

This is a public announcement for information purposes only and is not a prospectus announcement and does not constitute an invitation or offer to acquire, purchase or subscribe to securities. Not for release, publication or distribution directly or indirectly, outside India. Initial public offer of Equity Shares (as defined below) on the main board of BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), and together with BSE, the "Stock Exchanges") in compliance with Chapter II of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations").



Innovative superconditioning solutions

DIFFUSION ENGINEERS LIMITED

Our Company was incorporated under the provisions of the Companies Act, 1956 with the name "Diffusion Engineers Private Limited" pursuant to certificate of incorporation dated November 05, 1982 issued by Registrar of Companies, Maharashtra. Further, pursuant to resolutions passed by our Board of Directors at its meeting held on May 06, 1995 and by our Shareholders at the extra-ordinary general meeting held on May 17, 1995, our Company was converted into a public limited company. Consequently, our name was changed to "Diffusion Engineers Limited" and a fresh Certificate of Incorporation dated July 03, 1995, was issued by the Registrar of Companies, Karnataka at Bangalore. For details in relation to the change in our Registered Office of our Company, see "History and Certain Corporate Matters" beginning on page 276 of the red herring prospectus dated September 20, 2024 filed with the ROC ("RHP" or "Red Herring Prospectus").

Registered Office: T-5 & T-6, Nagpur Industrial Area, MIDC, Hingna, Nagpur - 440016 Maharashtra. Telephone: +91 9158317343. Contact Person: Chitra Rajesh Jaiswal, Company Secretary and Compliance Officer; E-mail: cs@diffusionengineers.com; Website: www.diffusionengineers.com

Corporate Identity Number: U69999MH2008PLC124154



(Please scan the QR code to view the RHP)

PROMOTERS OF THE COMPANY: PRASHANT GARG, DR. NITIN GARG AND CHITRA GARG

INITIAL PUBLIC OFFER OF UP TO 9,405,000 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF DIFFUSION ENGINEERS LIMITED ("COMPANY OR "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) ("ISSUE PRICE") AGGREGATING UP TO ₹ [●] MILLION ("ISSUE").

THIS ISSUE INCLUDES A RESERVATION OF UP TO 50,000 EQUITY SHARES (CONSTITUTING UP TO [●]% OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL) FOR PURCHASE BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET ISSUE". THE ISSUE AND THE NET ISSUE WOULD CONSTITUTE [●]% AND [●]%, RESPECTIVELY, OF OUR POST-ISSUE PAID-UP EQUITY SHARE CAPITAL. OUR COMPANY, IN CONSULTATION WITH THE BRLM, MAY OFFER A DISCOUNT OF UP TO 5% TO THE ISSUE PRICE TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION ("EMPLOYEE DISCOUNT"). THE ISSUE AND THE NET ISSUE CONSTITUTED [●]% AND [●]%, RESPECTIVELY OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

We are engaged in the business of manufacturing welding consumables, wear plates, wear parts and heavy engineering equipments.

The Issue is being made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations.

QIB Portion: Not more than 50% of the Net Issue | Non-Institutional Portion: Not less than 15% of the Net Issue | Retail Portion: Not less than 35% of the Net Issue

Employee Reservation Portion: Up to 50,000 Equity Shares of face value of ₹10 each aggregating up to ₹[●] million

PRICE BAND: ₹159 TO ₹168 PER EQUITY SHARE OF FACE VALUE OF ₹10 EACH

THE FLOOR PRICE IS 15.9 TIMES THE FACE VALUE OF THE EQUITY SHARES AND THE CAP PRICE IS 16.8 TIMES THE FACE VALUE OF THE EQUITY SHARES
THE PRICE/EARNINGS RATIO BASED ON DILUTED EPS FOR FY 2024 FOR THE COMPANY AT THE UPPER END OF THE PRICE BAND IS AS HIGH AS 15.35 TIMES
AND AT THE LOWER END OF THE PRICE BAND IS 14.53 TIMES AS COMPARED TO THE AVERAGE INDUSTRY PEER GROUP P/E RATIO OF 32.45 TIMES.

BIDS CAN BE MADE FOR A MINIMUM OF 88 EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH

AND IN MULTIPLES OF 88 EQUITY SHARES OF FACE VALUE OF ₹10 EACH THEREAFTER

A DISCOUNT OF ₹8.00 PER EQUITY SHARES IS BEING OFFERED TO ELIGIBLE EMPLOYEES BIDDING IN THE EMPLOYEE RESERVATION PORTION

In accordance with the recommendation of Independent Directors of our Company, pursuant to their resolution dated September 20, 2024, the above provided price band is justified based on quantitative factors/ KPIs disclosed in the "Basis for Issue Price" section on page 181 of the RHP vis-a-vis the weighted average cost of acquisition ("WACA") of primary and secondary transaction(s), as applicable, disclosed in the "Basis for Issue Price" section on page 181 of the RHP and provided below in the advertisement.

IN MAKING AN INVESTMENT DECISION AND PURCHASE IN THE ISSUE, POTENTIAL INVESTORS MUST ONLY RELY ON THE INFORMATION INCLUDED IN THE RHP AND THE TERMS OF THE ISSUE, INCLUDING THE RISKS AND MERITS INVOLVED AND NOT RELY ON ANY OTHER EXTERNAL SOURCES OF INFORMATION ABOUT THE ISSUE AVAILABLE IN ANY MANNER.

