

DIRECTORS REPORT

Dear Members,

Your Directors have immense pleasure in presenting the Thirty-Eighth Annual Report on the business and operation of the Company together with Audited Statement of Accounts for the financial year ended 31st March, 2020.

1. Financial Highlights

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

Particulars	(Rs in Lakhs)	
	Year ended 31 st March, 2020	Year ended 31 st March, 2019
Turnover	14,635.13	15,228.26
Profit/(Loss) before taxation	1,284.97	1,425.83
Less: Tax Expense	355.60	419.96
Profit/(Loss) after tax	906.39	981.35
Add: Balance B/F from the previous year	6,650.25	6,059.92
Balance Profit / (Loss) C/F to the next year	7,466.52	6,650.25

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

Particulars	(Rs in Lakhs)	
	Year ended 31 st March, 2020	Year ended 31 st March, 2019
Turnover	15,407.15	15,392.27
Profit/(Loss) before taxation	1,460.74	1,313.93
Less: Tax Expense	395.44	352.94
Profit/(Loss) after tax	1,065.30	960.98
Add: Balance B/F from the previous year	6,626.89	6,293.76
Balance Profit / (Loss) C/F to the next year	7,473.46	6,626.89

**Annexure-I & II for details

2. Dividend

During the Year Company paid interim dividend of 20%, Board of directors' propose final dividend of 15%, total dividend for 2019-20 is 35%.

3. Amounts transferred to General Reserves

The Board of the company has proposed to carry Rs. NIL/- to its General Reserves.

4. State of Company's Affairs & Future Outlook

The rampant spread of COVID-19 outbreak across borders and geographies has severely impacted almost the whole world and triggered significant downside risks to the overall global economic outlook. The Financial Year 2019-20 was one of the significant years in terms of growth and sustainability of the Company. The projects and jobs undertaken, outperformed the targets envisaged in the beginning of the financial year. Due to outbreak of Covid-19 followed by lock down in the month of March 2020, Company's overall performance impacted marginally

The Company continues with its rigorous cost restructuring exercises and efficiency improvements which have resulted in significant savings through continued focus on cost controls process efficiencies and product innovations that exceed customer expectations in all areas thereby enabling the Company to maintain profitable growth in the current economic scenario.

On 10th February, 2020 the Company achieved important milestone in its glorious achievements by completing 2nd phase of Heavy Duty Engineering Division at Khapri (Uma), Kalmeshwar. Our Chairman & Managing Director late Shri.N.K.Garg ceremonially inaugurated the new plant on his birthday. With addition of new plant the product portfolio of the Company will be very impressive. The company continues to be a high quality manufacturer of Maintenance Welding Consumables like Low Temp Welding Electrodes, Flux Cored Wires, Wear Plates, Wear Plate Parts, and Fabricated Equipment's for the core industrial sectors. The company has constantly been striving to move up in the value chain of its customers and therefore has been successful in keeping ahead of competition. Its emphasis on making consistent quality and precision products for highly critical end user applications have led it realize higher returns.

Due to an addition of new manufacturing unit at Khapri (Uma), Kalmeshwar there has been a substantial increase in our production capabilities. We are confident that the real benefit of this new facility will be accrued in coming financial years. The new workshop is well equipped to manufacture large and heavy engineering components and the workshop has already got necessary approvals from major clients.

The subsidiary and associate companies have also improved their performance during the year under review. We now reinforced our sales team in these locations to improve performance in the coming year. The sales and marketing teams continue to achieve the targets despite challenging competitive scenarios.

Measures taken by the company to overcome the impact Covid-19

The Covid-19 pandemic is the defining global health crisis of our time and is spreading very fast across the continents. But it is much more than a health crisis and is having an unprecedented impact on people and economies worldwide. The Company is taking all necessary measures in terms of mitigating the impact of the

challenges being faced in the business. Though the long-term directional priorities of the Company remain firm, in light of Covid-19 and its expected impact on the operating environment, the key priorities of the Company would be to closely monitor supply chain, conserve cash and control fixed costs, while continuing to invest in some of the growth areas. During this period, the Company has also initiated digital interventions at its works and offices. The Ministry of Home Affairs, Government of India on March 24, 2020 notified the first ever nationwide lockdown to contain the outbreak of Covid-19, this has severally affected the functioning of the Company. Towards the end of the quarter ended March 2020, the operations were disrupted at certain manufacturing facilities of the Company. The manufacturing operations at T5/6, N-78/79 & Kalmeshwar were scaled down temporarily. In spite of such scale down, the Company took efforts to ensure normalcy in the production and movements of its products and jobs. The Company has taken various initiatives towards financial, medical and community support in the fight against Covid-19 pandemic. This included financial support, provided Covid insurance to all its employees, providing hand sanitizers, medical infrastructure, hygiene kit, distribution of masks, awareness drives, etc., the Company undertook timely and essential measures to ensure the safety and well-being of all its employees at all its plant locations, various branch offices and the head office. The Company strictly observed all the government advisories and guidelines.

