No.	Particulars	Details
1.	Sl. No.	License No–IN-2008537
2.	Name of the subsidiary	Diffusion Wear Solutions Middle East for Welding Wire Rods Electrodes and Similar Products Manufacturing LLC – S.P.C
3.	The date since when subsidiary was acquired	15-07-2025
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	AED 1 AED= INR 25.45
6.	Share capital	2.50
7.	Reserves & surplus	(10.89)
8.	Total assets	23.80
9.	Total Liabilities	32.20
10.	Investments	Nil
11.	Turnover	0.00
12.	Profit / (Loss) before taxation	(11.51)
13.	Provision for taxation	(1.04)
14.	Profit / (Loss) after taxation	(10.47)
15.	Proposed Dividend	
16.	Extent of shareholding (In percentage)	100%

1. Names of subsidiaries which are yet to commence operations: Diffusion Wear Solutions Middle East for Welding Wire Rods Electrodes and Similar Products Manufacturing LLC – S.P.C

2. Names of subsidiaries which have been liquidated or sold during the year: NIL

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	31/12/2025	27/12/2025
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	67.46
	Extent 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	5.00	109.31
7.	Profit/(Loss) for the year		
	i. Considered in Consolidation	0.03	25.90
	ii. Not Considered in Consolidation	0.08	94.23

1. Names of associates or joint ventures which are yet to commence operations—NIL
2. 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

	Sd/-	Sd/-	Sd/-	Sd/-
	Prashant Garg	**Nitin Garg**	**Abhishek Mehta**	**Chanchal Jaiswal**
Place : Nagpur	Chairman & MD	Director	Chief Financial Officer	Company Secretary and Compliance Officer
Date : 16- 05 -2026	DIN – 00049106	DIN – 08558736		

Annexure–2

Particulars of contracts / arrangements made with related parties

(Pursuant to clause (h) of sub – section (3) of section 134 of the Companies Act, 2013
and Rule 8(2) of the Companies (Accounts) Rules, 2014 - Form AOC – 2)

This Form pertains to 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

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

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2026 which were not at arm's length basis.

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 ₹ Million), 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 2025-26	24.89	07-02-2025	-
2	Diffusion Hernon Adhesive & Sealants Pvt Ltd (Subsidiary Company)	Sales	FY 2025-26	0.19	07-02-2025	-
3	Diffusion Super-Conditioning Services Pvt. Ltd. (Subsidiary Company)	Sales	FY 2025-26	4.71	07-02-2025	-
4	M/s Diffusion Wear Solutions Philippines Inc. (Step-down Subsidiary)	Sales	FY 2025-26	70.95	07-02-2025	-
5	M/s Mecdiff SD. BHD. (Associate of Subsidiary Company, Diffusion engineers Singapore Pte Ltd)	Sales	FY 2025-26	9.06	07-02-2025	-
6	Nowelco Industries Pvt. Ltd. (Subsidiary Company)	Sales	FY 2025-26	12.15	07-02-2025	-
7	Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi (Subsidiary Company)	Sales	FY 2025-26	33.26	07-02-2025	
8	Diffusion Hernon Adhesive & Sealants Pvt Ltd. (Subsidiary Company)	Purchase	FY 2025-26	0.97	07-02-2025	
9	LSN Diffusion Ltd (Associate Company)	Purchase	FY 2025-26	50.88	07-02-2025	-
10	Nowelco Industries Pvt. Ltd. (Subsidiary Company)	Purchase	FY 2025-26	67.64	07-02-2025	-
11	M/s Diffusion Wear Solutions Philippines Inc. (Step-down Subsidiary)	Purchase	FY 2025-26	0.36	07-02-2025	
12	Mr. Prashant Garg (Managing Director)	Remuneration	FY 2025-26	24.00	07-02-2025	-
13	Mrs. Neelu Garg (Relative of Managing Director)	Remuneration	FY 2025-26	5.52	07-02-2025	-

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 ₹ Million), if any	Date(s) of approval by the Board, if any:	Amount paid as advances, if any:
14	Mr Abhishek Mehta (Chief Financial Officer)	Remuneration	FY 2025-26	2.06	24-06-2025	-
15	Ms Chanchal Jaiswal (Company Secretary and Compliance Officer)	Remuneration	FY 2025-26	1.10	24-06-2025	-
16	Mr. Ramesh Kumar Narasinghbhan (Chief Executive Officer)	Remuneration	FY 2025-26	15.66	07-02-2025	
17	Mr. Rijul Garg (Relative of Director)	Stipend	FY 2025-26	0.05	06-02-2026	
18	Ms. Chitra N Garg (Director)	Rent	FY 2025-26	4.40	07-02-2025	-
19	N. K. Garg HUF (Part of Promoter Group)	Rent	FY 2025-26	0.29	07-02-2025	-
20	Mr. Prashant Garg (Managing Director)	Rent	FY 2025-26	0.98	07-02-2025	-
21	Diffusion Hernon Adhesive & Sealants Pvt Ltd (Subsidiary Company)	Rent	FY 2025-26	0.14	07-02-2025	-
22	Mrs. Disha Mehta (Relative of CFO)	Consultancy charges	FY 2025-26	1.60	07-02-2025	-

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

Sd/-
Prashant Garg
DIN – 00049106
Chairman and Managing Director

Place : Nagpur
Date : August 11, 2026

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).

The 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 2025-26, the percentage increase in remuneration of Chief Executive Officer, Chief Financial Officer and other Executive Director(s)and Company Secretary during the financial year 2025-26 is mentioned below:**

Name	Title	% increase in Remuneration in the financial year 2025-26	Ratio of Remuneration of each Director/KMP to median remuneration of employees
Mr. Prashant Garg	Chairman & Managing Director	No Increase	48.21
Mr. Ramesh Kumar Narasinghbhan	Chief Executive Officer	No Increase	31.47
Mr. Abhishek Anil Mehta	Chief Financial Officer	13%	4.15
Ms. Chanchal Rajesh Jaiswal	Company Secretary and Compliance Officer	28%	2.22

ii. The median remuneration of employees of the Company during the financial year 2025-26 is ₹ 4,97,814 /- as compared to ₹ 4,67,868/-in year 2024-25. Median is based on Annual CTC.

iii. In the financial year 2025-26 there was increase of 6.40 % 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 524 employees and 174 workers as on March 31, 2026 as compared to 486 employees and 179 workers as on March 31, 2025.

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:

1. Median is based on Annual CTC.
2. Mr. Ramesh Kumar N has resigned from post of Chief Executive Officer of the Company with effect from February 06, 2026.

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 2025-26

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	43	22	09/11/2003	NA	27.96%	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	64	41	13/02/2025	CG Power and Industrial Solution Ltd	-	No
3	Neelu Garg	General Manager–Procurement	B.Sc, MBA	On Payroll	42	11	01/11/2014	NA	0.06%	Yes (Mrs. Neelu Garg is Spouse of Managing Director)
4	Ramesh Ganesh	General Manager–Engineering	BE (Manufacturing)	On Payroll	52	32	05/03/2026	Flsmidth Pvt. Ltd.	-	No
5	Chetan Dorwal	Vice President–Projects	DME, AMIE	On Payroll	57	35	06/10/2025	Bipico Industries	-	No
6	Kaushik Chakraborty	Vice President–OEM	B.E (Mech.)	On Payroll	50	28	01/09/2021	Konecranes and Demag Pvt. Ltd	0.003%	No
7	Ganesh Khangar	General Manager-Production	B.E (Mech.),MBA	On Payroll	48	24	07/07/2022	Ganges International Pvt. Ltd	0.003%	No
8	Ajit Kotasthane	Vice President – Exports	DME	On Payroll	61	38	12/11/2018	Messer Eutectic Castolin, Singapore	0.003%	No
9	Ajay S. Urkude	Sr Vice President–Sales and Marketing	DME	On Payroll	50	25	02/06/2003	Hartex Sales Pvt Ltd	0.003%	No
10	Shreekant Premkhede	Senior Vice President Operations	B.E	On Payroll	52	27	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
(DIN: 00049106)

Place: Nagpur
Date: August 11, 2026

Annexure–4

Form No. MR – 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2026

[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, 2026 ("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, 2026 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.

The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

i. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

ii. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

iii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

iv. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

v. 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);

vi. 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;

vii. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; (Not applicable to the Company during the Audit Period);

viii. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Company during the Audit Period);

ix. The Securities and Exchange Board of India (Listing Obligations and Disclosures requirements) Regulations, 2015 (herein after referred "SEBI LODR Regulations");

x. Securities and Exchange Board of India (Depository and Participants) Regulations, 2018;

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:

i. The Factories Act, 1948 & the Central Rules or concerned State Rules, made thereunder;

ii. The Environment (Protection) Act, 1986 and Environment (Protection) Rules, 1986;

iii. The Water (Prevention and Control of Pollution) Act, 1974 & Central Rules / concerned State Rules;

iv. The Air (Prevention and Control of Pollution) Act, 1981 & Central Rules / concerned State Rules;

v. The Noise Pollution (Regulation and Control) Rules, 2000;
vi. The Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016;
vii. The E-Waste (Management) Rules, 2016;
viii. The Plastics Waste Management Rules, 2016;
ix. The Employees State Insurance Corporation Act, 1948;
x. The Industries Development and Regulation Act, 1951; and
xi. The Standards of Weights and Measures Act, 1976
xii. Income Tax Act , 1961 and Indirect Tax Law
xiii. Payment of Wages Act, 1936
xiv. Minimum Wages Act, 1948
xv. Employees Provident Fund and Misc. Provisions Act, 1952
xvi. Indian Stamp Act, 1899
xvii. Electricity Act, 2003
xviii. Payment of Gratuity Act, 1972
xix. Maternity Benefits Act, 1961
xx. The Information Technology Act, 2000 and the rules made thereunder.

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

Secretarial Standards issued by The Institute of Company Secretaries of India.

Listing Agreements entered into by the Company with the BSE Limited and National Stock Exchange of India Ltd.

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:

the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non – Executive Directors and Independent Directors. There was no change in the composition of Board of Directors during the financial year under review.

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.

The minutes of the Board Meetings and Committee Meetings have not identified any dissent by members of the Board/Committee of the Board; hence I have no reason to believe that the decisions by the Board were not approved by all the directors present. The Minutes of the Board Meetings and Committee Meetings were duly approved at the meeting by the Chairperson of the Meeting.

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.

Sd/-
Mr Madhav Kondaji Kawde
(Practicing Company Secretary)
FCS: 3251, CP No: 1892
UDIN – F003251H001011931
PR Certi No – 2317/2022
Place : Mumbai
Date : 11-08-2026

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,
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.

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.

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.

Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

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.

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 – F003251H001011931
PR Certi No – 2317/2022
Place : Mumbai
Date : 11-08-2026

Annexure–5

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

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

BRIEF OUTLINE OF THE COMPANY'S CSR POLICY, INCLUDING OVERVIEW OF THE PROJECTS OR PROGRAMMES PROPOSED TO BE UNDERTAKEN:

As a responsible corporate citizen, the Company remains firmly committed to contributing towards the socio-economic development of society and improving the quality of life of communities, particularly those located in and around its areas of operation. In its endeavour to create sustainable long-term value for stakeholders, the Company continues to be guided by the principles of inclusiveness, sustainability, and responsiveness, with special attention given to the needs of underprivileged, economically weaker, and marginalized sections of society.

The Company strives to build upon its legacy of responsible business practices by supporting initiatives that empower individuals, strengthen communities, and promote sustainable development. In order to ensure that CSR initiatives are implemented effectively and deliver meaningful impact, the Company has identified the following key focus areas:

Environmental Sustainability – Promoting environmentally responsible practices, conservation of natural resources, and initiatives that contribute to ecological balance.

Education Promotion – Supporting programs that improve access to quality education and encourage academic development across different levels.

Promotion of Sports – Encouraging sports and physical activities that contribute to health, discipline, and talent development.

Healthcare and Public Welfare – Supporting initiatives aimed at improving healthcare access and promoting overall well-being, particularly in underserved communities.

Community Development – Undertaking activities that contribute to social infrastructure and holistic community welfare.

Gender Equality and Women Empowerment – Promoting equal opportunities and supporting programs that enable the empowerment and advancement of women.

Skill Development and Livelihood Enhancement – Facilitating vocational training and skill-building initiatives that improve employability and livelihood opportunities, especially for youth and disadvantaged groups.

Social Enterprise Initiatives – Encouraging socially driven entrepreneurial activities that generate sustainable community impact.

Eradication of Hunger and Poverty – Supporting initiatives aimed at reducing hunger, improving food security, and alleviating poverty.

Other Strategic CSR Initiatives – Undertaking additional CSR activities as may be identified from time to time, including those aligned with the Company's expertise and long-term strategic priorities.

All CSR initiatives undertaken by the Company are aligned with the activities specified under Schedule VII of the Companies Act, 2013, thereby ensuring compliance with applicable statutory requirements while contributing to broader national development goals.

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 2025–26, one meeting of the CSR Committee was held on May 15, 2025.

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	Mrs. Deepali Bendre	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

Web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company: www.diffusionengineers.com

Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable: Not Applicable

The prescribed CSR expenditure of the company for last three financial years (2% of the average net profits of immediately preceding three Financial Years):

Average net profit of the company for last three financial years: (a)	Two percent of average net profit of the company as per section 135(5) (b)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years (c)	Amount required to be set off for the financial year, if any (d)	Total CSR obligation for the financial year (b+c-d)
₹ 29,94,96,491	₹ 59,89,929.82	-	₹ 1,84,745.31	₹ 58,05,184.51

Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project). (a)	Amount spent in Administrative Overheads (b)	Amount spent on Impact Assessment, if applicable. (c)	Total amount spent for the Financial Year 6(a)+6(b)+6(c).
₹ 58,75,672.62	-	-	₹ 58,75,672.62

CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year.	Amount Unspent (in ₹`)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
₹ 58,75,672.62	-	-	-	-	-

Excess amount for set-off, if any::

Sl. No	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	₹ 58,05,184.51
(ii)	Total amount spent for the Financial Year	₹ 58,75,672.62
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	₹ 70,488.11
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	-
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	₹ 70,488.11

Details of CSR amount spent against ongoing projects for the Financial Year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Local area (Yes /No)	Location of the Project		Project duration	Amount allocated for the project	Amount spent in the current financial year	Amount transferred to Unspent CSR Account for the project as per Section 135(6)	Mode of Imple-men-tation Direct (Yes/No)	Mode of Impleme-ntation Through Impleme- nting Agency.	
				STATE	DISTRICT						Name	CSR Regist-ration number
—— Not Applicable —-												

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	2,52,000	Yes	Not Applicable	Not Applicable
2	Medical camps at Chichbhavan Village, Kalmeshwar, with doctor consultations and free medicines,	(i)	Yes	Maharashtra	Nagpur	1,68,000	Yes	Not Applicable	Not Applicable
3	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
4	Provided gap funding support for angioplasty procedures for 10 underprivileged patients, enabling timely access to critical cardiac care.	(i)	Yes	Maharashtra	Nagpur	3,00,000	No	Swami Vivekanand Medical Mission	CSR00005068
5	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
6	Provided financial assistance for medical treatment at Medinine Hospital, supporting a patient in accessing necessary healthcare services.	(i)	Yes	Maharashtra	Nagpur	35,000	Yes	Not Applicable	Not Applicable
7	Supported cataract surgery for a needy patient, restoring vision and improving quality of life..	(i)	Yes	Maharashtra	Nagpur	7,500	Yes	Not Applicable	Not Applicable
8	Adopted and sponsored education for Zilla Parishad schools and Anganwadis in Hingna zone, Nagpur, supporting quality education for rural children.	(ii)	Yes	Maharashtra	Nagpur	7,50,000	No	Bridge-The-Gap Foundation	CSR00082342
9	Supported sponsorship of nursing education fees for an underprivileged student at Kasturba Nursing College, enabling continuation of her studies.	(ii)	No	Madhya Pradesh	Bhopal	35,000	No	Harshini Social Welfare Foundation	CSR00068108
10	Conducted Shri N.K.Garg Memorial Badminton Tournament with an aim to promote sports.	(vii)	Yes	Maharashtra	Nagpur	4,00,000	Yes	Not Applicable	Not Applicable

(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
11	Awarded the N.K. Garg Sports Scholarship and provided a complete cricket kit to a promising young cricketer from Nagpur, supporting her training and participation in competitive tournaments at various levels.	(vii)	Yes	Maharashtra	Nagpur	60,074	Yes	Not Applicable	Not Applicable
12	Supported development of a football ground at Takli, Nagpur in collaboration with Friends Sports Academy by funding ground setup, basic infrastructure, and sports equipment, along with provision of football kits to 100 underprivileged players, enabling structured training and youth engagement in sports.	(vii)	Yes	Maharashtra	Nagpur	3,70,000	Yes	Not Applicable	Not Applicable
13	Donated and installed a 2000 LPH RO plant at Takli, Nagpur to provide safe drinking water supporting health and well-being.	(i)	Yes	Maharashtra	Nagpur	5,19,200	Yes	Not Applicable	Not Applicable
14	Donated a computer and printer to support basic infrastructure and operational efficiency of a public service institution.	(ii)	Yes	Maharashtra	Nagpur	38,040.62	Yes	Not Applicable	Not Applicable
15	Supported establishment of a human milk bank at Swami Vivekanand Medical Mission through provision of essential equipment, enabling safe collection, processing, and supply of donor human milk for the care of premature and vulnerable newborns.	(i)	Yes	Maharashtra	Nagpur	1,00,000	Yes	Not Applicable	Not Applicable
16	Aided two life-saving pediatric heart surgeries for underprivileged children	(i)	Yes	Maharashtra	Nagpur	2,88,032	No	N.K Garg Foundation	CSR00061380
17	Provided gap funding support to Swami Vivekanand Medical Mission for post-surgery medication and hospitalization of a needy patient .	(i)	Yes	Maharashtra	Nagpur	22,500	No	N.K Garg Foundation	CSR00061380
18	Scholarships awarded to 15 meritorious and needy students	(ii)	Yes	Maharashtra	Nagpur	7,22,826	No	N.K Garg Foundation	CSR00061380

(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
19	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	10,00,000	No	N.K Garg Foundation	CSR00061380
20.	Supported club fees at City Gymkhana Cricket Academy for an emerging cricketer from a modest background, enabling access to quality coaching and competitive opportunities.	(vii)	Yes	Maharashtra	Nagpur	27,500	No	N.K Garg Foundation	CSR00061380
21.	Donation for mid-day meals to 15 children for one year	(i)	Yes	Maharashtra	Nagpur	30,000	Yes	Not Applicable	Not Applicable

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. **Whether any capital assets have been created or acquired through Corporate Social Responsibility amount 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
-	-	-	-	-	-	-	-

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 Board of Directors
Diffusion Engineers Limited

Place : Nagpur Date : August 11, 2026	Sd/- **Prashant Garg** (DIN – 00049106) Managing Director	Sd/- **Mrs. Deepali Bendre** (DIN : 10753545) Chairperson, CSR Committee

Annexure—6

Corporate Policies

The 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	There has been no change to the policy during financial year 2025-26.
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 2025-26.
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	There has been no change to the policy during financial year 2025-26.
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 policy during financial year 2025-26.
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 by Designated Person and their immediate relatives.	https://www.diffusionengineers.com/investors-relation	There has been no change to the policy during financial year 2025-26.
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 2025-26.
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 2025-26.

