



DIFFUSION ENGINEERS **LIMITED**

DIRECTORS REPORT **(FY 2022-23)**

CIN: U99999MH2000PLC124154
Registered Address: T-5 & 6, MIDC, Hingana Nagpur MH 440038 IN
Email : info@diffusionengineers.com
Contact: 091-7104-2328020

DIRECTORS REPORT

Dear Members,

Your Directors have immense pleasure in presenting the *Forty-First Annual Report* on the business and operation of the Company together with Audited Statement of Accounts for the financial year ended 31st March, 2023.

1. Financial Highlights

During the year under review, performance of your company is as under:

Particulars	(in Millions)	
	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Turnover	2440.74	1957.58
Profit/(Loss) before taxation	225.48	206.23
Less: Tax Expense	57.32	48.67
Profit/(Loss) after tax	168.16	157.56
Add: Balance B/F from the previous year	998.60	856.64
Balance Profit / (Loss) C/F to the next year	1155.70	998.60

The consolidated performance of the group as per consolidated financial statements is as under:

Particulars	(in Millions)	
	Year ended 31 st March, 2023	Year ended 31 st March, 2022
Turnover	2548.76	2045.89
Profit/(Loss) before taxation	286.60	219.75
Less: Tax Expense	65.15	49.29
Profit/(Loss) after tax	221.46	170.46
Add: Balance B/F from the previous year	1001.32	846.69
Balance Profit / (Loss) C/F to the next year	1211.89	1001.32

**Annexure-I & II for details

2. Dividend

During the Year, the board had declared and distributed an interim dividend of 10% & proposed final dividend of 30%, total dividend for 2022 - 2023 is 40%.

3. Amounts transferred to Reserves

The Board of the company has not transferred any amount to its reserves.

4. State of Company's Affairs & Future Outlook

Your company completes 40 glorious years of its existence, a long and successful journey begun by our Visionary Founder late Shri. N. K. Garg whose disciplined work culture & professional approach towards governance, principles of independence, transparency, accountability, responsibility, compliance, ethics and trust has been successfully adopted by the present management. We continue to uphold the value systems which have been the traditional hallmark of Diffusion Engineers Limited for over four decades.



During the financial year 2022-23, the company's turnover amounted to Rs. 2440.74 million against Rs. 1957.58 million during the preceding year. The company's net profit after interest/depreciation and tax amounted to Rs. 168.16 million against profit of Rs. 157.56 million during the preceding year. Your directors are hopeful that there will be considerable increase in turnover/profits in next financial year and there will be healthy growth. The subsidiary and associate companies have also improved their performance during the year.

5. Directors

As of March 31, 2023, your Company had 4 Directors, which includes 2 Independent Directors, 1 Non-Executive Non-Independent Director and 1 Managing Director.

In terms of the provisions of Section 152 and other applicable provisions, if any, of the Companies Act, 2013: -

Dr. Renuka Garg (DIN - 02815373) Director retires by rotation at the ensuing Annual General Meeting, and being eligible, offers herself for re - appointment.

6. Number of Board Meetings & Attendance

Five meetings were held during the Financial Year 2022 - 2023. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. Dates and attendance details of meetings as follows:-

Sr. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1	24.06.2022	4	4	100%
2	21.09.2022	4	4	100%
3	21.12.2022	4	4	100%
4	10.03.2023	4	4	100%
5	19.03.2023	4	4	100%

7. Audit Committee

The Audit Committee's role is to assist the Board in overseeing the governance function and responsibilities in relation to the Company's financial reporting process carried out by the Management, internal control system, risk management system and internal and external audit functions. The Audit Committee functions according to its charter/terms of reference that defines its composition, authority, responsibilities and reporting functions.

During the year under review, four (4) Meetings of the Audit Committee were held on the following date -

- 24th June, 2022
- 21st September, 2022
- 21st December, 2022
- 19th March, 2023

The Audit Committee consists of the following members -

1. Mr. Ajay Jain [Independent Director & Chairperson of the Committee]
2. Ms Anita Vijayakar [Independent Director]
3. Mr. Prashant Garg [Managing Director]



8. Corporate Social Responsibility Committee

The Corporate Social Responsibility ('CSR') Committee of the Board is constituted in accordance with the provisions of Section 135 of the Act. The CSR Committee has been entrusted with the specific responsibility of devising and implementing corporate social responsibility programs.

The CSR Committee comprised Three (3) Members out of which one (1) is an Independent Director. During the year under review, two (2) Meetings of the CSR Committee were held on the following date -

- 21st September, 2022
- 19th March, 2023

The members of the CSR Committee are as under -

1. Ms Anita Vijayakar [Independent Director & Chairman of Committee]
2. Dr. Renuka Garg [Director]
3. Mr. Prashant Garg [Managing Director]

9. NOMINATION & REMUNERATION COMMITTEE

The role of committee is to formulate Policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters as specified u/s 178 (3) of the Companies Act, 2013 have been followed by company.

The Nomination & Remuneration Committee consist of following directors as members -

1. Mr. Ajay Jain [Independent Director & Chairman of the Committee]
2. Ms Anita Vijayakar [Independent Director]
3. Dr. Renuka Garg [Director]

During the year under review, One (1) Meeting of the Nomination & Remuneration Committee was held on the following date -

- 21st September, 2022

10. Corporate Governance

The company has been following best of the Corporate Governance practices, the management strives to protect the interest of all stakeholders in most transparent and fair manner. The Board is balanced as regards the representation of suitable number of non - executive and independent directors who are taking care of the interests and well - being of all the stakeholders. Its decision making is objective. The Board has an effective mechanism to understand the concerns of stakeholder & it effectively and regularly monitors the functioning of the management team. The Board remains in effective control of the affairs of the company at all times.

11. Secretarial Standards:

The directors state that applicable Secretarial standards have been duly followed by the company.

12. Subsidiaries

As on 31st March 2023 company has 7 (seven) Subsidiary Companies (3 in India and 4 overseas) including Associates / Joint Venture.

Following are the list of Subsidiaries and Associates / Joint Venture :



- 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 Inc. (Philippines)
- vi. LSN Diffusion Limited (United Kingdom)
- vii. Mecdiff SD BHD (Malaysia)

13. Particulars of Loan, Guarantees and Investments under Section 186

The Company has not given any loans or provided additional corporate guarantees during the year under review. Details of loans, guarantees and investments covered under the provisions of Section 186 of the Act are given in the notes to the financial statements. The details of investments made during the year are as per **Annexure-III**

14. Particulars of Contracts or Arrangements with Related Parties

All the related party transactions entered into during the financial year were on arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of the Act. There are no transactions to be reported in **Form AOC-2**.

15. Deposits

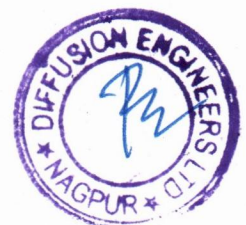
Company has not accepted/ renewed/ repaid any deposits during the financial year.

16. Statutory Auditors

The members of the company at the Extraordinary General Meeting held on 29th July 2023 appointed M/S PGS & Associates, Chartered Accountants (Firm Registration Number - 122384W) as Statutory Auditors of the Company to fill casual vacancy caused by the resignation of M/s. P R Bhuta & Co., Chartered Accountants (Firm Registration No. 101471W) to hold office till the conclusion of 41st Annual General Meeting and to conduct Statutory Audit for the period ended 31st March, 2023

M/S PGS & Associates has consented to act as statutory auditor of Company till the conclusion of 46th Annual General Meeting pursuant to section 139 of the Companies Act, 2013 and rules made thereunder. The Company has received a certificate from M/S PGS & Associates, Chartered Accountants (Firm Registration Number - 122384W) that, they satisfy the criteria provided in Section 141 of the Companies Act, 2013 and relevant rules therein for being reappointed as the Auditors of the Company. The Board of Directors recommend to the members to approve their reappointment as proposed in the notice of the Annual General Meeting.

Further, the report of Statutory Auditors along with notes to Financial Statement is enclosed to this report. The observations made in the Auditors' Report are self-explanatory and therefore, in the opinion of the Directors, do not call for further comments. The Auditor's Report does not contain any qualification, reservation, adverse remark or disclaimer.



17. Secretarial Audit

Pursuant to provision of section 204 of Companies Act, 2013 read with rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Board of directors in its meeting held on 19th July 2023, appointed Mr. Madhav Kawde, Practicing Company Secretary (CP No. 1892) as Secretarial Auditor to conduct the secretarial audit of the company for the financial year 2022 - 2023. The secretarial audit report in Form No. MR-3 is annexed to this report. The observations made in the Secretarial Audit Report are self-explanatory and therefore, in the opinion of the Directors, do not call for further comments. The Secretarial Audit Report does not contain any qualification, reservation, adverse remark or disclaimer.

18. Cost Audit Records

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

19. Cost Auditors and Cost Audit Report

As per Section 148 of the Act, 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 2023 - 2024 under Section 148 and all other applicable provisions of the Act 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 provision to 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 AGM.

20. Risk Management Policy

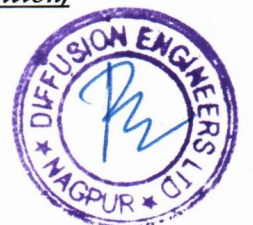
The company has been constantly assessing various risk factors and it has adequate risk review system with respect to following areas:

Plant Operations: - Various Plants of the company are running at its optimal capacity. It is paying special attention to Industrial safety and training; company has insured all its plants adequately.

Financial Risk: - The Company has been managing its financial and other resources very effectively; Credit period offered to customers is effectively monitored, with optimal utilization of internal accruals the financial cost is very minimum in comparison with other companies operating in the same field. It also pays more attention to Foreign Exchange Earning and Expenses.

Protection of IPR & Legal diligence: -Constant evaluation of Intellectual Property Rights related issues and Contractual obligations with Jurisdictional issue are diligently observed.

21. Disclosures under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013



There are no cases reported during the year under review. Ms. Anita Vijayakar (DIN - 01190200) an Independent Director is a Chairperson of the committee along with various women staff members both from plants and office.

22. Conservation of Energy, Technology, Absorption, Foreign Exchange Earnings and Outgo

Details is as per Annexure-IV

23. Corporate Social Responsibility (CSR) Policy

Composition of CSR committee, the details about implementation of various programmes are provided as per the prescribed format under Companies (Corporate Social Responsibility Policy) Rules, 2014, is as per Annexure-V

24. Extract of Annual Return

Pursuant to Section 92(3) read with Section 134 (3) (a) of the Act and Rule 12 of the Companies (Management and Administration), Rules 2014 the Annual Return in Form MGT - 7 as on March 31, 2023 is available on the Company's website at www.diffusionengineers.com

25. Formal Annual Evaluation of the performance of the Board, its committees & of Individual Directors:

The Board evaluated its performance as a whole and was satisfied with its performance and composition of Independent and Non-Independent Directors. The Board have adequate expertise drawn from diverse industries and business and bring specific competencies relevant to the Company's business and operations. Performance of all the Directors was quite satisfactory.

The term of reference and composition of the Committees is clearly defined. The Committee performed their duties diligently and contributed effectively to the decisions of the Board.

26. Material Changes and Commitments:

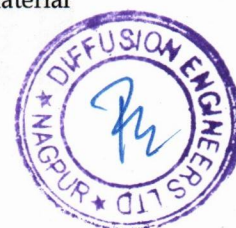
There have been no material changes and commitments, which affect the financial position of the company which have occurred between the end of the financial year to which the financial statements relate and the date of this Report.

27. Details of Significant and Material Orders Passed by the Regulators, Courts and Tribunals:

No significant and material order has been passed by the regulators, courts, tribunals impacting the going concern status and Company's operations in future.

28. Internal Financial Control:

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation was observed.



29. Statement on Declaration from Independent Directors:

The Company has received necessary declarations from all Independent Directors of the Company in accordance with the provisions of Section 149(7) of the Companies Act, 2013 confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013.

30. PROCEEDINGS PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016:

No application has been made or any proceeding is pending under the IBC, 2016.

31. Difference in Valuation:

The company has never made any one-time settlement against the loans obtained from Banks and Financial Institution and hence this clause is not applicable.

32. Directors Responsibility Statement

In accordance with the provisions of Section 134 (5) of the Companies Act 2013, your directors confirm that:

- a) in the preparation of the annual accounts for the financial year ended 31st March, 2023, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the directors had 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 as at 31st March, 2023 and of the profit /loss of the Company for that period;
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

33. Acknowledgment

Your Directors place on record their gratitude to government authorities, Bankers and all stakeholders for the assistance, co - operation and encouragement they extended to the Company. Your directors also wish to place on records their sincere thanks and appreciation to Employees at all levels for continuing support and unstinting efforts in ensuring an excellent all-around operational performance.



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

FOR DIFFUSION ENGINEERS LTD.


