

# PGS & Associates

## Chartered Accountants

103, Vatsalya Building, 3<sup>rd</sup> Lane, Hindu Colony, L N Road, Dadar (East), Mumbai- 400014

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### INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION

To,

**The Board of Directors**

**Diffusion Engineers Limited**

T-5 & 6, MIDC, Hingana Nagpur

Maharashtra, Pin- 440016.

**Independent Auditors' Examination Report on Restated Financial for the period ended 31<sup>st</sup> December 2023, and the years ended 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021 in connection with the Initial Public Offering of Diffusion Engineers Limited**

Dear Sirs,

1. This report is issued in accordance with the terms of our engagement letter dated 16<sup>th</sup> January 2024. We have examined the attached Restated Ind AS Consolidated Financial Information of Diffusion Engineers Limited (the "Company" or the "Issuer") and its subsidiaries (the Company and its subsidiaries together referred to as the "Group"), comprising:
  - a. The Restated Consolidated Statement of Assets and Liabilities as at 31<sup>st</sup> December 2023, 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021.
  - b. The Restated Consolidated Statements of Profit and Loss (including other comprehensive income) for the period ended 31<sup>st</sup> December 2023, and the years ended 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021.
  - c. The Restated Consolidated Statement of Changes in Equity for the period ended 31<sup>st</sup> December 2023, and the years ended 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021.
  - d. The Restated Consolidated Cash Flow Statement for the period ended 31<sup>st</sup> December 2023, and the years ended 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021.
  - e. The Summary Statement of Significant Accounting Policies, and other explanatory information and for the period ended 31<sup>st</sup> December 2023, and the years ended 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021. (hereinafter together referred to as the "Restated Consolidated Financial Information")

as approved by the Board of Directors of the Company at their meeting held on 30<sup>th</sup> March, 2024, for the purpose of inclusion in the Red Herring Prospectus ("RHP") and the Prospectus (the "Prospectus") prepared by the Management of the Company in connection with its proposed Initial Public Offer of equity shares ("IPO") prepared in terms of the requirements of:

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- i. Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");
- ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"); and
- iii. The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

### **Management's Responsibility for the Restated Consolidated Financial Information**

2. The Company's Board of Directors is responsible for the preparation of the Restated Consolidated Financial Information for the purpose of inclusion in the RHP and the Prospectus (hereinafter collectively referred to as the "Offer Documents") to be filed with Securities and Exchange Board of India, relevant stock exchanges and Registrar of Companies, Maharashtra in connection with the proposed IPO. The Restated Consolidated Financial Information have been prepared by the management of the Company on the basis of preparation stated in Note 2.1 to the Restated Consolidated Financial Information. The respective Board of Directors of the Company's responsibility includes designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Consolidated Financial Information. The respective Board of Directors are also responsible for identifying and ensuring that the Group complies with the Act, ICDR Regulations and the Guidance Note.

### **Auditor's Responsibilities**

3. Our work has been carried out considering the concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Consolidated Financial Information in accordance with the Guidance note on Reports in Company Prospectuses (Revised 2019) and other applicable authoritative pronouncement issued by the Institute of Chartered Accountants of India and pursuant to the requirement of Section 26 of the Companies Act and the SEBI ICDR Regulations. Our work was performed solely to assist you in meeting your responsibility in relation to your compliance with the Act, SEBI ICDR and the Guidance Note in connection with the proposed IPO.
4. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
5. These Restated Consolidated Financial Information has been prepared by the Company's management from:
  - a. The Consolidated Financial Statements of the Group as at and for the period ended 31<sup>st</sup> December 2023 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2023 (the "Consolidated Financial

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- Statements”) which have been approved by the Board of Directors at their meeting held on 30<sup>th</sup> March 2024.
- b. The Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2023 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2022 (the “Consolidated Financial Statements”) which have been approved by the Board of Directors at their meeting held on 17<sup>th</sup> August 2023.
  - c. The Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2022 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2021 (the “Consolidated Financial Statements”) which have been approved by the Board of Directors at their meeting held on 21<sup>st</sup> September 2022.
  - d. The Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2021, along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2020 (the “Consolidated Financial Statements”) which have been approved by the Board of Directors at their meeting held on 24<sup>th</sup> September 2021.
  - e. The audited special purpose Consolidated Financial Statements as at and for the year ended 31<sup>st</sup> March 2022 for the year ended 31<sup>st</sup> March 2021 and for the year ended 31<sup>st</sup> March 2020, approved by the Board of Directors at their meeting held on 29<sup>th</sup> June 2023.
6. For the purpose of our examination, we have relied on:
- a. Report issued by us dated 17<sup>th</sup> August, 2023 on the Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2023 along with comparative audited consolidated financial statements for the year ended March 31, 2022 as referred in paragraph 5 (a) above;
  - b. Report issued by us dated 31<sup>st</sup> August 2023 on the Restated Financial Statements for the years ended 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021, in connection with the Initial Public Offering of Diffusion Engineers Limited.
  - c. Report issued by P. R. Bhuta & Co. dated 21<sup>st</sup> September 2022, on the Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2022 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2021 as referred in paragraph 5(b) above;
  - d. Report issued by P. R. Bhuta & Co dated 24<sup>th</sup> September 2021, on the Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2021 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2020 as referred in paragraph 5 (c) above;
  - e. Report issued by P. R. Bhuta & Co. dated 29<sup>th</sup> June 2023 and on the audited special purpose standalone and Consolidated Ind AS Financial Statements as at and for the

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year ended 31<sup>st</sup> March 2022, for the year ended 31<sup>st</sup> March 2021 and for the year ended 31<sup>st</sup> March 2020, as referred in Paragraph 5(d) above.

### Opinion

7. Based on our examination and according to the information and explanations given to us we report that the Restated Consolidated Financial Information:
  - a. have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the period ended 31<sup>st</sup> December 2023, and the years ended 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021.
  - b. Have been prepared in accordance with the Companies Act, ICDR Regulations and the Guidance Note.
  - c. There are no qualification in the auditor's reports which required any adjustments.
8. The Restated Consolidated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on respective audited financial statements mentioned in paragraph 7 above.
9. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
10. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
11. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

### Restriction on Use

12. Our report is addressed to and is provided to enable the Board of Directors of the Company to include this report in the Offer Documents, prepared in connection with the proposed Initial Public Offering of Equity Shares of the Company, to be filed by the Company with the Securities and Exchange Board of India, BSE Limited, National Stock Exchange of India Limited and Registrar of Companies in connection with the proposed Initial Public Offering of the equity shares of the Company. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other

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## Chartered Accountants

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purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

**For PGS & Associates**

**Chartered Accountants**

**Firm Registration No.: 0122384W**

Premal  
Hemant  
Gandhi

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Premal Hemant Gandhi  
Date: 2024.03.30  
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**Premal H Gandhi**

**Partner**

Membership No. 111592

Place: Mumbai

Date: 30<sup>th</sup> March 2024

UDIN: 24111592BKBKIL2936

**DIFFUSION ENGINEERS LTD**  
Consolidated Statement of Asset and Liabilities as at December 31, 2023

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	As at December 31, 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>ASSETS</b>					
<b>(1) Non-current assets</b>					
(a) Property, plant and equipment	3	702.91	632.76	601.08	566.93
(b) Capital work-in-progress	3 (a)	0.31	18.27	-	-
(c) Intangible assets	4	3.12	2.55	1.72	2.17
(d) Financial assets					
(i) Investments	5	242.07	195.03	188.79	124.86
(ii) Other financial assets	6	60.94	64.02	58.69	45.60
<b>Total non-current assets</b>		<b>1,009.35</b>	<b>912.64</b>	<b>850.28</b>	<b>739.58</b>
<b>(2) Current Assets</b>					
(a) Inventories	7	539.30	517.08	443.70	295.29
(b) Financial Assets					
(i) Trade receivables	8	742.56	701.35	503.45	430.81
(ii) Cash and cash equivalents	9	31.12	45.29	30.61	46.79
(iii) Other bank balances	10	-	0.03	5.05	0.01
(iv) Loans and advances	11	99.96	50.06	27.84	34.56
(v) Others financial assets	12	9.07	33.25	9.13	8.21
(c) Other current assets	13	25.99	43.75	25.39	21.17
<b>Total current assets</b>		<b>1,448.01</b>	<b>1,390.80</b>	<b>1,045.18</b>	<b>836.85</b>
<b>Total Assets</b>		<b>2,457.36</b>	<b>2,303.44</b>	<b>1,895.46</b>	<b>1,576.42</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
(a) Equity share capital	14	280.21	37.37	37.37	37.37
(b) Other equity	15	1,544.34	1,382.60	1,169.11	1,013.85
<b>Equity attributable to equity holders of the Parent</b>		<b>1,824.56</b>	<b>1,419.97</b>	<b>1,206.48</b>	<b>1,051.22</b>
(c) Non-controlling interests	15	3.08	1.69	1.88	1.66
<b>Total equity</b>		<b>1,827.64</b>	<b>1,421.67</b>	<b>1,208.36</b>	<b>1,052.88</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
(a) Financial liabilities					
(i) Borrowings	16	-	16.69	28.00	55.65
(ii) Other financial liabilities	17	9.63	8.37	6.52	7.40
(b) Provisions					
(c) Deferred tax liabilities (net)	18	49.05	37.58	33.60	34.83
<b>Total non-current liabilities</b>		<b>58.68</b>	<b>62.63</b>	<b>68.12</b>	<b>97.87</b>
<b>Current liabilities</b>					
(a) Financial liabilities					
(i) Borrowings	19	232.45	464.23	217.95	141.25
(ii) Trade payables	20				
Total outstanding dues of micro enterprises and small enterprises		63.58	31.26	1.32	12.87
Total outstanding dues of creditors other than micro enterprises and small enterprises		154.04	216.12	307.21	176.60
(iii) Other financial liabilities	21	58.17	7.82	13.72	16.99
(b) Provisions	22	5.08	5.74	2.73	2.18
(c) Other current liabilities	23	57.70	93.97	76.04	75.76
(d) Current tax liabilities (net)	23(i)	-	-	-	-
<b>Total current liabilities</b>		<b>571.04</b>	<b>819.15</b>	<b>618.97</b>	<b>425.65</b>
<b>Total Equity and liabilities</b>		<b>2,457.36</b>	<b>2,303.44</b>	<b>1,895.46</b>	<b>1,576.42</b>
<b>The accompanying notes form an integral part of the consolidated financial statements</b>					

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

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Premal Hemant Gandhi  
Date: 2024.03.30  
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**PREMAL H GANDHI**  
Partner  
Membership Number: 111592  
Place : Mumbai  
UDIN - 24111592BKBKIKL2936  
Date :30/3/2024

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

Prashant N. Garg  
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Date: 2024.03.30 18:59:13 +05'30'

**PRASHANT N. GARG**  
Chairman & Managing Director  
DIN : 00049106  
Place : Nagpur  
Date :30/3/2024

ABHISHEK MEHTA  
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Date: 2024.03.30 18:59:13 +05'30'

**ABHISHEK MEHTA**  
Chief Financial Officer  
Place : Nagpur  
Date :30/3/2024

AJAY MOTILAL JAIN  
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AJAY MOTILAL JAIN  
Date: 2024.03.30  
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**AJAY JAIN**  
Director  
DIN :- 02815416  
Place : Mumbai  
Date :30/3/2024

CHANCHAL RAJESH JAISWAL  
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Date: 2024.03.30 18:59:13 +05'30'

**CHANCHAL JAISWAL**  
Company Secretary  
Place : Nagpur  
Date :30/3/2024

**DIFFUSION ENGINEERS LTD**  
Consolidated Statement of Profit & Loss for the period ended December 31, 2023

(All amounts in rupees Million, unless otherwise stated)