5. Directors

The Directors express their profound grief and sorrow on the sad demise of Shri. N K. Garg (DIN - 00049074), Promoter, Managing Director and Chairman of the Board of Directors. Shri. N.K.Garg who envisioned a modern Industrial establishment by promoting Diffusion Engineers Limited, to fructify this vision, he gathered the latest technical know-how from around the world and strengthened his industrial establishment. He was a well-known figure in the business world and has been associated with several public corporate and government companies. A visionary who is remembered for his business excellence and social responsibilities alike. Apart from his business interest he was deeply involved with the educational, medical, sports, cultural and social activities through Diffusion's CSR program. His demise is a great loss not only to your Company but to the society at large. The Directors pay their respectful homage and tribute to this extraordinary human being, a great leader, an iconic industrialist and a leading statesman.

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

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

6. Number of Board Meetings & Attendance

Six meetings were held during the Financial Year 2019 - 20, dates and attendance details:-

Sr. No.	Date of meeting	Total No. of Directors on the Date of Meeting	No. of Directors attended	% of Attendance
1	14.07.2019	5	4	80%
2	17.08.2019	5	4	80%
3	09.12.2019	5	5	100%
4	25.01.2020	5	4	80%
5	22.02.2020	5	4	80%
6	16.03.2020	4	4	100%

7. Audit Committee

The audit committee comprises Independent Directors namely Mr. Ajay Jain, Ms. Aneeta Vijayakar and Managing Director (Mr. Prashant Garg w.e.f.16th March, 2020, Late Mr. N K. Garg was part of the Audit Committee up to 22nd February, 2020).

8. Corporate Social Responsibility Committee

The CSR committee is headed by Independent Director, Ms. Aneeta Vijayakar; other members of the committee are Dr. Renuka Garg and Mr. Prashant Garg (Managing Director w.e.f. 16th March, 2020, late Mr. N. K. Garg up to 22nd February, 2020)

9. Corporate Governance

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

10. Secretarial Standards:

The directors state that applicable Secretarial standards. i.e. SS - 1 and SS - 2 relating to 'Meeting of the Board of Directors' and 'General Meetings', respectively have been duly followed by the company.

11. Subsidiaries

During the year under review, there were 7 (Seven) Subsidiary Companies including Associates / Joint Venture details of which is given in

Following are the list of Subsidiaries and Associates / Joint Venture

- i. Diffusion Super Conditioning Services Private Limited
- ii. Nowelco Industries Private Limited
- iii. Diffusion HERNON Adhesive And Sealant Private Limited
- iv. Diffusion Engineers Singapore Pte. Ltd.
- v. Diffusion Wear Solutions Inc. (Philippines)
- vi. LSN Diffusion Limited (United Kingdom)
- vii. Mecdiff SD BHD (Malaysia)

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

Details of Loan, Guarantees and Investments under Section 186 is as per **Annexure-III**

13. Particulars of Contracts or Arrangements with Related Parties

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

14. Deposits

Company has not accepted deposits during the year.

15. Auditors

M/s. P.R.Bhuta & Co. Chartered Accountants, Mumbai, were appointed for a period of five as statutory auditors of the company, at the Annual General Meeting held on 26th September, 2018.

The board has decided to re appoint them for the remaining period until 42nd AGM. The auditors have confirmed that they are not disqualified from continuing as Auditors of the company.

The Notes on financial statement referred to in the Auditor's Report are self - explanatory and do not call for any further comments. The Auditor's Report does not contain any qualification, reservation, adverse remark or disclaimer.

16. Cost Audit Records

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

17. Risk Management Policy

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

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

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

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

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

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

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

Details is as per Annexure-IV

20. Corporate Social Responsibility (CSR) Policy

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

21. Extract of Annual Return

The extract of Annual Return, in format MGT - 9, for the Financial Year 2019-20 has been enclosed with this report Annexure-VI

22. Directors Responsibility Statement

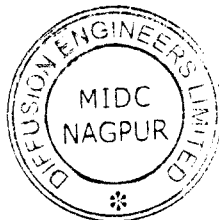
In accordance with the provisions of Section 134(5) of the Companies Act 2013, your directors confirm that:

- a) in the preparation of the annual accounts for the financial year ended 31st March, 2020, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2020 and of the profit /loss of the Company for that period;
- c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors had prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

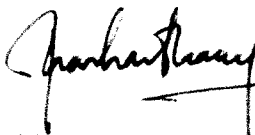

23. Acknowledgment

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

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



Place : Nagpur
Date : 25th September, 2020

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PRASHANT GARG
(DIN - 00049106)
Chairman & Managing Director