PRASHANT GARG
MANAGING DIRECTOR

Place : Nagpur
Date : 17-08-2023

PRASHANT GARG
(DIN - 00049106)
Chairman & Managing Director
3, Chaitriya, Pawanbhumi
Somalwada, Nagpur - 440 025

Annexure I
(Point 1 of Director's Report)

(Rs. in Million)

CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2023								
Sr No	PARTICULARS	Diffusion Engineers Limited	Nowelco Industries Pvt Ltd	Diffusion HERNON Adhesive & Sealant Pvt Ltd	Diffusion Super-Conditioning Service Pvt Ltd	Diffusion Engineers Singapore & Associates	Inter Company Deduction	TOTAL
1	Turnover	2440.74	112.955	2.017	52.541	151.698	-211.191	2548.76
2	Profit & (Loss) Before Tax	225.48	-0.649	0.271	0.909	29.5508	31.03	286.60
3	Less:- Tax Expenses	57.32	-0.051	0.074	0.273	7.533	0.001	65.15
4	Profit & (Loss) After Tax	168.16	-0.598	0.196	0.637	22.0174	31.04	221.46
5	Add :- Balance Bf From The Previous Year	998.60	-7.721	0.961	6.799	24.77809	-22.09	1001.32
6	Balance Profit/(Loss) C/F To The Next Year	1155.70	-8.319	1.158	7.436	46.79549	9.11	1211.89



Annexure II

(Amount. In Million)

CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2022								
Sr No	PARTICULARS	Diffusion Engineers Limited	Nowelco Industries Pvt Ltd	Diffusion Hernon Adhesive & Sealant Pvt Ltd	Diffusion Super- Conditioning Service Pvt Ltd	Diffusion Engineers Singapore & Associates	Inter Company Deduction	TOTAL
1	Turnover	1957.58	85.006	1.901	13.994	84.259	-96.85	2045.89
2	Profit & (Loss) Before Tax	206.23	0.526	0.444	0.279	3.5788	8.69	219.75
3	Less:- Tax Expenses	48.67	-0.064	0.116	0.063	0.511	-0.006	49.29
4	Profit & (Loss) After Tax	157.56	0.59	0.328	0.216	3.246	8.52	170.46
5	Add :- Balance Bf From The Previous Year	856.64	-8.311	0.634	6.583	21.5	-29.088	846.69
6	Balance Profit/(Loss) C/F To The Next Year	998.60	-7.721	0.961	0.216	24.77809	-15.514	1001.32

Annexure III

(Point 13 of Director's Report)

Details of Investment & Loan Given to Subsidiaries			
Sr. No.	Particulars	Amount in Millions	
1	Trade Investments (In Equity Shares of Subsidiaries)	For the year ended 31 st March, 2023	For the year ended 31 st March, 2022
	Diffusion Super - Conditioning Services Pvt. Ltd.	3.30	3.30
	Diffusion Engineers Singapore Pte. Ltd.	15.44	15.44
	Diffusion Hernon Adhesive And Sealant Pvt. Ltd.	0.95	0.95
	Nowelco Industries Pvt. Ltd	6.67	6.67
	Total	26.36	26.36



Annexure IV
(Point 21 of Director's Report)

a) Conservation of Energy

Steps taken for conservation	<p>The conservation of energy in all the possible areas is undertaken as an important means of achieving cost reduction. Savings in electricity, fuel and power consumption receive due attention of the management on a continuous basis.</p> <p>The company is also slowly and steadily moving away from Thyristor based welding machines to Inverter Based Welding machines. It has also adopted the use of LED Lights in place of Incandescent Luminours.</p> <p>The installed Captive Power Solar Plant has been operating efficiently and giving good returns to Company.</p>
Steps taken for utilizing alternate sources of energy	15% of the aggregate power consumption of the Company is met by Solar Power.
Capital investment on energy conservation equipment	-

b) Technology Absorption

Efforts made for technology absorption	New technology is constantly used for improving production / process in its main products and services.
Benefits derived	The adoption of new techniques has helped us to remain competitive and offset increase in other costs such as electricity, transportation and remuneration.
Expenditure on Research & Development, if any	-
Details of technology imported, if any	Most of the technology imported previously
Year of import	Prior Years
Whether imported technology fully absorbed	-
Areas where absorption of imported technology has not taken place, if any	-

c) Research and Development:

Research and development are very important because of the nature of the industry and your company has given it prime importance. We have recruited a specialist who is very experienced in the field of repair and maintenance for strengthening our team further. Our collaboration with universities has increased to make use of their facilities and get research assistance. We are planning to establish a separate R&D wing in our premises for focusing more on R&D. Your company has also received DSIR - Department of Scientific and Industrial Research Certificate.

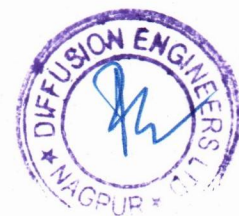


d) Exports:

Growth in Export is consistent and improving every year.

e) **Foreign Exchange Earning and outgo:**

Foreign Exchange Earning	Rs. 294.335/- Million
Foreign Exchange outgo	Rs. 279.348/- Million



Annexure V
(Point 22 of Director's Report)

Corporate Social Responsibility (CSR)
[Pursuant to clause (o) of sub - section (3) of section 134 of the Act and Rule 9 of the
Companies (Corporate Social Responsibility) Rules, 2014]

Areas identified for CSR activities:

1. Health & Sanitation
2. Preserving Environment & Water Harvesting
3. Education / Skill Development
4. Provision of Basic Needs

Financial Period 2022 - 2023

1. PRESERVING ENVIRONMENT:

The Company contributed to CSR for the Maintenance of the Pawanbhoomi ground cum park. The company also made contribution towards Plantation at Kalmeshwar. Developing of the land for plantation was done extensively, by depositing of murum for levelling ground, laying pipelines and installing drainages which will also be useful for water conservation. Plantation of 1500 + plants including oxygen generating (Banyan, Neem, Arjuna, Ashoka, Bel, Date palm etc.), fruit plants (Badam, Jamun, Mango etc.) and flowering trees (Spatodia, Bahunia, Gulmohar etc) was undertaken which will be helpful for increasing the green cover of surrounding areas as this area is fairly barren being an upcoming industrial area. This will also be helpful in increasing and sustaining birdlife. Some ornamental plants and lawn were also planted.

2. MEDICAL FUND:

1.Chichbhavan Village Medical Services -Kalmeshwar

We have got the permission from CDPO to use the Aganwadi Chichbhavan for the services. We have commenced the medical services for Chichbhavan and surrounding 5 villages with permission from Government Health Department. Nagpur. We have designated Dr. Mayur Nipane (B.A.M.S & D.Y.N.S) for the program. Dr. Nipane visits and provide medical consultancy twice a week i.e., on Wednesday & Saturday. Diffusion Engineers Ltd pays consultancy charges to Dr. Nipane. Diffusion Engineers Ltd also provides basic and emergency medication to patients. In case of requirement for specialists, Dr. Nipane will refer the same. We have provided Dr. Nipane with an Assistant to assist in the service and spreading knowledge about the services in Chichbhavan and nearby villages. Project is progressing well and going on with great success with average of 15 to 25 patients per session. Medicines as per requirement are also provided to the patients which saves them a trip to the nearest primary health centre.

2.Cataract/ Eye Surgery:

Company contributed towards eye surgery performed for one patient at Dr. K. G. Deshpande Memorial Centre, Ram Nagar.



3. SKILL DEVELOPMENT

General Duty Assistant Course of 3 months duration from November 2022 to January 2023 was sponsored by Diffusion Engineers Limited under National Skill Development Corporation. This is a skill in healthcare which trains students to handle patients in hospitals as well as at home. Diffusion Engineers Limited saw it as need of the hour as many patients / seniors need medical help at home. The batch was of 30 students, they passed their exams conducted by IB4 on the same pattern as Skill India as NSDC and MSSDS have temporarily suspended assessment and certification post Covid. Most 3rd Party assessment agencies have shut shop post covid. Therefore, they were given combined provisional certificates by Diffusion Engineers Limited, IB4 Consultants & Amina Gramin Vikas Sanstha. They will be given Skill India Certificates as soon as NSDC starts issuing them. The students have undergone internship in various hospitals, clinics and some have been placed in hospitals, clinics while some are doing home patients and rest are pursuing higher nursing courses. The Course was co-ordinated through IB4 Consultants at Mother Teresa Nursing Institute under Amina Gramin Vikas Sanstha. Koradi.

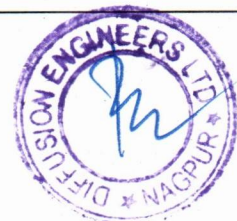
4. EDUCATION

Diffusion Engineers Limited announced N.K. Garg Scholarship Program for students of B.E / B. Tech - 1st Year / 2nd Year Mechanical Engineering / Metallurgy / Industrial Engineering or equivalent course for Academic Session 2022-23 onwards. The Scholarship covers college fees, guidance and internship programs at Diffusion Engineers Limited, Hingna / Kalmeshwar Plants. The Scholarship amount is Rs. 50,000/- per student per year till completion of graduation provided he/she scores above 65% every year. N.K.Garg Scholarship was given to 6 students of Shri Ramdeobaba College Of Engineering & Management, Nagpur & 4 students of Visvesvaraya National Institute of Technology, Nagpur based on performance (merit) and economic background (need) after due screening by Diffusion Engineers Ltd interview panel physically in first round and home visits in second round to ensure validity of details shared by the candidates.



Manner in which the amount spent during the financial year is detailed below.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (in Million)	Amount spent on the projects or programs Sub - heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period (in Million)	Amount spent: Direct or through implementing agency*
1	Preserving Environment Sustainability	Environment	Pawanbhoomi, Nagpur Maharashtra	0.15	-	0.15	Ground cum park Maintenance
2	Preserving Environment Sustainability	Environment	City: Kalmeshwar Nagpur State Maharashtra	2.1	-	2.1	Garden Maintenance in Kalmeshwar
3	Promoting Health & Sanitation	Health	Village - Chichbhavan Taluka-Kalmeshwar City- Nagpur State- Maharashtra	0.18	-	0.18	a) Medical Services b) Medical Consultancy from specialists c) Emergency medication d) Promotion of above services amongst people to take benefit of the said services e) Providing Medicines
4	Promoting Health & Sanitation	Health - Operation at Dr. K. G. Deshpande Memorial Centre	City- Ram Nagar Nagpur State Maharashtra	0.03	-	0.03	Donation to perform eye surgery of a patient
5	Education/ Skill Development	Education - Skill Development Course co-ordinated through IB4 Consultants at Mother Teresa Nursing Institute under Amina Gramin Vikas Sanstha.	City Nagpur State Maharashtra	0.45	-	0.45	General Duty Assistant Course of 3 months duration from November 2022 to January 2023 was sponsored by Diffusion Engineers Limited under National Skill Development Corporation. This is a skill in Healthcare which trains students to handle patients in hospitals as well as at home.
6	Education/ Skill Development	Education - N.K.Garg Scholarship Distribution	City Nagpur State Maharashtra	0.5	-	0.5	The Scholarship was given to 10 students covering the college fees, guidance and internship programs at Diffusion Engineers Limited, Hingna / Kalmeshwar Plants.
	TOTAL			3.40 Million		3.40 Million	Actual : Rs. 34,01,779 /- Scheduled : Rs. 30,43,379 /-



ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES / INITIATIVES
[Pursuant to Section 135 of the Companies Act, 2013 & Rules made thereunder]

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

In line with the provisions of the Companies Act, 2013, the Company has framed its CSR policy towards Health & Sanitation, Preserving Environment & Water Harvesting, Education / Skill Development, Provision of Basic Needs etc. and the same has been approved by the CSR Committee of the Board. The Company gives preference to the local area and areas around the Company for spending the amount earmarked for CSR activities. CSR activities of the Company are aligned with the activities specified in Schedule VII of the Companies Act, 2013.

2. **The composition of the CSR Committee as on 31st March, 2023 is as under:**

Sr .N o.	Name	Nature of Directorship	Designation in Committee	Number of Meetings of CSR Committee Held During the Year	Number of meetings of CSR Committee attended during the year
1	Ms Anita Vijayakar	Independent Director	Chairman	2	2
2	Dr. Renuka Garg	Director	Member	2	2
3	Mr. Prashant Garg	Managing Director	Member	2	2

3. **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

4. **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 (attach the report) :**

Not Applicable - as the Company does not have an average CSR obligation of 10 Crores or more in the three immediately preceding financial years.

5. **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:	Two percent of average net profit of the company as per section 135(5)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years	Amount required to be set off for the financial year, if any	Total CSR obligation for the financial year (7b+7c-7d).
Rs. 15,21,68,953	Rs. 30,43,379	-	-	Rs. 30,43,379

6. a)

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).
Rs. 34,01,779	-	-	Rs. 34,01,779

e) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year. (in `)	Amount Unspent (in Rs.)				
	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.
Rs. 34,01,779	-	-	-	-	-

f) Excess amount for set-off, if any::

Sl. No	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	Rs. 30,43,379
(ii)	Total amount spent for the Financial Year	Rs. 34,01,779
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	Rs. 3,58,400



(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)]	Rs. 3,58,400

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 (in `)	Amount spent in the current financial year (in `)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in `)	Mode of Implementation Direct (Yes/No)	Mode of Implementation Through Implementing Agency.
				STATE	DISTRICT					Name CSR Registration number
---- Not Applicable ----										

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

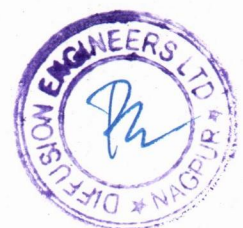
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sr. No	Name of project	Item from the list of activities in schedule VII to the Act.	Local area (Yes / No)	Location of the project	Amount spent for the project (in lakhs `)	Mode of implementation Direct (Yes/No)	Mode of implementation - Through implementing agency.
				State	District		Name CSR Registration number
1.	Ground cum park Maintenance		Yes	Maharashtra	Nagpur	22.50	Yes Not Applicable Not Applicable
2.	a) Medical Services b) Medical		Yes	Maharashtra	Nagpur	1.79	Yes Not Applicable Not Applicable



	Consultancy from specialists c) Emergency medication d) Promotion of above services amongst people to take benefit of the said services e) Providing Medicines								
3	Donation to perform eye surgery of a patient		Yes	Maharashtra	Nagpur	0.28	Yes	Not Applicable	Not Applicable
4	Education - Skill Development Course co-ordinated through IB4 Consultants at Mother Teresa Nursing Institute under Amina Gramin Vikas Sanstha.		Yes	Maharashtra	Nagpur	4.46	Yes	Not Applicable	Not Applicable
5	N.K.Garg Scholarship Distribution		Yes	Maharashtra	Nagpur	5	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) (in `)	Balance Amount in Unspent CSR Account under subsection (6) of section 135 (in Rs.)	Amount Spent in the Financial Year (in Rs)	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 (in `)	Deficiency, if any
					Name of the Fund	Amount (in `)	Date of transfer		
1	FY-1	-	-	-	-	-	-	-	
2	FY-2	-	-	-	-	-	-	-	
3	FY-3	-	-	-	-	-	-	-	



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

No

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

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

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

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

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

For and on behalf of
Diffusion Engineers Limited

FOR DIFFUSION ENGINEERS LTD.


PRASHANT GARG
MANAGING DIRECTOR

PRASHANT GARG
(DIN - 00049106)
Managing Director
3, Chaitriya, Pawanbhumi
Somalwada, Nagpur - 440025

Place : Nagpur

Date : 17.08.2023

Madhav Kawde

Company Secretary

Office No. 614, 7th Floor, Central Facility Building,

A.P.M.C Fruit Market Complex, Sector – 19,

Vashi Turbhe, Navi Mumbai – 400 705

Tel: 022 – 49747847; Cell: 9820316292

Email: csmadhavkawde@gmail.com / madhavkawde@rediffmail.com

Form No. MR – 3

SECRETARIAL AUDIT REPORT

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

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023

To

The members,

DIFFUSION ENGINEERS LIMITED

(CIN – U99999MH2000PLC124154)

T-5 & 6, MIDC, Hingana, Nagpur – 440 038

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **DIFFUSION ENGINEERS LIMITED** (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 **31st March 2023** 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 Company for the financial year ended on 31st March 2023 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, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (Not applicable to the Company during the Audit Period);
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (Not applicable to the Company during the Audit Period);
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not applicable to the Company during the Audit Period);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not applicable to the Company during the Audit Period);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (Not applicable to the Company during the Audit Period);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not applicable to the Company during the Audit Period); and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not applicable to the Company during the Audit Period).
- (vi) I further report that, having regard to the compliance system prevailing in the Company and on the examination of the relevant records in pursuance thereof, the Company has complied with the following laws applicable specifically to the Company:
 - a. The Air (Prevention and Control of Pollution) Act, 1981;
 - b. The Water (Prevention and Control of Pollution) Act, 1974;
 - c. The Factories Act, 1948;
 - d. The Employees State Insurance Corporation Act, 1948;
 - e. The Industries Development and Regulation Act, 1951; and
 - f. The Standards of Weights and Measures Act, 1976

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

- (i) Secretarial Standards I and II issued by The Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs and applicable with the effect from July 1, 2015

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

I further report that:

1. the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non – Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
3. All decisions at Board and Committee Meetings are carried unanimously as recorded in the minutes of the Meetings of the Board of Directors or Committee of the Board, as the case may be.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, there was no specific event/action having major bearing on affairs of the Company in pursuance of the above referred law, rules, regulations, guidelines, etc.