Particulars	Note No.	Period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>Revenue</b>					
I Revenue from operations	24	2,042.01	2,548.76	2,045.89	1,552.63
II Other income	25	44.71	37.95	41.58	40.08
<b>III Total revenue (I+II)</b>		<b>2,086.72</b>	<b>2,586.72</b>	<b>2,087.47</b>	<b>1,592.71</b>
<b>IV Expenses</b>					
Cost of materials consumed	26	934.94	1,376.33	1,166.25	591.22
Purchases of stock-in-trade	27	123.92	128.09	82.07	59.87
Changes in inventories of finished goods and work-in-progress	28	(3.17)	(28.26)	(77.72)	177.28
Manufacturing expenses	29	275.91	328.62	264.51	176.41
Employee benefit expenses	30	264.54	307.60	268.96	239.45
Finance costs	31	14.44	22.95	13.83	20.01
Depreciation and amortization expenses	3 & 4	33.99	38.42	41.64	38.99
Other expenses	32	137.72	157.61	116.92	101.19
<b>Total expenses (IV)</b>		<b>1,782.30</b>	<b>2,331.36</b>	<b>1,876.47</b>	<b>1,404.42</b>
<b>V Profit/(loss) before Exceptional Items and Tax (III-IV)</b>		<b>304.43</b>	<b>255.36</b>	<b>210.99</b>	<b>188.30</b>
VI Exceptional Items					
<b>Profit before Tax and share of profit / (loss) of associates and joint ventures accounted for using the equity method (V-VI)</b>		<b>304.43</b>	<b>255.36</b>	<b>210.99</b>	<b>188.30</b>
VIII Share of profit / (loss) of associates and joint ventures		-8.78	31.24	8.75	(20.30)
<b>IX Profit before tax (VII+VIII)</b>		<b>295.64</b>	<b>286.60</b>	<b>219.75</b>	<b>168.00</b>
X Tax expenses					
- Current tax		67.84	59.34	49.01	44.35
(Excess)/short provision of tax relating of previous years		-	1.83	-	-
- Deferred tax		11.56	3.98	0.28	7.01
<b>Total tax expenses</b>		<b>79.40</b>	<b>65.15</b>	<b>49.29</b>	<b>51.37</b>
<b>XI Net profit for the year (IX-X)</b>		<b>216.24</b>	<b>221.45</b>	<b>170.46</b>	<b>116.63</b>
<b>XII Other comprehensive income</b>					
<i>(i) Items that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of the defined benefit plans		-1.56	0.20	(0.89)	(1.99)
Income tax effect on above		0.36	(0.05)	0.22	0.58
<i>(ii) Items that will be reclassified to profit or loss in subsequent periods</i>					
Foreign currency translation of foreign operations		-0.23	2.92	0.63	0.22
<b>Other comprehensive income for the year, net of tax</b>		<b>(1.43)</b>	<b>3.07</b>	<b>(0.03)</b>	<b>(1.19)</b>
<b>XIII Total comprehensive income / (loss) for the period (XI+XII)</b>		<b>214.82</b>	<b>224.52</b>	<b>170.42</b>	<b>115.44</b>
<b>Profit attributable to:</b>					
Owners of the Parent		214.85	221.64	170.24	117.22
Non-Controlling Interest		1.39	(0.18)	0.21	(0.59)
<b>Other Comprehensive Income attributable to:</b>					
Owners of the Parent		(1.41)	3.03	(0.03)	(1.18)
Non-Controlling Interest		(0.02)	0.03	(0.00)	(0.01)
<b>Total Comprehensive Income attributable to:</b>					
Owners of the Parent		213.44	224.67	170.21	116.03
Non-Controlling Interest		1.37	(0.15)	0.21	(0.60)
<b>Earnings per equity share</b>					
<b>Earnings per equity share [nominal value of share Rs. 10/-]</b>					
Basic (Not annualised for the period ended 31st December 2023)		7.67	7.91	6.08	4.18
Diluted (Not annualised for the period ended 31st December 2023)		7.67	7.91	6.08	4.18

Significant accounting policies and notes to the Ind AS financial statements  
The explanatory notes referred to above form an integral part of the Ind AS financial statements

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

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Premal Hemant Gandhi  
Date: 2024.03.30  
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**PREMAL H GANDHI**  
Partner  
Membership Number: 111592  
Place : Mumbai  
UDIN - 24111592BKBKIKL2936  
Date :30/3/2024

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

Prashant Garg

**PRASHANT N. GARG**  
Chairman & Managing Director  
DIN :- 00049106  
Place : Nagpur  
Date :30/3/2024

ABHISHEK MEHTA

**ABHISHEK MEHTA**  
Chief Financial Officer  
Place : Nagpur  
Date :30/3/2024

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AJAY MOTILAL JAIN  
Date: 2024.03.30  
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**AJAY JAIN**  
Director  
DIN :- 02815416  
Place : Mumbai  
Date :30/3/2024

CHANCHAL RAJESH JAISWAL

**CHANCHAL JAISWAL**  
Company Secretary  
Place : Nagpur  
Date :30/3/2024

**DIFFUSION ENGINEERS LTD**  
**Consolidated Cash Flow Statement for the year ended December 31, 2023**  
*(All amounts in rupees Million, unless otherwise stated)*

Particulars	Period ended 31 December 2023	For the year ended 31 March 2023	For the year ended 31 March 2022	For the year ended 31 March 2021
<b>A Cash flows from operating activities</b>				
Profit/(loss) before tax	295.64	286.60	219.75	168.00
<b>Adjustments:</b>				
Depreciation and amortisation	33.99	38.42	41.64	38.99
Bad Debts & Write Off	9.84	3.88	1.39	2.96
Gain / (loss) on remeasurements of the defined employee benefit plans	(1.20)	0.15	(0.67)	(1.41)
Net (gain)/loss on financial instruments at fair value through profit or loss	(20.87)	10.33	(6.97)	(22.14)
Liabilities written-back	-	-	(0.25)	(2.66)
Interest and Finance Charges	14.44	22.95	13.83	20.01
Interest Income	(2.68)	(2.46)	(3.07)	(2.08)
Share of profit / (loss) of associates and joint ventures	-	31.24	8.75	(20.30)
Unrealised exchange (gain)/loss	(0.23)	2.92	0.63	0.22
<b>Operating cash flows before working capital changes and other assets</b>	<b>328.93</b>	<b>394.01</b>	<b>275.04</b>	<b>181.58</b>
(Increase) / decrease in inventories	(22.22)	(73.38)	(148.41)	172.53
Decrease/ (increase) in Trade and Other Receivables	(79.42)	(253.12)	(78.17)	(101.20)
(Decrease) / increase in other current assets	17.76	(18.35)	(4.22)	7.15
(Decrease) / increase in Trade and Other Payables	21.89	(60.18)	108.59	(64.41)
(Decrease) / increase in other current liabilities	(24.80)	17.94	0.28	(31.76)
(Decrease) / increase in other current provisions	(0.66)	3.01	0.55	(0.33)
Cash generated from operations	<b>241.48</b>	<b>9.89</b>	<b>153.67</b>	<b>163.58</b>
Income taxes refund / (paid), net	(79.40)	(57.26)	(43.17)	(44.88)
<b>Net Cash Flow From/(Used In) Operating Activities (A)</b>	<b>162.08</b>	<b>(47.37)</b>	<b>110.51</b>	<b>118.72</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(104.15)	(72.54)	(113.41)	(18.62)
Purchase of intangible assets	(0.57)	(1.25)	-	-
Purchase of CWIP	17.96	(18.27)	-	-
Disposal of assets	-	2.86	38.08	25.95
Non Current investment	(26.17)	(47.81)	(65.71)	47.73
Interest Income	2.68	2.46	3.07	2.08
(Increase)/Decrease in bank balances not considered as cash and cash equivalent (net)	5.73	0.81	(14.04)	0.83
<b>Net Cash Flow From/(Used In) Investing Activities (B)</b>	<b>(104.51)</b>	<b>(133.73)</b>	<b>(152.02)</b>	<b>57.97</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from long-term borrowings	(16.69)	(11.31)	(27.65)	(60.67)
Proceeds from short-term borrowings(Net)	(231.79)	246.28	76.70	(64.50)
Finance Cost paid	(14.44)	(22.95)	(13.82)	(20.01)
Dividend Paid	(11.21)	(16.24)	(9.90)	(13.08)
Proceeds from Issue	202.37	-	-	-
<b>Net Cash Flow From/(Used In) Financing Activities (C)</b>	<b>(71.73)</b>	<b>195.78</b>	<b>25.33</b>	<b>(158.29)</b>
Net increase / decrease in cash and cash equivalents	(14.17)	14.68	(16.18)	18.52
Cash and cash equivalents at the beginning of the period	45.29	30.61	46.79	28.25
<b>Cash &amp; Cash Equivalents at the End of the Period(A+B+C) (refer Note 9)</b>	<b>31.12</b>	<b>45.29</b>	<b>30.61</b>	<b>46.79</b>

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

Premal  
Hemant  
Gandhi

Digitally signed by  
Premal Hemant Gandhi  
Date: 2024.03.30  
22:06:19 +05'30'

**PREMAL H GANDHI**  
Partner  
Membership Number: 111592  
Place : Mumbai  
UDIN - 24111592BKBIKL2936  
Date :30/3/2024

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

Prasha  
nt Garg

Digitally signed by Prashant N. Garg  
DN: cn=Prashant N. Garg, o=Diffusion Engineers Limited, ou=Directors, email=prashant.garg@diffusionengineers.com, c=IN

**PRASHANT N. GARG**  
Chairman & Managing Director  
DIN :- 00049106  
Place : Nagpur  
Date :30/3/2024

ABHISHE  
K MEHTA

Digitally signed by Abhishek Mehta  
DN: cn=Abhishek Mehta, o=Diffusion Engineers Limited, ou=Directors, email=abhishek.mehta@diffusionengineers.com, c=IN

**ABHISHEK MEHTA**  
Chief Financial Officer  
Place : Nagpur  
Date :30/3/2024

**AJAY  
MOTILAL  
JAIN**

Digitally signed  
by AJAY  
MOTILAL JAIN  
Date: 2024.03.30  
19:00:29 +05'30'

**AJAY JAIN**  
Director  
DIN :- 02815416  
Place : Mumbai  
Date :30/3/2024

**CHANCHAL  
RAJESH  
JAISWAL**

Digitally signed by Chanchal Rajesh Jaiswal  
DN: cn=Chanchal Rajesh Jaiswal, o=Diffusion Engineers Limited, ou=Directors, email=chanchal.jaiswal@diffusionengineers.com, c=IN

**CHANCHAL JAISWAL**  
Company Secretary  
Place : Nagpur  
Date :30/3/2024

**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**

Particulars	Land Freehold	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	Office equipment	Computers	Total	Capital work in progress (CWIP)	Total
<b>As at 31 March 2020</b>	<b>86.73</b>	<b>260.60</b>	<b>263.69</b>	<b>8.26</b>	<b>17.27</b>	<b>4.75</b>	<b>2.08</b>	<b>643.38</b>	-	-
Additions	-	6.13	7.62	0.32	3.47	0.24	0.63	18.41	-	-
Sales/Disposals/Adjustments	-	5.58	19.54	-	0.73	-	0.11	25.95	-	-
Adjustments										
<b>Cost/ Deemed cost</b>										
<b>As at 31 March 2021</b>	<b>86.73</b>	<b>261.14</b>	<b>251.78</b>	<b>8.59</b>	<b>20.01</b>	<b>4.99</b>	<b>2.61</b>	<b>635.84</b>	-	-
Additions	-	10.79	95.56	0.42	3.08	2.13	1.26	113.25	-	-
Sales/Disposals/Adjustments	-	22.08	14.98	-	0.96	-	0.09	38.11	-	-
Adjustments	-	0.01	(0.15)			0.14	0.03	0.03		
<b>As at 31 March 2022</b>	<b>86.73</b>	<b>249.86</b>	<b>332.22</b>	<b>9.01</b>	<b>22.13</b>	<b>7.26</b>	<b>3.81</b>	<b>711.02</b>	-	-
Additions	-	5.84	31.95	4.22	13.65	15.12	1.76	72.54	18.27	18.27
Sales/Disposals/Adjustments	-		2.84				0.02	2.86	-	-
<b>As at 31 March 2023</b>	<b>86.73</b>	<b>255.70</b>	<b>361.33</b>	<b>13.22</b>	<b>35.78</b>	<b>22.39</b>	<b>5.55</b>	<b>780.70</b>	<b>18.27</b>	<b>18.27</b>
Additions	<b>42.08</b>	<b>7.08</b>	<b>47.85</b>	<b>1.08</b>	<b>2.65</b>	<b>1.39</b>	<b>1.57</b>	103.71	<b>1.83</b>	1.83
Sales/Disposals/Adjustments									<b>19.79</b>	19.79
<b>As at 31 December 2023</b>	<b>128.81</b>	<b>262.78</b>	<b>409.18</b>	<b>14.30</b>	<b>38.43</b>	<b>23.78</b>	<b>7.12</b>	<b>884.40</b>	<b>0.31</b>	<b>0.31</b>
<b>Accumulated depreciation</b>										
<b>As at 31 March 2020</b>	-	<b>5.19</b>	<b>19.29</b>	<b>1.00</b>	<b>3.05</b>	<b>1.48</b>	<b>0.78</b>	<b>30.79</b>	-	-
Depreciation for the year	-	<b>9.55</b>	<b>22.75</b>	<b>1.07</b>	<b>2.78</b>	<b>1.39</b>	<b>0.58</b>	<b>38.12</b>	-	-
Sales/Disposals/Adjustments										
<b>As at 31 March 2021</b>	-	14.74	42.04	2.07	5.83	2.87	1.36	<b>68.91</b>	-	-
Depreciation for the year	-	7.90	28.08	1.21	2.36	0.84	0.63	41.03	-	-
Sales/Disposals/Adjustments										
<b>As at 31 March 2022</b>	-	22.64	70.12	3.28	8.19	3.72	1.98	109.94	-	-
Depreciation for the year	-	8.37	21.20	1.05	2.45	4.16	0.77	38.00	-	-
Sales/Disposals/Adjustments										
<b>As at 31 March 2023</b>	-	31.01	91.32	4.33	10.64	7.88	2.75	147.94	-	-
Depreciation for the year		6.21	22.12	0.90	2.49	0.93	0.89	<u>33.55</u>		
Sales/Disposals/Adjustments										
<b>As at 31 December 2023</b>	-	37.23	113.45	5.23	13.14	8.81	3.64	181.49	-	-
<b>Net block</b>										
<b>As at 31 March 2021</b>	<b>86.73</b>	<b>246.40</b>	<b>209.74</b>	<b>6.52</b>	<b>14.18</b>	<b>2.12</b>	<b>1.25</b>	<b>566.93</b>	-	-
<b>As at 31 March 2022</b>	<b>86.73</b>	<b>227.22</b>	<b>262.10</b>	<b>5.72</b>	<b>13.94</b>	<b>3.55</b>	<b>1.83</b>	<b>601.08</b>	-	-
<b>As at 31 March 2023</b>	<b>86.73</b>	<b>224.69</b>	<b>270.01</b>	<b>8.89</b>	<b>25.13</b>	<b>14.51</b>	<b>2.80</b>	<b>632.76</b>	<b>18.27</b>	<b>18.27</b>
<b>As at 31 December 2023</b>	<b>128.81</b>	<b>225.56</b>	<b>295.74</b>	<b>9.07</b>	<b>25.30</b>	<b>14.97</b>	<b>3.48</b>	<b>702.91</b>	<b>0.31</b>	<b>0.31</b>