Annexure I
(Point 1 of Director's Report)

(In Lakhs)

CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31st MARCH 2020									
SR No	Particulars	Diffusion Engineers Limited	Nowelco Industries Pvt. Ltd	Diffusion Herson Adhesive & Sealant Pvt. Ltd	Diffusion Super-Conditioning Service Pvt. Ltd	Diffusion MGM Machine PVT. LTD.	Diffusion Engineers Singapore & Associates	Inter Company Deduction	TOTAL
1	Turnover	14,635.13	196.91	19.09	21.83	0	644.28	-110.09	15,407.15
2	Profit & (Loss) Before Tax	1,284.97	-8.33	1.49	3.46	-1.73	180.89	0	1460.74
3	Less:- Tax Expenses	355.6	-1.05	0.28	0.86	0	39.75	0	395.44
4	Profit & (Loss) After Tax	906.39	-7.29	1.21	2.60	-1.73	141.14	0	1,042.32
5	Add :- Balance Bf From The Previous Year	6,650.25	-57.72	2.78	62.43	0.73	-27.07	194.80	6,826.20
6	Balance Profit/(Loss) C/F To The Next Year	7,466.52	-65.01	3.99	65.03	0	72.5	302.75	7,473.46

Annexure II
(Point 1 of Director's Report)

(Rupees in Lakhs)

CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31st MARCH 2019									
SR No	Particulars	Diffusion Engineers Limited	Nowelco Industries Pvt. Ltd	Diffusion Hernon Adhesive & Sealant Pvt. Ltd	Diffusion Super-Conditioning Service Pvt. Ltd	Diffusion MGM Machine PVT. LTD.	Diffusion Engineers Singapore & Associates	Inter Company Deduction	TOTAL
1	Turnover	15,228.26	217.45	26.51	23.70	0	56.09	-159.72	15,392.28
2	Profit & (Loss) Before Tax	1,425.83	-10.57	3.41	4.34	-0.012	-109.06	0	1,313.94
3	Less:- Tax Expenses	419.96	-1.38	1.02	1.12	0	0.028	-68.21	352.95
4	Profit & (Loss) After Tax	981.35	-9.19	2.39	3.21	-0.012	-109.09	80.712	949.37
5	Add :- Balance Bf From The Previous Year	6,059.92	-48.53	.38	58.53	0.74	73.13	149.6	6,293.76
6	Balance Profit/(Loss) C/F To The Next Year	6,650.25	-57.72	2.78	62.43	0.73	-27.07	194.8	6,826.20

Annexure III
(Point 12 of Director's Report)

Details of Investment & Loan Given to Subsidiaries			
Sr. No.	Particulars	Amount in Rs.	
1	Trade Investments (In Equity Shares of Subsidiaries)	For the year ended 31st March, 2020	For the year ended 31st March, 2019
	Diffusion Super-Conditioning Services Pvt. Ltd.	32,96,828	32,96,828
	Diffusion Engineers Singapore Pte. Ltd.	1,54,42,500	1,54,42,500
	Diffusion Hemon Adhesive And Sealant Pvt. Ltd.	9,50,000	9,50,000
	Newelco Industries Pvt. Ltd	66,73,428	66,73,428
	Total	2,63,62,756	2,63,62,756

Annexure IV
(Point 19 of Director's Report)

a) Conservation of Energy

Steps taken for conservation	<p>The conservation of energy in all the possible areas is undertaken as an important means of achieving cost reduction. Savings in electricity, fuel and power consumption receive due attention of the management on a continuous basis.</p> <p>The company is also slowly and steadily moving away from Thyristor based welding machines to Invertor Based Welding machines. It has also adopted the use of LED Lights in place of Incandescent Luminours.</p> <p>The installed Captive Power Solar Plant on the rooftop of N78-79 workshop has been operating efficiently and giving good returns to Company. We are exploring the possibility of putting up another similar unit on the newly completed workshop in Khapri (Uma) Kalmeshwar.</p>
Steps taken for utilizing alternate sources of energy	15% of the aggregate power consumption of the Company is met by Solar Power.
Capital investment on energy conservation equipments	expenditure incurred Rs. 1,57,63,750/- and company would be allocating sufficient funds in depending on future requirement

b) Technology Absorption

Efforts made for technology absorption	New technology is constantly used for improving production / process in its main products and services. Production module of ERP is getting implemented in the company as that will increase the effectiveness and streamline manufacturing processes. New techniques in manufacturing are continually adopted to reduce cycle times, costs and improve quality.
Benefits derived	The adoption of new techniques has helped us to remain competitive and offset increase in other costs such as electricity, transportation and remuneration.
Expenditure on Research & Development, if any	Our customers are our biggest drivers to continually improve and develop our existing offerings and products. We are constantly striving to improve the performance to increase lifetimes achieved by the surface coatings carried out using our products. The company keeps launching new products depending on the customer needs.
Details of technology imported, if any	Most of the technology imported previously
Year of import	Prior Years
Whether imported technology fully absorbed	Imported technology is been fully absorbed
Areas where absorption of imported technology has not taken place, if any	None

c) Research and Development:

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

We have received the renewal of the ABL certification for our Quality Control Labs at Unit I, T5-T6 MIDC Hingna Industrial Area, Nagpur for both Chemical and Mechanical testing.