Place : Mumbai
Date : 17th August, 2023

MADHAV
K KAWDE

Signature:
Madhav Kawde
Practising Company Secretary
FCS No. 3251; C P No.: 1892
UDIN – F003251E000811718
PR No – 2317/2022

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 - U99999MH2000PLC124154)
T-5 & 6, MIDC, Hingana, Nagpur - 440 038

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.

Company vide its **Compliance letter dated 01st August, 2023** has confirmed the Compliance of other applicable laws, rules & regulations.

6. The Secretarial Audit report 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.

MADHAV
K KAWDE

Madhav Kawde
(Practicing Company Secretary)
FCS: 3251, CP No: 1892
UDIN - F003251E000811718
PR No - 2317/2022

Place : Mumbai
Date : 17th August, 2023

PGS & Associates

Chartered Accountants

301, Laxmi Krupa, 3rd Lokmanya Tilak Colony Road, Near Yogi Sabhagruh, Dadar (East), Mumbai 400014
Tele ✧ 24133171 ✧ 24182121 ✧ E-mail: premal@pgsca.in

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, 2023, and the Statement of Profit and Loss including the Statement of Other Comprehensive Income and the Cash Flow 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, 2023, 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.

Emphasis of Matter

Attention is invited to Note 43 and Note 43A regarding first financials of the Company prepared under Ind AS and the Company has availed certain exemptions as per Ind AS 101 relating to first time adoption of Indian Accounting Standards. The Company has provided the Ind AS transition effect as on 1st April, 2021 amounting to Rs. 18.51 million being fair value difference of Financial Assets being Investments in Retained Earnings.

Our Opinion is not modified in respect of above.

Key Audit Matters

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, 2023. 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.



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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 recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. During the year ended March 31, 2023, the Company has recognised revenue amounting to Rs. 2440.74 million. Terms of sales arrangements, including the timing of transfer of control, delivery specifications including incoterms in case of exports, timing of recognition of sales require significant judgment in determining revenues. The risk is, therefore, that revenue may not get recognised in the correct period. Therefore, there is a significant risk associated with timing of revenue recognition in accordance with terms of Ind AS 115 'Revenue from contracts with customers. Accordingly, due to the significant risk associated with revenue recognition in accordance with terms of Ind AS 115 'Revenue from contracts with customers', it has been determined to be a key audit matter in our audit of the Standalone Financial Statements.	<p>Our audit procedures included the following:</p> <p>Evaluated Company's revenue recognition policy and its compliance in terms of Ind AS 115 'Revenue from Contracts with Customers'.</p> <ul style="list-style-type: none">Assessed the design and tested the operating effectiveness of internal controls related to revenue recognition.Evaluated the general information and technology control environment and tested the operating effectiveness of key IT application controls over recognition of revenue.Tested samples of individual sales transaction and traced to sales invoices, sales orders, (received from customers) and other related documents. Further, in respect of the samples tested, reviewed recognition of revenue when the conditions for revenue recognitions are met.Selected sample of sales transactions made pre- and post-year-end, traced the period of revenue recognition to underlying documents.Performed procedures to identify any unusual trends of revenue recognition.Assessed the relevant disclosures made within the Standalone Financial Statements.

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



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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 these 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.



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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, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (herein after referred to as the "Order"), and on the basis of such checks and records of the Company as we consider appropriate and according to the information and explanations given to us, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid Financial Statement comply with the Accounting Standards referred to in section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Account) Rules 2015.
 - e) On the basis of written representations received from the directors as on March 31, 2023 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023, 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; and



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- g) 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, 2023, 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, 2023;
 - (iv) a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
c) Based on the audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clause (a) & (b) contain any material misstatement.
 - (v) The final dividend paid by the Company during the year in respect of that declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.
The interim dividend declared and paid by the Company during the year and until the date of this audit report is in accordance with section 123 of the Act.
As stated in Note No 26(xviii) 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.



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- (vi) Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For PGS & Associates

Chartered Accountants

Firm Registration No.: 0122384W

UDIN:23111592BGXFEO8359

PH Gandhi



Premal H Gandhi

Partner

Membership No. 111592

Place: Mumbai

Date: 17th August 2023

PGS & Associates

Chartered Accountants

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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, 2023,
 - (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 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.
- (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



PGS & Associates

Chartered Accountants

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- 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, 2023 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, GST, Custom Duty, Excise Duty, Service Tax or Value Added Tax that have not been deposited on account of any disputes, except as follows:
- (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.



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- (x) (a) The Company has not raised any money during the year by way of initial public offer/ further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company and hence not reported upon.
(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.
(c) The Company is not required to make and does not have Whistle Blower Policy. Accordingly, the requirement to report on clause 3(xi)(c) is not applicable to the Company.
- (xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the company, the transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the Financial Statements, as required by the applicable accounting standards.
- (xiv) (a) The Company has an internal audit system commensurate with the size and nature of its business.
(b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the requirement to report on clause 3(xvi) is not applicable to the Company.
- (xvii) The Company has not incurred cash losses in the current year and in the immediately preceding financial year.
- (xviii) There has been resignation of the statutory auditors during the year. Since the Company proposes to initiate the process of listing its securities on the stock market, the financials of the Company need to be audited by a Peer Reviewed Firm as mandated by the listing agreement as notified by SEBI. The erstwhile Auditors have resigned so as to comply with the above requirement of law.



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- (xix) On the basis of the financial ratios disclosed in No 26(xvii), to the standalone financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) (a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section 5 of section 135 of the Act.
- (b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act.

For PGS & Associates
Chartered Accountants
Firm Registration No.: 0122384W
UDIN: 23111592BGXFEO8359

PH Gandhi



Premal H Gandhi
Partner
Membership No. 111592
Place: Mumbai
Date: 17/08/2023

PGS & Associates

Chartered Accountants

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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, 2023 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, 2023, 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



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financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For PGS & Associates

Chartered Accountants

Firm Registration No.: 0122384W

UDIN: 23111592BGXFEO8359

Premal H Gandhi



Premal H Gandhi

Partner

Membership No. 111592

Place: Mumbai

Date: 17/08/2023

DIFFUSION ENGINEERS LTD
Standalone Balance sheet as at March 31, 2023

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
ASSETS				
(1) Non-current assets				
(a) Property, plant and equipment	3	605.73	582.76	554.43
(b) Capital work-in-progress	3 (a)	18.27	-	-
(c) Intangible assets	4	2.55	1.72	2.17
(d) Financial assets				
(i) Investments	5	212.34	239.42	182.07
(ii) Other financial assets	6	64.02	58.69	45.61
Total non-current assets		902.91	882.59	784.28
(2) Current Assets				
(a) Inventories	7	472.49	415.36	268.73
(b) Financial Assets				
(i) Trade receivables	8	730.17	477.98	410.61
(ii) Cash and cash equivalents	9	18.65	19.88	40.27
(iii) Other bank balances	10	0.03	5.05	0.01
(iv) Loans and advances	11	42.66	26.48	33.65
(v) Others financial assets	12	31.64	7.85	7.15
(c) Other current assets	13	40.63	21.01	18.04
Total current assets		1,336.26	973.61	778.45
Total Assets		2,239.18	1,856.20	1,562.72
EQUITY AND LIABILITIES				
Equity				
(a) Equity share capital	14	37.37	37.37	37.37
(b) Other equity	15	1,329.25	1,172.15	1,030.20
Total equity		1,366.62	1,209.52	1,067.57
Liabilities				
Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings	16	16.69	28.00	55.65
(ii) Other financial liabilities	17	2.85	1.51	2.09
(b) Deferred tax liabilities (net)	18	38.38	34.35	34.01
Total non-current liabilities		57.93	63.86	91.75
Current liabilities				
(a) Financial liabilities				
(i) Borrowings	19	459.29	213.06	136.69
(ii) Trade payables	20			
Total outstanding dues of micro enterprises and small enterprises		9.84	1.31	8.81
Total outstanding dues of creditors other than micro enterprises and small enterprises		237.66	276.03	173.99
(iii) Other financial liabilities	21	11.38	15.10	9.25
(b) Provisions	22	1.55	2.70	2.17
(c) Other current liabilities	23	91.06	74.62	72.48
(d) Current tax liabilities (net)	24	3.85	-	-
Total current liabilities		814.63	582.82	403.39
Total Equity and liabilities		2,239.18	1,856.20	1,562.72
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

PH Gandhi

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN 23111592BGXFEO8359
Date : 17-August-2023



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

Prashant N. Garg
PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 17-August-2023

Abhishek Mehta
ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 17-August-2023

Ajay Jain

AJAY JAIN
Director
DIN :- 02815416
Place : Nagpur
Date : 17-August-2023


Chanchal Jaiswal
CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 17-August-2023



DIFFUSION ENGINEERS LTD
Standalone Statement of Profit & Loss for the year ended March 31, 2023


(All amounts in rupees Million, unless otherwise stated)			
Particulars	Note No.	Year ended 31 March 2023	Year ended 31 March 2022
Revenue			
I Revenue from operations	25	2,440.74	1,957.58
II Other income	26	37.78	41.44
III Total revenue (I+II)		2,478.52	1,999.02
IV Expenses			
Cost of materials consumed	27	1,355.60	1,106.77
Purchases of stock-in-trade		128.09	82.07
Changes in inventories of finished goods and work-in-progress	28	(31.68)	(64.14)
Manufacturing expenses	29	304.04	252.19
Employee benefit expenses	30	298.17	258.60
Finance costs	31	22.18	13.40
Depreciation and amortization expenses	3 & 4	33.76	38.35
Other expenses	32	142.87	105.55
Total expenses (IV)		2,253.03	1,792.79
V Profit/(loss) before Exceptional Items and Tax (III-IV)		225.48	206.23
VI Exceptional Items			
VII Profit/ (loss) before Tax(V-VI)		225.48	206.23
VIII Tax expenses	33		
- Current tax		51.46	48.33
(Excess)/short provision of tax relating of previous years		1.83	-
- Deferred tax		4.03	0.34
Total tax expenses		57.32	48.67
IX Net profit for the year (VII-VIII)		168.16	157.56
X Other comprehensive income			
(A) (i) Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plans		0.20	(0.89)
Income tax effect on above		(0.05)	0.22
(B) (ii) Items that will be reclassified to profit or loss in subsequent periods			
Gain / (Loss) on Items designated as Fair Value Through Other Comprehensive Income		-	-
Income tax effect on above		-	-
Other comprehensive income for the year, net of tax (X)		0.15	(0.67)
XI Total comprehensive income / (loss) for the period (IX+X)		168.31	156.90
XII Earnings per equity share			
Earnings per equity share [nominal value of share Rs. 10/-]	34		
Basic		44.99	42.16
Diluted		44.99	42.16
The accompanying notes form an integral part of the standalone financial statements	1-46		

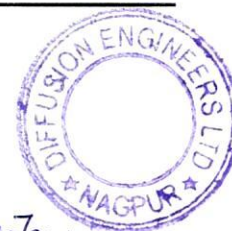
As per our report of even date
For PGS & Associates
Chartered Accountants
F.R.N. : 0122384W



PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN 23111592BGXFEO8359
Date : 17-August-2023





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


PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 17-August-2023




AJAY JAIN
Director
DIN :- 02815416
Place : Nagpur
Date : 17-August-2023


ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 17-August-2023


CHANCHAL JAISHWAL
Company Secretary
Place : Nagpur
Date : 17-August-2023

DIFFUSION ENGINEERS LTD
Standalone Cash Flow Statement for the year ended March 31, 2023

(All amounts in rupees Million, unless otherwise stated)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
A Cash flows from operating activities		
Profit /(loss) before tax	225.48	206.23
Adjustments:		
Depreciation and amortisation	33.35	37.74
Bad Debts & Write Off	3.76	1.30
Gain / (loss) on remeasurements of the defined employee benefit plans	0.15	(0.67)
Net (gain)/loss on financial instruments at fair value through profit or loss	10.13	(7.04)
Write Back	-	(0.25)
Interest and Finance Charges	22.18	13.40
Interest Income	(2.50)	(2.96)
Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	(17.84)	(12.02)
Operating cash flows before working capital changes and other assets	274.70	235.72
(Increase) / decrease in inventories	(57.13)	(146.64)
Decrease/ (increase) in Trade and Other Receivables	(300.74)	(72.13)
(Decrease) / increase in other current assets	(18.82)	(17.01)
(Decrease) / increase in Trade and Other Payables	(27.19)	95.01
(Decrease) / increase in other current liabilities	16.44	2.14
(Decrease) / increase in other current provisions	(1.15)	0.53
Cash generated from operations	(113.89)	97.61
Income taxes refund / (paid), net	(45.73)	(42.48)
Net Cash Flow From/(Used In) Operating Activities (A)	(159.61)	55.13
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(56.32)	(66.06)
Purchase of intangible assets	(0.83)	0.45
Purchase of CWIP	(18.27)	-
Non Current investment	16.95	(50.31)
Interest Income	2.50	2.96
Profit/(loss) on sale of Investments	17.84	12.02
Net Cash Flow From/(Used In) Investing Activities (B)	(38.12)	(100.93)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	(11.31)	(27.65)
Proceeds from short-term borrowings(Net)	246.23	76.37
Finance Cost paid	(22.18)	(13.40)
Dividend Paid	(16.24)	(9.90)
Net Cash Flow From/(Used In) Financing Activities (C)	196.50	25.43
Net increase / decrease in cash and cash equivalents	(1.24)	(20.38)
Cash and cash equivalents at the beginning of the period	19.88	40.27
Net Change in Cash & Cash Equivalents (A+B+C) (refer Note 9)	18.65	19.89

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

PH Gandhi



PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN 23111592BGXFEO8359
Date : 17-August-2023

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

Prashant N. Garg

PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 17-August-2023



Ajay Jain

AJAY JAIN
Director
DIN :- 02815416
Place : Nagpur
Date : 17-August-2023

Abhishek Mehta

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 17-August-2023

Chanchal Jaiswal

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 17-August-2023

DIFFUSION ENGINEERS LTD

Notes forming part of the Standalone financial statements for the year ended March 31, 2023

1 Corporate Information:

Diffusion Engineers Limited is an ISO 14001 & 18001 company engaged in the manufacturing of eletrodes, flux cored wire, manufacturing of Durum products, Diffcor products, service welding and wear plates. Company is also engaged in trading of LSN Powder, Kjellgerg machines and CNC cutting machines. Company is expanding its business in overseas by exporting of manufacturing goods to Asian and other south African countries.