Name of the policy	Salient Features	Web link	Summary of Key Changes
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	There has been no change to the policy during financial year 2025-26.
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	There has been no change to the policy during financial year 2025-26.
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	There has been no change to the policy during financial year 2025-26.
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 2025-26.
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 2025-26.
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 2025-26.
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 2025-26.
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 2025-26.

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	Installed 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	Diesel Generator (DG) set installed to serve as a reliable backup power source during outages.
Capital investment on energy conservation equipment	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	₹ 10.5 Million (Approx)
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—₹ 390.41 Million

Foreign Exchange outgo—₹ 556.93 Million

Annexure–8

Certificate on Corporate Governance

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, 2025 to March 31, 2026. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. My examination was limited to the procedure and implementation thereof, 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.

Sd/-
Mr Madhav Kondaji Kawde
Practicing Company Secretary
Membership No.:F3251, COP: 1892
UDIN: F003251H001012017
Peer Review certificate No. 2317/2022

Date: 11-08-2026
Place: Mumbai

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 and 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 certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2026 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

My responsibility is to express an opinion on these based on my verification. 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: F003251H001012083
Peer Review certificate No. 2317/2022

Date: 11-08-2026
Place: Mumbai

Annexure–9

Declaration under Schedule V (d) of the Listing Regulations by the Managing Director/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/-
Prashant Garg
Chairman & Managing Director
DIN: 00049106

Date: May 16, 2026
Place: Nagpur

Annexure—10

MD/CEO CFO Certificate

May 16, 2026

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 Prashant Garg, Chairman & Managing Director (DIN: 00049106) 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, 2026 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,2026 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/-
Prashant Garg
Chairman & Managing Director
DIN: 00049106

Sd/-
CA Abhishek Mehta
Chief Financial Officer

CORPORATE GOVERNANCE REPORT FY 2025 – 2026

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance aims at driving the business ethically for creation and enhancement of long-term sustainable value for stakeholders. At Diffusion Engineers Limited, it is imperative that the Company's affairs are managed in a fair and transparent manner as it is vital to gain and retain the trust of our stakeholders. 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. Diffusion considers its moral responsibility to protect the rights of its stakeholders and disclose timely, adequate and accurate information regarding its financials and performance, as well as the leadership and governance of the Company.

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. The Company's Board of Directors ('the Board') view Corporate Governance in its widest sense. We are committed to defining, following and practicing the highest level of corporate governance across all our business functions. The main objective is to create and adhere to a corporate culture of integrity and consciousness. We believe, Corporate Governance is not just a destination, but a journey to constantly improve sustainable value creation and to achieve the 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, 2026, 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, 2026. There has been no resignation of an independent director during the reporting year.

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 Dr. Nitin Garg	Mother Brother
Dr. Nitin Garg	Chitra Garg Prashant Garg	Mother Brother
Chitra Garg	Prashant Garg Dr. Nitin Garg	Son Son

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

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, 2026 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, 2026*			
			Directorships		Member holding Chairman-ship Position$	Committee Member-ships other than Chairman-ship Position$
			Public#	Private		
Executive Directors						
Mr Prashant Garg	Chairman and Managing Director	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

Shareholding of Directors as on March 31, 2026

Particulars	Number of Shares held	Percentage of shares held
Mr Prashant Garg	1,04,65,199	27.96%
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 shareholder holding, whose name appears first i.e. first holder.

As on March 31, 2026 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, 2026:

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

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 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 February 06, 2026, 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.

Attendance of Independent Directors at meeting of the Independent Directors:-

Name of the Director	Attendance
Mr. Sherry Samuel Oommen	01 of 01
Ms. Deepali Bendre	01 of 01
Mr. Anil Trigunayat	01 of 01

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, 2025 to March 31, 2026, Five (5) Board Meetings were held on May 15, 2025; June 24, 2025, August 12, 2025; November 14, 2025 and February 06, 2026. 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

The dates of Board Meeting were decided well in advance and notices of such meetings were circulated. Agenda and notes on agenda were circulated to Board in a defined format, in advance and few supporting papers were placed before the Board at the time of Meeting. Material information was incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it was not practical 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: -

a) Mr. Ramesh Kumar N (PAN: ABOPN4848E) tendered his resignation and ceased to be the Chief Executive Officer (Key Managerial Personnel) of the Company with effect from February 06, 2026.

b) Pursuant to internal restructuring and revised reporting structure, Mr. Sameer Khaladkar – Vice President, Exports ceased to fall under the definition of Senior Management Personnel ("SMP") as per Regulation 16(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from the close of business hours on December 11, 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, 2026, the Board has Seven 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

G. Finance 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 Audit 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 Financial Year 2025-26, there was no change in the constitution of Audit Committee.

As on March 31, 2026 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, 2025 to March 31, 2026, Five (5) Audit Committee Meetings were held on May 14, 2025; June 24, 2025; August 11, 2025; November 13, 2025 and February 06, 2026. 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 Financial Year 2025-26, there was no change in the constitution of Nomination and Remuneration Committee.

As on March 31, 2026, the Nomination and Remuneration Committee comprises as follows:

Name	Position in the committee	Category
Ms. Deepali Bendre	Chairperson	Non-Executive and Independent Director
Mr. Sherry Samuel Oommen	Member	Non-Executive and Independent Director
Ms. Chitra Garg	Member	Non- Executive and Non- Independent Director

3. Meetings

During the period under review i.e. April 1, 2025 to March 31, 2026, Two (2) Nomination and Remuneration Committee Meetings were held on May 14, 2025 and June 24, 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. Abhishek Mehta (Chief Financial Officer)
2. Mr. Ajay Urkude (Senior Vice President – Sales and Marketing)
3. Mr. Shreekant Premkhede (Senior Vice President- Operations)
4. Mr. Manoj Srivastava (Senior Vice President, Sales and Marketing)
5. Mr. Kaushik Chakraborty (Vice President – OEM)
6. Mr. Ajit Kotasthane (Vice President, Export)
7. Ms. Chanchal Jaiswal (Company Secretary and Compliance Officer), and
8. Ms. Trushtee Edbor - Deputy General Manager - HR

There was no change in the senior management of the Company during the period under review till the date of this report except the following :-

- Mr. Ramesh Kumar N (PAN: ABOPN4848E) tendered his resignation and ceased to be the Chief Executive Officer (Key Managerial Personnel) of the Company with effect from February 06, 2026.
- Pursuant to internal restructuring and revised reporting structure, Mr. Sameer Khaladkar – Vice President, Exports ceased to fall under the definition of Senior Management Personnel ("SMP") as per Regulation 16(1)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from the close of business hours on December 11, 2025

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 2025 – 2026 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, 2026 (In Nos.)[1]
Mr Prashant Garg	Chairman and Managing Director	₹ 24 Million	-	-	-	1,04,65,199

[1]Joint 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 on the terms, conditions and remuneration as set out in the Notice dated March 04, 2025. 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 2025 – 2026, 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 2025 – 2026 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, 2026 are stated in the following table:-

Name of the director	Designation of Director	Sitting Fees (Amount in ₹ Million)
Dr. Nitin Garg	Non-Executive Director and Non-Independent Director	0.16
Mr. Anil Kumar Trigunayat	Non-Executive Director and Independent Director	0.19
Ms. Chitra Narendra Garg	Non-Executive Director and Non-Independent Director	0.19
Mr. Sherry Samuel Oommen	Non-Executive Director and Independent Director	0.23
Ms. Deepali Bendre	Non-Executive Director and Independent Director	0.22

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 including Independent 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

The brief details of Employee Stock Option Plans issued and implemented during the Financial Year 2025-26 is disclosed in Board Report under the heading Share Capital Structure.

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 2025-26, there was no change in the constitution of Stakeholders' Relationship and Grievance Committee.

As on March 31, 2026, 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 and Non- Independent 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, 2025 to March 31, 2026, One (1) meeting of Stakeholders Relationship and Grievance Committee was held i.e. on February 06, 2026. 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 FY 2025-26 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	03	03	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, 2013 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 2025-26, there was no change in the constitution of Corporate Social Responsibility Committee.

As on March 31, 2026, the CSR Committee comprises as follows:

Name	Position in the committee	Category
Ms. Deepali Bendre	Chairperson	Non-Executive and Independent Director
Dr. Nitin Garg	Member	Non-Executive Non- Independent Director
Ms. Chitra Narendra Garg	Member	Non-Executive Non- Independent 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, 2025 to March 31, 2026, One (1) meeting of the Corporate Social Responsibility Committee was held i.e. on May 15, 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)'.

E. Management Committee

The Management Committee of the Company was constituted by the Board of Directors to oversee the day-to-day management and operational affairs of the Company. 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 establishes and reviews operational plans of the company and advises on their execution.
- **Policy and Decision Implementation** – The Committee advises senior management on implementing and establishing the company's policies and ensures strict adherence to those policies.
- **Regulatory & Legal Compliances** – The Committee oversees timely compliance under various statutes, ensures minimization of legal costs, and ensures proper execution and signing of legal documents, including applications for new or renewal of statutory licences or permits as required by the company from time to time. The Committee also holds the power to authorize officials to file Vakalatnama or any other documents required in legal proceedings.
- **Tender** – The Committee holds the power to authorize officials for filing tenders and related documents for tenders up to 50 Crores.
- **Performance Evaluation** – The Committee ensures that human resources are efficiently and effectively utilized to achieve organizational goals. It monitors all organizational activities with proper feedback, contributing to continuous improvement in governance and service delivery.
- **Branding and Marketing** – The Committee ensures that the company's brand is properly managed and marketed to achieve its goals, mission, and vision.

- **General Management and Administration** – The Committee guides management, as required, on day-to-day administration.
- **Expenditure towards General Corporate Purposes** – The Management Committee is authorized to incur expenditure up to 5 Crores towards general corporate purposes as specified in the Offer Document. Any expenditure exceeding 5 Crores requires prior approval of the Board of Directors.

2. Composition of Management Committee

The Management Committee of the Company was initially constituted by the Board of Directors on October 24, 2024, to oversee the day-to-day management and operational affairs of the Company. Subsequently, with a view to strengthening the decision-making process and enhancing coordination across key management functions, the Board reconstituted the Committee on November 14, 2025, by inducting Mr. Ramesh Kumar N, Chief Executive Officer (CEO), as a member. Pursuant to the resignation of Mr. Ramesh Kumar N from the position of Chief Executive Officer, the Board further reconstituted the Management Committee on February 06, 2026, to ensure continuity in governance and the smooth functioning of operations.

As on March 31, 2026, 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	Senior Vice President Operations
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, 2025 to March 31, 2026, Seven (7) meetings of Management Committee were held i.e. on April 11, 2025, May 26, 2025, July 03, 2025, July 14, 2025, September 08, 2025, September 25, 2025 and December 12, 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 Risk Management 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 2025-26, there was no change in the constitution of Risk Management Committee.

As on March 31, 2026, 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, 2025 to March 31, 2026, Two (2) meetings of Risk Management Committee were held i.e. on September 04, 2025 and February 06, 2026. 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. FINANCE COMMITTEE

To ensure focused oversight on financial and treasury matters, the Board of Directors of the Company, at its meeting held on February 06, 2026, constituted a Finance Committee of the Board.

The Committee is entrusted with the responsibility of overseeing matters relating to investments, borrowings, loans, guarantees, and securities, as well as treasury and banking operations. This includes, inter alia, the authority to approve the opening and closing of bank accounts, changes in authorised signatories, fixation of banking limits, and other routine banking and financial matters

The Finance Committee exercise the following Terms of Reference and delegated powers, subject to the provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015, and under the overall supervision of the Board.

- To invest the funds of the company and to grant loans or give guarantee or provide security in respect of loans

  Finance committee is authorized to

  o give any loan to any person or other body corporate;

  o give any guarantee or provide security in connection with a loan to any other body corporate or person; and

  o acquire by way of subscription, purchase or otherwise, the securities of any other body corporate,

  Provided that aggregate of the loans and investment so far made, the amount for which guarantee or security so far provided to or in all other bodies corporate along with the investment, loan, guarantee or security proposed to be made or given shall not exceed sixty percent of company's paid-up share capital, free reserves and securities premium account or one hundred per cent. of its free reserves and securities premium account, whichever is more.

- **To borrow monies**

  To borrow funds for the Company by way of loans, overdrafts, cash credit, or other banking or financial facilities, and to negotiate and finalize the terms and conditions thereof, provided that the money to be borrowed, together with the money already borrowed by the company shall not exceed aggregate of its paid-up share capital and free reserves and securities premium apart from temporary loans obtained from the company's bankers in the ordinary course of business.

- **Treasury & Financial Management**

  To oversee cash flow management, liquidity position, and working capital requirements of the Company and to approve routine financial transactions in the ordinary course of business.

- **Banking**

  The Committee is entrusted to ensure that all approval of finance arrangements is properly managed, finance for operations is available on time and at the best rate, financial compliances are being done. The committee have power to take banking related decisions like Bank account opening, change in signatories, Bank account closure, setting bank operation limits, online banking etc.

- **Reporting**

  The Committee is required to place before the Board, at the next Board Meeting, a report of the decisions taken by the Finance Committee for noting.

2. Composition of Finance Committee

With a view to strengthening oversight of financial and treasury functions, the Board of Directors of the Company, at its meeting held on February 06, 2026, established a Finance Committee of the Board.

As on March 31, 2026, the Finance Committee comprises of the following:

Name	Position in the committee	Category
Ms. Deepali Bendre	Chairperson	Non-Executive and Independent Director
Mr Prashant Garg	Member	Executive and Managing 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, 2025 to March 31, 2026, One (1) meeting of Finance Committee was held i.e. on February 09, 2026. 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)'.

H. 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, 2026. 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	05 of 05	05 of 05	-	01 of 01
Dr Nitin Garg	04 of 05	-	-	01 of 01
Mr Sherry Samuel Oommen	05 of 05	05 of 05	02 of 02	01 of 01
Ms Deepali Sameer Bendre	05 of 05	05 of 05	02 of 02	-
Mr Anil Kumar Trigunayat	05 of 05	-	-	-
Ms Chitra Narendra Garg	05 of 05	-	02 of 02	-

Name	Corporate Social Responsibility Meeting	Management Committee	Risk Management Committee	Finance Committee	Attendance at last AGM held on July 22, 2025
Mr Prashant Garg	-	07 of 07	02 of 02	01 of 01	Yes
Dr Nitin Garg	01 of 01	-	-	-	Yes
Mr Sherry Samuel Oommen	-	-	02 of 02	-	Yes
Ms Deepali Sameer Bendre	01 of 01	-	-	01 of 01	Yes
Mr Anil Kumar Trigunayat	-	-	02 of 02	-	Yes
Ms Chitra Narendra Garg	01 of 01	-	-	-	Yes

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, 2023	T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016 through Video Conferencing / other Audio Visual Means.	September 25, 2023 Monday at 05.00 p.m.	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 p.m.	Not Applicable
March 31, 2025	T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016 through Video Conferencing / other Audio Visual Means.	Tuesday, July 22, 2025 at 02:00 p.m.	Not Applicable

Notes:

1. The above-mentioned Special Resolutions were passed with requisite majority.
2. 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 at the Extra Ordinary General Meeting in FY 2025-26

No Extra-Ordinary General Meeting of the Members of the Company was held during the Financial Year 2025—26 and, accordingly, no Special Resolution was passed.

C. Special resolutions passed through postal ballots in last year & details of voting pattern:

During the financial year 2025-26, 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 notice and results
May 30, 2025 [Voting start date: Saturday, May 31, 2025 (09. 00 a.m. IST) and Voting end date Sunday, June 29, 2025 (05.00 p.m. IST)]	1. Approval of 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' 2. 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' 3. Approval for secondary acquisition of shares through Trust route for the implementation of 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' 4. 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'	June 29, 2025	CS Amit K Rajkotiya, Practicing Company Secretary	Link for notice https://nsearchives.nseindia.com/corporate/DIFFUSION_30052025102625_IntimationtoSE30052025.pdf Link for results https://nsearchives.nseindia.com/corporate/DIFFUSION_01072025173226_intimationvotingresultesop01072025.pdf

D. Procedure for Postal Ballot

The aforesaid Postal Ballot was conducted by the Company as per the provisions of Section 110 and Section 108 of the Companies Act, 2013 read with Rule 22 and Rule 20 of the Companies (Management and Administration) Rules, 2014 ("the Rules") and the General Circular Nos. 14/2020 dated April 8, 2020, 17/2020 dated April 13, 2020, 9/2023 dated September 25, 2023 and 9/2024 dated September 19, 2024 and other relevant circulars issued by the Ministry of Corporate Affairs, Government of India, Regulation 44 of Listing Regulations, Secretarial Standard on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India, each as amended and pursuant to other applicable laws and regulations.

E. Whether any Special Resolution is proposed to be passed through Postal Ballot: -

No Special Resolution is proposed to be conducted through Postal Ballot as on the date of this Annual Report.

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:

During the reporting period, the Company made presentations to the institutional investors and financial analysts on the Company's quarterly, half – yearly as well as annual financial results which were sent to the Stock Exchange. These presentations, video recordings and transcripts 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 the 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 statutory authority since listing on the stock exchanges.

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, 2026. 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, 2026, is ₹ 1.48 million.

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:

a. Number of complaints filed during the financial year: 0

b. Number of complaints disposed of during the financial year: 0

c. Number of complaints pending for more than ninety days: 0

n) Disclosure of Non-compliance of any requirement of Corporate Governance Report 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 February 06, 2026 without the presence of Non-Independent Directors and members of Management and all the Independent Directors were present in the meeting,

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: 4 shareholders holding 16,416 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: 2 shareholders holding 2,922 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.

v) Disclosures in relation to the Maternity Benefit Act 1961:- The Company has complied with all the requirements of the provisions of the Maternity Benefit Act 1961

w) Declaration signed by the Managing Director/ Chief Executive Officer stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.

A certificate signed by Mr. Prashant Garg, Chairman and Managing Director (DIN: 00049106), on compliance of declaration received from the members of Board of Directors, Key Managerial Personnel and Senior Management is appended in **Annexure-9** of this report.

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, 2025—March 31, 2026

E. **Date and Time of Annual General Meeting—**Monday, September 07, 2026 at 02:00 p.m

F. **Venue of Annual General Meeting—**The 44th 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. 03/2025 dated September 22, 2025. Registered office of the company shall be the deemed venue for AGM.

G. **Book Closure—**August 27, 2026 to September 07, 2026 (both days inclusive)

H. **Cut-off date for sending Notices of AGM —** August 07, 2026

I. **Cut-off date for Dividend & E-voting—**August 26, 2026

J. **Dividend Payment Date—**On or before October 06, 2026

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 2026-27 to National Stock Exchange of India Limited and BSE Limited. During Financial Year 2025-26, the trading of security of the Company was not suspended.