Detailed scope can be viewed on NABL website www.nabl-india.org or our website www.diffusionengineers.com. This accreditation claims us as a certified laboratory for above mentioned testing procedures. By fulfilling the certification requirements

our operational procedures, technical competence of staff and reports are now certified to be in compliance with national and international testing standards. With this certification our reports are now acceptable in India and more than 70 countries around the globe, which are in alliance with International Laboratory Accreditation Cooperation as per their signatory list, for details click here <https://www.ilac.org/membersbycategory.html>. We can also do testing as a third party for the testing of Mechanical and chemical parameters as per our scope of certification.

d) Exports:

Growth in Export is consistent and improving every year.

e) Foreign Exchange Earning and outgo:

Foreign Exchange Earning - 1,445.62/- Lakh

Foreign Exchange outgo - 890.07/- Lakh

Annexure V
(Point 20 of Director's Report)

Corporate Social Responsibility (CSR)

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

Areas identified for CSR activities:

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

Financial Period 2019 - 2020

A. HEALTH & SANITATION:

1. Installing Sanitary Napkins Vending Machine:

Health and hygiene in rural areas is a matter of concern and it is our endeavor to enable the girl students of Zilla Parishad Schools to maintain hygienic conditions. Company installed 6 Sanitary Napkin Vending Machines at 6 schools in rural Nagpur.

1. Z.P Middle School. Kondhamendhi (Mauda)
2. Z.P Middle School Raipur (Hingna)
3. Z.P Middle School Pachgaon (Umred)
4. Z.P Middle School Nand (Bhiwapur)
5. Z.P Middle School Mandhal (Kuhn)
6. Z.P Middle School Patwardhan (Nagpur)

2. Preserving Environment :

A) Maintenance of the Pawanbhoomi ground cum park. Diffusion Engineers Limited is looking after the maintenance of this park and it has been our effort to provide the citizens visiting this park to have a clean, green and healthy environment. The project is progressing well.

B. Medical Fund:

1. *Monda Village Medical Services - Hingna*

The medical services for Mondha Village at the Mata Bal Sangopan Kendra is in association with Government Primary Health Centre Hingna. We have designated Dr. Matkar (B.A.M.S & D.Y.N.S) for the program since 2016. Dr. Matkar visits and provide medical consultancy twice a week i.e. on Tuesday & Friday for 2 hours per visit i.e. 3 pm to 5pm. The service is progressing well with 25 to 35 patients per session.

2. *Chichbhavan Village Medical Services. Kalmeshwar*

We have commenced the medical services for Chichbhavan and surrounding 5 villages with permission from Government Health Department. Nagpur from February 2019. We have designated Dr. Mayur. Nipane (B.A.M.S & D.Y.N.S) for the program. Dr. Nipane visits and provide medical consultancy twice a week i.e. on Wednesday & Saturday for 2 hours per visit i.e. 7 to 9 am. Diffusion Engineers Ltd provides basic and emergency medication to patients. In case of requirement for specialists, Dr. Nipane will refer the same. Project is progressing well with 15 to 25 patients per session.

3. *Brain Tumor Support Group :*

The BTSG foundation is meant to take care of the non-medical needs of the patients and their care givers suffering from Brain Tumors. Brain tumor has the potential to cause life-style disruption affecting all those in the family. Some of these tumors are also life threatening. Their aim is to provide psycho-

social support to such patients, conduct monthly meetings of patients and their care givers, taking care of logistics supports of those who come from other towns for treatment, and provide access to various aspects like survivorship, clinical trials. Also in due course to liaison with various industries and organizations, to provide vocational training and educational grants to the siblings / children of those who succumb or are unable to return to their profession and earnings, **Donated 3 Lakhs** as contribution from Diffusion Engineers Limited in helping the noble cause.

4. Donation of Physiotherapy Equipment to Sanjiwan Vriddhashram

Sanjiwangram is a fast evolving facility that has its roots in The Sanjiwan Home/ Vriddhashram for aged. The Foundation cares for the elderly who cannot live with their families for various reasons, or those who choose to live in an old age home, or have no option other than living in one. The elderly who become unwanted once their material utility is over develop a feeling of destitution. To make matters worse, physical disabilities start cropping up. Hence a Physiotherapy and nature therapy Centre is set up to tackle these issues and Diffusion Engineers Limited donated one CPM (Continued passive motion) Machine, Parallel Bar and Quadriceps table for inmates to keep them fit and mobile.