2 Basis of preparation of financial statements and significant accounting policies:

2.1 Basis of Preparation

As these are the Company's first standalone financial statements prepared in accordance with Ind AS, Ind AS 101, First-time Adoption of Indian Accounting Standards has been applied. An explanation of how the transition to Ind AS has affected in previously reported financial position, financial performance and cash flows of the Company is provided in **Note 43**.

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".

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of April 1, 2021 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date

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.



DIFFUSION ENGINEERS LTD

Notes forming part of the Standalone financial statements for the year ended March 31, 2023

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 Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured.

Intangible assets acquired by the Company that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation is not recorded on intangible assets under development until development is complete and the asset is ready for its intended use.

The intangible asset are amortised over the estimated useful lives as given below: -

Computer Software : 3 years

Deemed cost on transition to Ind AS

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as of April 1, 2021 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

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.



DIFFUSION ENGINEERS LTD

Notes forming part of the Standalone financial statements for the year ended March 31, 2023

2.8 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized in the cost of that asset. Qualifying assets are those assets which necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised in the year in which they are incurred.

2.9 Current and Non-Current Classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

All assets and liabilities are classified into current and non-current.

An asset is treated as current when it is:

It is expected to be realised in or is intended for sale or consumption in the Company's normal operating cycle;

Held primarily for the purpose of trading;

It is expected to be realised within 12 months after the reporting date; or

It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

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 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.



DIFFUSION ENGINEERS LTD**Notes forming part of the Standalone financial statements for the year ended March 31, 2023**

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than post-employment benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The obligation is measured on the basis of an annual independent actuarial valuation using the projected unit credit method. Remeasurements gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions towards government administered provident fund scheme. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2.12 Lease

The Company, as a lessee, recognises a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.

For short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the lease term.

2.13 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expenses are recognised in statement of profit or loss except to the extent that it relates to items recognized in other comprehensive income (OCI).

Current tax

Current tax is the tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of the previous year. It is measured using tax rates (and tax laws) enacted or substantially enacted by the reporting date.

Current tax assets/liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

Deferred tax assets (if any) are recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets/liabilities are reviewed at each balance sheet date and are recognised/ reduced to the extent that it is probable / no longer probable respectively that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.



DIFFUSION ENGINEERS LTD

Notes forming part of the Standalone financial statements for the year ended March 31, 2023

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 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.



DIFFUSION ENGINEERS LTD

Notes forming part of the Standalone financial statements for the year ended March 31, 2023

2.17 Revenue Recognition

Revenue from contracts with customer

Revenue from contract with customers is recognised when the Company satisfies performance obligation by transferring promised goods and services to the customer. Performance obligations are satisfied at the point of time when the customer obtains controls of the asset. Revenue is measured based on transaction price, which is the fair value of the consideration received or receivable, stated net of discounts, returns and goods & service tax. Transaction price is recognised based on the price specified in the contract, net of the estimated sales incentives/ discounts if any.

Rental income

Rental income from investment property is recognised as part of revenue from operations in profit or loss on a straight-line basis over the term of the lease.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Receipts from insurance claims are accounted after the same is approved by the insurance company.

2.18 Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.19 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

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.

2.2 Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, cash on hand and highly liquid short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.21 Statement of Cash Flows

Statement of Cash flows is reported using the indirect method, whereby profit for the year is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.22 Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current



DIFFUSION ENGINEERS LTD

Notes forming part of the Ind AS financial statements
(All amounts in rupees Million, unless otherwise stated)

14. Authorised, issued, subscribed and paid-up share capital

	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Authorised share capital			
Equity share capital			
50,00,000 (Previous Years 50,00,000) equity shares of Rs.10 each	50.00	50.00	50.00
	<u>50.00</u>	<u>50.00</u>	<u>50.00</u>
Issued, subscribed and paid-up share capital			
Equity share capital			
37,37,467 (Previous Years 37,37,467) Equity shares of Rs 10/- each fully paid up	37.37	37.37	37.37
	<u>37.37</u>	<u>37.37</u>	<u>37.37</u>

Rights, preferences and restrictions attached to the equity shares

The Company has issued only one class of equity shares having a face value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by board of directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of the company, the holder of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

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

Name of Shareholders	As at 31st March 2023		As at 31st March 2022		As at April 01, 2021	
	% held	Nos	% held	Nos	% held	Nos
Equity shares with voting rights						
Mr NK Garg (HUF)	7.97%	2,97,897	7.97%	2,97,897	7.97%	2,97,897
Mr Prashant Garg	38.97%	14,56,593	38.97%	14,56,593	38.97%	14,56,593
Dr Nitin Garg	26.28%	9,82,322	26.28%	9,82,322	26.28%	9,82,322
Mrs Chitra Garg	22.73%	8,49,653	22.73%	8,49,653	22.73%	8,49,653

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

	As at 31st March 2023	As at 31st March 2022	As at April 01, 2021
Equity shares			
Outstanding at the beginning of the year	37,37,467	37,37,467	37,37,467
Add: Shares issued during the year	-	-	-
Outstanding at the end of the year	<u>37,37,467</u>	<u>37,37,467</u>	<u>37,37,467</u>

Number of shares held by promoters:

Name of Shareholders	As at 31st March 2023		As at 31st March 2022		As at April 01, 2021	
	% held	Nos	% held	Nos	% held	Nos
Mr NK Garg (HUF)	7.97%	2,97,897	7.97%	2,97,897	7.97%	2,97,897
Mr Prashant Garg	38.97%	14,56,593	38.97%	14,56,593	38.97%	14,56,593
Dr Nitin Garg	26.28%	9,82,322	26.28%	9,82,322	26.28%	9,82,322
Mrs Chitra Garg	22.73%	8,49,653	22.73%	8,49,653	22.73%	8,49,653
Nitin and Renuka Garg	2.01%	75,281	2.01%	75,281	2.01%	75,281
Prashant and Neelu Garg	0.25%	9,364	0.25%	9,364	0.25%	9,364



DIFFUSION ENGINEERS LTD

15. Standalone Statement of Change in Equity for the year ended 31st March, 2023

A EQUITY SHARE CAPITAL	(Rs. in Million)	
	No. of Shares	Amount
Balance as at April 01, 2021	37,37,467	37.37
Add: Issue during the year	-	-
Balance as at March 31, 2022	37,37,467	37.37
Add: Issue during the year	-	-
Balance as at March 31, 2023	37,37,467	37.37

B OTHER EQUITY

Particulars	(All amounts in rupees Million, unless otherwise stated)					
	Retained Earnings	Securities Premium	Capital Redemption Reserve	Capital Reserve	General Reserve	Total
As at 'April 01, 2021						
Balance as per previous GAAP	838.15	29.37	4.72	17.42	122.05	1,011.71
Adjustments:						
Net change in fair value of Equity investments	18.50	-	-	-	-	18.50
Total IND AS Adjustments	856.64	29.37	4.72	17.42	122.05	1,030.20
As at 'April 01, 2021	157.56					157.56
Profit for the year						
Net change in fair value of Equity investments	-					
Remeasurement of net defined benefit plan	(0.67)					(0.67)
Interim dividend	(7.48)					(7.48)
Final Dividend	(7.48)					(7.48)
Balance as at 31 March 2022	998.60	29.37	4.72	17.42	122.05	1,172.15
Profit for the year	168.16					168.16
Net change in fair value of Equity investments	-					
Remeasurement of net defined benefit plan	0.15					0.15
Interim dividend	(3.74)					(3.74)
Final Dividend	(7.47)					(7.47)
Balance as at 31 March 2023	1,155.70	29.37	4.72	17.42	122.05	1,329.25

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. It is utilised in accordance with the provisions of the Companies Act, 2013.

Capital Redemption Reserve

In FY 2001-02 company completed the Buy-Back of 4,72,150 equity shares of Rs. 10/- each at a Premium of Rs. 25.62 per share. The total consideration paid was Rs. 1,68,17,981/- out of which the Premium of Rs. 1,20,96,481/- was paid by utilising the share premium account. The company has also transferred Rs. 47,21,500/- to the capital redemption reserve account from General Reserve as a consequent to the Buy-Back of shares.

Capital Reserve

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

General reserves

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

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

PREMAL H GANDHI

Partner
Membership Number: 111592
Place : Mumbai
UDIN 23111592BGXFEO8359
Date : 17-August-2023



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

Prashant N. Garg

PRASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 17-August-2023

Ajay Jain

AJAY JAIN
Director
DIN :- 02815416
Place : Nagpur
Date : 17-August-2023

Abhishek Mehta

ABHISHEK MEHTA
Chief Financial Officer
Place : Nagpur
Date : 17-August-2023

Chanchal Jaiswal

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 17-August-2023



DIFFUSION ENGINEERS LTD
Notes forming part of the Ind AS financial statements (continued)
(All amounts in rupees Million, unless otherwise stated)

Note 3 and 3a

Property, plant and equipment	Capital work in progress (CWIP)									
	Land Freehold	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office equipment	Computers	Total		
Particulars										
Cost/ Deemed cost										
As at 1 April 2021	84.75	245.60	202.24	6.50	12.57	1.52	1.24	554.43	-	-
Additions	8.71	8.71	14.99	0.30	2.24	2.13	1.24	104.14	-	-
Sales/Disposals/Adjustments	-	22.07	276.77	6.80	13.85	3.66	2.43	620.49	-	-
As at 31 March 2022	84.75	232.24	232.24	4.00	12.34	1.83	1.81	593.39	18.27	-
Additions	-	5.84	33.57	4.00	12.34	0.08	0.08	3.07	-	-
Sales/Disposals/Adjustments	-	2.99	2.99	-	-	-	-	676.81	-	-
As at 31 March 2023	84.75	238.08	307.35	10.80	26.19	5.48	4.16	676.81	18.27	-
As at 31 March 2023										
Accumulated depreciation										
As at 1 April 2021	-	7.54	25.59	1.07	2.34	0.58	0.62	37.74	-	-
Depreciation for the year	-	-	-	-	-	-	-	-	-	-
Sales/Disposals/Adjustments	-	7.54	25.59	1.07	2.34	0.58	0.62	37.74	-	-
As at 31 March 2022	-	7.60	20.89	0.96	2.01	1.13	0.76	33.35	-	-
Depreciation for the year	-	-	-	-	-	-	-	-	-	-
Sales/Disposals/Adjustments	-	15.14	46.48	2.03	4.35	1.72	1.38	71.09	-	-
As at 31 March 2023	-	-	-	-	-	-	-	-	-	-
Net block										
As at 1 April 2021	84.75	245.60	202.24	6.50	12.57	1.52	1.24	554.43	-	-
As at 31 March 2022	84.75	224.69	251.18	5.73	11.51	3.07	1.81	582.76	-	-
As at 31 March 2023	84.75	222.94	260.87	8.78	21.84	3.77	2.79	605.73	18.27	-

The Company used carrying amount as per previous GAAP as on April 01, 2021 in its opening IND AS statement of financial position as deemed cost for an item of property, plant and equipment.

Following are the disclosures with regard to its gross block value, accumulated depreciation and net block value as per previous GAAP as on April 01, 2021:

Particulars	Cost	Accumulated Depreciation	Net Block
Land Freehold	84.75	-	84.75
Buildings	315.17	69.57	245.60
Plant and Equipment	482.79	280.55	202.24
Furniture and Fixtures	16.65	10.14	6.50
Vehicles	33.49	20.92	12.57
Office equipment	9.26	7.74	1.52
Computers	16.00	14.76	1.24
Total	958.11	403.68	554.43

Note 3a
Capital work-in-Progress

Particulars	As at March 31, 2023	As at March 31, 2022
Carrying amount at end of year	18.27	-

Ageing of Capital work-in-progress

Particulars	As at March 31, 2023	As at March 31, 2022
Less than 1 year	18.27	-
1-2 years	-	-
2-3 years	-	-
More than 3 years	-	-
Total	18.27	-



DIFFUSION ENGINEERS LTD
Notes forming part of the Ind AS financial statements (continued)
(All amounts in Rupees, unless otherwise stated)

Note 4

Intangible assets

	Technical Know-how	Software	Total
As at 1 April 2021	0.13	2.04	2.17
Additions during the period	-	0.16	0.16
Disposals / Adjustments during the year	-	-	-
As at 31 March 2022	0.13	2.20	2.33
Additions during the period	-	1.25	1.25
Disposals / Adjustments during the year	-	-	-
As at 31 March 2023	0.13	3.45	3.58

Accumulated amortisation:

As at 1 April 2021	-	0.62	-
Charge for the year	-	-	0.62
Disposals / Adjustments during the year	-	-	-
As at 31 March 2022	-	0.62	0.62
Charge for the year	-	0.41	0.41
Disposals / Adjustments during the year	-	-	-
As at 31 March 2023	-	1.03	1.03

Carrying amount (net)

As at 31 March 2021	0.13	2.04	2.17
As at 31 March 2022	0.13	1.58	1.72
As at 31 March 2023	0.13	2.42	2.55

The Company used carrying amount as per previous GAAP as on April 01, 2021, in its opening IND AS statement of financial position as deemed cost for an item of property, plant and equipment.