L. **Registrar & Transfer Agent:-**

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, 2026: -

SHAREHOLDING OF NOMINAL RS.	RS.	NUMBER OF SHAREHOLDERS	PERCENTAGE OF TOTAL	SHARE AMOUNT RS.	PERCENTAGE OF TOTAL
1	5000	20969	93.1335	15418080	4.1196
5001	10000	717	3.1845	5654850	1.5109
10001	20000	391	1.7366	5655510	1.5111
20001	30000	140	0.6218	3589570	0.9591
30001	40000	62	0.2754	2226310	0.5949
40001	50000	58	0.2576	2716300	0.7258
50001	100000	90	0.3997	6728020	1.7977
100001	9999999999999999	88	0.3909	332273950	88.7810
TOTAL		**22515**	**100.00**	**374262590**	**100**

O. Dematerialization of Shares and Liquidity: -

The Company's shares are compulsorily traded in dematerialized form. As on March 31, 2026, 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, 2026, 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 2025-26, 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
Unit V	2025	Plot Nos. 33-B/1/1/ & 33-B/1/1/Part, MIDC, Hingna, Sonegaon District (Seem), Nagpur - 440016, Maharashtra	Special purpose electrodes and wire strips

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 Ratings obtained during the FY 2025-26 and up to the date of this report: -

1) Rating given by CRISIL Ratings Limited on November 26, 2025

Total Bank Loan Facilities Rated	₹ 65 Crore
Long Term Rating	CRISIL A-/Stable (Reaffirmed)
Short Term Rating	CRISIL A2+/Stable (Reaffirmed)

2) Rating given by CRISIL Ratings Limited on December 10, 2025

Total Bank Loan Facilities Rated	₹75 Crore (Enhanced from ₹65 Crore)
Long Term Rating	Crisil A-/Stable (Reaffirmed)
Short Term Rating	Crisil A2+ (Reaffirmed)

3) Rating given by Acuite Ratings & Research Limited on April 14, 2026

Product	Quantum (₹ Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.50	ACUITE A | Stable | Reaffirmed	-
Bank Loan Ratings	18.00	-	ACUITE A1 | Reaffirmed
Total Outstanding Quantum (₹ Cr)	65.50	-	-

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, 2026, 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, 2026, 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, 2026. 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 is 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, 2026, the Company has recognized revenue amounting to ₹ 3542.03 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 be 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.	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'. • 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.	We applied the following audit procedures among others, to obtain sufficient and appropriate audit evidence: • 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, 2026 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, 2020 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, 2026 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2026, 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, 2026 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, 2026, 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, 2026;

(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.

As stated in Note No 44 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, 2026 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.

For **P G S & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 122384W
UDIN- 26111592OXZYUS8449

Premal H Gandhi
Partner
Membership No: 111592

Place: Nagpur
Date: May 16, 2026

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, 2026,

(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 Rs.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 and there are no material differences.

(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, 2026 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	72,13,794	01-04-2019 to 31-03-2020	Commissioner (Appeal)

(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

(xi) 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.

(xii) The Company has a Whistle Blower policy, and according to the information and explanations given to us by the management, there are no whistle blower complaints received by the company during the year.

(xiii) 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.

(xiv) 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.

(xv) (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.

(xvi) 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.

(xvii) 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.

(xviii) The Company has not incurred cash losses in the current year and in the immediately preceding financial year.

(xix) 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.

(xx) On the basis of the financial ratios disclosed in No 42 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.

(xxi) (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 **P G S & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 122384W
UDIN- 26111592OXZYUS8449

Premal H Gandhi
Partner
Membership No: 111592

Place: Nagpur
Date: May 16, 2026

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, 2026 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, 2026, 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 **P G S & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 122384W
UDIN- 26111592OXZYUS8449

Premal H Gandhi
Partner
Membership No: 111592

Place: Nagpur
Date: May 16, 2026

Standalone Statement of Assets and Liabilites

as at March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	Year ended March 31, 2026	Year ended March 31, 2025
ASSETS			
Non-Current Assets			
(a) Property, plant and equipment	3	1,076.16	950.79
(b) Capital work-in-progress	3 (a)	221.70	31.44
(c) Intangible assets	4	6.04	4.83
(d) Financial assets			
(i) Investments	5	421.70	360.36
(ii) Other financial assets	6	104.06	90.16
Total non-current assets		**1,829.65**	**1,437.58**
Current Assets			
(a) Inventories	7	673.63	621.85
(b) Financial Assets			
(i) Trade receivables	8	1,097.46	863.52
(ii) Cash and cash equivalents	9	939.64	1,184.50
(iii) Other bank balances	10	0.03	-
(iv) Loans and advances	11	145.04	112.53
(v) Others financial assets	12	12.12	8.61
(c) Other current assets	13	70.89	62.43
Total current assets		**2,938.81**	**2,853.44**
Total Assets		**4,768.46**	**4,291.02**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	14	374.26	374.26
(b) Other equity	15	3,470.61	3,176.15
Total equity		**3,844.87**	**3,550.42**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	-	-
(ii) Other financial liabilities	17	4.87	4.73
(b) Deferred tax liabilities (net)	18	58.86	56.89
Total non-current liabilities		**63.73**	**61.62**
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	19	274.79	216.30
(ii) Trade payables	20		
Total outstanding dues of micro, small and medium enterprises		67.83	27.33
Total outstanding dues of creditors other than micro enterprises, small and medium enterprises		318.80	292.03
(iii) Other financial liabilities	21	13.02	13.60
(b) Provisions	22	6.40	4.23
(c) Other current liabilities	23	169.52	113.53
(d) Current tax liabilities (net)	24	9.49	11.97
Total current liabilities		**859.86**	**678.99**
Total Equity and liabilities		**4,768.46**	**4,291.02**
The accompanying notes form an integral part of the standalone financial statements	1-46		

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Nagpur
UDIN- 26111592OXZYUS8449
Date : May 16, 2026

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

PRASHANT N GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : May 16, 2026

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : May 16, 2026

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : May 16, 2026

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : May 16, 2026

Standalone Financial Results

for the year ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated except EPS)

	Particulars	Note No.	Year ended March 31, 2026	Year ended March 31, 2025
Revenue				
I	Revenue from operations	25	3,542.03	3,160.87
II	Other income	26	191.68	89.98
III	**Total revenue**		**3,733.71**	**3,250.86**
IV	**Expenses**			
	Cost of materials consumed	27	1,791.34	1,680.76
	Purchases of stock-in-trade		257.03	130.67
	Changes in inventories of FG and WIP	28	(56.49)	(87.90)
	Manufacturing expenses	29	401.74	428.37
	Employee benefit expenses	30	455.23	399.15
	Finance costs	31	20.22	21.95
	Depreciation and amortization expenses	3 & 4	59.93	44.39
	Other expenses	32	223.89	200.20
	Total expenses		**3,152.90**	**2,817.59**
V	**Profit/(loss) before Exceptional Items and Tax**		**580.81**	**433.27**
VI	Exceptional Items	33	7.00	-
VII	**Profit/ (loss) before Tax**		**573.81**	**433.27**
VIII	**Tax expenses**			
	- Current tax	34	124.50	94.00
	- (Excess)/Short provision of tax relating of previous years		-	(1.81)
	- Deferred tax		2.88	3.55
	Total tax expenses		**127.38**	**95.74**
IX	**Net profit for the year**		**446.43**	**337.53**
X	**Other comprehensive income**			
	(A) ***(i)*** ***Items that will not be reclassified subsequently to profit or loss***			
	Remeasurements of the defined benefit plans		(3.61)	(1.80)
	Income tax effect on above		0.91	0.41
	(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		**(2.70)**	**(1.39)**
XI	**Total comprehensive income / (loss) for the period**		443.72	336.14
XII	**Earnings per equity share**	35		
	Earnings per equity share [nominal value of share ₹ 10/-]			
	Basic (not annualized except for year end)		11.98	9.02
	Diluted (not annualized except for year end)		11.98	9.02
The accompanying notes form an integral part of the standalone financial statements		1 to 46		

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 : Nagpur
UDIN- 26111592OXZYUS8449
Date : May 16, 2026

PRASHANT N GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : May 16, 2026

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Place : Nagpur
Date : May 16, 2026

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : May 16, 2026

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : May 16, 2026

Standalone Cash Flow Statement

for the Period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

	Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
A	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit /(loss) before tax	573.81	433.27
	Adjustments:		
	Depreciation and amortisation	59.93	44.39
	Bad Debts & ECL	8.73	8.50
	OCI—Gain / (Loss) on remeasurements of the defined employee benefit plans	(2.70)	(1.39)
	Net (Gain)/Loss on financial instruments at fair value through profit or loss	12.48	8.02
	Interest and Finance Charges	20.22	21.95
	Interest Income	(149.20)	(40.95)
	Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	(26.81)	(36.61)
	Exceptional Item	7.00	-
	ESOP adjustment	1.54	-
	Operating cash flows before working capital changes and other assets	**505.01**	**437.18**
	(Increase) / decrease in inventories	(51.77)	(147.83)
	Decrease/ (increase) in Trade and Other Receivables	(260.14)	(174.06)
	Decrease / (increase) in other current assets	(8.45)	(16.86)
	(Decrease) / increase in Trade and Other Payables	66.81	5.47
	(Decrease) / increase in other current liabilities	31.18	31.87
	(Decrease) / increase in other current provisions	2.17	0.63
	Cash generated from operations	**284.80**	**136.41**
	Income taxes refund / (paid), net	(110.08)	(86.11)
	Net Cash Flow From/(Used In) Operating Activities (A)	**174.72**	**50.30**
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase/ Sale of property, plant and equipment	(185.30)	(117.25)
	Purchase/ sale of intangible assets	(1.20)	(0.58)
	Purchase of CWIP	(190.26)	(20.39)
	Non Current investments/other Financial Assets	(87.73)	(72.99)
	Interest Income	149.20	40.95
	Advance for capital	(18.55)	(46.02)
	Profit/(loss) on sale of Investments	26.81	36.61
	Net Cash Flow From/(Used In) Investing Activities (B)	**(307.04)**	**(179.67)**

Standalone Cash Flow Statement

for the Period ended March 31, 2026

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings(Net)	58.49	(120.78)
Finance Cost paid	(20.22)	(21.95)
Dividend Paid (including Tax)	(56.11)	(7.01)
Proceeds from Issue	-	1,579.64
Acquisition of Treasury Shares	(89.66)	-
Issue Expenses	(5.01)	(141.56)
Net Cash Flow From/(Used In) Financing Activities (C)	**(112.51)**	**1,288.35**
Net increase / decrease in cash and cash equivalents	(244.86)	1,158.97
Cash and cash equivalents at the beginning of the period	1,184.50	25.53
Cash & Cash Equivalents at the End of the Period (A+B+C)	**939.64**	**1,184.50**

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 : Nagpur
UDIN- 26111592OXZYUS8449
Date : May 16, 2026

PRASHANT N GARG
Chairman & Managing Director
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Place : Nagpur
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Chief Financial Officer
Place : Nagpur
Date : May 16, 2026

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : May 16, 2026

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

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.

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

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/or 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.

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.

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

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.

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

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

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.

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.

Share Based Payments—ESOP

The Company operates equity-settled employee share based compensation plans, under which the Company receives services from employees as consideration for stock options towards shares of the Company.The fair value of stock options (at grant date) is recognised as an expense in the Statement of Profit and Loss within employee benefits as employee compensation cost over the vesting period, with a corresponding increase in ESOP Reserve (a component of equity).The total amount so expensed is determined by reference to the grant date fair value of the stock options granted, which includes the impact of any market performance conditions and non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. However, the non market performance vesting and service conditions are considered in the assumption as to the number of options that are expected to vest. The forfeitures are estimated at the time of grant and reduce the said expense rateably over the vesting period.The expense so determined is recognised over the requisite vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. As at each reporting date, the Company revises its estimates of the number of options that are expected to vest, if required.

It recognises the impact of any revision to original estimates in the period of change. Accordingly, no expense is recognised for awards that do not ultimately vest.

Where the terms of an award are modified, in addition to the expense pertaining to the original award, an incremental expense is recognised for any modification that results in additional fair value, or is otherwise beneficial to the employee as measured at the date of modification.

Where an existing award is cancelled (including due to non-vesting conditions not being met), it is treated as if it is vested thereon, and any un-recognised expense for the award is recognised immediately.

The share-based payment equivalent to the fair value as on the date of grant of employee stock options granted to key managerial personnel is disclosed as a related party transaction in the year of grant.

The Company's equity shares held by a trust, which is consolidated as a part of the Company, are classified as Treasury shares. Treasury shares are carried at acquisition cost and presented as a deduction from total equity as "Treasury share reserve". As and when treasury shares are transferred to employees on exercise after satisfaction of the vesting conditions, the balance lying in "Treasury share reserve" is transferred to "Retained earnings".

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.

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

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 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

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

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.

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.

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

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 adjusted for treasury shares held. 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 compoany has only one segement 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 and bank balances with the ESOP Trust, 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 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land Freehold	Buildings	Plant and Equipment	Furniture & Fixtures	Vehicles	Office equipment	Computers	Total	Capital work in progress (CWIP)
Cost/ Deemed cost									
As at March 31, 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 March 31, 2025	**338.12**	**252.59**	**441.37**	**15.53**	**35.42**	**8.92**	**7.78**	**1,099.74**	**31.44**
Additions	12.73	12.74	126.94	1.95	23.97	4.21	3.41	185.96	287.05
Sales/Disposals/Adjustments	0.01	1.59	0.14	0.10	1.84	96.78			
As at March 31, 2026	**350.86**	**265.32**	**568.31**	**17.48**	**57.80**	**12.99**	**11.09**	**1,283.86**	**221.70**
Accumulated depreciation									
As at March 31, 2024	**-**	**22.77**	**70.32**	**3.28**	**7.66**	**2.45**	**2.27**	**108.74**	**-**
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 March 31, 2025	**-**	**30.50**	**94.73**	**5.22**	**10.70**	**3.93**	**3.86**	**148.94**	**-**
Depreciation for the year		9.59	36.45	1.64	6.82	1.81	2.45	58.76	
Sales/Disposals/Adjustments									
As at March 31, 2026	**-**	**40.09**	**131.18**	**6.86**	**17.52**	**5.75**	**6.31**	**207.70**	
Net block									
As at March 31, 2025	**338.12**	**222.09**	**346.64**	**10.31**	**24.72**	**4.99**	**3.92**	**950.79**	**31.44**
As at March 31, 2026	**350.86**	**225.23**	**437.13**	**10.62**	**40.28**	**7.25**	**4.78**	**1,076.16**	**221.70**

NOTE 3A CAPITAL WORK-IN-PROGRESS

Particulars	As at March 31, 2026	As at March 31, 2025
Carrying amount at end of year	221.69	31.44

Ageing of Capital work-in-progress

Particulars	As at March 31, 2026	As at March 31, 2025
Less than 1 year	221.70	20.38
1-2 years	-	11.05
2-3 years	-	-
More than 3 years	-	-
Total	**221.70**	**31.44**

NOTE 4 INTANGIBLE ASSETS

	Technical Know-how	Software	Total
As at March 31, 2024	**0.13**	**5.73**	**5.86**
Additions during the period	-	1.40	1.40
Disposals / Adjustments during the year	-	-	-
As at March 31, 2025	**0.13**	**7.13**	**7.26**
Additions during the period	-	2.38	2.38
Disposals / Adjustments during the year	-	-	-
As at March 31, 2026	**0.13**	**9.51**	**9.65**
Accumulated amortisation:			
As at March 31, 2024	**-**	**1.61**	**1.61**
Charge for the year	-	0.82	0.82
Disposals / Adjustments during the year	-	-	-

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

	Technical Know-how	Software	Total
As at March 31, 2025	**-**	**2.43**	**2.43**
Charge for the year	-	1.18	1.18
Disposals / Adjustments during the year	-	-	-
As at March 31, 2026	**-**	**3.61**	**3.61**
Carrying amount (net)			
As at March 31, 2025	**0.13**	**4.70**	**4.83**
As at March 31, 2026	**0.13**	**5.91**	**6.04**

NOTE 5 INVESTMENTS (NON-CURRENT ASSETS)

Particulars	As at March 31, 2026	As at March 31, 2025
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 Nowelco 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
5,250 equity shares (Previous years : 1750 equity shares) of Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Şirketi	12.05	4.39
100 equity shares (Previous years : 0 equity shares) of Diffusion Wear Solutions Middle East For Welding Wire Rods Electrodes And Similar Products Manufacturing L.L.C S.P.C	2.50	-
(b) '- in associate company		
LSN Diffusion Ltd (Fully Paid Equity Shares) - (7,54,450 March 31, 2026 - 7,54,450 shares, March 31, 2025)	67.46	67.46
(c) '- Other Investments		
Tejorup Sunmay Systems Private Limited Fully Paid Equity Shares—10 (Previous Year : NIL) CCPS- 1,133 (Previous Year—Nil)	21.49	-
	129.86	**98.21**
(ii) 'Investment carried at fair value through profit or loss		
Quoted		
(a) Investment in Equity		
- In Equity Shares	30.09	23.96
(b) Investment in mutual funds		
- Mutual funds & Other Listed Securities	241.75	238.18
(iii) 'Investment not carried at fair value through profit or loss		
Unquoted		
Investment in Other Funds		
Unlisted Debt Funds	20.00	-
	291.84	**262.14**
Total (i+ii+iii)	**421.70**	**360.36**
Investments in quoted instruments:		
Aggregate carrying value	267.61	225.43
Aggregate market value	291.84	262.14

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 6 OTHER NON-CURRENT FINANCIAL ASSETS

Particulars	As at March 31, 2026	As at March 31, 2025
Fixed deposit with Bank	104.06	90.16
Total	**104.06**	**90.16**

NOTE 7 INVENTORIES

(Valued at cost, unless otherwise stated)

Particulars	As at March 31, 2026	As at March 31, 2025
(At lower of cost and net realisable value)		
Stock in trade		
Raw Materials & Consumables	272.68	264.64
Work in Progress	208.40	180.96
Finished goods & Traded Goods	192.55	158.11
	673.63	**603.71**
Stock-In-Transit		
Raw Materials	-	17.92
Consumables, Stores and Spare parts	-	0.23
Traded Goods	-	-
	-	**18.14**
Total	**673.63**	**621.85**

NOTE 8 TRADE RECEIVABLES

(Unsecured, considered good unless otherwise stated)

Particulars	As at March 31, 2026	As at March 31, 2025
Secured, considered good	-	-
Unsecured, considered good*	1,104.41	867.86
Less: Allowance for expected credit loss	6.96	4.34
Total	**1,097.46**	**863.52**
Receivables from related parties (Refer Note 37)	66.44	132.88
Receivables from others	1,031.02	730.64
Total	**1,097.46**	**863.52**

*There are some cases pending before Hon'ble NCLT court against some parties amounting to ₹ 3.27 million. The company will provide necessary treatment in the books as per the directions of Hon'ble NCLT Court.