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	86.73	-	86.73
Buildings	261.14	14.74	246.40
Plant and Equipment	251.78	42.04	209.74
Furniture and Fixtures	8.59	2.07	6.52
Vehicles	20.01	5.83	14.18
Office equipment	4.99	2.87	2.12
Computers	2.61	1.36	1.25
<b>Total</b>	<b>635.84</b>	<b>68.91</b>	<b>566.93</b>

**Note 3a**
**Capital work-in-Progress**

Particulars	As at 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at April 01, 2021
Carrying amount at end of year	0.31	18.27	-	-

Ageing of Capital work-in-progress

Particulars	As at 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Less than 1 year	0.31	18.27	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
More than 3 years	-	-	-	-
<b>Total</b>	<b>0.31</b>	<b>18.27</b>	<b>-</b>	<b>-</b>

**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
<b>As at 31 March 2020</b>	<b>0.13</b>	<b>2.69</b>	<b>2.82</b>
Additions during the period	-	0.21	0.21
Disposals / Adjustments during the period	-	-	-
<b>Cost/ Deemed cost:</b>			
<b>As at 31 March 2021</b>	<b>0.13</b>	<b>2.90</b>	<b>3.03</b>
Additions during the period	-	0.16	0.16
Disposals / Adjustments during the year	-	-	-
<b>As at 31 March 2022</b>	<b>0.13</b>	<b>3.06</b>	<b>3.20</b>
Additions during the period	-	1.25	1.25
Disposals / Adjustments during the year	-	-	-
<b>As at 31 March 2023</b>	<b>0.13</b>	<b>4.31</b>	<b>4.44</b>
Additions during the period	-	1.39	1.39
Disposals / Adjustments during the year	-	-	-
<b>As at 31 December 2023</b>	<b>0.13</b>	<b>5.70</b>	<b>5.83</b>
<b>Accumulated amortisation:</b>			
Charge for the year	-	0.86	0.86
Disposals / Adjustments during the year	-	-	-
<b>As at 31 March 2021</b>	<b>-</b>	<b>0.86</b>	<b>0.86</b>
Charge for the year	-	0.62	0.62
Disposals / Adjustments during the year	-	-	-
<b>As at 31 March 2022</b>	<b>-</b>	<b>1.48</b>	<b>1.48</b>
Charge for the year	-	0.41	0.41
Disposals / Adjustments during the year	-	-	-
<b>As at 31 March 2023</b>	<b>-</b>	<b>1.89</b>	<b>1.89</b>
Charge for the year	-	0.44	0.44
Disposals / Adjustments during the year	-	-	-
<b>As at 31 December 2023</b>	<b>-</b>	<b>2.58</b>	<b>2.58</b>
<b>Carrying amount (net)</b>			
<b>As at 31 March 2021</b>	<b>0.13</b>	<b>2.04</b>	<b>2.17</b>
<b>As at 31 March 2022</b>	<b>0.13</b>	<b>1.58</b>	<b>1.72</b>
<b>As at 31 March 2023</b>	<b>0.13</b>	<b>2.42</b>	<b>2.55</b>
<b>As at 31 December 2023</b>	<b>-</b>	<b>3.12</b>	<b>3.12</b>

The Group 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	0.13	-	0.13
Software	2.90	0.86	2.04
<b>Total</b>	<b>3.03</b>	<b>0.86</b>	<b>2.17</b>



**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 assets)**

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>Equity instruments</b>				
<b>(i) 'Investment carried at cost (Unquoted)</b>				
<b>(a) '- in Associates</b>				
Investment in Mecdiff	3.66	3.57	3.15	3.04
Investment in nowelco				
Investment in DSCS				
Investment in Hernon				
Investment in Singapore				
<b>(b) '- in Joint venture</b>				
LSN Diffusion Ltd (Fully Paid Equity Shares) - 7,54,450 (March 31, 2022 - 7,54,450 shares, April 01, 2021 - 7,54,450 shares)	58.23	70.79	39.73	31.16
	<b>61.90</b>	<b>74.37</b>	<b>42.88</b>	<b>34.20</b>
<b>(ii) 'Investment carried at fair value through Profit and loss</b>				
<b>Quoted</b>				
<b>(a) Investment in Equity</b>				
'- Canara bank limited 268 (Previous Year 268) Equity shares of Canara Bank (Earlier Syndicate)	0.02	0.04	0.06	0.04
<b>(b) Investment in mutual funds</b>				
'- Mutual funds	180.14	120.61	145.84	90.61
	<b>180.16</b>	<b>120.65</b>	<b>145.90</b>	<b>90.65</b>
<b>Other Investment</b>				
National Saving Certificate	0.01	0.01	0.01	0.01
<b>Total (i+ii)</b>	<b>242.07</b>	<b>195.03</b>	<b>188.79</b>	<b>124.86</b>
<b>Annxure-5a</b>				
<b>(a) Investments in quoted instruments:</b>				
Aggregate carrying value	169.18	105.55	120.47	72.19
Aggregate market value	180.16	121.02	145.89	90.65

**Note 6**

**Other non-current financial assets**

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Security deposit*	15.00	12.36	11.24	7.15
Fixed deposit with Bank	45.93	51.67	47.45	38.46
<b>Total</b>	<b>60.94</b>	<b>64.02</b>	<b>58.69</b>	<b>45.60</b>

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

**Note 7**

**Inventories**

**(Valued at cost, unless otherwise stated)**

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>(At lower of cost and net realisable value)</b>				
<b>Stock in trade</b>				
Raw Materials	273.98	244.81	203.07	120.71
Work in Progress	114.91	140.49	132.62	74.09
Finished goods & Traded Goods	150.41	107.07	90.20	76.67
	<b>539.30</b>	<b>492.37</b>	<b>425.89</b>	<b>271.48</b>
<b>Stock - In - Transit</b>				
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
	<b>-</b>	<b>24.71</b>	<b>17.81</b>	<b>23.81</b>
<b>Total</b>	<b>539.30</b>	<b>517.08</b>	<b>443.70</b>	<b>295.29</b>



Trade Receivables ageing schedule as at 31st March,2023

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables - considered good	626.56	42.04	14.77	5.56	7.10	696.02
(i) Undisputed Trade receivables - considered doubtful	0.11	0.00	0.00	-	1.19	1.30
(iii) Disputed trade receivables considered good	-	-	-	-	4.80	4.80
(iv) Disputed trade receivables considered doubtful	0.00	-	0.00	0.00	1.68	1.68
<b>Total</b>						<b>703.80</b>
<b>Expected Credit Loss</b>					<b>2.44</b>	<b>2.44</b>
<b>Net</b>						<b>701.35</b>

Trade Receivables ageing schedule as at 31st March,2022

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables - considered good	459.43	12.35	7.10	6.57	12.44	497.90
(i) Undisputed Trade receivables - considered doubtful	-	-	-	-	-	-
(iii) Disputed trade receivables considered good	-	-	-	-	2.47	2.47
(iv) Disputed trade receivables considered doubtful	-	0.68	1.97	0.10	0.33	3.08

Trade Receivables ageing schedule as at March 31, 2021

Particulars	Outstanding for following periods from due date of payment					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) Undisputed Trade receivables - considered good	376.30	20.70	12.27	6.23	10.62	426.12
(i) Undisputed Trade receivables - considered doubtful	-	-	-	-	-	-
(iii) Disputed trade receivables considered good	-	-	-	-	3.54	3.54
(iv) Disputed trade receivables considered doubtful	-	-	-	-	1.15	1.15

**Note 9**  
Cash and bank balances

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>Cash and Cash Equivalents</b>				
Cash on hand	1.93	0.92	0.52	0.64
<b>Balance with scheduled banks</b>				
in current accounts	25.16	32.23	28.05	44.20
Fixed deposit with maturity less than 3 months	4.02	12.13	2.04	1.95
<b>Total</b>	<b>31.12</b>	<b>45.29</b>	<b>30.61</b>	<b>46.79</b>

**Note 10**  
Other bank balances

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Dividend accounts	-	0.03	5.05	0.007
<b>Total</b>	<b>-</b>	<b>0.03</b>	<b>5.05</b>	<b>0.01</b>

**Note 11**  
Loans and Advances

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Loans and advances to related parties	0.14	-	-	-
Loan to employees	7.85	3.45	3.60	2.47
Advance to others	88.83	39.76	19.76	22.27
Advance Tax	0.20	-	3.90	9.75
Deposit with sales tax department	2.94	0.69	0.03	0.03
Deposits - Rent	-	0.04	0.04	0.04
Advance To Supplier	-	5.74	0.51	-
Staff Advance	-	0.37	0.01	0.01
<b>Total</b>	<b>99.96</b>	<b>50.06</b>	<b>27.84</b>	<b>34.56</b>

**Note 12**  
Others Financial Assets

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Deposits recoverable	9.07	10.53	9.13	8.21
Mutual Funds Receivables	-	22.73	-	-
<b>Total</b>	<b>9.07</b>	<b>33.25</b>	<b>9.13</b>	<b>8.21</b>

**Note 13**  
Other current assets

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Prepaid expenses	0.01	0.40	0.60	-
Preliminary Expenses	0.04	0.04	0.08	0.12
<b>Balances with government authorities</b>				
<i>GST receivable</i>	2.70	3.92	1.58	0.48
<i>Tds receivable</i>	0.11	-	-	-
Export and other incentive receivable	17.10	31.82	18.19	17.59
Advance income tax	-	1.53	1.55	1.51
Custom duty paid	0.02	0.03	1.59	-
Vat and sales tax	0.32	1.53	1.80	1.42
Service tax credit receivable	-	-	-	0.04
Defined benefit plan- gratuity fund	4.46	4.46	-	-
Deposite recoverable	1.23	-	-	-
<b>Total</b>	<b>25.99</b>	<b>43.75</b>	<b>25.39</b>	<b>21.17</b>

**Note 16**  
**Borrowings**

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>Secured</b>				
From HDFC Bank Loan (For Vehicle)	-	-	-	0.44
From HDFC Bank	-	7.34	24.11	80.20
From HDFC Bank (FCTL)	-	22.25	25.68	-
Less: Current maturities of long-term borrowings	-	12.91	21.80	25.00
<b>Total</b>	<b>-</b>	<b>16.69</b>	<b>28.00</b>	<b>55.65</b>

**16.1**

- a Interest rate of the above loan in range between 7.5% to 9.5%.  
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 & hypothecation 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	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Within One year	-	1.29	2.18	2.50
Two to Five years	-	0.73	2.80	5.56
	-	<b>2.03</b>	<b>4.97</b>	<b>8.06</b>

**Note 17**  
**Other Non-current financial liabilities**

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Vehicle and laptop Scheme	4.28	2.85	1.51	2.09
Deposits from distributors	5.35	5.52	5.01	5.31
<b>Total</b>	<b>9.63</b>	<b>8.37</b>	<b>6.52</b>	<b>7.40</b>

**Note 18**  
**Deferred tax liabilities (net)**

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>Deferred Tax Liability:</b>				
Timing Difference on account of Carrying amount of Property, plant and equipment and Intangible assets in the Financial Statements and the Income Tax Return	49.05	38.45	35.10	36.68
<b>Deferred Tax Assets:</b>				
Expense allowable for tax purpose when paid (Section 43B items)	-	0.87	1.50	1.86
<b>Total</b>	<b>49.05</b>	<b>37.58</b>	<b>33.60</b>	<b>34.83</b>

**Note 19**  
**Borrowings**

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>Secured</b>				
Current maturities of long term borrowings	-	12.91	21.80	25.00
Loan From Banks	232.45	451.32	196.16	116.25
<b>Total</b>	<b>232.45</b>	<b>464.23</b>	<b>217.95</b>	<b>141.25</b>

**Note 19.1**

- a Interest rate of the above loan in range between 7.0% to 10.25%.
- b Borrowings from banks are secured by way of :-  
Secured against Mortgage of Land & Building, book debts & hypothecation of Stock

**Note 20**  
**Trade payables**

Particulars	Period ended 31	As at March 31, 2023	As at March 31,	As at March 31,
	December 2023		2022	2021
total outstanding dues of micro and small enterprises	63.58	31.26	1.32	12.87
total outstanding dues of creditors other than micro and small enterprises	154.04	216.12	307.21	176.60
	<b>217.63</b>	<b>247.38</b>	<b>308.53</b>	<b>189.47</b>