Following are the disclosures with regard to its gross block value, accumulated depreciation and net block value as per previous GAAP as on April 01, 2021:

Particulars	Cost	Accumulated Depreciation	Net Block
Technical Know-how	31.00	30.87	0.13
Software	15.84	13.80	2.04
Total	46.84	44.67	2.17



DIFFUSION ENGINEERS LTD
Notes forming part of the Ind AS financial statements
(All amounts in rupees Million, unless otherwise stated)

Note 5

Investments - Non-current investments

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Equity instruments			
(i) 'Investment carried at cost (Unquoted)			
(a) '- in subsidiaries			
3,760 equity shares (Previous years : 3,760 equity shares) of INR 10 each of Diffusion Super-Conditioning Services Pvt. Ltd.	3.30	3.30	3.30
95,000 equity shares (Previous years : 95,000 equity shares) of INR 10 each of Diffusion Heron Adhesive And Sealant Pvt. Ltd.	0.95	0.95	0.95
6,85,510 equity shares (Previous years : 6,85,510 equity shares) of INR 10 each of Newelco Industries Pvt Ltd	6.67	6.67	6.67
2,50,217 equity shares (Previous years : 2,50,217 equity shares) of S\$ 1 each of Diffusion Engineers Singapore Pte. Ltd.	15.44	15.44	15.44
(b) '- in Joint venture			
LSN Diffusion Ltd (Fully Paid Equity Shares) - 7,54,450 (March 31, 2022 - 7,54,450 shares, April 01, 2021)	67.46	67.46	67.46
	93.82	93.82	93.83
(ii) 'Investment carried at fair value through profit or loss			
Quoted			
(a) Investment in Equity			
- Canara bank limited 268 (Previous Year 268) Equity shares of Canara Bank (Earlier Syndicate)	0.04	0.06	0.04
(b) Investment in mutual funds			
- Mutual funds	118.48	145.54	88.20
	118.52	145.60	88.24
Total (i+ii)	212.34	239.42	182.07
Annexure-Sa			
(a) Investments in quoted instruments:			
Aggregate carrying value	10.31	120.06	69.74
Aggregate market value	11.85	14.56	8.82

Note 6

Other non-current financial assets

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Security deposit*	12.36	11.24	7.15
Fixed deposit with Bank	51.67	47.45	38.46
Total	64.02	58.69	45.61

* Security deposit has been shown on transaction cost where terms not ascertainable.

Note 7

Inventories

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
(Valued at cost, unless otherwise stated)			
Consumables, Stores and Spare parts (At lower of cost and net realisable value)			
Stock in trade			
Raw Materials	202.05	180.67	94.61
Work in Progress	140.37	132.51	74.04
Finished goods & Traded Goods	105.35	84.36	76.27
	447.77	397.54	244.92
Stock - In - Transit			
Raw Materials	9.66	5.59	20.24
Consumables, Stores and Spare parts	0.18	0.53	1.15
Traded Goods	14.88	11.69	2.43
	24.71	17.81	23.81
Total	472.49	415.36	268.73

Note 8

Trade Receivables

(Unsecured, considered good unless otherwise stated)

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Secured, considered good	732.61	477.98	410.61
Unsecured, considered good *	2.44	-	-
Less: Allowance for expected credit loss	730.17	477.98	410.61
Total	8.03	4.17	4.11
Receivables from related parties (Refer Note 37)	722.14	473.81	406.50
Receivables from others	730.17	477.98	410.61

* There are some cases pending before Hon'ble NCLT court against some parties amounting to Rs 4.8 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 31st March,2023

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables -considered good	658.47	41.91	14.77	5.56	7.10	727.81
(ii) Undisputed Trade receivables -considered doubtful	-	-	-	-	-	-
(iii) Disputed trade receivables considered good	-	-	-	-	4.80	4.80
(iv) Disputed trade receivables considered doubtful	-	-	-	-	-	-

Trade Receivables ageing schedule as at 31st March,2022

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables -considered good	436.37	9.94	7.10	6.57	12.46	472.45
(ii) Undisputed Trade receivables -considered doubtful	-	-	-	-	2.47	2.47
(iii) Disputed trade receivables considered good	-	0.68	1.97	0.10	0.33	3.08
(iv) Disputed trade receivables considered doubtful	-	-	-	-	-	-

Trade Receivables ageing schedule as at April 01, 2021

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables -considered good	358.49	18.30	12.27	6.23	10.62	405.91
(ii) Undisputed Trade receivables -considered doubtful	-	-	-	-	3.54	3.54
(iii) Disputed trade receivables considered good	-	-	-	-	1.15	1.15
(iv) Disputed trade receivables considered doubtful	-	-	-	-	-	-

Note 9

Cash and bank balances

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
	Cash and Cash Equivalents	0.25	0.07
Cash on hand	-	-	-
Balance with scheduled banks	8.40	19.82	40.18
in current accounts	10.00	-	-
Fixed deposit with maturity less than 3 months	-	-	-
Total	18.65	19.88	40.26

Note 10

Other bank balances

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
	Dividend accounts	0.03	5.05
Total	0.03	5.05	0.01

Note 11

Loans and Advances

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
	Loans and advances to related parties	-	4.26
Loan to employees	3.45	3.60	2.47
Advance to others	39.22	14.92	13.71
Advance Tax	-	3.71	9.55
Total	42.66	26.48	33.65

Note 12

Others Financial Assets

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
	Deposits recoverable	8.91	7.85
Mutual Funds Receivables	22.73	-	-
Total	31.64	7.85	7.15

Note 13

Other current assets

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
	Prepaid expenses	0.40	0.60
Balances with government authorities	3.59	0.63	0.44
GST receivable	31.82	18.19	17.59
Export and other incentives receivable	0.03	1.59	-
Custom duty paid	0.32	-	-
Vat and sales tax	4.46	-	-
Net surplus in defined benefit plan- gratuity fund	40.63	21.01	18.04
Total	81.55	41.02	36.07



Note 16
Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Secured	-	-	0.44
Vehicle Loan from Bank	7.34	24.11	80.20
Rupee Loan	22.25	25.68	-
Foreign Currency Loan	12.91	21.80	25.00
Less: Current maturities of long-term borrowings	16.69	28.00	55.65
Total			

- 16.1 Interest rate of the rupee loan is in range between 7.1 % to 9.5%.
 a Interest rate of the above foreign currency loan is 3 Month SOFR+ spread of 3.5%.
 b Borrowings from banks are secured by way of :-
 Secured against Mortgage of Land & Building, book debts & hypothication of Stock.
 Vehicle Loans are secured by respective vehicles.
 c Amount payable during next 12 months, disclosed under the head "Current Borrowings" (Note No. 19)
 d Maturity Profile of the above loan as below :

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Within One year	12.91	21.80	25.00
Two to Five years	16.69	28.00	55.65
Total	29.60	49.79	80.65

Note 17
Other Non-current financial liabilities

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Vehicle/Laptop Scheme	2.85	1.51	2.09
Total	2.85	1.51	2.09

Note 18
Deferred tax liabilities (net)

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Deferred Tax Liability: Timing Difference on account of Carrying amount of Property, plant and equipment and Intangible assets in the Financial Statements and the Income Tax Return	38.38	35.03	36.62
Deferred Tax Assets: Expense allowable for tax purpose when paid (Section 43B items)	-	0.68	2.61
Total	38.38	34.35	34.01

Note 19
Borrowings

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Unsecured	446.38	191.25	111.69
Loan From Banks	12.91	21.80	25.00
Current maturities of long term borrowings	459.29	213.06	136.69
Total			

- Note 19.1 Interest rate of the above loan in range between 7.0% to 8.5%.
 a Borrowings from banks are secured by way of :-
 Secured against Mortgage of Land & Building, book debts & hypothication of Stock.

Note 20
Trade payables

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
total outstanding dues of micro and small enterprises	9.84	1.31	8.81
total outstanding dues of creditors other than micro and small enterprises	237.66	276.03	173.99
Total	247.50	277.34	182.80

Note on MSME Disclosure

Outstanding to Micro, Small and Medium Enterprise :March 23 : Rs. 9.84 Million, March 22 : Rs. 1.31 Million and 01 April 2021 Rs. 8.81 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 and Small Enterprises, which were outstanding for more than the stipulated period, are given below:

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Principal amount due and remaining unpaid	9.84	1.31	8.81
Interest paid	-	-	-
Interest due	-	-	-
Interest accrued and due	-	-	-
Interest due and remaining unpaid	9.84	1.31	8.81



Trade Payables ageing schedule: As at 31st March,2023

Particulars	Outstanding for following periods from due date of payment					Total
	Not due	< 1 Year	1-2 years	2-3 years	> 3 years	
(i) MSME		9.84				9.84
(ii) Others		222.88	6.04	2.98	5.77	237.66
(iii) Disputed dues- MSME						-
(iv) Disputed dues - Others						-

Trade Payables ageing schedule: As at 31st March,2022

Particulars	Outstanding for following periods from due date of payment					Total
	Not due	< 1 Year	1-2 years	2-3 years	> 3 years	
(i) MSME	-	0.75	-	-	-	0.75
(ii) Others	-	249.77	16.84	4.75	4.68	276.02
(iii) Disputed dues- MSME	-	0.56	-	-	-	0.56
(iv) Disputed dues - Others	-	-	-	-	-	-

Trade Payables ageing schedule: As at April 01, 2021

Particulars	Outstanding for following periods from due date of payment					Total
	Not due	< 1 Year	1-2 years	2-3 years	> 3 years	
(i) MSME	-	6.91	-	-	-	6.91
(ii) Others	-	163.43	5.85	4.42	0.29	173.99
(iii) Disputed dues- MSME	-	1.90	-	-	-	1.90
(iv) Disputed dues - Others	-	-	-	-	-	-

Note 21

Other financial liabilities

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
		5.22	5.02
Deposits from distributors	0.03	5.05	-
Interim Dividend Payable 21-22	6.13	5.03	3.49
Liabilities For Expences	-	0.00	0.70
Covid Incentive Payable	-	-	-
Staff Branch Advances/Imprest	11.38	15.10	9.25
Total			

Note 22

Provisions

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
		1.55	2.70
Leave Encashment	1.55	2.70	2.17
Total			

Note 23

Other current liabilities

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
		20.73	27.56
Statutory Remittances	40.71	8.73	14.15
Advance Received from customers	0.01	0.01	0.01
Mobile Scheme	29.60	38.31	43.15
Other Credit Balances	91.06	74.62	72.48
Total			

Note 24

Current tax liabilities (net)

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
		3.85	-
Provision for Tax- Net of Advance Tax	3.85	-	-
Total			

Note 25

Revenue from operation

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
	Sale of Products and Services	1,822.06
-Manufacturing	148.83	132.59
-Trading	283.48	160.34
-Export Sales	2,254.37	1,791.65
Job work receipt	151.93	149.15
-Local	10.85	1.39
-Export	162.78	150.54
Other Operating Revenues	19.20	12.93
Insurance, Licenses & Packing on Sales	4.39	2.46
Duty Drawback	23.59	15.39
Total	2,440.74	1,957.58



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

Revenue disaggregation is as follows

	Year ended 31 March 2023	Year ended 31 March 2022
Disaggregation of goods		
Manufactured Products	2,105.55	1,659.06
Trading Products	148.83	132.59
Job Works	162.78	150.54
Other Unallocated- Insurance, License sale and Duty Drawback	23.59	15.39
	<u>2,440.74</u>	<u>1,957.58</u>
Disaggregation based on geography		
India	2,146.40	1,795.84
Outside India	294.34	161.74
	<u>2,440.74</u>	<u>1,957.58</u>
Geographical location is based on the location of customers excluding export incentives		
Information about major customers		
	Year ended 31 March 2023	Year ended 31 March 2022
Customer Type	462.31	37.59
Customers under Government Projects	1,684.10	1,758.25
Industrial Customers	294.34	161.74
Export Customers	2,440.74	1,957.58
Total	<u>2,440.74</u>	<u>1,957.58</u>

Note 26

Other Income

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Interest income	2.50	3.15
- on Deposit	0.19	0.19
- Unwinding of discount on security deposits and others	3.70	5.36
Foreign exchange gain (net)	17.84	12.02
Profit on sale of assets and investment	-	7.04
Net gain on financial instruments at fair value through profit or loss	-	0.17
Rent income	-	0.25
Liabilities written-back	0.39	2.36
Insurance claim receipt	12.13	10.10
Export incentive	0.62	0.80
Miscellaneous income	0.39	-
Dividend income	37.78	41.44
Total	<u>37.78</u>	<u>41.44</u>

Note 27

Cost of materials consumed

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
As at beginning of the period	167.77	106.07
Add: Purchases	1,399.54	1,168.47
Less: As at end of the period	211.71	167.77
Total	<u>1,355.60</u>	<u>1,106.77</u>

Note 28

Changes in inventories of finished goods and work-in-progress

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Inventories at the beginning of the year:	39.08	42.35
Stock-in-trade	45.28	36.34
Finished goods	132.51	74.04
Work-in-progress	216.87	152.73
Inventories at the end of the year:	55.57	39.08
Stock-in-trade	52.61	45.28
Finished goods	140.37	132.51
Work-in-progress	248.55	216.87
Total	<u>(31.68)</u>	<u>(64.14)</u>

Note 29

Manufacturing expenses

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Consumable stores and spare parts material Consumed	12.91	9.93
Inventories at the beginning of the year:	55.15	51.51
Add:- Purchases for the year	12.22	12.91
Inventories at the end of the year:	55.84	48.53
Custom duties expenses	16.75	12.70
Job work charges	130.19	105.14
Labour charges	25.08	15.68
Carriage inward and clearing charges	21.85	24.71
Power and fuel	46.08	37.36
Lease rental	7.93	7.78
Water charges	0.32	0.29
	248.20	203.66
Total	<u>304.04</u>	<u>252.19</u>



Note 30
Employee benefits expenses

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Salaries, wages and bonus	263.38	225.59
Post employment benefits		
-Contribution to provident and other funds	13.79	13.97
-Gratuity and other defined benefit plans	0.50	5.85
Staff welfare expenses	6.33	1.22
Sales Commission to employees	7.13	4.92
Directors' Commission	7.05	7.05
Total	298.17	258.60

Note 31
Finance cost

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
-Interest expense on:		
Borrowings	18.19	9.37
Other borrowing costs	3.99	4.09
Other borrowing costs	-	(0.07)
Exchange Fluctuation on Foreign Currency Transactions/ Translations	-	-
Total	22.18	13.40

Note 3 & 4
Depreciation and amortisation expense

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Depreciation of tangible assets	33.35	37.74
Amortisation of intangible assets	0.41	0.62
Total	33.76	38.35

Note 32
Other expenses

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Rent	4.36	4.01
Security charges	5.62	4.56
Rates and taxes	2.00	5.79
Repairs and maintenance:		
-Machinery	2.07	0.58
-Vehicles	3.40	2.75
-Others	4.63	2.88
Insurance expense	4.07	3.51
Travelling, communication and conveyance expenses	32.48	18.56
Directors sitting fees	0.56	0.56
Commission expenses	6.39	2.35
Packing, forwarding and distribution expenses	31.71	29.19
Advertisements and sales promotion expenses	2.48	1.95
Payment to auditors		
-As auditor - Audit fees	0.48	0.40
-For other services	0.38	0.35
-Out of pocket expenses	-	-
Bad debts w/off	3.76	1.30
Legal and professional fees	14.56	12.77
Loss on Foreign currency transactions	-	-
Loss on sale of fixed assets	0.33	-
Net loss on financial instruments at fair value through profit or loss	10.13	-
Expenditure on corporate social responsibility	3.40	3.33
Miscellaneous expenses	10.06	10.69
Total	142.87	105.55