5. Donation to Vaishnav Seva Samaj Public Charitable Trust/ Mumbai : 1 Lakh

6. Donation for cancer patient Shivtej. Sonawane(Global Vision Cancer Care) Rs. 25,000/-

C. Social Commitment / Provision of Basic Needs:

1. Donation of Rs. 50,000/- to flood affected people of Kolhapur and Sangli through Rotary Club of Jaysingpur
2. Food grains distributed to non ration card holder villagers of Chichbhavan and 14 mile villages in Kalmeshwar zone during COVID19 lockdown.

D. PM Cares Fund :

It is our responsibility to help the Government of India in tackling the COVID 19 pandemic. Company **Donated Rs. 3 lakhs** to PM Cares Fund for dealing with COVID 19 pandemic.

E. *Donation to Inspire Institute of Sport (JSW Foundation)*

We at Diffusion Engineers Limited understand the importance of Sports and promoting our sportsman at International Games by contributing in their training under CSR, through Inspire Institute of Sport (IIS) India's first high performance training centre for athletes for Olympics / International Competitions. The institute provides full scholarships to athletes scouted from across the country in athletics, boxing, judo, swimming and wrestling. Among the athletes who have undergone training and rehab at IIS include 2018 Asian Games gold medalists Neeraj Chopra and Vinesh Phogat. **Donated 3 Lakhs** to this endeavor.

F. *Skill Development*

To help develop the skills of youth of rural India, enable them to earn well and live a better life is one of our CSR Goals at Diffusion Engineers Limited. Pilot Batch of Welding & Fabrication Skill Development Course under Skill India in association with Montfort Integrated Educational -commenced on 16th Jan 2020. (Total 15 participants) One month of course pending due to lockdown in March 2020.

G. *Bamboo Plantation* at Nimji Plant Kalmeshwar is initiated.

Some of the projects could not be completed due to COVID19 Lockdown from March 2020 hence there is a deficit in expenditure.

9	Provision of Basic Needs	Social	Donation to flood affected people of Kolhapur and Sangli	50,000	50,000	50,000	Through Rotary Club of Jaysingpur
10	Social	PM Care Fund	Donation to PM Care Fund	3,00,000	3,00,000	3,00,000	Donation to PM Care Fund
11	Social	Sports	Donation to Inspire Institute of Sport	3,00,000	3,00,000	3,00,000	Through Inspire Institute of Sport (IIS) India's
12	Social	Skill Development	Pilot Batch of Welding & Fabrication Skill Development Course	2,18,558	2,18,558	2,18,558	Through Montfort Integrated Educational
13	Preserving Environment & Water Harvesting	Environment	Nimji Plant Kalmeshwar	3,00,000	67,496	67,496	Nimji Plant Kalmeshwar
14	Provision of Basic Needs	Food	non ration card holder villagers of Chichbhavan	29,250	29,250	29,250	Directly distributed
	TOTAL			25,94,893	23,66,451	20,66,451	Actual : 20,66,451 Scheduled : 25,00,000

Annexure VI
(Point 18 of Directors Report)

FORM NO. MGT 9
Extract of Annual Return
As on financial year ended on 31.03.2020

*[Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
(Management & Administration) Rules, 2014]*

I. REGISTRATION & OTHER DETAILS:

1	CIN	U99999MH2000PLC124154
2	Registration Date	05-11-1982
3	Name of the Company	Diffusion Engineers Limited
4	Category / Sub - category of the Company	Company limited by shares Indian Non Government Company
5	Address of the Registered office & contact details	T - 5 & 6, M.I.D.C., Hingana, Nagpur - 440 038
6	Whether listed company	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sr. No	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Manufactured Products (Welding Electrodes, Flux Cord Wires, SOP, Diffcor, Wear Plates, etc.)	2591	88.658%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No	Name and CIN/GLN	Address of the Company	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	Diffusion Super - Conditioning Services Private Limited (CIN - U51503MH1990PTC124545)	T - 5/ T - 6, M.I.D.C., Hingna Ind. Area, Nagpur	Subsidiary	98.95	2 (87) (ii)
2	Nowelco Industries Private Limited (CIN - U29309CT1999PTC013276)	TF - 32, 3 RD Floor, Millennium Plaza Opposite Indian Coffee House, G. E. Road, Raipur - 492 004	Subsidiary	66.95	2 (87) (ii)
3	Diffusion Herson Adhesive & Sealants Private Limited (CIN - U24297MH2012PTC234063)	T - 5 & 6, M.I.D.C., Hingna, Nagpur - 440 038	Subsidiary	95	2 (87) (ii)
4	Diffusion Engineers Singapore Pte Ltd.	30, Cecil Street, #19 - 08 Prudential Tower, Singapore - 049 712	Subsidiary	100	2 (87) (ii)
5	Diffusion Wear Solutions Philippines Inc. (Subsidiary of Diffusion Engineers Singapore Pte Ltd.)	286, Bigte Norzagaray, Bulacan, Philippines - 30 13	Subsidiary	100	2 (87) (ii)
6	Mecdiff SD BHD (Associate of Diffusion Engineers Singapore Pte Ltd.)	No. 3, Jalan Hi - Tech 5, Kawasan Perindustrian Hi - Tech, Jalan Sungai Lalang, 43500, Semenyih, Selangor	Associate	30	2 (6)
7	LSN Diffusion Ltd.	Cilyrychen Industrial Estate, Llyandybie, Ammanford, Carmarthenshire, SA18 3GY, UK	Associate	21.56	2 (6)