**Note on MSME Disclosure**

Outstanding to Micro, Small and Medium Enterprise : March 23 : Rs.31.26 Million, March 22 : Rs. 1.32 Million, April 01, 21 : Rs. 12.87 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 Group. Total outstanding dues of Micro and Small Enterprises, which were outstanding for more than the stipulated period, are given below:

Particulars	Period ended 31	As at March 31, 2023	As at March 31,	As at March 31,
	December 2023		2022	2021
Principal amount due and remaining unpaid	63.58			
Interest paid		3.13	0.13	1.29
Interest due		-	-	-
Interest accrued and due		-	-	-
Interest due and remaining unpaid		-	-	-
	<b>63.58</b>	<b>3.13</b>	<b>0.13</b>	<b>1.29</b>

**Trade Payables ageing schedule: As at 31st December 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		53.04				53.04
(ii) Others		223.47	2.03	3.68	0.28	229.45
(iii) Disputed dues- MSME						-
(iv) Disputed dues - Others						-

**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		31.26				31.26
(ii) Others		198.43	6.05	2.98	5.77	213.23
(iii) Disputed dues- MSME		2.89				2.89
(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		1.32	-	-	-	1.32
(ii) Others		280.39	16.84	4.75	4.68	306.65
(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	-	12.87	-	-	-	12.87
(ii) Others	-	164.15	5.85	4.42	0.29	174.70
(iii) Disputed dues- MSME	-	1.90				1.90
(iv) Disputed dues - Others	-					-

## Note 21

## Other financial liabilities

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Interim Dividend	-	-	0.03	5.05
Liabilities For Expences	58.17	7.79	8.66	16.29
Covid Incentive Payable	-	-	0.00	0.70
Staff Branch Advances/Imprest	-	-	-	-
Director remuneration	-	-	-	-
<b>Total</b>	<b>58.17</b>	<b>7.82</b>	<b>13.72</b>	<b>16.99</b>

## Note 22

## Provisions

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Provision for Leave Encashment	3.97	1.55	2.70	2.17
Provision for Tax- Net of Advance Tax	1.04	4.19	0.03	0.01
Duties and Taxes	0.08	-	0.00	0.00
<b>Total</b>	<b>5.08</b>	<b>5.74</b>	<b>2.73</b>	<b>2.18</b>

## Note 23

## Other current liabilities

Particulars	Period ended 31 December 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Statutory Remittances	21.09	22.75	27.71	16.96
Advance Received from customers	16.18	40.71	8.94	15.26
Mobile Scheme	0.01	0.01	0.01	0.01
Other Credit Balances	15.70	29.64	38.31	43.15
Audit Fees Payable	0.01	0.01	0.02	0.01
other	4.70	-	0.97	0.37
TDS Payable	-	0.85	0.08	-
<b>Total</b>	<b>57.70</b>	<b>93.97</b>	<b>76.04</b>	<b>75.76</b>

## Note 24

## Revenue from operation

Particulars	Period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>Sale of Products and Services</b>				
-Manufacturing	1,455.72	1,813.81	1,534.42	1,109.59
-Trading	205.21	201.37	146.58	87.00
-Export Sales	116.12	347.22	160.34	183.88
	<b>1,777.05</b>	<b>2,362.40</b>	<b>1,841.34</b>	<b>1,380.48</b>
<b>Job work receipt</b>				
-Local	244.85	151.93	187.76	149.26
-Export	1.87	10.85	1.39	4.30
	<b>246.73</b>	<b>162.77</b>	<b>189.16</b>	<b>153.56</b>
<b>Other Operating Revenues</b>				
Insurance, Licenses & Packing on Sales	16.06	19.20	12.93	15.90
Duty Drawback	2.17	4.39	2.46	2.70
	<b>18.23</b>	<b>23.59</b>	<b>15.39</b>	<b>18.60</b>
<b>Total</b>	<b>2,042.01</b>	<b>2,548.76</b>	<b>2,045.89</b>	<b>1,552.63</b>

## Revenue disaggregation is as follows

Disaggregation of goods	Period ended 31	Year ended	Year ended	Year ended
	December 2023	31 March 2023	31 March 2022	31 March 2021
Manufactured Products	1,571.84	2,097.30	1,694.76	1,293.47
Trading Products	205.21	201.36	132.59	87.00
Job Works	246.73	226.51	203.15	153.56
Other Unallocated- Insurance, License sale and Duty Drawls:	18.23	23.59	15.39	18.60
	<b>2,042.01</b>	<b>2,548.76</b>	<b>2,045.89</b>	<b>1,552.63</b>
<b>Disaggregation based on geography</b>				
India	1,924.01	2,190.69	1,884.15	1,364.45
Outside India	118.00	358.07	161.74	188.18
	<b>2,042.01</b>	<b>2,548.76</b>	<b>2,045.89</b>	<b>1,552.63</b>

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

## Information about major customers

Customer Type	Period ended 31	Year ended	Year ended	Year ended
	December 2023	31 March 2023	31 March 2022	31 March 2021
Customers under Government Projects	157.19	168.41	37.59	25.04
Industrial Customers	1,766.83	2,022.28	1,846.56	1,339.41
Export Customers	118.00	358.07	161.74	188.18
<b>Total</b>	<b>2,042.01</b>	<b>2,548.76</b>	<b>2,045.89</b>	<b>1,552.63</b>

## Note 25

## Other Income

Particulars	Period ended 31	Year ended	Year ended	Year ended
	December 2023	31 March 2023	31 March 2022	31 March 2021
<b>Other Income</b>				
<b>Interest income</b>				
- on Deposit	2.68	2.66	3.25	2.08
- Unwinding of discount on security deposits and others	0.15	0.19	0.19	-
Commission	-	-	-	-
Foreign exchange gain	0.57	3.70	5.36	-
Profit on Sale of Assets & Investment	16.26	17.88	12.23	3.82
Net gain on financial instruments at fair value through profit	20.87	-	6.97	22.14
Rent income	-	-	-	-0.03
Liabilities written-back	-	-	0.25	2.66
Insurance claim receipt	2.68	0.39	2.36	1.01
PSI Incentive	-	11.30	7.00	6.68
MEIS License income	-	0.83	3.10	0.47
Write off	-	0.00	-	-
- on Deposit	-	-	-	0.11
Freight Charges Recovered	0.02	0.13	0.01	-
Freight Outwards	-	-	0.05	0.05
Pradhan Mantri Garib Kalyan Yojna PF	-	-	0.00	0.02
Dividend income	0.26	0.39	-	0.32
Miscellaneous income	1.23	0.48	0.81	0.76
<b>Total</b>	<b>44.71</b>	<b>37.95</b>	<b>41.58</b>	<b>40.08</b>

## Note 26

## Cost of materials consumed

Particulars	Period ended 31	Year ended	Year ended	Year ended
	December 2023	31 March 2023	31 March 2022	31 March 2021
As at beginning of the period	254.46	208.66	140.95	129.20
Add: Purchases	953.79	1,422.14	1,233.95	602.98
Less : As at end of the period	273.31	254.46	208.66	140.95
<b>Total</b>	<b>934.94</b>	<b>1,376.33</b>	<b>1,166.25</b>	<b>591.22</b>

## Note 27

## Purchases of stock-in-trade

Particulars	Period ended 31	Year ended	Year ended	Year ended
	December 2023	31 March 2023	31 March 2022	31 March 2021
Purchases of stock-in-trade	123.92	128.09	82.07	59.87
<b>Total</b>	<b>123.92</b>	<b>128.09</b>	<b>82.07</b>	<b>59.87</b>

## Note 28

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

Particulars	Period ended 31	Year ended	Year ended	Year ended
	December 2023	31 March 2023	31 March 2022	31 March 2021
<b>Inventories at the beginning of the year:</b>				
Stock-in-trade	55.57	43.79	42.35	46.65
Finished goods	54.33	45.73	27.97	117.40
Work-in-progress	140.49	132.62	74.09	157.63
	<b>250.40</b>	<b>222.14</b>	<b>144.41</b>	<b>321.69</b>
<b>Inventories at the end of the year:</b>				
Stock-in-trade	66.85	55.57	43.79	42.35
Finished goods	70.64	54.33	45.73	27.97
Work-in-progress	116.08	140.49	132.62	74.09
	<b>253.56</b>	<b>250.40</b>	<b>222.14</b>	<b>144.41</b>
<b>Total</b>	<b>(3.17)</b>	<b>(28.26)</b>	<b>(77.72)</b>	<b>177.28</b>

Note 29

Manufacturing expenses

Particulars	Period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>Consumable, stores and spare parts material Consumed</b>				
Inventories at the beginning of the year:	12.22	12.91	9.93	7.45
Add:- Purchases for the year	40.69	55.15	51.51	39.35
Inventories at the end of the year:	12.43	12.22	12.91	9.93
	<b>40.49</b>	<b>55.84</b>	<b>48.53</b>	<b>36.87</b>
Custom duties expenses	7.64	17.35	12.70	11.54
Job work charges	121.46	140.34	109.07	73.87
Labour charges	27.38	28.44	18.37	11.70
Carriage inward and clearing charges	26.79	23.34	25.81	12.68
Power and fuel	45.97	52.03	41.96	28.52
Lease rental	5.95	7.93	7.78	0.22
Freight On Raw Material	-	2.51	0.02	0.02
Lab expenses	-	0.52	-	0.68
Water charges	0.24	0.32	0.29	0.30
	<b>235.42</b>	<b>272.79</b>	<b>215.99</b>	<b>139.54</b>
<b>Total</b>	<b>275.91</b>	<b>328.62</b>	<b>264.51</b>	<b>176.41</b>

Note 30

Employee benefits expenses

Particulars	Period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Salaries, wages and bonus	222.04	272.43	235.19	200.85
<b>Post employment benefits</b>				
-Contribution to provident and other funds	11.85	13.83	14.00	12.49
-Gratuity and other defined benefit plans	0.51	0.50	5.85	1.98
- Labour welfare fund	2.21	0.00	0.00	0.00
Staff welfare expenses	5.29	6.36	1.28	2.18
Sales Commission to employees	5.29	7.13	4.92	2.75
Directors' Commission	-	7.35	7.73	6.13
Directors' Remuneration	13.96	-	-	-
Leave travel allowance	3.41	-	-	-
	<b>264.54</b>	<b>307.60</b>	<b>268.96</b>	<b>239.45</b>

Note 31

Finance cost

Particulars	Period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>-Interest expense on:</b>				
Borrowings	11.82	18.54	9.62	16.21
Other borrowing costs	2.62	4.42	4.28	3.79
Exchange fluctuation on foreign currency transactions/ transl	-	-	(0.07)	-
<b>Total</b>	<b>14.44</b>	<b>22.95</b>	<b>13.83</b>	<b>20.01</b>

Note 32

Depreciation and amortisation expense

Particulars	Period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Depreciation of tangible assets	33.55	38.00	41.03	38.12
Amortisation of intangible assets	0.44	0.41	0.62	0.86
<b>Total</b>	<b>33.99</b>	<b>38.42</b>	<b>41.64</b>	<b>38.99</b>

Note 32

Other expenses

Particulars	Period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Rent	6.23	6.17	5.53	4.64
Security charges	5.55	5.82	4.77	4.74
Rates and taxes	3.73	2.22	6.19	2.22
<b>Repairs and maintenance:</b>				
-Machinery	0.62	2.14	0.59	0.70
-Vehicles	2.04	3.42	2.87	2.72
-Others	4.28	4.93	3.30	2.45
Insurance expense	3.50	4.20	3.59	4.53
Travelling, communication and conveyance expenses	28.93	34.78	20.38	12.42
Directors sitting fees	0.49	0.56	0.56	0.56
Commission expenses	7.32	6.53	2.52	8.14
Packing, forwarding and distribution expenses	18.05	32.78	29.19	27.88
Advertisements and sales promotion expenses	4.35	3.24	1.95	1.80
<b>Payment to auditors</b>				
-As auditor - Audit fees	1.32	1.00	0.44	0.39
-For other services	0.08	0.38	0.35	0.33
-Out of pocket expenses	-	-	-	-
Bad debts w/off	9.84	3.88	1.39	2.96
Legal and professional fees	16.43	17.41	13.89	9.72
Loss on Foreign currency transactions	-	1.43	0.16	2.36
Net loss on financial instruments at fair value through profit	-	10.33	-	-
Expenditure on corporate social responsibility	2.63	3.40	3.33	2.37
Miscellaneous expenses	22.31	12.99	15.94	10.26
<b>Total</b>	<b>137.72</b>	<b>157.61</b>	<b>116.92</b>	<b>101.19</b>

Note 33  
Tax Expense

Particulars	period ended	Year ended	Year ended	Year ended
	31 December 2023	31 March 2023	31 March 2022	31 March 2021
Current tax (including earlier years)	67.84	59.34	49.01	44.35
Deferred tax	11.56	3.98	0.28	7.01
<b>Income tax expense reported in the statement of profit and loss</b>	<b>79.40</b>	<b>63.32</b>	<b>49.29</b>	<b>51.37</b>

**Other comprehensive income**

Deferred tax charge/ (credit) on remeasurements losses of defined benefit plans	0.36	(0.05)	0.22	0.58
<b>Total tax expense</b>	<b>79.05</b>	<b>63.37</b>	<b>49.07</b>	<b>50.79</b>

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:

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

Accounting profit before income tax	295.64	286.76	219.75	168.14
At country's statutory income tax rate of 25.17% 31 March 2023 and 31 March 2022: 25.17%)	74.41	72.18	55.31	42.32

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

Difference Between Book Depreciation And Tax Depreciation	3.19	(4.40)	(0.13)	(5.85)
Net Expenses disallowed/allowed under Income Tax	-1.43	(0.49)	(2.52)	1.20
Fair Value Gain as per IND AS	8.65	-	-	-
Effect of Deferred Tax	11.91	3.98	0.28	7.01
Others	(5.99)	(6.54)	(3.90)	(0.52)
	<b>79.05</b>	<b>64.74</b>	<b>49.04</b>	<b>44.17</b>

Note 34  
Earning Per Equity Share

Particulars	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
	<b>Net profit attributable to equity shareholders</b>			
Net profit for the year	213.44	224.67	170.21	116.03
Nominal value of equity share Rs.	10.00	10.00	10.00	10.00
Total number of equity shares outstanding at the beginning of the year	28.02	3.74	3.74	3.74
Total number of equity shares outstanding at the end of the year	28.02	3.74	3.74	3.74
Weighted-average number of equity shares (Post Bonus Issue)	28.02	28.02	28.02	28.02
Basic (Not annualised for the period ended 31 december 2023)	7.62	8.02	6.07	4.14
Diluted (Not annualised for the period ended 31 december 2023)	7.62	8.02	6.07	4.14

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	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
	Employers Contribution to Provident Fund/ Pension Fund	10.53	14.32	12.24
Employers Contribution to ESIC	1.29	1.78	1.76	2.25
<b>Total</b>	<b>11.81</b>	<b>16.10</b>	<b>14.00</b>	<b>14.16</b>

**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	(Rs. in Million)			
	Leave Encashment			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Present value of obligation at the end of year	3.89	2.70	2.70	23.06
Fair value of plan assets at the end of year	-	-	-	-
<b>Net liability recognized in the Balance Sheet</b>	<b>3.89</b>	<b>2.70</b>	<b>2.70</b>	<b>23.06</b>

The amounts recognized in the Balance Sheet are as follows :

Particulars	(Rs. in Million)			
	Gratuity			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Present value of obligation at the end of year	25.97	22.60	19.43	17.12
Fair value of plan assets at the end of year	26.58	27.06	21.21	19.21
<b>Net liability (asset) recognized in the Balance Sheet</b>	<b>(0.61)</b>	<b>(4.46)</b>	<b>(1.78)</b>	<b>(2.09)</b>

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

Particulars	(Rs. in Million)			
	Leave Encashment			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Current Service Cost	1.15	0.96	0.96	2.77
Interest Cost	0.10	0.19	0.15	1.41
Past Service Cost	-	-	-	-
Benefits Paid	-	-	-	-
<b>Recognized Net Actuarial (Gain)/ Loss</b>	<b>-0.09</b>	<b>(1.15)</b>	<b>(0.57)</b>	<b>3.63</b>
<b>Total, included in Employee Benefit Expenses</b>	<b>1.16</b>	<b>0.00</b>	<b>0.53</b>	<b>7.82</b>

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

Particulars	(Rs. in Million)			
	Gratuity			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Current Service Cost	1.19	2.17	1.93	12.02
Interest Cost	0.82	(0.34)	(0.22)	(3.35)
Past Service Cost	-	-	-	-
Benefits Paid	-	-	-	-
<b>Recognized Net Actuarial (Gain)/ Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total, included in Employee Benefit Expenses</b>	<b>2.01</b>	<b>1.83</b>	<b>1.71</b>	<b>8.67</b>

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

Particulars	(Rs. in Million)			
	Leave Encashment			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Defined benefit obligation at beginning of the year	2.70	2.70	2.17	2.31
Current Service Cost	1.15	0.96	0.96	0.28
Past Service Cost	-	-	-	-
Interest Cost	0.13	0.19	0.15	0.14
Benefits Paid	-	-	-	(0.92)
Actuarial (Gain)/ Loss	-0.09	(1.15)	(0.57)	0.36
<b>Defined benefit obligation at the end of the year</b>	<b>3.89</b>	<b>2.70</b>	<b>2.70</b>	<b>2.17</b>

Particulars	(Rs. in Million)			
	Gratuity			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Defined benefit obligation at beginning of the year	23.70	19.43	17.12	14.20
Current Service Cost	1.19	2.17	1.93	1.20
Past Service Cost	-	-	-	-
Interest Cost	0.82	1.34	1.10	0.91
Benefits Paid	-0.76	(1.21)	(1.59)	(1.09)
Other (Employee contribution,tax expenses)	-0.04	(0.06)	-	-
Actuarial (Gain)/ Loss	1.06	0.94	0.87	1.89
<b>Defined benefit obligation at the end of the year</b>	<b>25.97</b>	<b>22.60</b>	<b>19.43</b>	<b>17.12</b>

Particulars	(Rs. in Million)			
	Gratuity			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Defined benefit plan at beginning of the year	26.90	21.21	19.21	15.45
Interest income	0.95	1.67	1.32	1.24
Employer contribution	0.03	4.32	2.29	3.70
Benefits Paid	-0.80	(1.27)	(1.59)	(1.09)
Actuarial Gain/ (Loss)	-0.49	1.14	(0.02)	(0.10)
<b>Defined benefit plan at the end of the year</b>	<b>26.58</b>	<b>27.06</b>	<b>21.21</b>	<b>19.21</b>

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

Particulars	(Rs. in Million)			
	Leave Encashment			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
(i) Discount Rate	7.32%	7.35%	7.11%	6.77%
(ii) Salary Escalation Rate	5.00%	5.00%	5.00%	5.00%

Particulars	(Rs. in Million)			
	Gratuity			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
(i) Discount Rate	7.32%	7.35%	7.11%	6.77%
(ii) Salary Escalation Rate	5.00%	5.00%	5.00%	5.00%
(iii) Expected Rate of Return on Plan Assets	7.32%	7.35%	7.11%	6.77%

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

Particulars	(Rs. in Million)			
	Leave Encashment			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
(i) Retirement Age	58 years	58 years	58 years	58 years
(ii) Employee Turnover :				
18-30 Years	1.00%	1.00%	1.00%	1.00%
30-45 Years	1.00%	1.00%	1.00%	1.00%
Above 45 Years	1.00%	1.00%	1.00%	1.00%

Particulars	(Rs. in Million)			
	Gratuity			
	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
(i) Retirement Age	58 years	58 years	58 years	58 years
(ii) Employee Turnover :				
18-30 Years	1.00%	1.00%	1.00%	1.00%
30-45 Years	1.00%	1.00%	1.00%	1.00%
Above 45 Years	1.00%	1.00%	1.00%	1.00%

Particulars	period ended 31 December 2023	March 31, 2023
(i) Current liabilities	0.83	2.46
(ii) Non Current liabilities	3.06	21.04

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

Expected Cash flow for following years

Gratuity:	Expected Cash Flow for the Next Ten Years	(Rs. in Million)			
		December 31, 2023	March 31, 2023	March 31, 2022	March 31, 2021
	Year 1	4.09	2.46	0.53	4.29
	Year 2	1.53	1.95	0.39	2.83
	Year 3	1.27	1.32	0.39	2.82
	Year 4	2.32	2.22	0.32	2.87
	Year 5	1.00	1.08	0.32	2.26
	Year 6 to 10	10.51	9.55	1.00	8.38

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

**Note 36**

**Contingent Liabilities**

**Contingent Liabilities not provided for :**

Claims against the company not acknowledge as Debt

a. Excise duty liability disputed

	Period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
	-	1.66	1.66	1.66
	-	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>

**Note 37**

**Related party transactions**

**37.1 Names of related parties and description of relationship:**

Relationship	Name of the related party
Associate of Subsidiary	M/s Mecdiff SD. BHD.
Joint Venture	LSN Diffusion Ltd
Key Management Personnel	Mr. Prashant Garg
	Mr. Ajay Jain
	Ms. Anita Vijaykar
	Mr Abhishek Mehta
	Ms Chanchal Jaiswal
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)
	Mrs Daksha Jain
Common Management	Mrs Disha Mehta
	Devi Kiran Advisory Services LLP Benvira Forward Algorithms LLP

37.2 Details of related party transactions

	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>Sales</b>	8.65			
M/s Mecdiff SD. BHD.		8.94	7.67	14.32
		-	-	-
<b>Total Credit Notes Towards Commission</b>		-	-	-
LSN Diffusion Ltd	17.48	0.57	0.43	0.06
		-	-	-
<b>Purchase</b>				
Benvira Forward Algorithms LLP	-	-	-	0.30
LSN Diffusion Ltd	17.67	35.37	27.59	27.72
		-	-	-
<b>Reimbursement</b>				
Benvira Forward Algorithms LLP	0.01	0.29	0.35	0.02
LSN Diffusion Ltd	0.09	0.21	-	-
Mr. Prashant Garg	2.05	2.59	2.32	1.15
		-	-	-
<b>Commission</b>				
Mr. Prashant Garg	0.63	2.50	4.00	3.80
Mr. Ajay Jain	0.09	0.35	0.35	0.25
Mrs. Neelu Garg	0.88	3.50	2.00	1.20
Mrs. Renuka Garg	0.09	0.35	0.35	0.25
Ms. Anita Vijaykar	0.09	0.35	0.35	0.25
		-	-	-
<b>Debit / (Credit) due to exchange fluctuation</b>				
LSN Diffusion Ltd	0.19	-0.28	0.26	-
M/s Mecdiff SD. BHD.	0.07	0.11	-0.19	-
		-	-	-
<b>Dividend</b>				
Mr. Prashant Garg	4.37	4.37	5.83	5.10
Ajay Jain ( H.U.F)	0.03	0.03	0.04	0.04
Mr. Nitin N Garg	2.95	2.95	4.23	3.70
Mrs Daksha Jain	0.00	0.00	0.00	0.00
Mrs. Chitra N Garg	2.55	2.55	3.40	2.97
Mrs. Neelu Garg	0.03	0.03	0.04	0.03
Mrs. Renuka Garg	0.23	0.23	0.30	0.26
N. K. Garg HUF	0.89	0.89	1.19	1.04
Ms. Anita Vijaykar	0.00	0.00	-	-
		-	-	-
<b>Medical Re-imbursenent</b>				
Mr. Prashant Garg		-	-	0.03
		-	-	-
<b>Remuneration</b>				
Mr. Prashant Garg	13.50	16.65	13.05	12.00
Mrs. Neelu Garg	4.14	1.92	1.64	1.26
		-	-	-
<b>Key Managerial Personnel</b>				
Mr Abhishek Mehta	1.37	-	-	-
Ms Chanchal Jaiswal	0.41	-	-	-
		-	-	-
<b>Relatives of Key Managerial Personnel</b>				
Mrs Disha Mehta	1.10	-	-	-
		-	-	-
<b>Rent</b>				
Mrs. Chitra N Garg	2.24	2.67	2.47	2.28
N. K. Garg HUF	0.16	0.19	0.19	0.17
Mr. Prashant Garg	0.55	0.70	0.64	0.59
		-	-	-
<b>Purchase of land</b>				
Mr. Prashant Garg	13.33	-	-	-
Mr. Nitin N Garg	13.33	-	-	-
Mrs. Chitra N Garg	13.33	-	-	-
		-	-	-
	<b>122.47</b>	<b>88.01</b>	<b>78.51</b>	<b>78.79</b>

37.3

Details of outstanding to/from related parties

	period ended 31 December 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>Trade Payables</b>				
Benvira Forward Algorithms LLP		-	0.16	-
LSN Diffusion Ltd	0.18	1.48	1.65	10.52
		-	-	-
<b>Trade receivables</b>				
M/s Mecdiff SD. BHD.	4.74	1.51	0.23	9.28
		-	-	-
<b>Total Debit Notes towards expenses</b>				
Diffusion MGM Machines Pvt Ltd.		-	-	-
		-	-	-
<b>Reimbursement Payable</b>				
Mr. Prashant Garg		0.16	-	-
		-	-	-
		-	-	-

**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 Group

Financial Instruments by category	Carrying Value			
	Quarter ended 31 December 2023	Year ended31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>Financial Assets at Amortised Cost</b>				
Cash and Bank Balances	31.12	45.31	35.66	46.79
Investments	169.18	179.78	163.20	106.25
Other Financial Assets	70.01	97.27	67.82	53.82
Trade Receivables	742.56	701.35	503.45	430.81
Loans and advances	99.96	50.06	27.84	34.56
<b>Total</b>	<b>1,112.83</b>	<b>1,073.77</b>	<b>797.98</b>	<b>672.23</b>
<b>Financial Liabilities at Amortised Cost</b>				
Trade Payables	217.63	247.38	308.53	189.47
Borrowings	232.45	480.92	245.95	196.90
Other Financial Liabilities	67.80	16.18	20.24	24.39
<b>Total</b>	<b>517.87</b>	<b>744.48</b>	<b>574.72</b>	<b>410.76</b>

Financial Instruments by category	Fair Value			
	Quarter ended31 December 2023	Year ended31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>Financial Assets at Amortised Cost</b>				
Cash and Bank Balances	31.12	45.31	35.66	46.79
Investments	180.16	195.03	188.79	124.86
Other Financial Assets	70.01	97.27	67.82	53.82
Trade Receivables	742.56	701.35	503.45	430.81
Loans and advances	99.96	50.06	27.84	34.56
<b>Total</b>	<b>1,123.81</b>	<b>1,089.03</b>	<b>823.56</b>	<b>690.84</b>
<b>Financial Liabilities at Amortised Cost</b>				
Trade Payables	217.63	247.38	308.53	189.47
Borrowings	232.45	480.92	245.95	196.90
Other Financial Liabilities	67.80	16.18	20.24	24.39
<b>Total</b>	<b>517.87</b>	<b>744.48</b>	<b>574.72</b>	<b>410.76</b>

**The following methods and assumptions were used to estimate the fair values:**

Cash and short-term deposits, trade receivables, loans, trade payables, and other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term receivables/payables are evaluated by the Company based on parameters such as interest rates, risk factors, individual creditworthiness of the counterparty and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables.