In relation to the price band, potential investors should refer to this price band advertisement for the Issue and should not rely on any media articles / reports in relation to the valuation of the Company as these are not endorsed, published or confirmed either by the Company or by the BRLM.

RISK TO INVESTORS

(For details refer to section titled "Risk Factors" on page 38 of the RHP)

- 1. Dependence on domestic market for sales:** Our Company is highly dependent on domestic market for its sales and any downturn in it could dent our business operations. For the Fiscals 2024, 2023 and 2022, our revenue from domestic sales were ₹ 2,307.76 million, ₹ 2,146.40 million, and ₹ 1,795.84 million, respectively, representing 89.75%, 87.94% and 91.74%, respectively of our revenue from operations as per restated standalone financials.
- 2. Risk in relation to Objects of the Issue:** Our Company proposes to utilise ₹713.80 million for the Proposed Expansion and ₹303.85 million for the Proposed Facility to fund capital expenditure requirements which are subject to the risks of unexpected delays including in relation to receipt of approvals and implementation. If there are delays in setting up the Proposed Facility or Proposed Expansion or if the costs of setting up and the possible time or cost overruns related to them or the purchase of plant and machinery for the aforesaid Objects are higher than expected, it could have a material adverse effect on our financial condition business operations.
- 3. Risk related to sourcing of raw materials:** Our business and profitability is substantially dependent on the availability and cost of our raw materials and any disruption to the timely and adequate supply or volatility in the prices of raw materials may adversely impact our business operations. For the Fiscals 2024, 2023 and 2022, our total cost of raw materials were ₹ 1,502.92 million, ₹ 1,582.79 and ₹ 1,302.04 million, respectively, representing 58.45%, 64.85% and 66.51%, respectively of our standalone revenue from operation.
- 4. Risk relating to insufficient cash flows:** Our business is working capital intensive. Insufficient cash flows from our operations or inability to borrow to meet our working capital requirements may materially and adversely affect our business operations. As on July 31, 2024, our aggregated sanctioned working capital facilities was ₹700.00 million. We intend to utilize ₹220.00 million (as part of the Net Proceeds) towards funding our incremental working capital requirements in Fiscal 2025. For the Fiscals 2024, 2023 and 2022, our net working capital requirements stood at ₹927.85 million, ₹980.92 million and ₹ 603.86 million, respectively.
- 5. Risk related to absence of long-term arrangements with suppliers:** We do not have long-term agreements with our suppliers for raw materials and an inability to procure the desired quality, quantity of our raw materials in a timely manner and at reasonable costs, or at all, may have a negative impact on our business operations. Purchases of raw materials are concentrated from a few suppliers with our top 10 suppliers contributing of our revenue from operations on restated standalone financial statement for Fiscals 2024, 2023 and 2022 amounted to ₹ 869.11 million, ₹ 719.94 million and ₹ 603.03 million, respectively, representing 31.25%, 29.50% and 30.80%, respectively our revenue from operations as per restated standalone financials.
- 6. Risk related to leasehold property:** Our Units I, II and III admeasuring in aggregate approx. 16,038 sq. mtrs. from where we operate have been given to us on long term lease by MIDC. In the event we lose or are unable to renew such leasehold rights or we are unable to adhere to or comply with the conditions of such lease, our business operations may be adversely affected.
- 7. Risk related to approvals:** We are required to obtain several approvals, licenses, registrations and permits and comply with certain rules, regulations and conditions to operate our business, and failure to obtain, retain or renew such approvals and licenses in a timely manner or to comply with the requisite rules, regulations and conditions may adversely affect our business operations.
- 8. Negative cash flows from operating activities:** We have incurred negative cash flows from operating activities of ₹ (47.37) million in the Fiscal 2023 as per restated consolidated financials. Any negative cash flows in the future would adversely affect our business operations.
- 9. Concentration on manufacturing facilities:** Our business is dependent on four Manufacturing Facilities all of which are located in Nagpur, Maharashtra and therefore, any localized social unrest, natural disaster or breakdown of services or any other natural disaster in and around, Nagpur, Maharashtra or any disruption in production at, or shutdown of, all our manufacturing units could have material adverse effect on our business operations.
- 10. Dependence on the performance of certain other industries:** We are dependent on the following five industries for deriving a major portion of our revenues. The following table sets forth revenues generated from the sale of products on restated standalone financial statement from other industries, for the periods indicated:

End-use segment	Fiscal 2024		Fiscal 2023		Fiscal 2022	
	(₹)	(%)	(₹)	(%)	(₹)	(%)
Cement	942.59	36.66%	747.09	30.61%	719.13	36.74%
Engineering	357.93	13.92%	262.36	10.75%	145.50	7.43%
Power	188.02	7.31%	325.82	13.35%	291.76	14.90%
Steel	332.12	12.92%	291.19	11.93%	213.35	10.90%
Sugar	114.97	4.47%	104.00	4.26%	91.60	4.68%
Total	1,935.62	75.28%	1,730.46	70.90%	1,461.34	74.65%

- 11. Conflict of Interest with our Group Companies and Subsidiaries:** Conflict of interest may arise as some of our Group Companies and Subsidiaries are authorized to carry on similar line of business as our Company which may lead to real or potential conflicts of interest for our Promoters or Directors.

Continued on next page...