g) FII's	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub - total (B)(1)	-	-	-	-	-	-	-	-	-
2. Non - Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	-	19,939	19,939	0.53%	-	20,439	20,439	0.54%	0.013%
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	45,418	45,418	1.22%	-	45,418	45,418	1.22%	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(2)	-	66,357	65,357	1.75%	-	66,857	65,857	1.76%	0.013%
Total Public Share Holding (B) = (B) (1) + (B) (2)	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	-	37,37,467	37,37,467	100%	-	37,37,467	37,37,467	100%	-

ii) *Shareholding of Promoter*

*Due to demise of Mr. N.K.Garg his shares are transferred to his legal heirs as per his Will

Sr. No	Share Holder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1	N.K. Garg*	15,60,191	41.74%	-	-	-	-	-41.74
2	N.K. Garg (HUF)	2,98,897	7.99%	-	2,98,397	7.99%	-	-0.000
3	Prashant Garg	6,62,893	17.73%	-	14,56,593	38.97%	-	+21.24
4	Nitin Garg	2,15,831	5.77%	-	9,82,322	26.28%	-	+20.51
5	Chitra Garg	8,49,653	22.73%	-	8,49,653	22.73%	-	-
6	Nitin & Renuka Garg	75,281	2.01%	-	75,281	2.01%	-	-
7	Prashant & Neelu Garg	9,364	0.25%	-	9,364	0.25%	-	-

iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. No	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	36,72,110	98.25%	36,72,110	98.25%
	**Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.)	-500	-0.013%	-500	-0.013%
	At the end of the year	36,71,610	98.24%	36,71,610	98.24%

** All the increase and decrease in Promoter's Shareholding is by way of transfer and transmission

iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs)

1. *Mrs. Vidya Nathan*

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	29,532	0.79%	29,532	0.79%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	29,532	0.79%	29,532	0.79%

2. *Mr. Alok Gautam Desai*

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	15,886	0.43%	15,886	0.43%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	15,886	0.43%	15,886	0.43%

3. *Mr. Ajay Jain (HUF)*

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	10,000	0.27%	10,000	0.27%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	10,000	0.27%	10,000	0.27%

4. *Mr. Ashok Mundhada*

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	5,036	0.13%	5,036	0.13%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	5,036	0.13%	5,036	0.13%

4. *Mr. T R Uttam Kumar*

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	1,874	0.05%	1,874	0.05%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	1,874	0.05%	1,874	0.05%

5. *Mr. Ajay Patki*

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	1,014	0.02%	1,014	0.02%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	1,014	0.02%	1,014	0.02%

6. *Mrs. Sunila H Ledwani*

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	600	0.01%	600	0.01%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	600	0.01%	600	0.01%

7. *Mrs. Lata Madhav Kawde*

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	0	0	0	0
	Increase/Decrease in Shareholding during the year	500	0.01%	500	0.01%
	At the end of the year	500	0.01%	500	0.01%

8. Mr. K P Suresh

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	375	0.01%	375	0.01%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	375	0.01%	375	0.01%

9. Mr. Anuj Goel

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	300	0.008%	300	0.008%
	Increase/Decrease in Shareholding during the year	-	-	-	-
	At the end of the year	300	0.008%	300	0.008%

v) Shareholding of Directors and Key Managerial Personnel

1. Mr. Narendra Kumar Garg

Sr. No	Narendra Kumar Garg [DIN - 00049074]	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	15,60,191	41.74%	15,60,191	41.74%
	Increase / decrease in Promoters Shareholding during the year due to transmission	15,60,191	41.74%	15,60,191	41.74%
	***At the end of the year	-	-	-	-