All foreign currency denominated assets and liabilities are translated using exchange rate at reporting date.

**Fair Value Hierarchy**

**The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation**

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs based on unobservable market data.

**Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets:**

**(Rs. in Million)**

Particulars	Carrying Amount	As at December 31, 2023		
		Level of input used in		
		Level 1	Level 2	Level 3
<b>Financial Assets at Amortised Cost</b>				
Cash and Bank Balances	31.12	-	-	31.12
Investments	169.18	180.16	-	(10.98)
Other Financial Assets	70.01	-	-	70.01
Trade Receivables	742.56	-	-	742.56
<b>Financial Liabilities at Amortised Cost</b>				
Trade Payables	217.63	-	-	217.63
Borrowings	232.45	-	-	232.45
Other Financial Liabilities	67.80	-	-	67.80

## Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets:

(Rs. in Million)

Particulars	Carrying Amount	As at March 31, 2023		
		Level of input used in		
		Level 1	Level 2	Level 3
<b>Financial Assets at Amortised Cost</b>				
Cash and Bank Balances	45.31	-	-	45.31
Investments	179.78	121.02	-	58.75
Other Financial Assets	97.27	-	-	97.27
Trade Receivables	701.35	-	-	701.35
Loans and advances	50.06	-	-	50.06
<b>Financial Liabilities at Amortised Cost</b>				
Trade Payables	247.38	-	-	247.38
Borrowings	480.92	-	-	480.92
Other Financial Liabilities	16.18	-	-	16.18

## Quantitative Disclosures of Fair Value Measurement Hierarchy for Assets:

(Rs. in Million)

Particulars	Carrying Amount	As at 1 April 2021		
		Level of input used in		
		Level 1	Level 2	Level 3
<b>Financial Assets at Amortised Cost</b>				
Cash and Bank Balances	46.79	-	-	46.79
Investments	106.25	90.65	-	15.60
Other Financial Assets	53.82	-	-	53.82
Trade Receivables	430.81	-	-	430.81
Loans and advances	34.56	-	-	34.56
<b>Financial Liabilities at Amortised Cost</b>				
Trade Payables	189.47	-	-	189.47
Borrowings	196.90	-	-	196.90
Other Financial Liabilities	24.39	-	-	24.39

**DIFFUSION ENGINEERS LTD**

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

**Note No. 41****Segment reporting****Basis for segmentation**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Group's Chairman and Managing Director (CMD) to make decisions about resources to be allocated to the segments and assess their performance.

The Group has three reportable segments, as described below, which are the Group's strategic business units. These business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the business units, the Group's Chairman & Managing Director reviews internal Group management reports periodically. The CMD is designated as the Chief Operating Decision Maker (CODM).

**Business Segment**

Manufactured Products  
Trading Products  
Job Works

**Description of products/services**

Welding Electrodes, Flux Cord Wires, SOP, Diffcor,  
TIG, MIG, Filler Wires, Thermal Spray Powders,  
Service Welding & Reconditioning Jobs.

Particulars	Period ended 31 december 2023	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
<b>a) Segment revenue from operations</b>				
<b>Manufactured Products</b>				
Local	1,455.72	2,024.99	1,631.27	1,187.17
Export	116.12	283.48	160.34	183.88
<b>Trading Products</b>				
Local	205.21	201.37	132.59	86.31
Export		-	-	-
<b>Job Works</b>				
Local	244.85	215.66	201.76	149.95
Export	1.87	10.85	1.39	4.30
<b>Gross Segment revenue from operations</b>	<b>2,023.78</b>	<b>2,736.36</b>	<b>2,127.35</b>	<b>1,611.61</b>
Unallocable revenue from operation	18.23	23.58	15.39	18.60
Less:- Inter segment		-	-	-
Manufactured Products		(211.18)	(96.85)	(77.57)
<b>Total Segment revenue from operations</b>	<b>2,042.01</b>	<b>2,548.76</b>	<b>2,045.89</b>	<b>1,552.63</b>
<b>b) Segment profit/(loss) before tax &amp; interest</b>				
Manufactured Products	550.24	353.88	578.68	479.24
Trading Products	83.05	145.24	43.23	21.38
Job Works	74.26	172.21	173.35	134.16
<b>Net segment profit before tax &amp; interest</b>	<b>707.56</b>	<b>671.33</b>	<b>795.26</b>	<b>634.79</b>
<b>Reconciliation of segment profit with profit before tax</b>				
Finance Cost	14.44	22.95	13.84	20.00
Other unallocated corporate expenses net off	132.96	399.73	603.04	486.71
Unallocable income	(18.23)	(37.96)	(41.36)	(40.07)
<b>Profit before tax as per statement of profit and loss</b>	<b>578.39</b>	<b>286.60</b>	<b>219.75</b>	<b>168.14</b>

**DIFFUSION ENGINEERS LTD**

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

(All amounts in rupees Million, unless otherwise stated)

<b>Other Information</b>				
<b>j) Segment assets</b>				
Particulars	Period ended31 december 2023	Year ended31 March 2023	Year ended31 March 2022	Year ended31 March 2021
Manufactured Products	1,172.80	1,099.34	821.93	676.26
Trading Products	59.29	55.57	39.08	42.35
Job Works	83.26	78.05	53.67	54.05
<b>Total segment assets</b>	<b>1,315.35</b>	<b>1,232.96</b>	<b>914.68</b>	<b>772.65</b>
Eliminations / Unallocated	1,142.01	1,070.47	980.76	803.77
<b>Total assets</b>	<b>2,457.36</b>	<b>2,303.44</b>	<b>1,895.44</b>	<b>1,576.42</b>
<b>k) Segment Liabilities</b>				
Manufactured Products	744.63	267.20	296.28	237.27
Trading Products	5.34	1.92	0.05	3.83
Job Works	45.18	16.21	12.20	12.98
<b>Total segment liabilities</b>	<b>795.16</b>	<b>285.33</b>	<b>308.53</b>	<b>254.08</b>
Eliminations / Unallocated	1,662.20	596.45	378.56	269.45
<b>Total liabilities</b>	<b>2,457.36</b>	<b>881.78</b>	<b>687.10</b>	<b>523.53</b>
<b>Geographical Information</b>				
Particulars	Period ended31 december 2023	Year ended31 March 2023	Year ended31 March 2022	Year ended31 March 2021
<b>Segment revenue from external customers</b>				
India	1,924.01	2,254.43	1,884.15	1,364.45
Outside India	118.00	294.34	161.74	188.18
<b>Total segment Revenue</b>	<b>2,042.01</b>	<b>2,548.76</b>	<b>2,045.89</b>	<b>1,552.63</b>
Particulars	Period ended31 december 2023	Year ended31 March 2023	Year ended31 March 2022	Year ended31 March 2021
<b>Total Assets</b>				
India	2,295.14	2,193.82	1,846.72	1,519.62
Outside India	162.2176153	109.62	48.73	56.81
<b>Total segment Assets</b>	<b>2,457.36</b>	<b>2,303.44</b>	<b>1,895.44</b>	<b>1,576.42</b>
Particulars	Period ended31 december 2023	Year ended31 March 2023	Year ended31 March 2022	Year ended31 March 2021
<b>Total Liabilities</b>				
India	2,422.84	837.27	678.55	504.51
Outside India	34.52	44.51	8.55	19.02
<b>Total segment Liabilities</b>	<b>2,457.36</b>	<b>881.78</b>	<b>687.10</b>	<b>523.53</b>

**DIFFUSION ENGINEERS LTD**

Notes forming part of the Consolidated financial statements for the period ended December, 2023

**1 Corporate Information:**

Diffusion Engineers Limited ("the Parent Company"), is an ISO 14001 & 18001 & its subsidiaries, associates and joint venture companies (together the parent company and its subsidiaries constitute "the Group") are engaged in the manufacturing of electrodes, flux cored wire, manufacturing of Durum products, Diffcor products, service welding and wear plates. Group is also engaged in trading of LSN Powder, Kjellberg machines and CNC cutting machines. Group is expanding its business in overseas by exporting of manufacturing goods to Asian and other south

**2 Basis of preparation of financial statements and significant accounting policies:****2.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with Ind ASs notified under the Companies (Indian Accounting Standards) Rules, 2015.

As these are the Group's first consolidated 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 the previously reported financial position, financial performance and cash flows of the Company is provided in Note 43.

**Basis of preparation and presentation**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36. In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**The principal accounting policies are set out below.****Basis of consolidation****Subsidiaries**

These Consolidated financial statements are prepared in accordance with Ind AS on "Consolidated Financial Statements" (Ind AS 110), specified under Section 133 of the Act.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated financial statements from the date on which control commences until the date on which control ceases. Subsidiaries considered in the Consolidated financial statements as below.

Name	Country of Incorporation	F.Y. 2022-23		F.Y. 2021-22		F.Y. 2020-21		F.Y. 2019-20	
		No of Shares	% of Holding	No of Shares	% of Holding	No of Shares	% of Holding	No of Shares	% of Holding
<b>Subsidiaries :-</b>									
<b>Indian</b>									
1. Diffusion Super-Conditioning Services Pvt Ltd.	India	3,760	98.95	3,760	98.95	3,760	98.95	3,760	98.95
2. Noweko Industries Pvt. Ltd.	India	6,85,511	66.95	6,85,511	66.95	6,85,511	66.95	6,85,511	66.95
3. Diffusion Herron Adhesive & Sealant Pvt. Ltd	India	95,000	95	95,000	95	95,000	95	95,000	95.00
<b>Foreign</b>									
1. Diffusion Engineers Singapore Pte. Ltd.	Singapore	2,50,217	100	2,50,217	100	2,50,217	100	2,50,217	100.00
2. Diffusion Wear Solutions Philippines Inc. *	Philippines	90,00,000	100	90,00,000	100	90,00,000	100	90,00,000	100.00
<b>Foreign Joint Ventures :-</b>									
1. LSN Diffusion Ltd.	United Kingdom	7,54,450	21.56	7,54,450	21.56	7,54,450	21.56	7,54,450	21.56
<b>Foreign Associate :-</b>									
1. Mecdiff Sdn Bhd *	Malaysia	3,00,000	30	3,00,000	30	3,00,000	30	3,00,000	30.00
* shares held by Diffusion Engineers Singapore Pte. Ltd.									

**Non-controlling interest (NCI)**

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

**Transactions eliminated on consolidation**

The financial statements of the Holding Company and its subsidiaries used in the consolidation procedures are drawn upto the same reporting date i.e 31 December 2023.

The financial statements of the Holding Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

**2.2 Basis of Measurement**

These group financial statements have been prepared in Indian Rupee which is the functional currency of the Holding Company. These financial statements have been prepared on historical cost basis, except for certain financial instruments which are measured at fair value or amortised cost at the end of each reporting period, as explained in the accounting policies below.

## DIFFUSION ENGINEERS LTD

Notes forming part of the Consolidated financial statements for the period ended December, 2023

### 2.3 Use of judgments, estimates and assumptions

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures. Actual results may differ from these

Estimates 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 Group 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit and loss as incurred.

#### Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/expenses in the statement of profit and loss.

#### Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment as prescribed in Schedule II of the Companies Act 2013 except in the cases mentioned below where the management based on the technical evaluation have estimated the life to be lower than the life prescribed in schedule II. Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Depreciation is also not recorded for Land.

### 2.5 Intangible assets

#### Recognition and measurement

Intangible assets are recognised when the asset is identifiable, is within the control of the Group, it is probable that the future economic benefits that are attributable to the asset will flow to the Group and cost of the asset can be reliably measured.

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

#### Subsequent measurement

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

#### Amortisation

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

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

#### 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 Group 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.

## DIFFUSION ENGINEERS LTD

Notes forming part of the Consolidated financial statements for the period ended December, 2023

### 2.7 Foreign currencies transactions

#### Transactions and balances

In preparing the financial statements of each individual Company entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

### 2.8 Borrowing costs

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

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

### 2.9 Current and Non-Current Classification

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

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

#### An asset is treated as current when it is:

It is expected to be realised in or is intended for sale or consumption in the Group normal operating cycle

Held primarily for the purpose of trading

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

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

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

#### A liability is current when:

It is expected to be settled in the Group normal operating cycle;

It is held primarily for the purpose of being traded;

It is due to be settled within 12 months after the reporting date; or

The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents.

### 2.10 Investment

Current investments are carried at lower of cost and fair value. Non-current investments are stated at cost. Provision for diminution in the value of long term investment is made only if such a decline is other than temporary.