Trade Receivables ageing schedule as at March 31, 2026

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	962.32	91.81	22.63	14.25	10.14	**1,101.15**
(ii) Undisputed Trade receivables - considered doubtful	-	-	-	-	-	**-**
(iii) Disputed Trade receivables considered good	-	-	-	-	-	**-**
(iv) Disputed Trade receivables considered doubtful	-	-	-	-	3.27	**3.27**
Total	**962.32**	**91.81**	**22.63**	**14.25**	**13.41**	**1,104.41**
Expected Credit Loss						**6.96**
Net						**1,097.46**

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Trade Receivables ageing schedule as at as at March 31, 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**

NOTE 9 CASH AND BANK BALANCES

Particulars	As at March 31, 2026	As at March 31, 2025
Cash and Cash Equivalents		
Cash on hand	1.46	1.21
Balance with scheduled banks		
in current accounts	48.84	91.94
Fixed deposit with current maturity	769.31	1,025.06
Cheque in Hand	120.03	66.29
Total	**939.64**	**1,184.50**

NOTE 10 OTHER BANK BALANCES

Particulars	As at March 31, 2026	As at March 31, 2025
Unclaimed Dividend accounts	0.03	-
Total	**0.03**	**-**

NOTE 11 LOANS AND ADVANCES

Particulars	As at March 31, 2026	As at March 31, 2025
Loan and advances to employees	9.78	9.22
Other Advances	116.70	57.29
Advance for capex	18.55	46.02
Total	**145.04**	**112.53**

NOTE 12 OTHERS FINANCIAL ASSETS

Particulars	As at March 31, 2026	As at March 31, 2025
Deposits recoverable	12.12	8.61
Total	**12.12**	**8.61**

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 13 OTHER CURRENT ASSETS

Particulars	As at March 31, 2026	As at March 31, 2025
Prepaid expenses	3.14	4.66
Balances with government authorities		
Security Deposits/ EMD	20.19	11.88
GST receivable	14.99	8.14
Export and other incentives receivable	36.61	31.93
Custom duty paid	0.07	2.94
Vat and sales tax	0.46	0.32
Balances with others		
Net surplus/(shortfall) in defined benefit plan- gratuity fund	(10.65)	(2.31)
Other recoverable	6.09	4.87
Security deposit		
Total	**70.89**	**62.43**

NOTE 14 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Particulars	As at March 31, 2026	As at March 31, 2025
Authorised share capital		
Equity share capital		
4,00,00,000 (Previous Years 4,00,00,000) 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 3,74,26,259) Equity shares of ₹ 10/- each fully paid up	374.26	374.26
	374.26	**374.26**

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.

The Company has instituted an Employee Stock Option Plan ("ESOP Scheme") for eligible employees of the Company through Diffusion ESOP Trust . Under the scheme, the Company granted 3,00,000 having face value of ₹ 10/- per share employee stock options during the year, of which 1,00,000 options were accepted by eligible employees. These equity shares are not entitled for dividend to employees or voting rights until issue/ transfer of shares..

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Details of shares held by each shareholder holding more than 5%

Name of Shareholders	As at March 31, 2026		As at March 31, 2025	
	% held	Nos	% held	Nos
Equity shares with voting rights				
NK Garg (HUF)	5.57%	20,85,279	5.57%	20,85,279
Mr Prashant Garg	27.79%	1,03,99,651	27.73%	1,03,79,551
Dr Nitin Garg	18.37%	68,76,254	18.37%	68,76,254
Mrs Chitra Garg	16.38%	61,30,971	16.38%	61,30,971

Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	As at March 31, 2026	As at March 31, 2025
Equity shares		
Outstanding at the beginning of the year	3,74,26,259	2,80,21,259
Add: Shares issued during the year	-	94,05,000
Outstanding at the end of the year	3,74,26,259	3,74,26,259

Reconciliation of the number of treasury shares held by controlled trust at the end of the financial year

	As at March 31, 2026	As at March 31, 2025
Equity shares		
Outstanding at the beginning of the year	-	-
Add: Shares issued during the year	3,00,000	-
Outstanding at the end of the year	3,00,000	-

Number of shares held by promoters and promotor group:

Name of Shareholders	As at March 31, 2026		As at March 31, 2025	
	% held	Nos	% held	Nos
Mr Prashant Garg	27.79%	1,03,99,651	27.73%	1,03,79,551
Dr Nitin Garg	18.37%	68,76,254	18.37%	68,76,254
Mrs Chitra Garg	16.38%	61,30,971	16.38%	61,30,971
Nitin and Renuka Garg	1.41%	5,26,967	1.41%	5,26,967
Prashant and Neelu Garg	0.18%	65,548	0.18%	65,548
Neelu Prashant Garg	0.06%	22,400	0.06%	22,400
N K Garg (HUF)	5.57%	20,85,279	5.57%	20,85,279

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 15 STANDALONE STATEMENT OF CHANGE IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2026

A EQUITY SHARE CAPITAL

	No. of Shares	Amount
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**
Add: Issue during the year	-	-
Balance as at March 31, 2026	**3,74,26,259**	**374.26**

B OTHER EQUITY

Particulars	Retained Earnings	Securities Premium	Capital Reserve	General Reserve	ESOP Reserve	Treasury Share Reserve	Total
Balance as at March 31, 2024	**1,369.90**	**-**	**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 March 31, 2025	**1,699.03**	**1,344.04**	**17.42**	**115.66**	**-**	**-**	**3,176.15**
Profit for the year	443.72	-	-	-	-	-	443.72
Final Dividend 2024-2025	(56.14)	-	-	-	-	-	(56.14)
Utilised against Share issue Expenses	-	(5.01)	-	-	-	-	(5.01)
ESOP Provided During the year	-	-	-	-	1.54	-	1.54
Acquisition of Treasury Shares	-	-	-	-		(89.66)	(89.66)
Balance as at March 31, 2026	**2,086.61**	**1,339.03**	**17.42**	**115.66**	**1.54**	**(89.66)**	**3,470.61**

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 September 25, 2024 and subsequently allotment was done on October 1, 2024.

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 utlising 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.

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Capital Reserve

The company started creating the capital reserve for receipt of state subsidy from the year 1992-93.

ESOP Reserve

The fair value of stock options (at grant date) is recognised as an expense in the Statement of Profit and Loss within employee benefits as employee compensation cost over the vesting period, with a corresponding increase in ESOP Reserve.

General reserves

General Reserve represents appropriation of retained earnings and are available for distribution to shareholders.

Treasury Share Reserve

The Company's equity shares held by a trust, which is consolidated as a part of the Company, are classified as Treasury shares. Treasury shares are carried at acquisition cost and presented as a deduction from total equity as "Treasury share reserve".

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Nagpur
UDIN- 26111592OXZYUS8449
Date : May 16, 2026

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

PRASHANT N GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : May 16, 2026

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : May 16, 2026

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : May 16, 2026

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : May 16, 2026

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 16 BORROWINGS

Particulars	As at March 31, 2026	As at March 31, 2025
Secured		
Term Loan	-	-
Total	**-**	**-**

NOTE 17 OTHER NON-CURRENT FINANCIAL LIABILITIES

Particulars	As at March 31, 2026	As at March 31, 2025
Vehicle/Laptop Scheme	4.87	4.73
Total	**4.87**	**4.73**

NOTE 18 DEFERRED TAX LIABILITIES (NET)

Particulars	As at March 31, 2026	As at March 31, 2025
Deferred Tax Liability:		
Deferred Tax Liability	58.86	56.90
Total	**58.86**	**56.90**

NOTE 19 BORROWINGS

Particulars	As at March 31, 2026	As at March 31, 2025
Unsecured		
Loan From Banks	274.79	216.30
Current maturities of long term borrowings	-	-
Total	**274.79**	**216.30**

Note 19.1

a **Interest rate of the above loan in range between 7.5% to 8.5%.**

b Borrowings from banks are secured by way of :-
Mortgage of Land & Building, book debts & hypothecation of Stock.

NOTE 20 TRADE PAYABLES

Particulars	As at March 31, 2026	As at March 31, 2025
Total outstanding dues of micro and small enterprises	67.83	27.33
Total outstanding dues of micro and small enterprises	318.80	292.03
Total	**386.64**	**319.35**

Note on MSME Disclosure

Outstanding to small and micro enterprises March 26: ₹ 67.83 March 25 : ₹ 27.33 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 March 31, 2026	As at March 31, 2025
Principal amount due and remaining unpaid	-	1.20
Interest paid	-	-
Interest due	-	-
Interest accrued and due	-	-
Interest due and remaining unpaid	-	-
Total	**-**	**1.20**

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Trade Payables ageing schedule: As at March 31, 2026

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	67.83	-	-	-	-	**67.83**
(ii) Others	184.93	113.51	5.36	1.37	13.63	**318.80**
(iii) Disputed dues - MSME	-	-	-	-	-	**-**
(iv) Disputed dues - Others	-	-	-	-	-	**-**

Trade Payables ageing schedule: As at March 31, 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	-	-	-	-	-	**-**

NOTE 21 OTHER FINANCIAL LIABILITIES

Particulars	As at March 31, 2026	As at March 31, 2025
Deposits from distributors	6.37	5.31
Liabilities For Expenses	6.62	8.30
Dividend Payable A/C (24-25)	0.03	-
Total	**13.02**	**13.60**

NOTE 22 PROVISIONS

Particulars	As at March 31, 2026	As at March 31, 2025
Leave Encashment	6.40	4.23
Total	**6.40**	**4.23**

NOTE 23 OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2026	As at March 31, 2025
Statutory Remittances	32.68	48.22
Advance Received from customers	86.33	14.06
Mobile Scheme	-	0.01
Other Credit Balances	50.51	51.24
Total	**169.52**	**113.53**

NOTE 24 CURRENT TAX LIABILITIES (NET)

Particulars	As at March 31, 2026	As at March 31, 2025
Provision for Tax - Net of Advance Tax	9.49	11.97
Total	**9.49**	**11.97**

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 25 REVENUE FROM OPERATIONS

Particulars	As at March 31, 2026	As at March 31, 2025
Sale of Products and Services		
- Manufacturing	2,703.11	2,437.35
- Trading	262.53	161.17
- Export Sales	275.03	280.84
	3,240.67	**2,879.37**
Job work receipt		
- Local	241.96	247.19
- Export	39.53	13.02
	281.49	**260.21**
Other Operating Revenues		
Insurance, Licenses & Packing on Sales	15.25	16.39
Export incentive	4.62	4.90
	19.87	**21.30**
Total	**3,542.03**	**3,160.87**

Disclosure in accordance with Ind AS - 115 "Revenue Recognition Disclosures", of the Companies (Indian Accounting Standards) Rules, 2015

Revenue disaggregation is as follows

Disaggregation of goods	As at March 31, 2026	As at March 31, 2025
Manufactured Products	2,978.14	2,718.19
Trading Products	262.53	161.17
Job Works	281.49	260.21
Others	19.87	21.30
Total	**3,542.03**	**3,160.87**

Disaggregation based on geography	As at March 31, 2026	As at March 31, 2025
India	3,227.47	2,867.01
Outside India	314.56	293.86
Total	**3,542.03**	**3,160.87**

Geographical location is based on the location of customers excluding export incentives

Information about major customers

Customer Type	As at March 31, 2026	As at March 31, 2025
Government Undertakings / PSU	159.57	245.29
Industrial Customers	3,067.90	2,621.72
Export Customers	314.56	293.86
Total	**3,542.03**	**3,160.87**

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 26 OTHER INCOME

Particulars	As at March 31, 2026	As at March 31, 2025
Interest income		
- on Deposit	75.21	40.95
Foreign exchange gain (net)	22.10	6.44
Profit on sale of assets and investment	26.81	36.61
Net gain/(loss) on financial instruments at fair value through profit or loss	(12.48)	(8.02)
Rent income	0.26	0.18
Insurance claim receipt	0.14	0.40
Miscellaneous income	15.18	0.05
Dividend income	51.89	1.61
PSI subsidy	12.58	11.76
Total	**191.68**	**89.98**

NOTE 27 COST OF MATERIALS CONSUMED

Particulars	As at March 31, 2026	As at March 31, 2025
As at beginning of the period	264.64	206.39
Add: Purchases	1,782.93	1,739.02
Less : As at end of the period	256.23	264.64
Total	**1,791.34**	**1,680.76**

NOTE 28 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Particulars	As at March 31, 2026	As at March 31, 2025
Inventories at the beginning of the year:		
Stock-in-trade	90.87	87.18
Finished goods	72.64	57.87
Work-in-progress	180.96	111.51
	344.46	**256.56**
Inventories at the end of the year:		
Stock-in-trade	119.15	90.87
Finished goods	73.40	72.64
Work-in-progress	208.40	180.96
	400.95	**344.46**
Total	**(56.49)**	**(87.90)**

NOTE 29 MANUFACTURING EXPENSES

Particulars	As at March 31, 2026	As at March 31, 2025
Consumable, stores and spare parts material Consumed		
Inventories at the beginning of the year:	12.75	11.07
Add:- Purchases for the year	73.33	74.96
Inventories at the end of the year:	16.45	12.75
	69.63	**73.28**
Custom duties expenses	33.28	31.65
Job work charges	141.79	177.36

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 29 MANUFACTURING EXPENSES (CONTD..)

Particulars	As at March 31, 2026	As at March 31, 2025
Labour charges	50.39	41.78
Carriage inward and clearing charges	30.83	30.91
Power and fuel	71.05	65.06
Lease rental	4.25	7.93
Water charges	0.53	0.39
	332.11	**355.09**
Total	**401.74**	**428.37**

NOTE 30 EMPLOYEE BENEFITS EXPENSES

Particulars	As at March 31, 2026	As at March 31, 2025
Salaries, wages and bonus	415.36	369.48
Post employment benefits		
- Contribution to provident and other funds	18.00	16.71
- Gratuity and other defined benefit plans	5.01	3.77
Staff welfare expenses	5.39	3.66
Sales Incentive	9.94	5.52
ESOP Compensation Cost	1.54	-
Total	**455.23**	**399.15**

NOTE 31 FINANCE COST

Particulars	As at March 31, 2026	As at March 31, 2025
- Interest expense on:		
Borrowings	16.38	17.86
Bank Charges & Commission	3.85	4.09
Total	**20.22**	**21.95**

NOTE 3 & 4 DEPRECIATION AND AMORTISATION EXPENSE

Particulars	As at March 31, 2026	As at March 31, 2025
Depreciation of tangible assets	58.76	43.57
Amortisation of intangible assets	1.18	0.82
Total	**59.93**	**44.39**

NOTE 32 OTHER EXPENSES

Particulars	As at March 31, 2026	As at March 31, 2025
Rent	5.67	4.70
Security charges	8.69	7.97
Rates and taxes	4.37	3.82
Repairs and maintenance:		
- Building	4.03	-
- Machinery	3.36	1.75
- Vehicles	2.63	4.45
- Others	3.00	3.87

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 32 OTHER EXPENSES (CONTD..)

Particulars	As at March 31, 2026	As at March 31, 2025
Insurance	4.62	4.26
Travelling, communication and conveyance	55.48	42.44
Directors sitting fees	1.00	2.12
Commission	4.07	6.73
Packing, forwarding and distribution	49.66	47.46
Advertisements and sales promotion	7.70	1.62
Payment to auditors		
- As auditor - Audit fees	0.60	0.48
- Certification services	0.88	0.53
Bad debts w/off	6.11	8.51
ECL Prov	2.62	-
Legal and professional fees	40.02	33.64
Loss on sale of fixed assets	-	0.16
Expenditure on corporate social responsibility	5.88	4.38
Miscellaneous expenses	13.51	21.32
Total	**223.89**	**200.20**

NOTE 33 EXCEPTIONAL ITEMS

Particular	As at March 31, 2026	As at March 31, 2025
Exceptional Item - Gratuity	5.97	-
Exceptional Item - Leave Encashment	1.03	-
Total	**7.00**	**-**

NOTE 34 TAX EXPENSE

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Current tax	124.50	94.00
Deferred tax	2.88	3.55
Income tax expense reported in the statement of profit and loss	**127.38**	**97.55**
Other comprehensive income		
Deferred tax charge/ (credit) on remeasurements losses of defined benefit plans	0.91	0.41
Total tax expense	**126.47**	**97.14**

The major components of income tax expense and reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 2026 : 25.17%, and 2025 : 25.17% respectively and the reported tax expense in the statement of profit or loss are as follows:

Reconciliation of tax expense and the accounting profit multiplied by tax rate

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Accounting profit before income tax	573.81	433.27
At country's statutory income tax rate of 25.17% March 31, 2026 and March 31, 2025: 25.17%)	144.42	109.05

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Difference Between Book Depreciation And Tax Depreciation	(3.44)	(4.38)
Net Expenses disallowed/allowed under Income Tax	2.53	12.00
Fair Value Gain as per IND AS	3.14	2.02
Effect of Deferred Tax	2.88	3.55
Others	(22.15)	(24.69)
	127.38	**97.55**

NOTE 35 EARNING PER EQUITY SHARE

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Net profit attributable to equity shareholders		
Net profit for the year	446.43	337.53
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
Treasury Shares	0.30	-
Total number of equity shares outstanding at the end of the year	37.13	37.43
Weighted-average number of equity shares*	37.28	37.43
Basic	11.98	9.02
Diluted	11.98	9.02

*after adjusting Treasury Shares of 3,00,000

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 March 31, 2026	Year ended March 31, 2025
Employers Contribution to Provident Fund/ Pension Fund	15.31	14.58
Employers Contribution to ESIC	1.35	1.35
Total	**16.66**	**15.93**

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.

(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.

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

The amounts recognized in the Balance Sheet are as follows :

Particulars	Leave Encashment	
	Year ended March 31, 2026	Year ended March 31, 2025
Present value of obligation at the end of year	6.40	4.23
Fair value of plan assets at the end of year	-	-
Net liability recognized in the Balance Sheet	**6.40**	**4.23**

The amounts recognized in the Balance Sheet are as follows :

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
Present value of obligation at the end of year	45.59	33.67
Fair value of plan assets at the end of year	34.94	31.36
Net liability (asset) recognized in the Balance Sheet	**10.65**	**2.31**

The amounts recognized in the Statement of Profit and Loss are as follows:

Particulars	Leave Encashment	
	Year ended March 31, 2026	Year ended March 31, 2025
Current Service Cost	1.27	0.80
Interest Cost	0.17	0.18
Past Service Cost	1.03	-
Benefits Paid	-	-
Recognized Net Actuarial (Gain)/ Loss	**3.02**	**1.72**
Total, included in Employee Benefit Expenses	**5.49**	**2.71**

The amounts recognized in the Statement of Profit and Loss are as follows:

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
Current Service Cost	4.08	3.11
Interest Cost	(0.02)	(0.03)
Past Service Cost	5.97	-
Benefits Paid	-	-
Recognized Net Actuarial (Gain)/ Loss	**-**	**-**
Total, included in Employee Benefit Expenses	**10.02**	**3.08**

Particulars	Leave Encashment	
	Year ended March 31, 2026	Year ended March 31, 2025
Defined benefit obligation at beginning of the year	4.23	3.61
Current Service Cost	1.27	0.80
Past Service Cost	1.03	-
Interest Cost	0.17	0.18
Benefits Paid	(3.32)	(2.08)
Actuarial (Gain)/ Loss	3.02	1.72
Defined benefit obligation at the end of the year	**6.40**	**4.23**

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
Defined benefit obligation at beginning of the year	33.67	27.72
Current Service Cost	4.08	3.11
Past Service Cost	5.97	-
Interest Cost	2.21	1.93
Benefits Paid	(1.04)	(0.95)
Other (Employee contribution,tax expenses)	(0.08)	(0.09)
Actuarial (Gain)/ Loss	0.79	1.94
Defined benefit obligation at the end of the year	**45.59**	**33.67**

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
Defined benefit plan at beginning of the year	31.36	29.29
Interest income	2.24	1.96
Employer contribution	2.28	1.00
Benefits Paid	(1.13)	(1.04)
Actuarial Gain/ (Loss)	0.19	0.14
Defined benefit plan at the end of the year	**34.94**	**31.36**

The Financial assumptions used in accounting for the Gratuity Plan & Leave Encashment are set out below:

Particulars	Leave Encashment	
	Year ended March 31, 2026	Year ended March 31, 2025
(i) Discount Rate	0.07	0.07
(ii) Salary Escalation Rate	0.05	0.05

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
(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

The Demographic assumptions used in accounting for the gratuity plan & leave encashment are set out below:

Particulars	Leave Encashment	
	Year ended March 31, 2026	Year ended March 31, 2025
(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

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars		Gratuity	
		Year ended March 31, 2026	Year ended March 31, 2025
(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		Gratuity	
		Year ended March 31, 2026	Year ended March 31, 2025
(i)	Current liabilities	10.40	5.90
(ii)	Non Current liabilities	35.19	27.77

Particulars		Leave Encashment	
		Year ended March 31, 2026	Year ended March 31, 2025
(i)	Current liabilities	1.62	0.97
(ii)	Non Current liabilities	4.78	3.26

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 March 31, 2026	Year ended March 31, 2025
Year 1	10.40	5.90
Year 2	2.01	2.93
Year 3	1.74	1.50
Year 4	2.60	1.72
Year 5	4.33	1.99
Year 6 to 10	17.33	14.08

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

Contingent Liabilities not provided for :		Year ended March 31, 2026	Year ended March 31, 2025
Claims against the company not acknowledge as Debt			
a.	GST liability disputed - Demand (Audit)	-	4.50
b.	GST liability disputed FY 19-20 - Demand (Appeal Filed)	7.21	-
		7.21	**4.50**

*Note-

The order for point 'a' above, was set aside in the favor of the company hence the same is removed.