***Due to sad demise of Mr N. K. Garg Sir his shares transmitted to his legal heirs

2. Mr. Prashant Garg

Sr. No	Prashant Garg [DIN - 00049106]	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	6,62,893	17.73%	6,62,893	17.73%
	Increase/ decrease in Promoters Shareholding during the year due to transmission	7,93,700	21.24%	7,93,700	21.24%
	At the end of the year	14,56,593	38.97%	14,56,593	38.97%

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	14,80,46,846	-	48,66,351	15,29,13,197
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i + ii + iii)	14,80,46,846	-	48,66,351	15,29,13,197
Change in Indebtedness during the financial year				
* Addition	16,84,50,636	-	2,20,000	16,86,70,636
* Reduction	-	-	-	-
Net Change	16,84,50,636	-	2,20,000	16,86,70,636
Indebtedness at the end of the financial year				
i) Principal Amount	3,16,497,482	-	50,86,351	32,15,83,833
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i + ii + iii)	3,16,497,482	-	50,86,351	32,15,83,833

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole - time Directors and / or Manager

Sr. No.	Particulars of Remuneration	Name of MD / WTD / Manager		Total Amount
		N. K. Garg (MD)**	Prashant Garg (WTD)**	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income - tax Act, 1961	1,11,29,032	1,20,00,000	2,31,29,032
	(b) Value of perquisites u/s 17(2) Income - tax Act, 1961	40,705	-	40,705
	(c) Profits in lieu of salary under section 17(3) Income - tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Leave Encashment	40,00,000	-	40,00,000
4	Commission - as % of profit - others, specify...	-	22,50,000	22,50,000
5	Others, please specify - Gratuity	28,84,615	-	28,84,615
	Total (A)	1,80,54,352	1,42,50,000	3,23,04,352

****Due to sad demise of Mr N. K. Garg Sir, Mr. Prashant Garg was appointed as Managing Director from 16th March'20 as per board meeting held on 16th March'2020**

B. Remuneration to other directors

Sr. No.	Particulars of Remuneration	Name of Directors		Total Amount
		Ajay Jain	Anita Vijaykar	
1	Independent Directors			
	Fee for attending board committee meetings	-	-	-
	Commission	2,50,000	2,50,000	5,00,000
	Others, please specify	-	-	-
	Total (1)	2,50,000	2,50,000	5,00,000
		Name of Directors		
		Renuka Garg		
2	Other Non - Executive Directors			
	Fee for attending board committee meetings	-	-	-

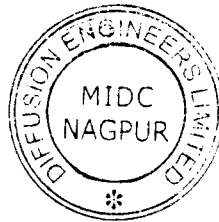
Commission	2,50,000	-	2,50,000
Others - Remuneration Consultancy	-	-	
Total (2)	2,50,000	-	2,50,000
Total (B) = 1 + 2	5,00,000	2,50,000	7,50,000
Total Managerial Remuneration	7,50,000		

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/
MANAGER/WTD-
Not Applicable

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ Court]	Appeal made, if any (give details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Place : Nagpur
Date : 25th September, 2020



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

Prashant Garg ... *Ajay Jais*
PRASHANT GARG
(DIN - 00049106)
Chairman & Managing Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIFFUSION ENGINEERS LIMITED

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying Standalone Financial Statements of **DIFFUSION ENGINEERS LIMITED** ("the Company"), which comprise the balance sheet as at March 31, 2020, and the Statement of Profit and Loss and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, its profit and cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the standards on auditing specified under section 143 (10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

The Company's board of directors are responsible for the matters stated in section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that





includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

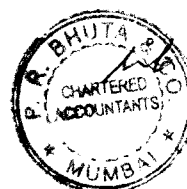
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (herein after referred to as the "Order"), and on the basis of such checks and records of the Company as we consider appropriate and





according to the information and explanations given to us, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we report that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss and Cash Flow statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statement comply with the Accounting Standards referred to in section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Account) Rules 2014.
 - e) On the basis of written representations received from the directors as on March 31, 2020 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020, from being appointed as a director in terms of Section 164(2) of the Companies Act, 2013.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B" Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting; and
 - g) With respect to other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us, we report as under:
 - (i) The Company has disclosed the impact of pending litigations as at March 31, 2020, if any, on its financial position in its financial statements.
 - (ii) The Company did not have any long – term contracts including derivative contracts for which there were any material foreseeable losses;
 - (iii) There was no amount required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2020.