Annexure-5a Investments -Non-current investments
(All amounts in rupees Million, unless otherwise stated)

Name of Script	As at March 31, 2023				As at March 31, 2022				As at April 01, 2021			
	Qty	Cost	MV	Gain/(loss)	Qty	Cost	MV	Gain/(loss)	Qty	Cost	MV	Gain/(loss)
Syndicate Bank	1,700	0.02	0.04	0.02	1,700	0.02	0.06	0.04	1,700	0.02	0.04	0.02
Total	1,700	0.02	0.04	0.02	1,700	0.02	0.06	0.04	1,700	0.02	0.04	0.02
Name of Mutual Fund Scheme	Qty	Cost	MV	Gain/(loss)	Qty	Cost	MV	Gain/(loss)	Qty	Cost	MV	Gain/(loss)
Dsp Blackrock India Tiger Fund	-	-	-	-	34,449	2.97	4.92	1.95	34,449	2.97	3.82	0.85
Franklin India Prima Fund	-	-	-	-	794	0.70	1.13	0.43	794	0.70	0.99	0.29
Franklin India Flexi Cap Fund	-	-	-	-	-	-	-	-	8,517	0.54	0.84	0.30
Hdfc Equity Fund	6,975	1.30	2.25	0.95	1,288	0.75	1.30	0.55	1,288	0.75	1.03	0.28
Hdfc Prudence Fund	35,706	4.67	9.77	5.10	6,975	1.30	1.99	0.69	6,975	1.30	1.64	0.35
Prudential Leci Discovery Fund	33,487	1.39	3.38	1.99	33,487	1.39	2.77	1.38	35,706	4.67	2.21	2.21
Prudential Leci Infrastructure Fund	-	-	-	-	1,684	0.35	0.57	0.22	33,487	1.39	6.88	0.65
Abst Front Line Equity Fund	-	-	-	-	-	-	-	-	1,684	0.35	0.47	0.12
Reliance Money Manager Fund	12,271	3.11	5.88	2.77	12,271	3.11	5.33	2.22	18,096	4.30	5.99	1.69
Leci Pru -Dynamic Plan	-	-	-	-	17,189	1.54	2.31	0.77	17,189	1.54	1.93	0.39
Frankline- India Bluechip Fund	476.41	2.34	2.81	0.48	7,263	3.11	10.2	0.37	1,499	0.65	0.89	0.24
Leci -Classic Equity	24,821	0.60	0.64	0.04	140	0.06	0.06	0.00	22,263	23.97	28.71	4.75
L & T Infrastructure Fund	-	-	-	-	1,09,185	7.60	4.89	2.06	63,290	2.75	3.59	0.84
Leci Pru - Credit Risk Fund Reg (G)	-	-	-	-	1,95,309	4.20	2.17	-0.08	2,22,713	3.35	3.35	-
Axis Bluechip Fund - Regular Plan- Growth	3,14,767	13.30	15.58	2.28	63,031	2.25	7.60	1.70	96,745	3.20	3.75	0.55
Parag Parikh Long Term Equity Fund-Regular Plan- C	1,27,811	9.00	9.49	0.49	50,299	2.25	2.17	1.70	1,09,101	3.60	4.15	0.55
Kotak Emerging Equity Fund Growth	61,905	2.75	2.26	-0.49	1,46,183	5.90	3.03	0.03	11,858	0.36	0.68	0.32
Axis Focused 25-G Fund	-	-	-	-	40,185	3.00	21.24	1.06	1,55,575	5.64	6.99	1.35
Kotak Flexicap Fund-Growth	87,621	6.60	6.68	0.08	1	20.18	-	-	-	-	-	-
Invesco India Contra-G Fund	-	-	-	-	-	-	-	-	-	-	-	-
Aventus Absolute Return Fund	15,561	2.30	2.51	0.21	-	-	-	-	-	-	-	-
Hdfc Index Fund Nifty 50 Plan Regular Plan Growth	28,846	5.78	5.86	0.08	-	-	-	-	-	-	-	-
Kotak Equity opportunities Reg-G	13,932	3.15	3.03	-0.12	-	-	-	-	-	-	-	-
Sbi Focused Equity Fund	15	15.00	15.01	0.01	-	-	-	-	-	-	-	-
Akara Capital Advisors P L Outward A/C	10	10.29	10.49	0.21	-	-	-	-	-	-	-	-
Mas Financial Services Limited Mld 29-01-2024	50	0.50	0.50	-	-	-	-	-	-	-	-	-
Edelweiss Infrastructure Yield Plus II	1	3.57	4.86	0.23	-	-	-	-	1,02,565	5.48	6.72	1.24
Aventus Structured Credit Fund II	1	4.63	4.86	0.23	1	7.15	8.13	0.98	-	-	-	-
Hdfc Liquid Fund	1,108	10.15	11.04	0.89	1,05,036	37.50	38.63	1.13	24,741	0.96	1.31	0.35
Mitra Asset India Equity Fund- (G)[Aventus Wealth]	34,957	2.60	2.78	0.18	1	0.96	1.25	0.29	9,801	1.26	1.72	0.46
Leci Prudential Long Short Fund - Series I	140	0.06	0.07	0.00	17,566	-	1.25	0.29	-	-	-	-
Hdfc Small Cap Fund- (G) [Aventus Wealth]	-	-	-	-	-	-	-	-	-	-	-	-
Leci Prudential Savings Fund- Regular- Growth	9,44,473	103.09	118.48	15.39	11,93,163	120.04	145.54	25.50	9,78,339	69.72	88.20	18.47



DIFFUSION ENGINEERS LTD
Notes forming part of the Ind AS financial statements (continued)
(All amounts in rupees Million, unless otherwise stated)

Note 33
Tax Expense

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Current tax (including earlier years)	53.29	48.33
Deferred tax	4.03	0.34
Income tax expense reported in the statement of profit and loss	57.32	48.66
Other comprehensive income	(0.05)	0.22
Deferred tax charge/ (credit) on remeasurements losses of defined benefit plans	57.37	48.44
Total tax expense		

The major components of income tax expense and reconciliation of expected tax expense based on the domestic effective tax rate of the Company at 2023 25.17%, and 2022 25.17% respectively and the reported tax expense in the statement of profit or loss are as follows:

Particulars	2023	2022
Reconciliation of tax expense and the accounting profit multiplied by tax rate		
Accounting profit before income tax	225.48	206.23
At country's statutory income tax rate of 25.17% 31 March 2023 and 31 March 2022: 25.17%)	56.75	51.91
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Difference Between Book Depreciation And Tax Depreciation	(4.40)	(0.13)
Net Expenses disallowed/allowed under Income Tax	(0.49)	(2.52)
Fair Value Gain as per IND AS	4.03	0.34
Effect of Deferred Tax	2.88	(1.16)
Others	58.78	48.44

Note 34
Earning Per Equity Share

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Net profit attributable to equity shareholders	168.16	157.56
Net profit for the year	10.00	10.00
Nominal value of equity share Rs.	3.74	3.74
Total number of equity shares outstanding at the beginning of the year	3.74	3.74
Total number of equity shares outstanding at the end of the year	3.74	3.74
Weighted-average number of equity shares	44.99	42.16
Basic	44.99	42.16
Diluted		

Note 35
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	(Rs. in Million)	
	Year ended 31 March 2023	Year ended 31 March 2022
Employers Contribution to Provident Fund/ Pension Fund	14.32	12.24
Employers Contribution to ESIC	1.78	1.76
Total	16.10	14.00

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		
	March 31, 2023	March 31, 2022	April 1, 2021
Present value of obligation at the end of year	2.70	2.70	2.17
Fair value of plan assets at the end of year	-	-	-
Net liability recognized in the Balance Sheet	2.70	2.70	2.17

The amounts recognized in the Balance Sheet are as follows :

Particulars	Gratuity		
	March 31, 2023	March 31, 2022	April 1, 2021
Present value of obligation at the end of year	22.60	19.43	17.12
Fair value of plan assets at the end of year	27.06	21.21	19.21
Net liability (asset) recognized in the Balance Sheet	(4.46)	(1.78)	(2.09)

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

Particulars	Leave Encashment	
	March 31, 2023	March 31, 2022
Current Service Cost	0.96	0.96
Interest Cost	0.19	0.15
Past Service Cost	-	-
Benefits Paid	-	-
Recognized Net Actuarial (Gain)/ Loss	(1.15)	(0.57)
Total, included in Employee Benefit Expenses	0.00	0.53

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

Particulars	Gratuity	
	March 31, 2023	March 31, 2022
Current Service Cost	2.17	1.93
Interest Cost	(0.34)	(0.22)
Past Service Cost	-	-
Benefits Paid	-	-
Recognized Net Actuarial (Gain)/ Loss	1.83	1.71
Total, included in Employee Benefit Expenses	1.83	1.71

Changes in present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows :

Particulars	Leave Encashment		
	March 31, 2023	March 31, 2022	April 1, 2021
Defined benefit obligation at beginning of the year	2.70	2.17	2.31
Current Service Cost	0.96	0.96	0.28
Past Service Cost	-	-	-
Interest Cost	0.19	0.15	0.14
Benefits Paid	-	-	(0.92)
Actuarial (Gain)/ Loss	(1.15)	(0.57)	0.36
Defined benefit obligation at the end of the year	2.70	2.70	2.17

Particulars	Gratuity		
	March 31, 2023	March 31, 2022	April 1, 2021
Defined benefit obligation at beginning of the year	19.43	17.12	14.20
Current Service Cost	2.17	1.93	1.20
Past Service Cost	-	-	-
Interest Cost	1.34	1.10	0.91
Benefits Paid	(1.21)	(1.59)	(1.09)
Other (Employee contribution, tax expenses)	(0.06)	-	-
Actuarial (Gain)/ Loss	0.94	0.87	1.89
Defined benefit obligation at the end of the year	22.60	19.43	17.12

Particulars	Gratuity		
	March 31, 2023	March 31, 2022	April 1, 2021
Defined benefit plan at beginning of the year	21.21	19.21	15.45
Interest income	1.67	1.32	1.24
Employer contribution	4.32	2.29	3.70
Benefits Paid	(1.27)	(1.59)	(1.09)
Actuarial Gain/ (Loss)	1.14	(0.02)	(0.10)
Defined benefit plan at the end of the year	27.06	21.21	19.21

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

Particulars	Leave Encashment		
	March 31, 2023	March 31, 2022	April 1, 2021
(i) Discount Rate	7.35%	7.11%	6.77%
(ii) Salary Escalation Rate	5.00%	5.00%	5.00%

Particulars	Gratuity		
	March 31, 2023	March 31, 2022	April 1, 2021
(i) Discount Rate	7.35%	7.11%	6.77%
(ii) Salary Escalation Rate	5.00%	5.00%	5.00%
(iii) Expected Rate of Return on Plan Assets	7.11%	7.11%	6.77%



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

Particulars	Leave Encashment		
	March 31, 2023	March 31, 2022	April 1, 2021
(i) Retirement Age	58 years	58 years	58 years
(ii) Employee Turnover :			
18-30 Years	1.00%	1.00%	1.00%
30-45 Years	1.00%	1.00%	1.00%
Above 45 Years	1.00%	1.00%	1.00%

Particulars	Gratuity		
	March 31, 2023	March 31, 2022	April 1, 2021
(i) Retirement Age	58 years	58 years	58 years
(ii) Employee Turnover :			
18-30 Years	1.00%	1.00%	1.00%
30-45 Years	1.00%	1.00%	1.00%
Above 45 Years	1.00%	1.00%	1.00%

Bifurcation of Present Value of Obligations at the end of the valuation period as per Schedule III of the Companies Act, 2013

Particulars	March 31, 2023	March 31, 2022	April 1, 2021
(i) Current liabilities	2.46	2.06	1.77
(ii) Non Current liabilities	21.04	17.37	15.35

The Sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Leave Encashment :					(Rs. in Million)
Principal assumption	Year	Changes in	Impact on defined benefit Increase in assumption	Decrease in assumption	
(i) Discount Rate	2023	100 Basis Points	-	-	-
	2022	100 Basis Points	2.57	2.83	
	2021	100 Basis Points	2.07	2.28	
(ii) Salary Growth Rate	2023	100 Basis Points	3.59	2.56	
	2022	100 Basis Points	2.85	2.56	
	2021	100 Basis Points	2.30	2.05	

Gratuity :					(Rs. in Million)
Principal assumption	Year	Changes in	Impact on defined benefit Increase in assumption	Decrease in assumption	
(i) Discount Rate	2023	100 Basis Points	20.74	21.42	
	2022	100 Basis Points	17.74	21.42	
	2021	100 Basis Points	15.59	18.90	
(ii) Salary Growth Rate	2023	100 Basis Points	24.91	17.60	
	2022	100 Basis Points	21.55	17.60	
	2021	100 Basis Points	18.89	15.57	

Expected Cash flow for following years

Leave Encashment :			(Rs. in Million)
Expected Cash Flow for the Next Ten Years	March 31, 2023	March 31, 2022	
Year 1	0.70	0.53	
Year 2	0.54	0.39	
Year 3	0.45	0.39	
Year 4	0.44	0.32	
Year 5	0.33	0.32	
Year 6 to 10	1.33	1.00	

Gratuity:			(Rs. in Million)
Expected Cash Flow for the Next Ten Years	March 31, 2023	March 31, 2022	
Year 1	2.46	2.06	
Year 2	1.95	0.85	
Year 3	1.32	1.72	
Year 4	2.22	1.20	
Year 5	1.08	2.00	
Year 6 to 10	9.55	6.61	

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 36
Contingent Liabilities

Contingent Liabilities not provided for :
Claims against the company not acknowledge as Debt
a. Excise duty liability disputed

Year ended 31 March 2023	Year ended 31 March 2022	April 01, 2021
-	1.66	1.66
-	1.66	1.66

Note- Excise Duty Liability raised on the company by Excise Assessment Authority & appeal has been filed by the company before Nagpur High Court.