The Company has filed appeal against the order, for point 'b' above, with Commissioner (Appeals), CGST

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(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
	Diffusion Wear Solutions Middle East for Welding Wire Rods
	Electrodes and Similar Products Manufacturing LLC S.P.C
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 Managerial Personnel	Mr. Prashant Garg
	Mr. Abhishek Mehta
	Ms. Chanchal Jaiswal
	Mr. Ramesh Kumar Narasinghbhan*
Director / Independent Director	Mrs. Chitra N Garg
	Mr. Anil Trigunayat
	Mr. Nitin N Garg
	Mr. Sherry Samuel Oommen
	Mrs. Deepali Sameer Bendre
Relatives of Key Managerial Personnel/ Director	Mrs. Neelu Garg
	Mrs. Disha Mehta
	Mrs. Renuka Garg
	Mr. Rijul Garg
Common Management	Benvira Forward Algorithms Private Limited
	N. K. Garg HUF
	N.K.Garg Foundation
	BTSG Awareness Foundation
	Devi Kiran Advisory services LLP
Employee Welfare Trust	Diffusion ESOP Trust

38.2 Details of related party transactions

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Sales		
Diffusion Engineers Singapore Pte. Ltd.	24.89	28.95
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.19	1.92
Diffusion Super-Conditioning Services Pvt. Ltd.	4.71	98.21
M/s Diffusion Wear Solutions Philippines Inc.	70.95	91.55
M/s Mecdiff SD. BHD.	9.06	7.83
Nowelco Industries Pvt. Ltd.	12.15	7.81
Benvira Forward Algorithms Private Limited	-	-
Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	33.26	34.86

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Purchase		
Diffusion Super-Conditioning Services Pvt. Ltd.	-	0.57
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.97	-
LSN Diffusion Ltd	50.88	37.60
Nowelco Industries Pvt. Ltd.	67.64	95.36
M/s Diffusion Wear Solutions Philippines Inc.	0.36	7.88
Reimbursement		
Benvira Forward Algorithms Private Limited	0.01	1.34
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.05	0.56
Diffusion Super-Conditioning Services Pvt. Ltd.	1.17	1.08
Nowelco Industries Pvt. Ltd.	7.95	10.08
Mr. Prashant Garg	-	0.22
N. K. Garg Foundation	-	0.00
Contribution towards CSR		
BTSG Awareness Foundation	-	0.50
N. K. Garg Foundation	2.06	-
Debit / (Credit) due to exchange fluctuation		
Diffusion Engineers Singapore Pte. Ltd.	7.05	0.37
LSN Diffusion Ltd	0.03	(0.19)
M/s Diffusion Wear Solutions Philippines Inc.	4.08	0.14
M/s Mecdiff SD. BHD.	0.05	(0.04)
Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	2.17	0.19
Dividend Paid		
Mr. Prashant Garg	15.67	2.61
Ajay Jain (H.U.F)	-	0.02
Mr. Nitin N Garg	11.10	1.72
Mrs. Daksha Jain	-	0.00
Mrs. Chitra N Garg	9.20	1.53
Mrs. Neelu Garg	0.03	0.01
Mrs. Renuka Garg	-	0.13
N. K. Garg HUF	3.13	0.52
Ms. Anita Vijaykar	-	0.00
Mr. Abhishek Mehta	0.02	0.00
Ms. Chanchal Jaiswal	0.00	-
Mr. Ajay Jain	-	0.01
Dividend Received		
Diffusion Engineers Singapore Pte. Ltd.	50.67	-
Remuneration		
Mr. Prashant Garg	24.00	24.00
Mrs. Neelu Garg	5.52	5.52

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Stipend		
Mr. Rijul Garg	0.05	-
Sitting Fees to Directors		
Renuka Garg	-	0.07
Ajay Jain	-	0.13
Anil Trigunayat	0.19	0.40
Anita Vijaykar	-	0.13
Prashant Garg	0.01	0.16
Chitra Garg	0.19	0.38
Mr. Nitin N Garg	0.16	0.33
Mrs. Deepali Sameer Bendre	0.22	0.26
Mr. Sherry Samuel Oommen	0.23	0.27
Rent		
Mrs. Chitra N Garg	4.40	3.40
N. K. Garg HUF	0.29	0.25
Mr. Prashant Garg	0.98	0.81
Key Managerial Personnel - Remuneration		
Mr. Abhishek Mehta	2.06	1.82
Ms. Chanchal Jaiswal	1.10	0.86
Mr. Ramesh Kumar Narasinghbhan*	15.66	2.40
Share Based Payments**		
Mr. Abhishek Mehta	1.24	-
Relatives of Key Managerial Personnel - Consultancy		
Mrs. Disha Mehta	1.60	1.59
Rent Receipt		
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.14	0.21
Investment in Subsidiaries		
Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	7.66	4.39
Diffusion Wear Solutions Middle East	2.50	-

38.3 Details of outstanding to/from related parties

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Trade Payables		
LSN Diffusion Ltd	2.49	4.71
Nowelco Industries Pvt. Ltd.	-	0.65
M/s Diffusion Wear Solutions Philippines Inc.	-	5.52
Diffusion Hernon Adhesive & Sealants Pvt Ltd	0.44	-
Trade receivables		
Diffusion Engineers Singapore Pte. Ltd.	8.40	16.69
Diffusion Hernon Adhesive & Sealants Pvt Ltd	-	0.59
Diffusion Super-Conditioning Services Pvt. Ltd.	0.22	26.98
M/s Diffusion Wear Solutions Philippines Inc.	11.81	63.92
M/s Mecdiff SD. BHD.	0.07	4.03

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Nowelco Industries Pvt. Ltd.	16.80	7.06
Benvira Forward Algorithms Private Limited	6.43	6.42
Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	22.71	7.18
Advance For Purchase		
Diffusion Engineers Singapore Pte. Ltd.	47.14	-
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.

*Mr. Ramesh Kumar N has resigned and ceased to be the Chief Executive Officer of the Company with effect from February 06, 2026.

**The share-based payment equivalent to the fair value as on the date of grant of employee stock options granted disclosed as a related party transaction in the year of grant.

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 March 31, 2026	Year ended March 31, 2025
Financial Assets at Amortised Cost		
Cash and Bank Balances	939.68	1,184.50
Investments	267.61	225.43
Other Financial Assets	116.18	98.77
Trade Receivables	1,097.46	863.52
Loans and advances	145.04	112.53
Total	**2,565.96**	**2,484.74**
Financial Liabilities at Amortised Cost		
Trade Payables	386.64	319.35
Borrowings	274.79	216.30
Other Financial Liabilities	17.89	18.33
Total	**679.32**	**553.98**

Financial Instruments by category	Fair Value	
	Year ended March 31, 2026	Year ended March 31, 2025
Financial Assets at Amortised Cost		
Cash and Bank Balances	939.68	1,184.50
Investments	291.84	262.14
Other Financial Assets	116.18	98.77
Trade Receivables	1,097.46	863.52
Loans and advances	145.04	112.53
Total	**2,590.19**	**2,521.46**
Financial Liabilities at Amortised Cost		
Trade Payables	386.64	319.35
Borrowings	274.79	216.30
Other Financial Liabilities	17.89	18.33
Total	**679.32**	**553.98**

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(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 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.

Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets:

Particulars	Carrying Amount	Year ended March 31, 2026 Level of input used in	
		Level 1	Level 2
Financial Assets at Amortised Cost			
Cash and Bank Balances	939.68	-	-
Investments	267.61	291.84	-
Other Financial Assets	116.18	-	-
Trade Receivables	1,097.46	-	-
Financial Liabilities at Amortised Cost			
Trade Payables	386.64	-	-
Borrowings	274.79	-	-
Other Financial Liabilities	17.89	-	-

Particulars	Carrying Amount	Year ended March 31, 2025 Level of input used in	
		Level 1	Level 2
Financial Assets at Amortised Cost			
Cash and Bank Balances	1,184.50	-	-
Investments	225.43	262.14	-
Other Financial Assets	98.77	-	-
Trade Receivables	863.52	-	-
Financial Liabilities at Amortised Cost			
Trade Payables	319.35	-	-
Borrowings	216.30	-	-
Other Financial Liabilities	18.33	-	-

NOTE 40 FINANCIAL INSTRUMENTS (CONTD..)

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.

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

1. Capital Management :

The company'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 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.

(iii) 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.

(iv) **Debt Equity Ratio is as follows:**

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Debt (A)	274.79	216.30
Equity (B)	3,844.87	3,550.42
Debt Equity Ratio (A/B)	**0.07**	**0.06**

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 Company's expected maturity for borrowings :

Exposure to Risk	Year ended March 31, 2026	Year ended March 31, 2025
Interest bearing borrowings:		
On Demand	274.79	216.30
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.

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

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	Year ended March 31, 2026	Year ended March 31, 2025
I. Trade receivables / Advance	USD	1.03	1.55
	AED	0.55	
	EURO	0.04	0.21
II. Borrowing balances :	USD	-	-
III. Trade payables :	USD	0.16	0.30
	EURO	0.01	0.02

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 2026	USD	10%	0.09
	USD	-10%	(0.09)
	EURO	10%	0.00
	EURO	-10%	(0.00)
	AED	10%	0.06
	AED	-10%	(0.06)
Year ended 31 March 2025	AUD	10%	0.13
	USD	-10%	(0.13)
	EURO	10%	0.02
	EURO	-10%	(0.02)

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 March 31, 2026	Year ended March 31, 2025
Secured Loans :		
Loans repayable taken from Banks:	274.79	216.30
Total	**274.79**	**216.30**

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

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)
Year ended 31 March 2026	+100	(2.75)
	-100	2.75
Year ended 31 March 2025	+100	(2.16)
	-100	2.16

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	Mar 31, 26	Mar 31, 25	% Variance	Reason for variance
1	Current Ratio	Current Assets	Current Liabilities	3.42	4.20	-18.67%	-
2	Debt Equity Ratio	Total borrowings	Shareholder's Equity	0.07	0.06	17.31%	-
3	Debt Service Coverage Ratio	Earnings available for debt service	Debt Service	39.70	27.75	43.06%	DSCR has increased due to increase in profit
4	Return on Equity Ratio	Profit After Tax	Avg. Shareholders Equity	12.07%	12.66%	-4.61%	-
5	Inventory Turnover Ratio	Net Sales	Average Inventory	5.47	5.77	-5.21%	-
6	Trade Receivables Turnover Ratio	Net Credit Sales	Average Trade Receivables	3.61	4.19	-13.69%	-
7	Trade Payables Turnover Ratio	Total Purchases	Average Trade Payables	5.99	6.19	-3.30%	-
8	Net Capital Turnover Ratio	Net Sales	Average Working Capital	1.67	2.29	-27.27%	Variance is due to increase in cash and cash equivalents due to IPO proceeds
9	Net Profit Ratio	Profit After Tax	Net Sales	12.60%	10.68%	18.03%	-
10	Return on Capital employed	EBIT	Capital Employed	14.42%	12.09%	19.31%	-
11	Return on Investment	Profit After Tax	Shareholder's Equity	11.61%	9.51%	22.14%	-

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

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 43 SHARE-BASED PAYMENT ARRANGEMENTS

43.1 Employee Stock Option Plan (ESOP)

The shareholders of the Company, by way of Postal Ballot through remote e-voting concluded on June 29, 2025, approved the creation, offer, issue, grant and allotment of up to 7,00,000 (Seven Lakh) Employee Stock Options ("Options") to eligible employees of the Company and its subsidiaries under the Diffusion Engineers Limited - Employee Stock Option Scheme 2025, and further approved the secondary acquisition of equity shares through an employee welfare trust, namely "Diffusion ESOP Trust" ("Trust"), including the grant of a loan to the irrevocable Trust to enable it to acquire equity shares of the Company by way of secondary acquisition for implementation of the said Scheme.

The Company has instituted an Employee Stock Option Plan ("ESOP Scheme") for eligible employees of the Company through Diffusion ESOP Trust . Under the scheme, the Company granted 3,00,000 employee stock options during the year, of which 1,00,000 options were accepted by eligible employees, at an exercise price of ₹ 325 per equity share.

The options granted under the scheme vest in four tranches of 25% each, subject to satisfaction of applicable vesting conditions. The vesting schedule set out in the valuation report provides for vesting on December 27, 2026, December 27, 2027, December 27, 2028 and December 27, 2029 for Vest 1, Vest 2, Vest 3 and Vest 4 respectively, and vested options are exercisable within a maximum period of four years from the respective vesting date, or such shorter period as may be prescribed by the competent committee at the time of grant.

The option grantee does not have any right to receive dividend, vote or otherwise enjoy the benefits of a shareholder in respect of the options granted until the underlying equity shares are issued or transferred upon exercise of such options.

43.2 Basis of measurement and valuation

The fair value of options granted under the ESOP Scheme has been determined on the grant/valuation date using the Black-Scholes-Merton option pricing model, as certified by an independent registered valuer. The valuation report states that the model considered key inputs such as spot price, exercise price, expected life of the option, expected volatility, risk-free interest rate and expected dividend yield.

The valuation report records the tranche-wise fair value per option as ₹ 99.73 for Vest 1, ₹ 116.93 for Vest 2, ₹ 132.30 for Vest 3 and ₹ 146.80 for Vest 4 as at December 26, 2025.

43.3 Significant terms of grant

Particulars	Terms
Options granted during the year	3,00,000
Options accepted during the year	1,00,000
Exercise price	₹325 per option/share
Minimum vesting period	1 year
Maximum vesting period	4 years from date of grant
Exercise period	Maximum 4 years from each vesting date
Lock-in	No lock-in on shares arising on exercise
Rights before exercise	No dividend or voting rights until issue/transfer of shares
Restriction on transfer	Options cannot be pledged, hypothecated, mortgaged or otherwise alienated

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

43.4 Reconciliation of options outstanding

Particulars	Number of options
Outstanding at the beginning of the year	Nil
Granted during the year	3,00,000
Accepted during the year	1,00,000
Forfeited / lapsed during the year	Nil
Exercised during the year	Nil
Outstanding at the end of the year	1,00,000
Exercisable at the end of the year	Nil

43.5 Vesting pattern and fair value per tranche

Tranche	Vesting schedule	Portion of grant	Fair value per option (₹)
Vest 1	Dec 27, 2026	25%	99.73
Vest 2	Dec 27, 2027	25%	116.93
Vest 3	Dec 27, 2028	25%	132.3
Vest 4	Dec 27, 2029	25%	146.8

43.6 Employee Stock Options Reserve

Movement in Employee Stock Options Reserve is as under:

Particulars	₹ in Mn
Opening balance	Nil
Add: Employee compensation expense recognised during the year	1.5
Less: Reversal on account of forfeiture / lapse	Nil
Less: Transferred on exercise of options	Nil
Closing balance	**1.5**

The Employee Stock Options Reserve represents the cumulative employee compensation expense recognised in respect of equity-settled stock options outstanding as at the reporting date, net of reversals on forfeiture or lapse and transfers on exercise, where applicable.

Brief description of transactions in shares by Trust

Particulars	₹ in Mn	No of Shares	% of Equity Shares
Opening balance	Nil	Nil	Nil
Purchased during the year	90	3,00,000	0.80%
Less: Reversal on account of forfeiture / lapse	Nil	Nil	Nil
Less: Transferred on exercise of options	Nil	Nil	Nil
Closing balance	**90**	**3,00,000**	**0.80%**

43.7 Employee Benefit Expense recognised

The Company has recognised employee compensation expense in respect of the ESOP Scheme in the Statement of Profit and Loss over the requisite vesting period based on the grant date fair value of the options. The amount recognised during the year is presented under employee benefits expense and the corresponding credit is recognised in Employee Stock Options Reserve under Other Equity.

Particulars	₹ in Mn
Employee compensation expense for the year	1.5

Notes forming part of the Standalone financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

43.8 Presentation under equity

For the purpose of presentation in the Balance Sheet, the Employee Stock Options Reserve is disclosed under Other Equity as a separate component of equity. A suitable extract of Other Equity is as follows:

Particulars	₹ in Mn
Retained Earnings	2,086.61
Securities Premium	1,339.03
Capital Reserve	17.42
General Reserve	115.66
Equity instruments through other comprehensive income/ESOP	1.54
Shares Held as Trust	-89.66
Total	3,470.61

NOTE-44 PROPOSED DIVIDEND

Board of Directors proposes 15% Final Dividend on Equity shares subject to approval in AGM.

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 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 46

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 : Nagpur
UDIN-26111592OXZYUS8449
Date : May 16, 2026

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

PRASHANT N GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : May 16, 2026

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : May 16, 2026

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : May 16, 2026

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : May 16, 2026

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, 2026, 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, 2026, 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, 2026. 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 is 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, 2026, the Company has recognised revenue amounting to ₹ 4066.28 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 be 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'. • 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 Independent 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 standards on auditing 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 results of 7 subsidiaries included in the audited consolidated financial results, whose interim financial results reflect total revenues (before consolidation adjustments) of ₹ 336.70 million, total net profit after tax (before consolidation adjustments) of ₹ 41.77 million and total comprehensive income (before consolidation adjustments) of ₹ 48.05 million for the quarter ended March 31, 2026, as considered in the Statement. These financial statements have been audited by other auditors in respective local currencies and converted into INR by the management of Holding company for consolidation purposes.