#### Investments in associates and joint venture

The Group has elected to recognise its investments in associate and joint venture companies at cost in accordance with the option available in Ind AS 27, Separate Financial Statements.

### 2.11 Employee benefits

#### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid e.g., under short-term cash bonus, if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the amount of obligation can be estimated reliably.

#### Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

#### Other long-term employee benefits

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

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

## DIFFUSION ENGINEERS LTD

Notes forming part of the Consolidated financial statements for the period ended December, 2023

### Defined contribution plans

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

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

### 2.12 Lease

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

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

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

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

### 2.13 Income tax

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

#### Current tax

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

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

#### Deferred tax

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

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

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

### 2.14 Provisions

A Provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material)

### 2.15 Contingent Liabilities

Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by the future events not wholly within the control of the company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

#### Contingent Assets

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually 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

#### (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.

o 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.

## DIFFUSION ENGINEERS LTD

### Notes forming part of the Consolidated financial statements for the period ended December, 2023

o 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.

o Financial assets at fair value through profit or loss: At the date of initial recognition, financial assets are held for trading, or which are measured neither at Amortised Cost nor at Fair Value through OCI. Therefore, they are subsequently measured at each reporting date at fair value, with all fair value movements recognised in the Statement of Profit and Loss.

Investment in Equity shares of associates and joint venture are valued at cost.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109.

The Group assesses impairment based on the expected credit losses (ECL) model to all its financial assets measured at amortised cost.

#### (b) Financial liabilities

Financial liabilities include long-term and short-term loans and borrowings, trade and other payables and other eligible current and non-current liabilities.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other payables, net of directly attributable transaction costs. After initial recognition, financial liabilities are classified under one of the following two categories:

o 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.

o Financial liabilities at fair value through profit or loss: which are designated as such on initial recognition, or which are held for trading. Fair value gains / losses attributable to changes in own credit risk is recognised in OCI. These gains / losses are not subsequently transferred to Statement of Profit and Loss. All other changes in fair value of such liabilities are recognised in the Statement of Profit and Loss. The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

#### 2.17 Revenue Recognition

##### Revenue from contracts with customer

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

##### Rental income

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

##### Dividend and interest income

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

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

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

#### 2.18 Earnings per share

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

#### 2.19 Segment Reporting

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

#### 2.2 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 Group are segregated based on the available information.

#### 2.22 Operating Cycle

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

Share holder of diffusion engineers Ltd has approved bonus of 1:6 in the EGM dated 18th Nov 2023 and allotment made vide Board Meeting dated 29th Nov 2023

Total No of shares	3.73
issue	0.26
current share	4.00
Bonus 1:6	24.01
<b>Total Shares After Bonus Issue</b>	<b>28.02</b>

**DIFFUSION ENGINEERS LTD**

Notes forming part of the Consolidated Financial Statements  
(All amounts in rupees Million, unless otherwise stated)

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

	As at December 31, 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>Authorised share capital</b>				
Equity share capital				
4,00,00,000 (Previous Years 50,00,000) equity shares of Rs.10 each	400.00	50.00	50.00	50.00
	<u>400.00</u>	<u>50.00</u>	<u>50.00</u>	<u>50.00</u>
<b>Issued, subscribed and paid-up share capital</b>				
Equity share capital				
2,80,21,259 (Previous Years 37,37,467 ) Equity shares of Rs 10/- each fully paid u	280.21	37.37	37.37	37.37
	<u>280.21</u>	<u>37.37</u>	<u>37.37</u>	<u>37.37</u>

**Rights, preferences and restrictions attached to the equity shares**

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

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

Name of Shareholders	As at 31 December 2023		As at 31st March 2023		As at 31st March 2022		As at 31st March 2021	
	% held	Nos	% held	Nos	% held	Nos	% held	Nos
<b>Equity shares with voting rights</b>								
Mr NK Garg (HUF)	7.44%	2085279	7.97%	2,97,897	7.97%	2,97,897	7.97%	2,97,897
Mr NK Garg	0	0	0.00%	-	0.00%	-	0.00%	-
Mr Prashant Garg	37.04%	10379551	38.97%	14,56,593	38.97%	14,56,593	38.97%	14,56,593
Dr Nitin Garg	24.54%	6876254	26.28%	9,82,322	26.28%	9,82,322	26.28%	9,82,322
Mrs Chitra Garg	21.88%	6130971	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 31 December 2023	As at 31st March 2023	As at 31st March 2022	As at 31st March 2021
<b>Equity shares</b>				
Outstanding at the beginning of the year		3737467	37,37,467	37,37,467
Add: Shares issued during the year		24283792	-	-
Outstanding at the end of the year		<u>2,80,21,259</u>	<u>37,37,467</u>	<u>37,37,467</u>

**Number of shares held by promoters:**

Name of Shareholders	As at 31 December 2023		As at 31st March 2023		As at 31st March 2022		As at 31st March 2021	
	% held	Nos	% held	% held	Nos	% held	Nos	
Mr NK Garg (HUF)	7.44%	2085279	7.97%	7.97%	2,97,897	7.97%	2,97,897	
Mr NK Garg	0	0	0.00%	0.00%	-	0.00%	-	
Mr Prashant Garg	37.04%	10379551	38.97%	38.97%	14,56,593	38.97%	14,56,593	
Dr Nitin Garg	24.54%	6876254	26.28%	26.28%	9,82,322	26.28%	9,82,322	
Mrs Chitra Garg	21.88%	6130971	22.73%	22.73%	8,49,653	22.73%	8,49,653	
Nitin and Renuka Garg	1.88%	5,26,967	2.01%	2.01%	75,281	2.01%	75,281	
Prashant and Neelu Garg	0.23%	65,548	0.25%	0.25%	9,364	0.25%	9,364	

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

Name of Script	As at December 31, 2023					As at March 31, 2023					As at March 31, 2022					As at March 31, 2021				
	Qty	Cost	MV	Gain/(loss)		Qty	Cost	MV	Gain/(loss)		Qty	Cost	MV	Gain/(loss)		Qty	Cost	MV	Gain/(loss)	
SYNDICATE BANK	1,700		0.02	0.51	0.50	1,700		0.02	0.04	0.02	1,700		0.02	0.06	0.04	1,700		0.02	0.04	0.02
<b>Total</b>	<b>1,700</b>		<b>0.02</b>	<b>0.51</b>	<b>0.50</b>	<b>1,700</b>		<b>0.02</b>	<b>0.04</b>	<b>0.02</b>	<b>1,700</b>		<b>0.02</b>	<b>0.06</b>	<b>0.04</b>	<b>1,700</b>		<b>0.02</b>	<b>0.04</b>	<b>0.02</b>

Name of Mutual Fund Scheme	As at December 31, 2023					As at March 31, 2023					As at March 31, 2022					As at March 31, 2021				
	Qty	Cost	MV	Gain/(loss)		Qty	Cost	MV	Gain/(loss)		Qty	Cost	MV	Gain/(loss)		Qty	Cost	MV	Gain/(loss)	
Dsp Blackrock India Tiger Fund						-	-	-	-	-	34,449.19	2.97	4.92	1.95		34,449.19	2.97	3.92	0.85	
Franklin India Prima Fund						-	-	-	-	-	793.63	0.70	1.13	0.43		793.63	0.70	0.99	0.29	
Franklin India Flexi Cap Fund						-	-	-	-	-	-	-	-	-		8,517.04	0.54	0.84	0.30	
Hdfc Equity Fund						-	-	-	-	-	-	-	-	-		-	-	-	-	
Hdfc Balanced Advantage- G						6,975.01	1.30	2.25	0.95		1,288.44	0.75	1.30	0.55		1,288.44	0.75	1.03	0.28	
Prudential Icici Discovery Fund	35,706	5	13	8		35,706.32	4.67	9.77	5.10		35,706.32	4.67	9.05	4.38		35,706.32	4.67	6.88	2.21	
Prudential Icici Infrastructure Fund	33,487	1	5	3		33,487.36	1.39	3.38	1.99		33,487.36	1.39	2.77	1.38		33,487.00	1.39	2.05	0.65	
Absl Front Line Equity Fund						-	-	-	-		1,684.28	0.35	0.57	0.22		1,684.28	0.35	0.47	0.12	
Reliance Money Manager Fund						-	-	-	-		-	-	-	-		-	-	-	-	
Icici Pru -Dynamic Plan						12,270.80	3.11	5.88	2.77		12,270.80	3.11	5.33	2.22		18,096.07	4.30	5.99	1.69	
Idfc -Premier Equity Fund						-	-	-	-		17,188.85	1.54	2.31	0.77		17,188.85	1.54	1.93	0.39	
Frankline- India Bluechip Fund						-	-	-	-		1,498.86	0.65	1.02	0.37		1,498.86	0.65	0.89	0.24	
Franklin India Short Term Income Plan	13	1	2	1		476.41	2.34	2.81	0.48		7,262.61	3.11	3.75	0.63		22,263.43	23.97	28.71	4.75	
Idfc -Classic Equity						-	-	-	-		63,290.49	2.75	4.33	1.58		63,290.49	2.75	3.59	0.84	
L & T Infrastructure Fund (changed name to HSBC )	39,225	1	1	0		24,821.33	0.60	0.64	0.04		2,503,330.81	3.95	5.90	1.95		2,22,713.40	3.35	4.05	0.70	
Icici Pru - Credit Risk Fund Reg (G)						-	-	-	-		140.00	0.06	0.06	0.00		-	-	-	-	
Axis Bluechip Fund - Regular Plan- Growth						-	-	-	-		1,09,185.00	4.00	4.89	0.89		96,745.09	3.20	3.75	0.55	
Parag Parikh Long Term Equity Fund-Regular Plan- C	2,88,301	18	20	3		3,14,767.00	13.30	15.58	2.28		1,95,309.00	7.60	9.66	2.06		1,09,101.04	3.60	4.15	0.55	
Kotak Emerging Equity Fund- Growth	33,572	3	3	1		1,27,811.00	9.00	9.49	0.49		63,031.00	4.20	4.50	0.30		11,858.05	0.36	0.68	0.32	
Axis Focused 25-G Fund						61,905.00	2.75	2.26	-0.49		50,299.00	2.25	2.17	-0.08		-	-	-	-	
Kotak Flexicap Fund-Growth						-	-	-	-		1,46,183.00	5.90	7.60	1.70		1,55,574.51	5.64	6.99	1.35	
Invesco India Contra-G Fund	30,534	2	3	1		87,621.00	6.60	6.68	0.08		40,185.00	3.00	3.03	0.03		-	-	-	-	
Avendus Absolute Return Fund						-	-	-	-		1.00	20.18	21.24	1.06		-	-	-	-	
Hdfc Index Fund Nifty 50 Plan Regular Plan Growth	15,561	2	3	1		15,561.00	2.30	2.51	0.21		-	-	-	-		-	-	-	-	
Kotak Equity opportunities Reg-G						28,846.00	5.78	5.86	0.08		-	-	-	-		-	-	-	-	
Sbi Focused Equity Fund	14,818	3	4	1		13,932.00	3.15	3.03	-0.12		-	-	-	-		-	-	-	-	
Akara Capital Advisors P.L Outward A/C	15	4	4	4		15.00	15.00	15.01	0.01		-	-	-	-		-	-	-	-	
Mas Financial Services Limited Mid 29-01-2024	10	10	11	1		10.00	10.29	10.49	0.21		-	-	-	-		-	-	-	-	
Edelweiss Infrastructure Yield Plus II	350	4	-	-4		50.00	0.50	0.50	-		-	-	-	-		-	-	-	-	
Avendus Structured Credit Fund II	1	3	3	-0		1.00	3.57	3.57	-		-	-	-	-		-	-	-	-	
Hdfc Liquid Fund	1,108	5	5	0		1,108.00	4.63	4.86	0.23		-	-	-	-		-	-	-	-	
Mirae Asset India Equity Fund- (G)(Avendus Wealth)	31,189	25	3	-22		1,44,012.00	10.15	11.04	0.89		1,05,036.00	7.15	8.13	0.98		1,02,565.35	5.48	6.72	1.24	
Icici Prudential Long Short Fund - Series I	140	0	0	0		-	-	-	-		1.00	37.50	38.63	1.13		-	-	-	-	
Hdfc Small Cap Fund- (G) (Avendus Wealth )						34,957.00	2.60	2.78	0.18		17,566.00	0.96	1.25	0.29		24,741.46	0.96	1.31	0.35	
Icici Prudential Savings Fund- Regular- Growth						140.00	0.06	0.07	0.00		-	-	-	-		9,801.35	1.26	1.72	0.46	
Axis Focused 25 Direct-G	29,521	1	2	0		-	-	-	-		-	-	-	-		-	-	-	-	
ICICI Pru Infrastructure Direct-G	11,406	1	2	1		-	-	-	-		-	-	-	-		-	-	-	-	
Kotak Emerging Equity Direct-G	13,470	1	2	0		-	-	-	-		-	-	-	-		-	-	-	-	
Kotak Equity Opportunities Direct-G	51,216	14	16	2		-	-	-	-		-	-	-	-		-	-	-	-	
Parag Parikh Flexi Cap Reg-G	2,06,251	10	13	3		-	-	-	-		-	-	-	-		-	-	-	-	
Quant Flexi Cap Direct-G	36,825	2	3	1		-	-	-	-		-	-	-	-		-	-	-	-	
Nexus Select Trust REIT	49,363	5	7	2		-	-	-	-		-	-	-	-		-	-	-	-	
Kotak Liquid Direct-G	4	0	0	0		-	-	-	-		-	-	-	-		-	-	-	-	
Parag Parikh Liquid Direct-G	6	0	0	0		-	-	-	-		-	-	-	-		-	-	-	-	
Quant Overnight Direct-G	833	0	0	0		-	-	-	-		-	-	-	-		-	-	-	-	
IDFC Index Nifty 50 Direct	26,874	5	6	1		-	-	-	-		-	-	-	-		-	-	-	-	
JM FLEXICAP FUND DIR- GROWTH	2,31,469	18	20	2		-	-	-	-		-	-	-	-		-	-	-	-	
Quant Quantamental Direct-G	6,11,859	11	12	2		-	-	-	-		-	-	-	-		-	-	-	-	
SBI CONTRA FUND DIR GROWTH	37,586	11	13	2		-	-	-	-		-	-	-	-		-	-	-	-	
Franklin Templeton family	1	0.00	0.01	0.00		-	-	-	-		-	-	-	-		1,869.14	2.30	2.41	0.12	
SBI LIQUID G	630	2.10	2.13	0.03		-	-	-	-		-	-	-	-		-	-	-	-	
<b>Total</b>	<b>18,31,344.24</b>	<b>169.16</b>	<b>178.45</b>	<b>9.29</b>		<b>9,44,473.22</b>	<b>103.09</b>	<b>118.48</b>	<b>15.39</b>		<b>11,93,163</b>	<b>120.04</b>	<b>145.54</b>	<b>25.50</b>		<b>9,80,207.97</b>	<b>72.02</b>	<b>90.61</b>	<b>18.47</b>	