Note 37

Related party transactions

37.1 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 Hemon Adhesive & Sealants Pvt Ltd
	Diffusion Engineers Singapore Pte. Ltd.
Step-down Subsidiary	M/s Diffusion Wear Solutions Philippines Inc.
Associate of Subsidiary	M/s Meediff SD. BHD.
Joint Venture	LSN Diffusion Ltd
Common Key Management Personnel	Mr. N. K. Garg
	Mr. Prashant Garg
	Mr. Ajay Jain
	Mrs. Neelu Garg
	Ms. Anita Vijaykar
Relatives of Key Managerial Personnel	Mrs. Chitra N Garg
	N. K. Garg HUF
	Mr. Nitin N Garg
	Mrs Neelu Garg
	Ajay Jain (H.U.F)
Common Management	Benvira Forward Algorithms LLP

37.2 Details of related party transactions

	Year ended 31 March 2023	Year ended 31 March 2022	April 01, 2021
Sales	39.94	34.45	38.14
Diffusion Engineers Singapore Pte. Ltd.	1.37	1.65	2.67
Diffusion Hemon Adhesive & Sealants Pvt Ltd	51.65	21.59	-
Diffusion Super-Conditioning Services Pvt. Ltd.	54.94	13.05	14.55
M/s Diffusion Wear Solutions Philippines Inc.	8.94	7.67	14.32
M/s Meediff SD. BHD.	4.19	2.84	1.04
Nowelco Industries Pvt. Ltd.	-	-	-
Total Credit Notes Towards Commission	0.57	0.43	0.06
LSN Diffusion Ltd	-	-	-
Purchase	-	0.83	0.81
Benvira Forward Algorithms LLP	1.04	27.59	27.72
Diffusion Super-Conditioning Services Pvt. Ltd.	35.37	-	1.00
LSN Diffusion Ltd	-	31.31	19.36
Diffusion Hemon Adhesive & Sealants Pvt Ltd	52.40	-	-
Nowelco Industries Pvt. Ltd.	22.53	-	-
Diffusion Engineers Singapore Pte. Ltd.	-	-	-
Reimbursement	0.29	0.35	0.02
Benvira Forward Algorithms LLP	0.03	0.12	0.33
Diffusion Hemon Adhesive & Sealants Pvt Ltd	0.86	0.06	0.14
Diffusion Super-Conditioning Services Pvt. Ltd.	0.21	-	-
LSN Diffusion Ltd	-	-	-
M/s Diffusion Wear Solutions Philippines Inc.	6.00	0.70	0.30
Nowelco Industries Pvt. Ltd.	2.59	2.32	1.15
Mr. Prashant Garg	-	-	-
Commission	2.50	4.00	3.80
Mr. Prashant Garg	0.35	0.35	0.25
Mr. Ajay Jain	3.50	2.00	1.20
Mrs. Neelu Garg	0.35	0.35	0.25
Mrs. Renuka Garg	0.35	0.35	0.25
Ms. Anita Vijaykar	-	-	-
Debit / (Credit) due to exchange fluctuation	0.75	-0.54	-0.20
Diffusion Engineers Singapore Pte. Ltd.	-0.28	0.26	0.38
LSN Diffusion Ltd	0.49	0.26	-0.31
M/s Diffusion Wear Solutions Philippines Inc.	0.11	-0.19	0.02
M/s Meediff SD. BHD.	-	-	-
Dividend	4.37	5.83	5.10
Mr. Prashant Garg	0.03	0.04	0.04
Ajay Jain (H.U.F)	2.95	4.23	3.70
Mr. Nitin N Garg	0.00	0.00	0.00
Mrs Daksha Jain	2.55	3.40	2.97
Mrs. Chitra N Garg	0.03	0.04	0.03
Mrs. Neelu Garg	0.23	0.30	0.26
Mrs. Renuka Garg	0.89	1.19	1.04
N. K. Garg HUF	0.00	-	-
Ms. Anita Vijaykar	-	-	0.03
Medical Re-imbursment	-	-	-
Mr. Prashant Garg	-	-	-
Remuneration	16.65	13.05	12.00
Mr. Prashant Garg	1.92	1.64	1.26
Mrs. Neelu Garg	-	-	-
Rent	2.67	2.47	2.28
Mrs. Chitra N Garg	0.19	0.19	0.17
N. K. Garg HUF	0.70	0.64	0.59
Mr. Prashant Garg	-	-	-
Rent Receipt	0.20	0.20	0.19
Diffusion Hemon Adhesive & Sealants Pvt Ltd	-	-	-
	324.40	185.03	157.20



Details of outstanding to/from related parties

	Year ended 31 March 2023	Year ended 31 March 2022	April 01, 2021
Trade Payables			
Benvira Forward Algorithms LLP	-	0.16	-
Diffusion Super-Conditioning Services Pvt. Ltd.	-	0.73	0.43
LSN Diffusion Ltd	1.48	1.65	10.52
Nowelco Industries Pvt. Ltd.	-	-	-
Diffusion Engineers Singapore Pte. Ltd.	0.73	-	-
	-	-	-
Trade receivables			
Diffusion Engineers Singapore Pte. Ltd.	19.26	6.41	19.41
Diffusion Hemon Adhesive & Sealants Pvt Ltd	1.56	2.52	2.60
Diffusion Super-Conditioning Services Pvt. Ltd.	11.15	21.65	-
M/s Diffusion Wear Solutions Philippines Inc.	39.00	4.85	4.39
M/s Mecdiff SD. BHD.	1.51	0.23	9.28
Nowelco Industries Pvt. Ltd.	7.77	6.02	5.42
	-	-	-
Total Debit Notes towards expenses			
Nowelco Industries Pvt. Ltd.	8.50	4.26	7.91
Diffusion MGM Machines Pvt Ltd.	-	-	-
	-	-	-
Reimbursement Payable			
Mr. Prashant Garg	0.16	-	-
	-	-	-
Rent Deposit			
Diffusion Hemon Adhesive & Sealants Pvt Ltd	0.04	0.04	0.04
	-	-	-



DIFFUSION ENGINEERS LTD
Notes forming part of the Ind AS financial statements (continued)
(All amounts in rupees Million, unless otherwise stated)

Note 38
Financial Instruments by Category

A. Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the financial instruments of the Company

Financial Instruments by category	Carrying Value		
	Year ended 31 March 2023	Year ended 31 March 2022	April 01, 2021
Financial Assets at Amortised Cost			
Cash and Bank Balances	18.67	24.94	40.28
Investments	196.93	213.88	163.56
Other Financial Assets	95.66	66.54	52.77
Trade Receivables	730.17	477.98	410.61
Loans and advances	42.66	26.48	33.65
Total	1,084.09	809.82	700.87
Financial Liabilities at Amortised Cost			
Trade Payables	247.50	277.34	182.80
Borrowings	475.98	241.06	192.34
Other Financial Liabilities	14.23	16.62	11.34
Total	737.71	535.01	386.48

Financial Instruments by category	Fair Value		
	Year ended 31 March 2023	Year ended 31 March 2022	April 01, 2021
Financial Assets at Amortised Cost			
Cash and Bank Balances	18.67	24.94	40.28
Investments	212.34	239.42	182.07
Other Financial Assets	95.66	66.54	52.77
Trade Receivables	730.17	477.98	410.61
Loans and advances	42.66	26.48	33.65
Total	1,099.50	835.36	719.37
Financial Liabilities at Amortised Cost			
Trade Payables	247.50	277.34	182.80
Borrowings	475.98	241.06	192.34
Other Financial Liabilities	14.23	16.62	11.34
Total	737.71	535.01	386.48

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.



DIFFUSION ENGINEERS LTD

Notes forming part of the Ind AS financial statements (continued)
(All amounts in rupees Million, unless otherwise stated)

Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets: (Rs. in Million)

Particulars	Carrying Amount	Year ended 31 March 2023		
		Level of input used in		
		Level 1	Level 2	Level 3
Financial Assets at Amortised Cost				
Cash and Bank Balances	18.67	-	-	18.67
Investments	196.93	-	-	196.93
Other Financial Assets	95.66	-	-	95.66
Trade Receivables	730.17	-	-	730.17
Financial Liabilities at Amortised Cost				
Trade Payables	247.50	-	-	247.50
Borrowings	475.98	-	-	475.98
Other Financial Liabilities	14.23	-	-	14.23

Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets: (Rs. in Million)

Particulars	Carrying Amount	As at March 31, 2022		
		Level of input used in		
		Level 1	Level 2	Level 3
Financial Assets at Amortised Cost				
Cash and Bank Balances	24.94	-	-	24.94
Investments	239.42	14.56	-	93.82
Other Financial Assets	66.54	-	-	66.54
Trade Receivables	477.98	-	-	477.98
Loans and advances	26.48	-	-	26.48
Financial Liabilities at Amortised Cost				
Trade Payables	277.34	-	-	277.34
Borrowings	241.06	-	-	241.06
Other Financial Liabilities	16.62	-	-	16.62

Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets: (Rs. in Million)

Particulars	Carrying Amount	April 01, 2021		
		Level of input used in		
		Level 1	Level 2	Level 3
Financial Assets at Amortised Cost				
Cash and Bank Balances	40.28	-	-	40.28
Investments	182.07	8.82	-	173.25
Other Financial Assets	52.77	-	-	52.77
Trade Receivables	410.61	-	-	410.61
Loans and advances	33.65	-	-	33.65
Financial Liabilities at Amortised Cost				
Trade Payables	182.80	-	-	182.80
Borrowings	192.34	-	-	192.34
Other Financial Liabilities	11.34	-	-	11.34



DIFFUSION ENGINEERS LTD

Notes forming part of the Ind AS financial statements (continued)

Notes to the standalone financial statements for the year ended March 31, 2023

39 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

1. Capital Management :

The company's capital management objectives are:

- The Board policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital employed.
- The Company manages capital risk by maintaining sound/optimal capital structure through monitoring of financial ratios, such as debt-to-equity ratio and net borrowings-to-equity ratio on a monthly basis and implements capital structure improvement plan when necessary.
- The Company uses debt equity ratio as a capital management index and calculates the ratio as the net debt divided by total equity. Net debts and total equity are based on the amounts stated in the financial statements.

(iv) Debt Equity Ratio is as follows: (Rs. in Million)

Particulars	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Debt (A)	475.98	241.06	192.34
Equity (B)	1,366.62	1,209.52	1,067.57
Debt Equity Ratio (A/B)	0.35	0.20	0.18

2. Credit Risk :

- 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.
- 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	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Interest bearing borrowings:			
On Demand	446.38	191.25	111.69
Less than 180 Days	10.13	10.90	12.94
181-365 Days	2.78	10.90	12.50
More than 365 Days	16.69	27.99	55.20

4. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Company's exposure to market risk is primarily on account of foreign currency exchange rate risk.

a) Foreign Currency Exchange Rate Risk :

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in AED, US Dollar, Australian Dollar, Great Britain Pound, Euro, JPY 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).



DIFFUSION ENGINEERS LTD

Notes forming part of the Ind AS financial statements (continued)

Notes to the standalone financial statements for the year ended March 31, 2023

Foreign Currency Exposures :

Particulars	Currency type	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
I. Trade receivables/Advance	USD	1.54	0.80	1.16
	EURO	0.07	0.07	0.02
	SGD	0.03	0.01	-
	AED	-	0.00	-
	AUD	0.01	-	-
Total		1.65	0.88	1.18
II. Borrowing balances :	USD	0.27	0.34	-
	Total	0.27	0.34	-
III. Trade payables :	USD	0.11	0.23	0.34
	EUR	0.22	0.06	0.02
	AUD	-	-	-
Total		0.33	0.29	0.36

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
March 31, 2023 Based on YOY change between F22 & F23	USD	+100%	1.16
	USD	-100%	(1.16)
	EUR	+100%	(0.15)
	EUR	-100%	0.15
	SGD	+100%	0.03
	SGD	-100%	(0.03)
	AED	+100%	-
	AED	-100%	-
	AUD	+100%	0.01
	AUD	-100%	(0.01)
March 31, 2022 Based on YOY change between F22 & F21	USD	+100%	0.23
	USD	-100%	(0.23)
	EUR	+100%	0.01
	EUR	-100%	(0.01)
	SGD	+100%	0.01
	SGD	-100%	(0.01)
	AED	+100%	0.00
	AED	-100%	(0.00)
	AUD	+100%	-
	AUD	-100%	-
As at April 01, 2021 Based on YOY change between F21 & F20	USD	+100%	0.82
	USD	-100%	(0.82)
	EUR	+100%	(0.00)
	EUR	-100%	0.00
	SGD	+100%	-
	SGD	-100%	-
	AED	+100%	-
	AED	-100%	-
	AUD	+100%	-
	AUD	-100%	-



DIFFUSION ENGINEERS LTD

Notes forming part of the Ind AS financial statements (continued)

Notes to the standalone financial statements for the year ended March 31, 2023

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 :	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Secured Loans :			
Loans repayable taken from Banks:	446.38	191.25	111.69
Total	446.38	191.25	111.69

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	Effect on Profit Before
As at March 31, 2023	+100	(4.46)
	-100	4.46
As at March 31, 2022	+100	(1.91)
	-100	1.91
As at April 01, 2021	+100	(1.12)
	-100	1.12



DIFFUSION ENGINEERS LTD
Notes forming part of the Ind AS financial statements (continued)
(All amounts in rupees Million, unless otherwise stated)

Note 40
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

Note 41
Ratio Analysis

Sr No.	Ratio Analysis	Numerator	Denominator	31-Mar-23	31-Mar-22	% Variance	Reason for variance
1	Current Ratio	Current Assets Total Liabilities	Current Liabilities Shareholder's Equity	1.64 0.35	1.67 0.20	-1.81% 74.76%	Due to increase in Short term borrowing
2	Debt Equity Ratio			8.02	7.33	9.43%	
3	Debt Service Coverage Ratio	Earnings available for Profit After Tax	Debt Service Avg. Shareholders Equity	13.06%	13.84%	-5.66%	
4	Return on Equity Ratio	Profit After Tax Net Sales	Average Inventory	5.50	5.72	-3.93%	
5	Inventory Turnover Ratio	Net Credit Sales	Average Trade Receivables	4.04	4.41	-8.30%	
6	Trade Receivables Turnover Ratio	Total Purchases	Average Trade Payables	5.33	5.08	5.01%	
7	Trade Payables Turnover Ratio	Net Sales	Average Working Capital	5.35	5.11	4.65%	
8	Net Capital Turnover Ratio	Net Profit After Tax	Net Sales	6.89%	8.05%	-14.40%	
9	Net Profit Ratio	EBIT	Capital Employed	13.44%	15.14%	-11.23%	
10	Return on Capital employed	EBIT	Capital Employed	12.31%	13.03%	-5.54%	
11	Return on Investment	Profit After Tax	Total Equity				

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 + Loss on Sale of Fixed Assets.
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