We did not audit the financial results of 7 subsidiaries included in the audited consolidated financial results, whose interim financial results reflect total assets (before consolidation adjustments) of ₹ 489.49 million as at March 31, 2026, total revenues (before consolidation adjustments) of ₹ 748.42 million, total net profit after tax (before consolidation adjustments) of ₹ 82.41 million and total comprehensive income (before consolidation adjustments) of ₹ 89.88 million for the year ended March 31, 2026 and cash inflow (before consolidation adjustments) (net) of ₹ -50.06 million for the year ended March 31, 2026. These financial statements have been audited by other auditors in respective local currencies and converted into ₹ by the management of Holding company for consolidation purposes.

The Statement also includes the Group's share of net profit after tax (before consolidation adjustments) of ₹ 0.42 million for the quarter ended December 31, 2025 and ₹ 25.93 million for the year January 1, 2025 to December 31, 2025 and total comprehensive income (before consolidation adjustments) of ₹ 0.42 million for the quarter ended December 31, 2025 and ₹ 25.93 million, for the year January 1, 2025 to December 31, 2025 as considered in the Statement, in respect of associates, based on their audited financial statement for the year January 1, 2025 to December 31, 2025 as the associate follows calendar year reporting for statutory purposes. This is converted into ₹ by the management of Holding company for consolidation purposes

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, in so far 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 Section143(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 March 31, 2026 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 March 31, 2026 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, 2026 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. As stated in Note No 44 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, 2026, 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, 2026.

For **P G S & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 122384W
UDIN-26111592DHYEMK2202

Premal H Gandhi
Partner
Membership No: 111592

Place: Nagpur
Date: May 16, 2026

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:

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, 2026 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, 2026, 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 **P G S & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 122384W
UDIN-26111592DHYEMK2202

Premal H Gandhi
Partner
Membership No: 111592

Place: Nagpur
Date: May 16, 2026

Consolidated Statement of Assets and Liabilites

as at March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	Year ended March 31, 2026	Year ended March 31, 2025
ASSETS			
Non-Current Assets			
(a) Property, plant and equipment	3	1,097.35	974.00
(b) Capital work-in-progress	3 (a)	229.75	31.44
(c) Intangible assets	4	6.04	4.83
(d) Financial assets			
(i) Investments	5	429.86	346.01
(ii) Other financial assets	6	104.41	90.46
Total non-current assets		**1,867.41**	**1,446.74**
Current Assets			
(a) Inventories	7	736.74	682.73
(b) Financial Assets			
(i) Trade receivables	8	1,281.79	848.01
(ii) Cash and cash equivalents	9	975.60	1,270.54
(iii) Other bank balances	10	0.03	-
(iv) Loans and advances	11	108.96	117.55
(v) Others financial assets	12	14.11	10.69
(c) Other current assets	13	119.68	68.17
Total current assets		**3,236.91**	**2,997.69**
Total Assets		**5,104.31**	**4,444.42**
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	14	374.26	374.26
(b) Other equity	15	3,676.26	3,314.51
Equity attributable to equity holders of the Parent		**4,050.53**	**3,688.77**
(c) Non-controlling interests	15	5.33	4.46
Total equity		**4,055.86**	**3,693.24**
Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	16	-	-
(ii) Other financial liabilities	17	5.12	10.28
(b) Provisions		-	-
(c) Deferred tax liabilities (net)	18	56.80	55.94
Total non-current liabilities		**61.91**	**66.22**
Current liabilities			
(a) Financial liabilities			
(i) Borrowings	19	286.24	232.14
(ii) Trade payables	20	-	-
Total outstanding dues of micro, small and medium enterprises		68.37	28.83
Total outstanding dues of creditors other than micro enterprises, small and medium enterprises		397.45	256.08
(iii) Other financial liabilities	21	20.12	8.99
(b) Provisions	22	25.96	21.49
(c) Other current liabilities	23	188.41	137.43
Total current liabilities		**986.54**	**684.96**
Total Equity and liabilities		**5,104.31**	**4,444.42**
The accompanying notes form an integral part of the consolidated financial statements	1-46		

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 : Nagpur
UDIN-26111592DHYEMK2202
Date : May 16, 2026

PRASHANT N GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : May 16, 2026

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : May 16, 2026

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : May 16, 2026

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : May 16, 2026

Consolidated Financial Results

for the year ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated except EPS)

	Particulars	Note No.	Year ended March 31, 2026	Year ended March 31, 2025
Revenue				
I	Revenue from operations	24	4,066.28	3,352.76
II	Other income	25	149.92	92.47
III	**Total revenue**		**4,216.20**	**3,445.23**
IV	**Expenses**			
	Cost of materials consumed	26	1,805.05	1,655.23
	Purchases of stock-in-trade	27	532.69	211.61
	Changes in inventories of FG and WIP	28	(80.23)	(107.21)
	Manufacturing expenses	29	478.58	468.93
	Employee benefit expenses	30	483.88	419.02
	Finance costs	31	21.47	22.74
	Depreciation and amortization expenses	3 & 4	68.45	52.75
	Other expenses	32	274.88	233.61
	Total expenses		**3,584.78**	**2,956.68**
V	**Profit/(loss) before Exceptional Items and Tax**		**631.43**	**488.55**
VI	Exceptional Items	33	7.00	-
VII	Profit before Tax and share of profit / (loss) of associates and joint ventures		624.43	488.55
VIII	Share of profit / (loss) of associates and joint ventures		25.93	(19.51)
IX	**Profit/ (loss) before Tax**		**650.36**	**469.04**
X	**Tax expenses**			
	- Current tax		144.42	106.93
	- (Excess)/Short provision of tax relating of previous years		0.07	(1.81)
	- Deferred tax		1.76	3.50
	Total tax expenses		**146.26**	**108.63**
XI	**Net profit for the year**		**504.10**	**360.41**
XII	**Other comprehensive income**			
	(A) ***(i)*** ***Items that will not be reclassified subsequently to profit or loss***			
	Remeasurements of the defined benefit plans		(3.61)	(1.80)
	Income tax effect on above		0.91	0.41
	(B) ***(ii)*** ***Items that will be reclassified to profit or loss in subsequent periods***			
	Foreign currency translation of foreign operations		10.50	1.90
	Other comprehensive income for the year, net of tax		**7.79**	**0.51**
XIII	**Total comprehensive income / (loss) for the period**		511.89	360.92
	Profit attributable to:			
	Owners of the Parent		503.23	359.09
	Non-Controlling Interest		0.87	1.32
	Other Comprehensive Income attributable to:			
	Owners of the Parent		7.77	0.51
	Non-Controlling Interest		0.02	0.01
	Total Comprehensive Income attributable to:			
	Owners of the Parent		511.01	359.60
	Non-Controlling Interest		0.90	1.33
	Earnings per equity share			
	Earnings per equity share [nominal value of share ₹ 10/-]			
	Basic		13.50	9.59
	Diluted		13.50	9.59
The accompanying notes form an integral part of the consolidated financial statements		1 to 46		

As per our report of even date
For PGS & Associates
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Diffusion Engineers Limited

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Consolidated Cash Flow Statement

for the year ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

	Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
A	**CASH FLOWS FROM OPERATING ACTIVITIES**		
	Profit /(loss) before tax	624.43	488.55
	Adjustments:		
	Depreciation and amortisation	68.45	52.75
	Bad Debts & ECL	6.11	8.51
	OCI - Gain / (Loss) on remeasurements of the defined employee benefit plans	(2.70)	(1.39)
	Net (Gain)/Loss on financial instruments at fair value through profit or loss	12.75	7.40
	Interest and Finance Charges	21.47	22.74
	Interest Income	(75.84)	(42.01)
	ESOP adjustment	1.54	-
	Unrealised exchange (gain)/loss	10.50	1.90
	Exceptional Item	7.00	-
	Operating cash flows before working capital changes and other assets	**673.69**	**538.44**
	Decrease / (increase) in inventories	(54.01)	(150.61)
	Decrease/ (increase) in Trade and Other Receivables	(430.11)	(180.24)
	(Decrease) / increase in other current assets	(51.54)	(31.09)
	(Decrease) / increase in Trade and Other Payables	179.83	(37.21)
	(Decrease) / increase in other current liabilities	50.97	42.69
	Deferred tax	(0.90)	-
	(Decrease) / increase in other current provisions	4.46	12.84
	Cash generated from operations	**372.40**	**194.83**
	Income taxes refund / (paid), net	(144.49)	(108.63)
	Net Cash Flow From/(Used In) Operating Activities (A)	**227.90**	**86.20**
B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase/ Sale of property, plant and equipment	(191.79)	(121.03)
	Purchase/ sale of intangible assets	(1.21)	(0.58)
	Purchase of CWIP	(198.31)	(20.38)
	Non Current investment	(96.60)	(61.46)
	Interest Income	75.84	42.01
	Share of profit / (loss) of associates and joint ventures	25.93	(19.51)
	Advance for Capital Asset	(18.55)	-
	Net Cash Flow From/(Used In) Investing Activities (B)	**(404.69)**	**(180.96)**

Consolidated Cash Flow Statement

for the year ended March 31, 2026

Particulars	For the year ended March 31, 2026	For the year ended March 31, 2025
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	-	-
Proceeds from short-term borrowings(Net)	54.10	(112.21)
Finance Cost paid	(21.47)	(22.74)
Dividend Paid	(56.11)	(15.96)
Proceeds from Issue	-	1,438.08
Treasury Shares	(89.66)	-
Issue Expenses	(5.01)	-
Net Cash Flow From/(Used In) Financing Activities (C)	**(118.15)**	**1,287.17**
Net increase / decrease in cash and cash equivalents	(294.94)	1,192.42
Cash and cash equivalents at the beginning of the period	1,270.54	78.13
Cash & Cash Equivalents at the End of the Period (A+B+C)	**975.60**	**1,270.54**

As per our report of even date
For PGS & Associates
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For and on behalf of the Board of Directors of
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Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

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.

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

Name		Country of Incorporation	FY 2025-26		FY 2024-25	
			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

Name		Country of Incorporation	FY 2025-26		FY 2024-25	
			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	5,250	70.00	1,750	70.00
4.	Diffusion Wear Solutions Middle East For Welding Wire Rods Electrodes And Similar Products Manufacturing L.L.C S.P.G	UAE	100	100.00	–	–
Foreign Associate Company:-						
1.	LSN Diffusion Ltd	United Kingdom	7,54,450	21.56	7,54,450	21.56
2.	Mecdiff Bhd*	Malaysia	3,00,000	30.00	3,00,000	30.00

*The investment is made by Diffusion Engineers Singapore Pte. Ltd.

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.

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

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 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.

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.

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

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 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

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

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 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.

Share Based Payments—ESOP

"The Company operates equity-settled employee share based compensation plans, under which the Company receives services from employees as consideration for stock options towards shares of the Company.

The fair value of stock options (at grant date) is recognised as an expense in the Statement of Profit and Loss within employee benefits as employee compensation cost over the vesting period, with a corresponding increase in ESOP Reserve (a component of equity).

The total amount so expensed is determined by reference to the grant date fair value of the stock options granted, which includes the impact of any market performance conditions and non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. However, the non market performance vesting and service conditions are considered in the assumption as to the number of options that are expected to vest. The forfeitures are estimated at the time of grant and reduce the said expense rateably over the vesting period. The expense so determined is recognised over the requisite vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. As at each reporting date, the Company revises its estimates of the number of options that are expected to vest, if required. It recognises the impact of any revision to original estimates in the period of change. Accordingly, no expense is recognised for awards that do not ultimately vest."

"Where the terms of an award are modified, in addition to the expense pertaining to the original award, an incremental expense is recognised for any modification that results in additional fair value, or is otherwise beneficial to the employee as measured at the date of modification. Where an existing award is cancelled (including due to non-vesting conditions not being met), it is treated as if it is vested thereon, and any un-recognised expense for the award is recognised immediately."

The share-based payment equivalent to the fair value as on the date of grant of employee stock options granted to key managerial personnel is disclosed as a related party transaction in the year of grant.

The Company's equity shares held by a trust, which is consolidated as a part of the Company, are classified as Treasury shares. Treasury shares are carried at acquisition cost and presented as a deduction from total equity as "Treasury share reserve". As and when treasury shares are transferred to employees on exercise after satisfaction of the vesting conditions,

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

the balance lying in "Treasury share reserve" is transferred to "Retained earnings".

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 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

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

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, 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.

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

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 adjusted for treasury shares held. 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 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Particulars	Land Freehold	Buildings	Plant and Equipment	Furniture & Fixtures	Vehicles	Office equipment	Computers	Total	Capital work in progress (CWIP)
As at March 31, 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 March 31, 2025	**340.10**	**270.21**	**505.95**	**18.01**	**45.83**	**25.83**	**9.16**	**1,215.09**	**31.44**
Additions	12.73	12.74	131.32	2.55	25.47	4.23	3.41	192.45	295.10
Sales/Disposals/Adjustments			0.01		1.59	0.14	0.10	1.84	96.78
As at March 31, 2026	**352.83**	**282.95**	**637.26**	**20.57**	**69.71**	**29.91**	**12.47**	**1,405.70**	**229.75**
Accumulated depreciation									
As at March 31, 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 March 31, 2025	**-**	**47.13**	**153.31**	**7.65**	**17.67**	**10.10**	**5.23**	**241.09**	**-**
Depreciation for the year		9.68	44.15	1.75	7.42	1.82	2.45	67.27	
Sales/Disposals/Adjustments								-	
As at March 31, 2026	**-**	**56.81**	**197.46**	**9.40**	**25.09**	**11.91**	**7.68**	**308.36**	**-**
Net block									
As at March 31, 2025	**340.10**	**223.08**	**352.63**	**10.37**	**28.16**	**15.73**	**3.93**	**974.00**	**31.44**
As at March 31, 2026	**352.83**	**226.14**	**439.80**	**11.16**	**44.62**	**18.00**	**4.79**	**1,097.35**	**229.75**

NOTE 3A CAPITAL WORK-IN-PROGRESS

Particulars	As at March 31, 2026	As at March 31, 2025
Carrying amount at end of year	229.75	31.44

Ageing of Capital work-in-progress

Particulars	As at March 31, 2026	As at March 31, 2025
Less than 1 year	229.75	20.38
1-2 years	-	11.05
2-3 years	-	-
More than 3 years	-	-
Total	**229.75**	**31.44**

NOTE 4 INTANGIBLE ASSETS

	Technical Know-how	Software	Total
As at March 31, 2024	**0.13**	**6.59**	**6.72**
Additions during the period	-	1.40	1.40
Disposals / Adjustments during the year	-		
As at March 31, 2025	**0.13**	**7.99**	**8.13**
Additions during the period	-	2.38	2.38
Disposals / Adjustments during the year	-		
As at March 31, 2026	**0.13**	**10.38**	**10.51**
Accumulated amortisation:			
As at March 31, 2024	**-**	**2.47**	**2.47**
Charge for the year	-	0.83	0.83
Disposals / Adjustments during the year	-		
As at March 31, 2025	**-**	**3.30**	**3.30**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

	Technical Know-how	Software	Total
Charge for the year	-	1.18	1.18
Disposals / Adjustments during the year	-		
As at March 31, 2026	**-**	**4.48**	**4.48**
Carrying amount (net)			
As at March 31, 2025	**0.13**	**4.69**	**4.83**
As at March 31, 2026	**0.13**	**5.90**	**6.04**

NOTE 5 INVESTMENTS (NON-CURRENT ASSETS)

Particulars	As at March 31, 2026	As at March 31, 2025
Equity instruments		
(i) 'Investment (Unquoted)		
(a) '- in Associates		
Investment in Mecdiff	4.00	3.96
LSN Diffusion Ltd (Fully Paid Equity Shares) (7,54,450 March 31, 2026 7,54,450 shares, March 31,2025)	90.39	64.50
(b) '- Other Investments		
Tejorup Sunmay Systems Private Limited Fully Paid Equity Shares - 10 (Previous Year : NIL) CCPS- 1,133 (Previous Year - Nil)	21.49	-
	115.88	**68.46**
(ii) 'Investment carried at fair value through profit or loss		
Quoted		
(a) Investment in Equity		
- Equity Shares	30.09	23.96
(b) Investment in mutual funds		
- Mutual funds & Other Listed Securities	263.87	253.58
	293.96	**277.54**
(iii) 'Investment not carried at fair value through profit or loss		
Unquoted		
Investment in Other Funds		
Unlisted Debt Funds	20.01	0.01
Total (i+ii)	**429.86**	**346.01**
Investments in quoted instruments:		
Aggregate carrying value	270.30	225.43
Aggregate market value	293.96	262.14

NOTE 6 OTHER NON-CURRENT FINANCIAL ASSETS

Particulars	As at March 31, 2026	As at March 31, 2025
Security deposit*	-	0.31
Fixed deposit with Bank	104.31	90.16
Other Non Current Assets	0.09	-
Total	**104.41**	**90.46**

* Security deposit has been shown on transaction cost where terms not ascertainable.

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 7 INVENTORIES

(Valued at cost, unless otherwise stated)

Particulars	As at March 31, 2026	As at March 31, 2025
(At lower of cost and net realisable value)		
Stock in trade		
Raw Materials	289.41	271.99
Work in Progress	209.87	183.01
Finished goods & Traded Goods	237.45	209.58
	736.74	**664.59**
Stock-In-Transit		
Raw Materials	-	17.92
Consumables, Stores and Spare parts	-	0.23
Traded Goods	-	-
	-	**18.14**
Total	**736.74**	**682.73**

NOTE 8 TRADE RECEIVABLES

(Unsecured / secured, considered good unless otherwise stated)

Particulars	As at March 31, 2026	As at March 31, 2025
Secured, considered good	-	-
Unsecured, considered good*	1,288.74	852.35
Less: Allowance for expected credit loss	6.96	4.34
Total	**1,281.79**	**848.01**
Receivables from related parties (Refer Note 37)	6.49	10.45
Receivables from others	1,282.25	837.56
Total	**1,288.74**	**848.01**

*There are some cases pending before Hon'ble NCLT court against some parties amounting to Rs 3.27 million. The company will provide necessary treatment in the books as per the directions of Hon'ble NCLT Court.