**DIFFUSION ENGINEERS LTD**

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

Notes to the consolidated financial statements for the Period Ended 31st December 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 Group assesses the unpredictability of the financial environment & seeks to mitigate potential adverse effects on the financial performance of the Group.

**1. Capital Management :**

**The Group's capital management objectives are:**

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

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

Particulars	As at December 31, 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
Debt (A)	232.45	480.92	245.95	196.90
Equity (B)	1,824.56	1,419.97	1,206.48	1,051.22
<b>Debt Equity Ratio (A/B)</b>	<b>0.13</b>	<b>0.34</b>	<b>0.20</b>	<b>0.19</b>

**2. Credit Risk :**

(i) Credit risk is the risk of financial loss arising from counter-party failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit.

(ii) Financial instruments that are subject to concentration of credit risk principally consists of trade receivables, investments, derivative financial instruments and other financial assets. None of the financial instruments of the Group results in material concentration of credit risk.

**3. Liquidity Risk :**

**Liquidity Risk Management :** Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

**Maturities of Borrowings :**

The following table details the Group's expected maturity for borrowings :

Exposure to Risk	As at December 31, 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>Interest bearing borrowings:</b>				
On Demand	232.45	451.32	196.16	116.25
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 Group's exposure to market risk is primarily on account of foreign currency exchange rate risk.

**a) Foreign Currency Exchange Rate Risk :**

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in AED, US Dollar, Australian Dollar, Great Britain Pound, Euro, JPY against the respective functional currencies of the Group. The Group, as per its risk management policy, evaluates the impact of foreign exchange rate fluctuations by assessing its exposure to exchange rate risks & uses derivative instruments primarily to hedge foreign exchange (if required).

**Foreign Currency Exposures :**

Particulars	Currency type	As at December 31, 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
I. Trade receivables/Advance	USD	0.71	1.54	0.80	1.16
	EURO	0.04	0.07	0.07	0.02
	SGD	-	0.03	0.01	-
	AED	-	-	0.00	-
	AUD	-	0.01	-	-
<b>Total</b>		<b>0.75</b>	<b>1.65</b>	<b>0.88</b>	<b>1.18</b>
II. Borrowing balances :	USD	-	0.27	0.34	0
	<b>Total</b>	<b>-</b>	<b>0.27</b>	<b>0.34</b>	<b>-</b>
III. Trade payables :	USD	0.42	0.11	0.23	0.34
	EUR	0.07	0.22	0.06	0.02
<b>Total</b>		<b>0.49</b>	<b>0.33</b>	<b>0.29</b>	<b>0.36</b>

**DIFFUSION ENGINEERS LTD**

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

Notes to the consolidated financial statements for the Period Ended 31st December 2023

**Foreign Currency Sensitivity :**

The following tables demonstrate the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

Particulars	Currency	Change in rate	Effect on profit before tax
Based on YOY change between F22 & F23	USD	+100%	0.29
	USD	-100%	(0.29)
	EUR	+100%	(0.03)
	EUR	-100%	0.03
	SGD	+100%	-
	SGD	-100%	-
	AED	+100%	-
	AED	-100%	-
	AUD	+100%	-
	AUD	-100%	-
	AUD	-	-
	AUD	-	-
<b>March 31, 2023</b>			
Based on YOY change between F21 & F22	USD	+100%	1.16
	USD	-100%	(1.16)
	EUR	+100%	(0.15)
	EUR	-100%	0.15
	SGD	+100%	0.03
	SGD	-100%	(0.03)
	AUD	+100%	0.01
	AUD	-100%	(0.01)
<b>March 31, 2022</b>			
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)
<b>April 01, 2021</b>			
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%	-

**b) Interest Rate Risk :**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

Floating Interest rate exposure :	As at December 31, 2023	As at March 31, 2023	As at March 31, 2022	As at March 31, 2021
<b>Secured Loans :</b>				
Loans repayable taken from Banks:	232.45	480.92	245.95	196.46
<b>Total</b>	<b>232.45</b>	<b>480.92</b>	<b>245.95</b>	<b>196.46</b>

**Interest Rate Sensitivity :**

The sensitivity analyses below have been determined based on exposure to interest rate. For variable rate liabilities, analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. With all other variables held constant, the Group's profit before tax is affected through the impact on variable rate borrowings, as follows:

Particulars	Increase / Decrease in Basis Points	Effect on Profit Before
As at December 31, 2023	+100	2.32
	-100	(2.32)
As at March 31, 2023	+100	4.81
	-100	(4.81)
As at March 31, 2022	+100	(2.46)
	-100	2.46
As at March 31, 2021	+100	1.96
	-100	(1.96)



**DIFFUSION ENGINEERS LTD**

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

**Note 40****Ratio Analysis**

Sr No.	Ratio Analysis	Numerator	Denominator	31-12-2023 (Not Annualized)	31-Mar-23	31-Mar-22	31-Mar-21	% Variance
1	Current Ratio	Current Assets	Current Liabilities	2.54	1.70	1.69	1.97	0.55%
2	Debt Equity Ratio	Total Liabilities	Shareholder's Equity	0.13	0.34	0.20	0.19	66.14%
3	Debt Service Coverage Ratio	Earnings available for	Debt Service	28.89	10.93	8.62	5.42	26.68%
4	Return on Equity Ratio	Profit After Tax	Avg. Shareholders Equity	13.33%	16.86%	15.10%	11.64%	11.68%
5	Inventory Turnover Ratio	Net Sales	Average Inventory	3.95	5.38	5.65	4.17	-4.69%
6	Trade Receivables Turnover Ratio	Net Credit Sales	Average Trade Receivables	2.89	4.29	4.47	4.11	-3.91%
7	Trade Payables Turnover Ratio	Total Purchases	Average Trade Payables	4.10	5.12	4.96	2.96	3.24%
8	Net Capital Turnover Ratio	Net Sales	Average Working Capital	2.88	5.18	4.99	4.43	3.99%
9	Net Profit Ratio	Profit After Tax	Net Sales	10.36%	8.56%	8.17%	7.32%	4.84%
10	Return on Capital employed	EBIT	Capital Employed	15.67%	18.46%	17.30%	14.90%	6.73%
11	Return on Investment	Profit After Tax	Total Equity	11.85%	15.60%	14.13%	11.09%	10.38%

Note- Variance is calculated between Mar'23 and Mar'22 Figures and reasons given thereon. Dec'23 Figures are not annualized hence variance is not calculated for Dec'23

**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

**DIFFUSION ENGINEERS LTD**

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

(All amounts in rupees Million, unless otherwise stated)

 Note 41 **Additional Information Regarding Subsidiaries as per Schedule III of the Companies Act, 2013** (Rs. in Million)

Name of the Entity	Net Assets		Share in Profit or Loss	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount
<b>For Quarter Ended December 2023</b>				
<b>a) Parent</b>				
Parent- Diffusion Engineers Ltd.	94.05%	1,715.99	73.72%	159.42
<b>b) Subsidiaries</b>				
<b>Indian</b>				
Diffusion Super-Conditioning Services Pvt. Ltd.	0.51%	9.39	0.62%	1.33
Nowelco Industries Pvt. Ltd.	0.46%	8.45	1.93%	4.17
Diffusion HERNON Adhesive & Sealant Pvt. Ltd.	0.13%	2.34	0.07%	0.16
<b>Foreign</b>				
Diffusion Engineers Singapore Pte. Ltd.	1.56%	28.38	-0.27%	(0.59)
Diffusion Wear Solutions Philippines Inc.	6.39%	116.67	29.14%	63.01
Adjustments arising out of consolidation	-3.11%	(56.66)	-5.20%	-11.25
<b>Total</b>	<b>100%</b>	<b>1,824.56</b>	<b>100%</b>	<b>216.24</b>

Name of the Entity	Net Assets		Share in Profit or Loss	
	As % of Consolidated Net Assets	Amount	As % of Consolidated Profit or Loss	Amount
<b>F.Y. 2022-23</b>				
<b>a) Parent</b>				
Parent- Diffusion Engineers Ltd.	90.91%	1,364.66	76.19%	166.79
<b>b) Subsidiaries</b>				
<b>Indian</b>				
Diffusion Super-Conditioning Services Pvt. Ltd.	0.52%	7.82	0.29%	0.63
Nowelco Industries Pvt. Ltd.	0.29%	4.29	-0.18%	(0.40)
Diffusion HERNON Adhesive & Sealant Pvt. Ltd.	0.13%	1.96	0.09%	0.19
<b>Foreign</b>				
Diffusion Engineers Singapore Pte. Ltd.	1.89%	28.38	-0.13%	(0.29)
Adjustments arising out of consolidation	2.65%	39.72	13.43%	29.40
<b>Total</b>	<b>100%</b>	<b>1,501.10</b>	<b>100%</b>	<b>218.92</b>

## DIFFUSION ENGINEERS LTD

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

(All amounts in rupees Million, unless otherwise stated)

### Note-42

#### Proposed Dividend

Board of Directors proposes 30% Final Dividend on Equity shares subject to approval in AGM.

### Note-43

#### 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 (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-44

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

As per our report of even date

**For PGS & Associates**

Chartered Accountants

F.R.N. : 0122384W

Premal  
Hemant  
Gandhi

Digitally signed by  
Premal  
Hemant Gandhi  
Date: 2024.03.30  
22:08:16 +05'30'

**PREMAL H GANDHI**

Partner

Membership Number: 111592

Place : Mumbai

UDIN - 24111592BKBKIKL2936

Date :30/3/2024

For and on behalf of the Board of Directors of

**Diffusion Engineers Limited**

Prasha  
nt Garg

Digitally signed by Prashant Garg  
DN: cn=Prashant Garg, o=Diffusion Engineers Limited, email=prashant.garg@diffusionengineers.com, c=IN, postalCode=440022, st=Maharashtra, serialNumber=66453990a2a5afab29f106, givenName=Prashant, cn=Prashant Garg  
Date: 2024.03.30 18:06:50 +05'30'

**PRASHANT N. GARG**

Chairman & Managing Director

DIN :- 00049106

Place : Nagpur

Date :30/3/2024

ABHISHE  
K MEHTA

Digitally signed by ABHISHEK MEHTA  
DN: cn=Abhishek Mehta, o=Diffusion Engineers Limited, email=abhishek.mehta@diffusionengineers.com, c=IN, postalCode=440022, st=Maharashtra, serialNumber=66453990a2a5afab29f106, givenName=Abhishek, cn=Abhishek Mehta  
Date: 2024.03.30 17:56:35 +05'30'

**ABHISHEK MEHTA**

Chief Financial Office

Place : Nagpur

Date :30/3/2024

AJAY  
MOTILAL JAIN

Digitally signed by  
AJAY MOTILAL JAIN  
Date: 2024.03.30  
19:01:40 +05'30'

**AJAY JAIN**

Director

DIN :- 02815416

Place : Mumbai

Date :30/3/2024

CHANCHAL  
RAJESH  
JAISWAL

Digitally signed by CHANCHAL RAJESH JAISWAL  
DN: cn=Chanchal Rajesh Jaiswal, o=Diffusion Engineers Limited, email=chanchal.jaiswal@diffusionengineers.com, c=IN, postalCode=440005, st=Maharashtra, serialNumber=66453990a2a5afab29f106, givenName=Chanchal, cn=CHANCHAL RAJESH JAISWAL  
Date: 2024.03.30 17:57:18 +05'30'

**CHANCHAL JAISWAL**

Company Secretary

Place : Nagpur

Date :30/3/2024