Sr. No.	Ratio	Element of the Ratio	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021	As at March 31, 2020
1	Current Ratio	Current Assets	1,336.26	973.61	778.45	8,673.10
		Current Liability	814.63	582.82	403.39	5,854.10
2	Debt-Equity ratio	Long Term Borrowings	16.69	28.00	55.65	1,163.18
		Short Term Borrowings	459.29	213.06	136.69	2,001.80
		Total debt	475.98	241.06	192.34	3,164.97
		Shareholders Equity	1,366.62	1,209.52	1,067.58	9,533.26
3	Debt Service Coverage ratio	profit before taxes	225.48	206.23	1,534.81	1,219.39
		Non-cash operating expenses:				
		like depreciation and other amortizations	33.76	38.35	373.99	305.33
		Interest	22.18	13.40	189.96	190.34
		Other adjustments				
		like loss on sale of Fixed assets etc				
		Earnings available for debt service	281.43	257.98	2,098.76	1,715.05
		Interest	22.18	13.40	189.96	190.34
		Current Lease Payments	12.91	21.80	25.00	-
		Scheduled Principal Repayments	35.09	35.20	214.96	190.34
4	Trade payables turnover ratio	Total Purchases	1,399.54	1,168.47	6,097.06	7,900.47
		Less : Cash Purchases	-	-	-	-
		Less : Purchase returns	-	-	-	-
		Net Credit Purchases	1,399.54	1,168.47	6,097.06	7,900.47
		Average Trade Payables	262.42	230.07	1,355.46	2,097.31
5	Inventory Turnover Ratio	REVENUE FROM OPERATION	2,440.74	1,957.58	15,230.79	14,635.12
		Net Sales	2,440.74	1,957.58	15,230.79	14,635.12
		Opening Inventory	415.36	268.73	4,444.53	3,318.83
		Closing Inventory	472.49	415.36	268.73	4,444.53
		Average Inventory	443.93	342.05	2,356.63	3,881.68
6	Trade Receivables turnover ratio	Total Sales	2,440.74	1,957.58	15,230.79	14,635.12
		Less : Cash Sales	-	-	-	-
		Less : Sales returns	-	-	-	-
		Net Credit Sales	2,440.74	1,957.58	15,230.79	14,635.12
		Average Accounts Receivable	604.07	444.29	2,009.17	3,488.93
7	Net capital turnover ratio	Total Sales	2,440.74	1,957.58	15,230.79	14,635.12
		Less : Sales Return returns	-	-	-	-
		Net Sales	2,440.74	1,957.58	15,230.79	14,635.12
		Opening Working Capital	390.80	375.06	2,819.00	2,974.52
		Current assets	973.61	778.45	8,673.10	7,158.23
		Current liabilities.	582.82	403.39	5,854.10	4,183.71
		Closing Working Capital	521.64	390.80	375.06	2,819.00
		Current assets	1,336.26	973.61	778.45	8,673.10
		Current liabilities.	814.63	582.82	403.39	5,854.10
		Average Working Capital	456.22	382.93	3,284.79	2,896.76
8	Net Profit Ratio	Net Profit after Tax	168.16	157.56	1,055.19	863.79
		Net Profit after Tax	168.16	157.56	1,055.19	863.79
		Total Sales	2,440.74	1,957.58	15,230.79	14,635.12
		Net Sales	2,440.74	1,957.58	15,230.79	14,635.12
9	Return on Equity Ratio (ROE)	Net Profits after taxes	168.16	157.56	1,055.19	863.79
		Less: Preference Dividend	-	-	-	-
		Net Profits after taxes net of Preference dividend	168.16	157.56	1,055.19	863.79
		Opening Shareholder's Equity	1,209.52	1,067.58	9,533.26	8,759.59
		Average Shareholder's Equity	1,288.07	1,138.55	5,300.42	9,146.42
10	Return on Investment (ROI)	Net Profits after taxes	168.16	157.56	1,055.19	863.79
		Less: Preference Dividend	-	-	-	-
		Net Profits after taxes net of Preference dividend	168.16	157.56	1,055.19	863.79
		Equity share capital	37.37	37.37	37.37	373.75
		Shareholders Equity	1,366.62	1,209.52	1,067.58	9,533.26
11	Return on Capital employed (ROCE)	Profit Before Tax	225.48	206.23	1,534.81	1,219.39
		Add: Interest+finance cost	22.18	13.40	189.96	190.34
		Earning before Interest and taxes	247.67	219.63	1,724.77	1,409.73
		Tangible Net Worth	1,366.62	1,209.52	1,067.58	9,533.26
		Total Debt	475.98	241.06	192.34	3,164.97
		Capital Employed	1,842.60	1,450.58	1,259.91	12,698.23



DIFFUSION ENGINEERS LTD

Notes forming part of the Ind AS financial statements (continued)

Note 42 Corporate Social Responsibility (CSR)

The company is covered under section 135 of the companies act, the following is the disclosed with regard to CSR activities:-

(Rs. in Million)

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
1 Gross amount required to be spent by the company during the year.	3.04	2.69
2 Amount approved by the Board to be spent during the year:		
(a) On-going		
(b) Other than on-going	3.40	3.33
Total	3.40	3.33
3 Amount spent during the year on:		
(a) Construction/acquisition of any asset	0	0
(b) On purposes other than (a) above	3.40	3.33
Total	3.40	3.33
4 Shortfall/(Excess) at the end of the year,	(0.36)	(0.64)
5 Total of previous years shortfall,	-	-
6 Reason for shortfall-	N.A.	N.A.
7 Nature of CSR activities-		
Pawanbhoomi Garden Maintenance	0.15	0.29
Village Chichbhavan Medical Service	0.18	0.15
Donation For Oxygen Generation Plant	-	2.87
Free Cataract Operation	-	0.01
Skill Development Course In Association With Montfort Integrated Education Centre	-	0.00
Skill Development Course In Association IB4 Consultants Pvt Ltd	0.45	-
Donation To Sanjiwan Vriddhashram	-	0.03
Scholarship Awards to Students	0.50	-
Garden Maintenance in Kalmeshwar	2.10	-
Donation To Btsg Foundation	-	-
Donation To Agresar Foundation	-	-
Donation To Inspire Institute Of Sport	-	-
Donation To Pm Care Fund	-	-
Donation To Jaysingpur Heritage For Kolhapur Sangli Flood Affected People	-	-
Donation To Vaishnav Seva Samaj Public Charitable Trust Mumbai	-	-
Other Donations - Cateract Surgery	0.03	-
Total	3.40	3.33



DIFFUSION ENGINEERS LTD
Notes forming part of the Ind AS financial statements (continued)
(All amounts in rupees Million, unless otherwise stated)

43. First time adoption of Ind AS

These financial statements of the Company for the year ended March 31, 2023 have been prepared in accordance with Ind AS. For the periods upto and including the period ended March 31, 2022, the Company prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2006 (Indian GAAP). For the purpose of transition to Ind AS, the Company has followed the guidance prescribed in Ind AS 101 - "First time adoption of Indian Accounting Standards", with April 01, 2021 as the transition date. The transition date was considered as April 01, 2021, comparative figures of previous year have been taken as per Ind AS.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended March 31, 2023 and the comparative information. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's balance sheet and statement of profit or loss is set out in note 43 B. Exemptions on first time adoption of Ind AS availed in accordance with Ind AS 101 have been set out below.

43A. Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions for the retrospective applications of certain requirements under Ind AS. The Company has applied the following exemptions:

A 1 - Optional exemptions

A 1.1 Deemed cost

Ind AS 101 permits a first time adopter to continue with the carrying value for all its property, plant and equipment as recognised in the financial statements as at the date of transition after making necessary adjustments for de-commissioning liabilities.

Since there is no change in the functional currency, the Company has elected to continue with the carrying value for all of its property, plant and equipment as recognised in its Indian GAAP financials as deemed cost at the transition date.

A2 Mandatory exemptions

A 2.1 Estimates

The estimates as at 01 April 2021 and at 31 March 2022 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies).

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as of 01 April 2021, the date of transition to Ind AS and as of 31 March 2022.

43B-Reconciliation between Indian GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows from prior periods. The following tables represent the reconciliation from previous GAAP to Ind AS.

Reconciliation of Balance Sheet, Total Other Comprehensive Income, Equity and Cash Flows as per Previous GAAP to IND AS.

A. Effect of IND AS adoption on the Balance Sheet as at March 31, 2022 and April 01, 2021

Particulars	Notes	March 31, 2022			April 01, 2021		
		Previous GAAP	Effect of transition to IND AS	As per Ind AS BS	Previous GAAP	Effect of transition to IND AS	As per Ind AS BS
Property, plant and equipment		582.76	-	582.76	554.43	-	554.43
Capital work-in-progress		-	-	-	-	-	-
Intangible assets		1.72	-	1.72	2.17	-	2.17
Financial assets							
(i) Investments	a,b	213.88	25.54	239.42	163.57	18.51	182.07
(ii) Other financial assets		59.30	(0.62)	58.69	45.61	-	45.61
Other non-current assets		-	-	-	-	-	-
Total non-current assets		857.66	24.92	882.59	765.78	18.51	784.29
Inventories		415.36	-	415.36	268.73	-	268.73
Financial Assets							
(i) Trade receivables		477.98	-	477.98	410.61	-	410.61
(ii) Cash and cash equivalents		19.88	-	19.88	40.27	-	40.27
(iii) Other bank balances		5.05	-	5.05	0.01	-	0.01
(iv) Loans and advances		26.48	-	26.48	33.65	-	33.65
(v) Others financial assets		7.85	-	7.85	7.15	-	7.15
Other current assets		20.41	0.60	21.01	18.04	-	18.04
Total current assets		973.02	0.60	973.61	778.46	-	778.46
Total Assets		1,830.69	25.52	1,856.21	1,544.24	18.51	1,562.75



Equity share capital		37.37	-	37.37	37.37	-	37.37
Other equity	a,b	1,146.64	25.51	1,172.15	1,011.71	18.50	1,030.20
Total equity		1,184.01	25.51	1,209.53	1,049.08	18.50	1,067.58
(i) Borrowings		28.00	-	28.00	55.65	-	55.65
(ii) Other financial liabilities		1.51	-	1.51	2.09	-	2.09
Provisions		-	-	-	-	-	-
Deferred tax liabilities (net)		34.35	-	34.35	34.01	-	34.01
Total non-current liabilities		63.86	-	63.86	91.74	-	91.74
(i) Borrowings		213.06	-	213.06	136.69	-	136.69
(ii) Trade payables		277.34	-	277.34	182.80	-	182.80
(iii) Other financial liabilities		15.10	-	15.10	9.25	-	9.25
Provisions		2.70	-	2.70	2.17	-	2.17
Other current liabilities		74.62	-	74.62	72.48	-	72.48
Total current liabilities		582.82	-	582.82	403.38	-	403.38
Total Equity and liabilities		1,830.69	25.51	1,856.20	1,544.21	18.50	1,562.70

B. Effect of IND AS adoption on the Net Profit for FY 2021-22

Net Profit reconciliation between the figures reported under Previous GAAP and Ind AS is as under :

Particulars	Notes	Previous Year 2021-22
Net profit after tax as reported under Indian GAAP		149.88
Ind AS adjustments increasing (decreasing) net profit as reported under Indian GAAP:		
Fair valuation of financial instruments	a, b, c	0.70
Unwinding of discount on security deposits and others	a, b, c	(0.01)
Gain / (loss) on remeasurements of the defined employee benefit plans		0.67
Net profit as per IND AS		151.24
Other comprehensive income, net of tax as per IND AS		-
Total comprehensive income as per IND AS		151.24

C. Statement of reconciliation of Equity under previous GAAP and Ind AS

Particulars	Notes	As at March 31, 2022	As at April 01, 2021
As reported under IGAAP			
Equity capital		37.37	37.37
Reserves		1,146.64	1,011.71
Total		1,184.01	1,049.08
Adjustments			
-Fair valuation of financial instruments	a, b, c	25.54	18.50
-Security deposit	a, b, c	(0.01)	-
Total IND AS Adjustments		25.52	18.50
Equity as per IND AS		1,209.54	1,067.58

D. Statement of reconciliation of Cash Flow under previous GAAP and Ind AS

Reconciliation of cash flow for the year ended March 31, 2022

Particulars	Notes	Previous GAAP	IND AS	Change
Cash flow from operating activities	a to d	65.66	55.13	(10.53)
Cash flow from investing activities	a to d	(106.42)	(100.93)	5.49
Cash flow from financing activities	a to d	20.37	25.43	5.05

Cash flow statements

There were no significant reconciliation items between cash flows prepared under Indian GAAP and those prepared under Ind AS.

a) IND AS 27 & IND AS 109- Investment in subsidiaries

Under previous GAAP, an entity is required to account for its investments in subsidiaries at cost. Under Ind AS, investment can be measured at cost or fair value. At the transition date, the Company has adopted previous GAAP carrying value as deemed cost.

b) IND AS 109 Financial instrument - Investments in Equity

Under previous GAAP, Investments are carried at cost. Under Ind AS, investments in equity carried at market value. Accordingly, the Company has fair valued its investments in equity and recognised the impact at the date of transition and for the year ended March 31, 2021.

c) Tax effect on remeasurement

Under Ind AS, the Company is required to create deferred tax assets / liabilities on temporary differences calculated based on balance sheet method. Due to adoption of Ind AS, there is change in the carrying value of financial position of Company leading temporary differences and thus, deferred tax has been recognised.



d) Classification and presentation of assets and liabilities

Under previous GAAP, the Company was not required to present its assets and liabilities bifurcating between financial assets / financial liabilities and non financial assets / non financial liabilities . Under Ind AS, the Company is required to present its assets and liabilities bifurcating between financial assets / financial liabilities and non financial assets / non financial liabilities . Accordingly, the Company has classified and presented its assets and liabilities.

Note-44

Proposed Dividend

Board of Directors proposes 30% 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 does not have any charges or satisfaction which is yet to be registered with ROC beyond the statutory period.

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).

Note-46

Previous year's figures have been regrouped / rearranged wherever necessary, to conform to the current year's classification / disclosure.

Company has appointed Mr. Abhishek Mehta as Chief Financial Office and Ms Chanchal Jaiswal as Company Secretary in the board meeting held on 29-06-2023

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

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

PREMAL H GANDHI
Partner
Membership Number: 111592
Place : Mumbai
UDIN 23111592BGXFEO8359
Date : 17-August-2023



KASHANT N. GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 17-August-2023



AJAY JAIN
Director
DIN :- 02815416
Place : Nagpur
Date : 17-August-2023

Abhishek Mehta

ABHISHEK MEHTA
Chief Financial Office
Place : Nagpur
Date : 17-August-2023

Chanchal Jaiswal

CHANCHAL JAISWAL
Company Secretary
Place : Nagpur
Date : 17-August-2023