Trade Receivables ageing schedule as at March 31, 2026

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	1,136.14	93.01	27.11	15.81	10.73	**1,282.81**
(ii) Undisputed Trade receivables - considered doubtful	-	-	0.30	-	0.04	**0.33**
(iii) Disputed Trade receivables considered good	-	-	-	-	-	**-**
(iv) Disputed Trade receivables considered doubtful	0.01	-	0.00	-	5.59	**5.60**
Total	**1,136.15**	**93.01**	**27.41**	**15.81**	**16.37**	**1,288.74**
Expected Credit Loss						**6.96**
Net						**1,281.79**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Trade Receivables ageing schedule as at as at March 31, 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**

NOTE 9 CASH AND BANK BALANCES

Particulars	As at March 31, 2026	As at March 31, 2025
Cash and Cash Equivalents		
Cash on hand	5.83	1.31
Balance with scheduled banks		
in current accounts	80.44	175.63
Fixed deposit with current maturity	769.31	1,027.31
Cheque in Hand	120.03	66.29
Total	**975.60**	**1,270.54**

NOTE 10 OTHER BANK BALANCES

Particulars	As at March 31, 2026	As at March 31, 2025
Dividend accounts	0.03	-
Total	**0.03**	**-**

NOTE 11 LOANS AND ADVANCES

Particulars	As at March 31, 2026	As at March 31, 2025
Loan to employees	9.97	9.50
Advance to others	79.59	62.03
Advance Tax	0.84	-
Advance for Capex	18.55	46.02
Total	**108.96**	**117.55**

NOTE 12 OTHERS FINANCIAL ASSETS

Particulars	As at March 31, 2026	As at March 31, 2025
Deposits recoverable	13.51	9.95
Mutual Funds Receivables	-	0.00
MAT credit	0.60	0.74
Total	**14.11**	**10.69**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 13 OTHER CURRENT ASSETS

Particulars	As at March 31, 2026	As at March 31, 2025
Prepaid expenses	3.77	5.08
Preliminary Expenses	-	0.04
Balances with government authorities		
Security Deposits	24.16	11.88
GST receivable	15.63	11.43
Tds receivable	-	1.18
Export and other incentive receivable	36.61	31.93
Custom duty paid	0.45	3.05
Vat and sales tax	3.32	0.32
Balances with others		
Defined benefit plan- gratuity fund	(10.65)	(2.31)
Other recoverable	6.09	4.87
Other receivable	40.30	0.71
Total	**119.68**	**68.17**

NOTE 14 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Particulars	As at March 31, 2026	As at March 31, 2025
Authorised share capital		
Equity share capital		
4,00,00,000 (Previous Years 4,00,00,000) equity shares of ₹ 10 each	400.00	400.00
Total	**400.00**	**400.00**
Issued, subscribed and paid-up share capital		
Equity share capital		
3,74,26,259 (Previous Years 3,74,26,259) Equity shares of ₹ 10/- each fully paid up	374.26	374.26
Total	**374.26**	**374.26**

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.

The Company has instituted an Employee Stock Option Plan ("ESOP Scheme") for eligible employees of the Company through Diffusion ESOP Trust . Under the scheme, the Company granted 3,00,000 having face value of ₹ 10/- per share employee stock options during the year, of which 1,00,000 options were accepted by eligible employees. These equity shares are not entitled for dividend to employees or voting rights until issue/ transfer of shares.

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Details of shares held by each shareholder holding more than 5%

Name of Shareholders	As at March 31, 2026		As at March 31, 2025	
	% held	Nos	% held	Nos
Equity shares with voting rights				
NK Garg (HUF)	5.57%	20,85,279	5.57%	20,85,279
Mr Prashant Garg	27.79%	1,03,99,651	27.73%	1,03,79,551
Dr Nitin Garg	18.37%	68,76,254	18.37%	68,76,254
Mrs Chitra Garg	16.38%	61,30,971	16.38%	61,30,971

Reconciliation of shares outstanding at the beginning and at the end of the reporting year

	As at March 31, 2026	As at March 31, 2025
Equity shares		
Outstanding at the beginning of the year	3,74,26,259	2,80,21,259
Add: Shares issued during the year	-	94,05,000
Outstanding at the end of the year	3,74,26,259	3,74,26,259

Reconciliation of the number of treasury shares held by controlled trust at the end of the financial year

	As at March 31, 2026	As at March 31, 2025
Equity shares		
Outstanding at the beginning of the year	-	-
Add: Shares issued during the year	3,00,000	-
Outstanding at the end of the year	3,00,000	-

Number of shares held by promoters and promotor group:

Name of Shareholders	As at March 31, 2026		As at March 31, 2025	
	% held	Nos	% held	Nos
Mr Prashant Garg	27.79%	1,03,99,651	27.73%	1,03,79,551
Dr Nitin Garg	18.37%	68,76,254	18.37%	68,76,254
Mrs Chitra Garg	16.38%	61,30,971	16.38%	61,30,971
Nitin and Renuka Garg	1.41%	5,26,967	1.41%	5,26,967
Prashant and Neelu Garg	0.18%	65,548	0.18%	65,548
Neelu Prashant Garg	0.06%	22,400	0.06%	22,400
N K Garg (HUF)	5.57%	20,85,279	7.44%	20,85,279

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 15 CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2026

A EQUITY SHARE CAPITAL

	No. of Shares	Amount
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**
Add: Issue during the year	-	-
Balance as at March 31, 2026	**3,74,26,259**	**374.26**

B OTHER EQUITY

Particulars	Retained Earnings	Securities Premium	Capital Reserve	Capital Investment Subsidy	General Reserve	Currency translation reserve	ESOP Reserve	Treasury Share Reserve	Total attributable to the owners of the Company	Non Controlling interests (NCI)	Total
Balance as at March 31, 2024	**1,498.73**	**-**	**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 agينst bonus share	-		-	-	-	-	-	-	-	-	-
Utilised aginst Issue expenses	-	(141.56)	-	-	-	-	-	-	(141.56)	-	(141.56)
Balance as at March 31, 2025	**1,840.48**	**1,344.03**	**15.92**	**0.08**	**115.66**	**-1.66**	**-**	**-**	**3,314.51**	**4.46**	**3,318.98**
Profit for the year	503.23	-	-	-	-	-	-	-	503.23	0.87	504.10
Translation Reserve Movement	-	-	-	-	-	10.50	-	-	10.50	-	10.50
Net change in fair value of Equity investments	-	-	-	-	-	-	-	-	-	-	-
"Remeasurement of net defined benefit plan"	(2.70)	-	-	-	-	-	-	-	(2.70)	-	(2.70)
Less: interim dividend	-	-	-	-	-	-	-	-	-	-	-
Less: final dividend	(56.14)	-	-	-	-	-	-	-	(56.14)	-	(56.14)
Issue of share	-	-	-	-	-	-	-	-	-	-	-
Utilised aginst bonus share	-	-	-	-	-	-	-	-	-	-	-
Utilised aginst Issue expenses	-	(5.01)	-	-	-	-	-	-	(5.01)	-	(5.01)
ESOP Provided During the year	-	-	-	-	-	-	1.54	-	1.54	-	1.54
Acquisition of Treasury Shares	-	-	-	-	-	-		(89.66)	(89.66)	-	(89.66)
Balance as at March 31, 2026	**2,284.86**	**1,339.03**	**15.92**	**0.08**	**115.66**	**8.84**	**1.54**	**(89.66)**	**3,676.26**	**5.33**	**3,681.60**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(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 utlising 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.

ESOP Reserve

The fair value of stock options (at grant date) is recognised as an expense in the Statement of Profit and Loss within employee benefits as employee compensation cost over the vesting period, with a corresponding increase in ESOP Reserve

General reserves

General Reserve represents appropriation of retained earnings and are available for distribution to shareholders.

Treasury Share Reserve

The Company's equity shares held by a trust, which is consolidated as a part of the Company, are classified as Treasury shares. Treasury shares are carried at acquisition cost and presented as a deduction from total equity as "Treasury share reserve".

As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Nagpur
UDIN-26111592DHYEMK2202
Date : May 16, 2026

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

PRASHANT N GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : May 16, 2026

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : May 16, 2026

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : May 16, 2026

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : May 16, 2026

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 16 BORROWINGS

Particulars	As at March 31, 2026	As at March 31, 2025
Secured		
Term Loan	-	-
Total	**-**	**-**

NOTE 17 OTHER NON-CURRENT FINANCIAL LIABILITIES

Particulars	As at March 31, 2026	As at March 31, 2025
Vehicle and laptop Scheme	4.87	4.73
Deposits from distributors	0.25	5.55
Total	**5.12**	**10.28**

NOTE 18 DEFERRED TAX LIABILITIES (NET)

Particulars	As at March 31, 2026	As at March 31, 2025
Deferred Tax Liability:		
Deferred Tax Liability	56.80	55.94
Total	**56.80**	**55.94**

NOTE 19 BORROWINGS

Particulars	As at March 31, 2026	As at March 31, 2025
Secured		
Loan From Banks	286.24	232.14
Total	**286.24**	**232.14**

Note 19.1

a **Interest rate of the above loan in range between 7.5% to 8.5%.**

b Borrowings from banks are secured by way of :-
Mortgage of Land & Building, book debts & hypothication of Stock.

NOTE 20 TRADE PAYABLES

Particulars	As at March 31, 2026	As at March 31, 2025
Total outstanding dues of micro and small enterprises	68.37	28.83
Total outstanding dues of creditors other than micro and small enterprises	397.45	256.08
Total	**465.81**	**284.91**

Note on MSME Discolsure

Outstanding to Micro and Small Enterprise : March 26 :- ₹ 68.37; March 25: ₹ 28.83 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 and Small Enterprises, which were outstanding for more than the stipulated period, are given below:

Particulars	As at March 31, 2026	As at March 31, 2025
Principal amount due and remaining unpaid	0.14	1.20
Interest paid	-	-
Interest due	-	-
Interest accrued and due	-	-
Interest due and remaining unpaid	-	-
Total	**0.14**	**1.20**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Trade Payables ageing schedule: As at March 31, 2026

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	68.22	-	-	-	-	**68.22**
(ii)	Others	263.59	113.51	5.36	1.37	13.63	**397.46**
(iii)	Disputed dues - MSME	-	0.11	0.03	-	-	**0.14**
(iv)	Disputed dues - Others	-	-	-	-	-	**-**

Trade Payables ageing schedule: As at March 31, 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	-	-	-	-	-	**-**

NOTE 21 OTHER FINANCIAL LIABILITIES

Particulars	As at March 31, 2026	As at March 31, 2025
Deposits from distributors	6.37	-
Interim Dividend	-	0.00
Liabilities For Expences	13.72	8.96
Director remuneration	-	0.03
Unclaimed Dividend	0.03	-
Total	**20.12**	**8.99**

NOTE 22 PROVISIONS

Particulars	As at March 31, 2026	As at March 31, 2025
Provision For Leave Encashment	6.40	4.23
Provision For Tax- Net ofAdvance Tax	19.55	17.26
Audit Fees Payable	0.01	-
Total	**25.96**	**21.49**

NOTE 23 OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2026	As at March 31, 2025
Statutory Remittances	32.89	55.25
Advance Received from customers	86.54	14.06
Mobile Scheme	-	0.01
Other Credit Balances	50.87	51.55
Audit Fees Payable	-	0.03
Other	18.00	7.14
TDS Payable	0.11	9.40
Total	**188.41**	**137.43**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 24 REVENUE FROM OPERATION

Particulars	As at March 31, 2026	As at March 31, 2025
Sale of Products and Services		
- Manufacturing	2,617.06	2,213.17
- Trading	642.76	418.46
- Export Sales	275.03	280.84
	3,534.85	**2,912.47**
Job work receipt		
- Local	472.04	405.97
- Export	39.53	13.02
	511.57	**418.99**
Other Operating Revenues		
Insurance, Licenses & Packing on Sales	15.25	16.39
Export incentive	4.62	4.90
	19.87	**21.30**
Total	**4,066.28**	**3,352.76**

Disclosure in accordance with Ind AS - 115 "Revenue Recognition Disclosures", of the Companies (Indian Accounting Standards) Rules, 2015

Revenue disaggregation is as follows

Disaggregation of goods	As at March 31, 2026	As at March 31, 2025
Manufactured Products	2,892.09	2,494.01
Trading Products	642.76	418.46
Job Works	511.57	418.99
Others	19.87	21.30
Total	**4,066.28**	**3,352.76**

Disaggregation based on geography	As at March 31, 2026	As at March 31, 2025
India	3,751.72	3,058.90
Outside India	314.56	293.86
Total	**4,066.28**	**3,352.76**

Geographical location is based on the location of customers excluding export incentives

Information about major customers

Customer Type	As at March 31, 2026	As at March 31, 2025
Government Undertakings / PSU	159.57	245.29
Industrial Customers	3,592.15	2,813.61
Export Customers	314.56	293.86
Total	**4,066.28**	**3,352.76**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 25 OTHER INCOME

Particulars	As at March 31, 2026	As at March 31, 2025
Interest income		
- on Deposit	75.84	42.01
Foreign exchange gain	29.55	6.44
Profit on Sale of Assets & Investment	27.24	36.61
Net gain/(loss) on financial instruments at fair value through profit or loss	(12.75)	(7.40)
Rent income	0.12	-
Insurance claim receipt	12.92	0.40
Dividend income	1.23	1.61
Miscellaneous income	3.19	1.03
PSI subsidy	12.58	11.76
Total	**149.92**	**92.47**

NOTE 26 COST OF MATERIALS CONSUMED

Particulars	As at March 31, 2026	As at March 31, 2025
As at beginning of the period	302.88	261.16
Add: Purchases	1,775.13	1,696.95
Less : As at end of the period	272.96	302.88
Total	**1,805.05**	**1,655.23**

NOTE 27 PURCHASES OF STOCK-IN-TRADE

Particulars	As at March 31, 2026	As at March 31, 2025
Purchases of stock-in-trade	532.69	211.61
Total	**532.69**	**211.61**

NOTE 28 CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

Particulars	As at March 31, 2026	As at March 31, 2025
Inventories at the beginning of the year:		
Stock-in-trade	90.87	87.18
Finished goods	92.02	59.07
Work-in-progress	184.21	113.64
	367.10	**259.89**
Inventories at the end of the year:		
Stock-in-trade	161.88	90.87
Finished goods	75.57	92.02
Work-in-progress	209.87	184.21
	447.33	**367.10**
Total	**(80.23)**	**(107.21)**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 29 MANUFACTURING EXPENSES

Particulars	As at March 31, 2026	As at March 31, 2025
Consumable, stores and spare parts material Consumed		
Inventories at the beginning of the year:	12.75	11.07
Add:- Purchases for the year	73.62	74.96
Inventories at the end of the year:	16.45	12.75
	69.92	**73.28**
Custom duties expenses	36.19	34.86
Job work charges	198.65	200.21
Labour charges	54.41	46.87
Carriage inward and clearing charges	38.34	32.48
Power and fuel	75.62	69.71
Lease rental	4.25	7.93
Import Expenses	0.44	3.20
Water charges	0.76	0.39
	408.66	**395.65**
Total	**478.58**	**468.93**

NOTE 30 EMPLOYEE BENEFITS EXPENSES

Particulars	As at March 31, 2026	As at March 31, 2025
Salaries, wages and bonus	443.33	389.30
Post employment benefits		
- Contribution to provident and other funds	18.17	16.74
- Gratuity and other defined benefit plans	5.01	3.77
- Labour welfare fund	5.39	0.00
Staff welfare expenses	0.01	3.69
Sales Incentive	9.94	5.52
Directors' Commission	0.49	-
ESOP Compensation Cost	1.54	-
Total	**483.88**	**419.02**

NOTE 31 FINANCE COST

Particulars	As at March 31, 2026	As at March 31, 2025
- Interest expense on:		
Borrowings	16.96	18.39
Bank Charges & Commission	4.51	4.35
Total	**21.47**	**22.74**

NOTE 32 DEPRECIATION AND AMORTISATION EXPENSE

Particulars	As at March 31, 2026	As at March 31, 2025
Depreciation of tangible assets	67.27	51.93
Amortisation of intangible assets	1.18	0.83
Total	**68.45**	**52.75**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 32 OTHER EXPENSES

Particulars	As at March 31, 2026	As at March 31, 2025
Rent	16.90	7.20
Security charges	8.97	8.19
Rates and taxes	5.32	5.38
Repairs and maintenance:		
- Building	4.03	-
- Machinery	3.57	2.52
- Vehicles	2.63	4.45
- Others	3.79	4.40
Insurance	5.03	4.56
Travelling, communication and conveyance	62.40	47.23
Directors sitting fees	1.00	2.12
Commission	4.07	6.88
Packing, forwarding and distribution	55.54	53.31
Advertisements and sales promotion	11.61	2.72
Payment to auditors		
- As auditor - Audit fees	0.79	0.55
For other Services	0.88	0.53
Bad debts w/off	6.11	8.51
Legal and professional fees	53.50	40.35
Loss on Foreign currency transactions	0.87	0.58
Expenditure on corporate social responsibility	5.88	4.38
ECL Prov	2.62	-
Miscellaneous expenses	19.39	29.75
Total	**274.88**	**233.61**

NOTE 33 EXCEPTIONAL ITEMS

Particular	As at March 31, 2026	As at March 31, 2025
Exceptional Item - Gratuity	5.97	-
Exceptional Item - Leave Encashment	1.03	-
Total	**7.00**	**-**

NOTE 34 TAX EXPENSE

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Current tax (including earlier years)	144.42	106.93
Deferred tax	1.76	3.50
Income tax expense reported in the statement of profit and loss	**146.19**	**110.43**
Other comprehensive income		
Deferred tax charge/ (credit) on remeasurements losses of defined benefit plans	0.91	0.41
Total tax expense	**145.28**	**110.02**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

The major components of income tax expense and reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 2026 : 25.17%, and 2025 : 25.17% respectively and the reported tax expense in the statement of profit or loss are as follows:

Reconciliation of tax expense and the accounting profit multiplied by tax rate

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Accounting profit before income tax	650.36	469.04
At country's statutory income tax rate of 25.17% (March 31, 2025 and March 31, 2024: 25.17%)	163.70	118.06

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Difference Between Book Depreciation And Tax Depreciation	(3.44)	(4.35)
Net Expenses disallowed/allowed under Income Tax	2.53	12.00
Fair Value Gain as per IND AS	3.14	2.02
Effect of Deferred Tax	2.88	0.50
Others	23.21	22.46
Total	**146.19**	**110.43**

NOTE 35 EARNING PER EQUITY SHARE

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Net profit attributable to equity shareholders		
Net profit for the year	503.23	359.09
Nominal value of equity share ₹	10.00	10.00
Total number of equity shares outstanding at the beginning of the year	37.43	37.43
Treasury Shares	0.30	-
Total number of equity shares outstanding at the end of the year	37.13	37.43
Weighted-average number of equity shares*	37.28	37.43
Basic	13.50	9.59
Diluted	13.50	9.59

*after adjusting Treasury Shares of 3,00,000

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 March 31, 2026	Year ended March 31, 2025
Employers Contribution to Provident Fund/ Pension Fund	15.31	14.60
Employers Contribution to ESIC	1.35	1.37
Total	**16.66**	**15.98**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

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.

(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 March 31, 2026	Year ended March 31, 2025
Present value of obligation at the end of year	6.40	3.61
Fair value of plan assets at the end of year	-	-
Net liability recognized in the Balance Sheet	**6.40**	**3.61**

The amounts recognized in the Balance Sheet are as follows :

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
Present value of obligation at the end of year	45.59	33.67
Fair value of plan assets at the end of year	34.94	31.36
Net liability (asset) recognized in the Balance Sheet	**10.65**	**2.31**

The amounts recognized in the Statement of Profit and Loss are as follows:

Particulars	Leave Encashment	
	Year ended March 31, 2026	Year ended March 31, 2025
Current Service Cost	1.27	0.80
Interest Cost	0.17	0.18
Past Service Cost	1.03	-
Benefits Paid	-	-
Recognized Net Actuarial (Gain)/ Loss	**3.02**	**1.72**
Total, included in Employee Benefit Expenses	**5.49**	**2.71**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

The amounts recognized in the Statement of Profit and Loss are as follows:

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
Current Service Cost	4.08	3.11
Interest Cost	(0.02)	(0.03)
Past Service Cost	5.97	-
Benefits Paid	-	-
Recognized Net Actuarial (Gain)/ Loss	**-**	**-**
Total, included in Employee Benefit Expenses	**10.02**	**3.08**

Changes in present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows :

Particulars	Leave Encashment	
	Year ended March 31, 2026	Year ended March 31, 2025
Defined benefit obligation at beginning of the year	4.23	3.61
Current Service Cost	1.27	0.80
Past Service Cost	1.03	-
Interest Cost	0.17	0.18
Benefits Paid	(3.32)	-
Actuarial (Gain)/ Loss	3.02	1.72
Defined benefit obligation at the end of the year	**6.40**	**6.31**

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
Defined benefit obligation at beginning of the year	33.67	27.72
Current Service Cost	4.08	3.11
Past Service Cost	5.97	-
Interest Cost	2.21	1.93
Benefits Paid	(1.04)	(0.95)
Other (Employee contribution,tax expenses)	(0.08)	(0.09)
Actuarial (Gain)/ Loss	0.79	1.94
Defined benefit obligation at the end of the year	**45.59**	**33.67**

Particulars	Gratuity	
	Year ended March 31, 2026	Year ended March 31, 2025
Defined benefit plan at beginning of the year	31.36	29.29
Interest income	2.24	1.96
Employer contribution	2.28	1.00
Benefits Paid	(1.13)	(0.86)
Actuarial Gain/ (Loss)	0.19	0.14
Defined benefit plan at the end of the year	**34.94**	**31.53**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

The Financial assumptions used in accounting for the Gratuity Plan & Leave Encashment are set out below:

Particulars		Leave Encashment	
		Year ended March 31, 2026	Year ended March 31, 2025
(i)	Discount Rate	0.07	0.07
(ii)	Salary Escalation Rate	0.05	0.05

Particulars		Gratuity	
		Year ended March 31, 2026	Year ended March 31, 2025
(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

The Demographic assumptions used in accounting for the gratuity plan & leave encashment are set out below:

Particulars		Leave Encashment	
		Year ended March 31, 2026	Year ended March 31, 2025
(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 March 31, 2026	Year ended March 31, 2025
(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		Gratuity	
		Year ended March 31, 2026	Year ended March 31, 2025
(i)	Current liabilities	10.40	5.90
(ii)	Non Current liabilities	35.19	27.77

Particulars		Leave Encashment	
		Year ended March 31, 2026	Year ended March 31, 2025
(i)	Current liabilities	1.62	1.62
(ii)	Non Current liabilities	4.78	4.78

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

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Gratuity:

Expected Cash Flow for the Next Ten Years	Year ended March 31, 2026	Year ended March 31, 2025
Year 1	10.40	5.90
Year 2	2.01	2.93
Year 3	1.74	1.50
Year 4	2.60	1.72
Year 5	4.33	1.99
Year 6 to 10	17.33	14.08

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

Contingent Liabilities not provided for :	Year ended March 31, 2026	Year ended March 31, 2025
Claims against the company not acknowledge as Debt		
a. GST liability disputed - Demand (Audit)	-	4.50
b. GST liability disputed FY 19-20 - Demand (Appeal Filed)	7.21	-
	7.21	**4.50**

*Note-

The order for point 'a' above, was set aside in the favor of the company hence the same is removed.

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 Managerial Personnel	Mr. Prashant Garg
	Mr Abhishek Mehta
	Ms Chanchal Jaiswal
	Mr. Ramesh Kumar Narasinghbhan*
Director / Independent Director	Mrs. Chitra N Garg
	Mr. Anil Trigunayat
	Mr. Nitin N Garg
	Mr. Sherry Samuel Oommen
	Mrs. Deepali Sameer Bendre
Relatives of Directors/Key Managerial Personnel	Mrs. Neelu Garg
	Mrs. Disha Mehta
	Mrs. Renuka Garg
	Mr. Rijul Garg
Common Management	N. K. Garg Foundation
	N. K. Garg HUF
	BTSG Awareness Foundation
	Devi Kiran Advisory Services LLP
	Benvira Forward Algorithms Private Limited
Employee Welfare Trust	Diffusion ESOP Trust

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

38.2 Details of related party transactions

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Sales		
M/s Mecdiff SD. BHD.	9.06	7.83
LSN Diffusion Ltd	50.88	37.60
Reimbursement		
Benvira Forward Algorithms Private Limited	0.01	1.34
Mr. Prashant Garg	-	0.22
N. K. Garg Foundation	-	0.00
Contribution towards CSR		
BTSG Awareness Foundation	-	0.50
N. K. Garg Foundation	2.06	-
Debit / (Credit) due to exchange fluctuation		
M/s Mecdiff SD. BHD.	0.05	(0.04)
LSN Diffusion Ltd	0.03	(0.19)
Dividend Paid		
Mr. Prashant Garg	15.67	2.61
Ajay Jain (H.U.F)	-	0.02
Mr. Nitin N Garg	11.10	1.72
Mrs. Daksha Jain	-	0.00
Mrs. Chitra N Garg	9.20	1.53
Mrs. Neelu Garg	0.03	0.01
Mrs. Renuka Garg	-	0.13
N. K. Garg HUF	3.13	0.52
Ms. Anita Vijaykar	-	0.00
Mr. Abhishek Mehta	0.02	0.00
Ms. Chanchal Jaiswal	0.00	-
Mr. Ajay Jain	-	0.01
Remuneration		
Mr. Prashant Garg	24.00	24.00
Mrs. Neelu Garg	5.52	5.52
Stipend		
Mr. Rijul Garg	0.05	-
Sitting Fees to Directors		
Renuka Garg	-	0.07
Ajay Jain	-	0.13
Anil Trigunayat	0.19	0.40
Anita Vijaykar	-	0.13
Prashant Garg	0.01	0.16
Chitra Garg	0.19	0.38
Mr. Nitin N Garg	0.16	0.33
Mrs. Deepali Sameer Bendre	0.22	0.26
Mr. Sherry Samuel Oommen	0.23	0.27
Key Managerial Personnel - Remuneration		
Mr. Abhishek Mehta	2.06	1.82
Ms. Chanchal Jaiswal	1.10	0.86
Mr. Ramesh Kumar Narasinghbhan*	15.66	2.40

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Relatives of Key Managerial Personnel - Consultancy		
Mrs. Disha Mehta	1.60	1.59
Rent		
N. K. Garg HUF	0.29	0.25
Mrs. Chitra N Garg	4.40	3.40
Mr. Prashant Garg	0.98	0.81
Share Based Payments**		
Mr. Abhishek Mehta	1.24	-

38.3 Details of outstanding to/from related parties

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Trade Payables		
LSN Diffusion Ltd	2.49	4.71
Trade receivables		
M/s Mecdiff SD. BHD.	0.07	4.03
Benvira Forward Algorithms Private Limited	6.43	6.42

#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.

*Mr. Ramesh Kumar N has resigned and ceased to be the Chief Executive Officer of the Company with effect from February 06, 2026.

**The share-based payment equivalent to the fair value as on the date of grant of employee stock options granted disclosed as a related party transaction in the year of grant.

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 March 31, 2026	Year ended March 31, 2025
Financial Assets at Amortised Cost		
Cash and Bank Balances	975.64	1,270.54
Investments	283.06	225.43
Other Financial Assets	118.52	101.15
Trade Receivables	1,281.79	848.01
Loans and advances	108.96	117.55
Total	**2,767.96**	**2,562.68**
Financial Liabilities at Amortised Cost		
Trade Payables	465.81	284.91
Borrowings	286.24	232.14
Other Financial Liabilities	25.24	19.27
Total	**777.29**	**536.33**

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Financial Instruments by category	Fair Value	
	Year ended March 31, 2026	Year ended March 31, 2025
Financial Assets at Amortised Cost		
Cash and Bank Balances	975.64	1,270.54
Investments	313.97	262.14
Other Financial Assets	118.52	101.15
Trade Receivables	1,281.79	848.01
Loans and advances	108.96	117.55
Total	**2,798.87**	**2,599.39**
Financial Liabilities at Amortised Cost		
Trade Payables	465.81	284.91
Borrowings	286.24	232.14
Other Financial Liabilities	25.24	19.27
Total	**777.29**	**536.33**

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 March 31, 2026		
		Level of input used in		
		Level 1	Level 2	Level 3
Financial Assets at Amortised Cost				
Cash and Bank Balances	975.64	-	-	975.64
Investments	283.06	313.97	-	(30.91)
Other Financial Assets	118.52	-	-	118.52
Trade Receivables	1,281.79	-	-	1,281.79
Financial Liabilities at Amortised Cost				
Trade Payables	465.81	-	-	465.81
Borrowings	286.24	-	-	286.24
Other Financial Liabilities	25.24	-	-	25.24

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Carrying Amount	Year ended March 31, 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	225.43	262.14	-	(36.71)
Other Financial Assets	101.15	-	-	101.15
Trade Receivables	848.01	-	-	848.01
Financial Liabilities at Amortised Cost				
Trade Payables	284.91	-	-	284.91
Borrowings	232.14	-	-	232.14
Other Financial Liabilities	19.27	-	-	19.27

NOTE 40 FINANCIAL INSTRUMENTS (CONTD..)

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 company'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 Group uses debt equity ratio as a capital management index and calculates the ratio as the net debt divided by Shareholders equity. Net debts and Shareholders Equity are based on the amounts stated in the financial statements.

(iv) **Debt Equity Ratio is as follows:**

Particulars	Year ended March 31, 2026	Year ended March 31, 2025
Debt (A)	286.24	232.14
Equity (B)	4,050.53	3688.77
Debt Equity Ratio (A/B)	**0.07**	**0.06**

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.

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

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	Year ended March 31, 2026	Year ended March 31, 2025
Interest bearing borrowings:		
On Demand	286.24	232.14
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 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	Year ended March 31, 2026	Year ended March 31, 2025
I. Trade receivables / Advance	USD	0.59	1.55
	AED	0.25	-
	EURO	-	0.21
II. Borrowing balances :	USD	-	-
III. Trade payables :	USD	0.16	0.30
	EURO	0.01	0.02

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.

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

Particulars	Currency	Change in rate	Effect on profit before tax
Based on YOY change between F25 & F26	USD	10%	0.04
	USD	-10%	(0.04)
	EURO	10%	(0.00)
	EURO	-10%	0.00
	AED	10%	0.02
	AED	-10%	(0.02)
Based on YOY change between F24 & F25	USD	10%	0.13
	USD	-10%	(0.13)
	EURO	10%	0.02
	EURO	-10%	(0.02)

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 :	Year ended March 31, 2026	Year ended March 31, 2025
Secured Loans :		
Loans repayable taken from Banks:	286.24	232.14
Total	**286.24**	**232.14**

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)
Year ended 31 March 2026	+100	2.86
	-100	(2.86)
Year ended 31 March 2025	+100	2.32
	-100	(2.32)

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

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. 2025-26					
a)	**Parent**				
	Parent - Diffusion Engineers Ltd.	94.41%	3,470.61	88.44%	446.43
b)	**Subsidiaries**				
	Indian				
	Diffusion Super-Conditioning Services Pvt. Ltd.	0.28%	10.15	-0.42%	(2.14)
	Nowelco Industries Pvt. Ltd.	0.17%	6.35	0.79%	3.97
	Diffusion Hernon Adhesive & Sealant Pvt. Ltd.	0.05%	1.80	0.01%	0.06
	Foreign				
	Diffusion Engineers Singapore Pte. Ltd.	1.79%	65.85	11.59%	58.49
	Diffusion Wear Solutions Philippines Inc.	3.03%	111.46	6.72%	33.90
	Diffusion Eurasia Mühendislik Sanayi Ve Ticaret Anonim Sirketi	-0.12%	(4.40)	-0.28%	(1.40)
	Diffusion Wear Solutions Middle East for Welding Wire Rods Electrodes and Similar Products Manufacturing LLC — S.P.C	-0.30%	(10.89)	-2.08%	(10.47)
	Adjustments arising out of consolidation	0.69%	25.33	-4.77%	(24.07)
Total		**100%**	**3,676.26**	**100%**	**504.77**

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 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 42 RATIO ANALYSIS

Sr No.	Ratio Analysis	Numerator	Denominator	Mar 31, 26	Mar 31, 25	% Variance	Reason for variance
1	Current Ratio	Current Assets	Current Liabilities	3.28	4.38	-25.03%	Variance is due to increase in cash and cash equivalents due to IPO which are yet to be utilised
2	Debt Equity Ratio	Total borrowings	Shareholder's Equity	0.07	0.06	12.29%	-
3	Debt Service Coverage Ratio	Earnings available for debt service	Debt Service	43.38	29.37	47.73%	Variance due to increase in profits
4	Return on Equity Ratio	Profit After Tax	Avg. Shareholders Equity	13.03%	12.88%	1.13%	-
5	Inventory Turnover Ratio	Net Sales	Average Inventory	5.73	5.44	5.32%	-
6	Trade Receivables Turnover Ratio	Net Credit Sales	Average Trade Receivables	3.82	4.55	-16.08%	-
7	Trade Payables Turnover Ratio	Total Purchases	Average Trade Payables	6.34	6.68	-4.99%	-
8	Net Capital Turnover Ratio	Net Sales	Average Working Capital	1.78	2.29	-22.17%	-
9	Net Profit Ratio	Profit After Tax	Net Sales	12.59%	10.48%	20.12%	-
10	Return on Capital employed	EBIT	Capital Employed	16.27%	15.93%	2.11%	-
11	Return on Investment	Profit After Tax	Shareholder's Equity	12.42%	9.73%	27.63%	Variance due to increase in profits

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

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 43 SHARE-BASED PAYMENT ARRANGEMENTS

43.1 Employee Stock Option Plan (ESOP)

The shareholders of the Company, by way of Postal Ballot through remote e-voting concluded on June 29, 2025, approved the creation, offer, issue, grant and allotment of up to 7,00,000 (Seven Lakh) Employee Stock Options ("Options") to eligible employees of the Company and its subsidiaries under the Diffusion Engineers Limited - Employee Stock Option Scheme 2025, and further approved the secondary acquisition of equity shares through an employee welfare trust, namely "Diffusion ESOP Trust" ("Trust"), including the grant of a loan to the irrevocable Trust to enable it to acquire equity shares of the Company by way of secondary acquisition for implementation of the said Scheme.

The Company has instituted an Employee Stock Option Plan ("ESOP Scheme") for eligible employees of the Company through Diffusion ESOP Trust . Under the scheme, the Company granted 3,00,000 employee stock options during the year, of which 1,00,000 options were accepted by eligible employees, at an exercise price of ₹ 325 per equity share.

The options granted under the scheme vest in four tranches of 25% each, subject to satisfaction of applicable vesting conditions. The vesting schedule set out in the valuation report provides for vesting on December 27, 2026, December 27, 2027, December 27, 2028 and December 27, 2029 for Vest 1, Vest 2, Vest 3 and Vest 4 respectively, and vested options are exercisable within a maximum period of four years from the respective vesting date, or such shorter period as may be prescribed by the competent committee at the time of grant.

The option grantee does not have any right to receive dividend, vote or otherwise enjoy the benefits of a shareholder in respect of the options granted until the underlying equity shares are issued or transferred upon exercise of such options.

43.2 Basis of measurement and valuation

The fair value of options granted under the ESOP Scheme has been determined on the grant/valuation date using the Black-Scholes-Merton option pricing model, as certified by an independent registered valuer. The valuation report states that the model considered key inputs such as spot price, exercise price, expected life of the option, expected volatility, risk-free interest rate and expected dividend yield.

The valuation report records the tranche-wise fair value per option as ₹ 99.73 for Vest 1, ₹ 116.93 for Vest 2, ₹ 132.30 for Vest 3 and ₹ 146.80 for Vest 4 as at December 26, 2025.

43.3 Significant terms of grant

Particulars	Terms
Options granted during the year	3,00,000
Options accepted during the year	1,00,000
Exercise price	₹ 325 per option/share
Minimum vesting period	1 year
Maximum vesting period	4 years from date of grant
Exercise period	Maximum 4 years from each vesting date
Lock-in	No lock-in on shares arising on exercise
Rights before exercise	No dividend or voting rights until issue/transfer of shares
Restriction on transfer	Options cannot be pledged, hypothecated, mortgaged or otherwise alienated

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

43.4 Reconciliation of options outstanding

Particulars	Number of options
Outstanding at the beginning of the year	Nil
Granted during the year	3,00,000
Accepted during the year	1,00,000
Forfeited / lapsed during the year	Nil
Exercised during the year	Nil
Outstanding at the end of the year	1,00,000
Exercisable at the end of the year	Nil

43.5 Vesting pattern and fair value per tranche

Tranche	Vesting schedule	Portion of grant	Fair value per option (₹)
Vest 1	Dec 27, 2026	25%	99.73
Vest 2	Dec 27, 2027	25%	116.93
Vest 3	Dec 27, 2028	25%	132.3
Vest 4	Dec 27, 2029	25%	146.8

43.6 Employee Stock Options Reserve

Movement in Employee Stock Options Reserve is as under:

Particulars	₹ in Mn
Opening balance	Nil
Add: Employee compensation expense recognised during the year	1.5
Less: Reversal on account of forfeiture / lapse	Nil
Less: Transferred on exercise of options	Nil
Closing balance	**1.5**

The Employee Stock Options Reserve represents the cumulative employee compensation expense recognised in respect of equity-settled stock options outstanding as at the reporting date, net of reversals on forfeiture or lapse and transfers on exercise, where applicable.

Brief description of transactions in shares by Trust

Particulars	₹ in Mn	No of Shares	% of Equity Shares
Opening balance	Nil	Nil	
Purchased during the year	90	3,00,000	0.80%
Less: Reversal on account of forfeiture / lapse	Nil	Nil	
Less: Transferred on exercise of options	Nil	Nil	
Closing balance	**90**	**3,00,000**	**0.80%**

43.7 Employee Benefit Expense recognised

The Company has recognised employee compensation expense in respect of the ESOP Scheme in the Statement of Profit and Loss over the requisite vesting period based on the grant date fair value of the options. The amount recognised during the year is presented under employee benefits expense and the corresponding credit is recognised in Employee Stock Options Reserve under Other Equity.

Particulars	₹ in Mn
Employee compensation expense for the year	1.5

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

43.8 Presentation under equity

For the purpose of presentation in the Balance Sheet, the Employee Stock Options Reserve is disclosed under Other Equity as a separate component of equity. A suitable extract of Other Equity is as follows:

Particulars	₹ in Mn
Retained Earnings	2,284.86
Securities Premium	1,339.03
Capital Reserve	15.92
General Reserve	115.66
Capital Investment Subsidy	0.08
Currency translation reserve	8.84
Equity instruments through other comprehensive income/ESOP	1.54
Shares Held as Trust	-89.66
Total	3,676.26

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 Engineers Singapore Pte Ltd to Diffusion Engineers Limited have been recognized as income in standalone financial statement of Diffusion Engineers Limited for FY 2025-2026. 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:

(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).

Notes forming part of the Consolidated financial statements

for the period ended March 31, 2026

(All amounts in rupees Million, unless otherwise stated)

NOTE 46

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 : Nagpur
UDIN-26111592DHYEMK2202
Date : May 16, 2026

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

PRASHANT N GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : May 16, 2026

NITIN N GARG
Director
DIN :- 08558736
Place : Nagpur
Date : May 16, 2026

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : May 16, 2026

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : May 16, 2026

DIFFUSION
Innovative superconditioning solutions

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