For P. R. Bhuta & Co.
FRN: 101471W
Chartered Accountants

Pankaj Bhuta

Pankaj Bhuta
Proprietor
Membership No: 31820
UDIN: 20031820AAAAAR9464



Place : Mumbai
Date : 29-09-2020



ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION OF OUR REPORT OF EVEN DATE)

- (i) In respect of its fixed assets:
- (a) The company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets on the basis of available information.
 - (b) As explained to us, the fixed assets have been physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, having regard to the size of the company and the nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
 - (c) The title deeds of the all the immovable properties held by the company are in the name of the company;
- (ii) In respect of its inventories, as explained to us, the inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and nature of its business and no material discrepancies were noticed on such verification.
- (iii) The Company has granted unsecured loan to companies covered in the register maintained under section 189 of the Act.
- (a) The terms and conditions of the grant of such loans are not, prima facie, prejudicial to the company's interest.
 - (b) There is no stipulated period of receipt of principal amount and interest for loans given, hence the clause 3(iii)(b) of the Order relating to regularity in receipt of principal amount and interest is not applicable to the company.
 - (c) There is no stipulated period of loans granted by the company, hence the clause 3(iii)(c) of the Order relating to steps taken for recovery of principal and interest in case of overdue of amount more than 90 days, is not applicable to the company.
- (iv) In our opinion & according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made.
- (v) The Company has not accepted any deposits from the public.
- (vi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) In respect of statutory dues:
- (a) According to the information and explanations given to us and in our opinion, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, GST, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess and any other statutory dues, as applicable, with the appropriate authorities and hence, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.
 - (b) According to the information and explanations given to us and the records of the company examined by us, there are no outstanding dues of Income Tax, Sales Tax, GST,





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

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which amount relate	Forum where the disputes are pending
Central Excise Act, 1944	Excise Duty	16,62,962	FY 2000-01 To FY 2010-11	Nagpur High Court

- (viii) According to the records of the company examined by us and information and explanations given to us, in our opinion the Company has not defaulted in repayment of loans and borrowings to any financial institutions, banks, Government during the year. The Company has not issued any debentures.
- (ix) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained. The company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.
- (x) During the course of our examination of books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instances of fraud by the company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the management.
- (xi) According to the information and explanations given to us and based on our examination of the records of the company, the company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
- (xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the company, the transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the Financial Statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For P. R. Bhuta & Co.
FRN: 101471W
Chartered Accountants

Pankaj Bhuta

Pankaj Bhuta
Proprietor
Membership No: 31820
UDIN: 20031820AAAAAR9464



Place : Mumbai
Date : 29-09-2020



ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION OF OUR REPORT OF EVEN DATE)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

We have audited the internal financial controls over financial reporting of **DIFFUSION ENGINEERS LIMITED** ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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





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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

For **P. R. Bhuta & Co.**
FRN: 101471W
Chartered Accountants

P. R. Bhuta

Pankaj Bhuta
Proprietor

Membership No: 31820
UDIN: 20031820AAAAAR9464

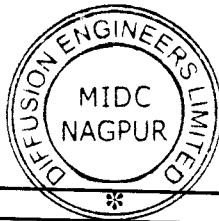


Place : Mumbai
Date : 29-09-2020

DIFFUSION ENGINEERS LTD					
BALANCE SHEET AS ON 31 MARCH 2020					
PARTICULARS	NOTES	AS At March 31, 2020		AS At March 31, 2019	
EQUITY AND LIABILITIES					
Shareholder's funds					
(a) Share Capital	3	37,374,670		37,374,670	
(b) Reserves and Surplus	4	920,211,579	957,586,249	838,583,934	875,958,604
Non-current liabilities					
(a) Long-term borrowings	5	116,317,805		5,319,516	
(b) Other long-term liabilities	6	7,105,497		7,063,814	
(c) Deferred tax liabilities (net)		26,927,806	150,351,108	21,022,529	33,405,859
Current Liabilities					
(a) Short term borrowings	7	200,179,676		142,727,329	
(b) Trade payables	8	252,811,586		166,649,582	
(c) Other current liabilities	9	125,027,607		103,340,333	
(d) Short term provisions	10	(6,842,570)	571,176,299	5,653,802	418,371,046
TOTAL			1,679,113,655		1,327,735,509
ASSETS					
Non-current assets					
(a) Fixed assets	11				
(i) Tangible assets		600,153,204		403,004,598	
(ii) Intangible assets		2,822,175		2,822,175	
(iii) Capital work-in-progress		-		2,769,865	
(iv) Intangible assets under development		-	602,975,379	-	408,596,638
(b) Non-current investments	12		170,339,974		163,623,372
(c) Long-term loans and advances	13		47,636,665		39,692,905
Current assets					
(a) Inventories	14	444,452,994		331,882,543	
(b) Trade receivables	15	360,773,801		337,011,340	
(c) Cash and Cash equivalents	16	6,984,373		14,256,541	
(d) Short-term loans and advances	17	45,950,470	858,161,638	32,672,171	715,822,595
TOTAL			1,679,113,655		1,327,735,510
Contingent Liabilities	26(ii)				
Significant accounting policies and notes to accounts					

As per our report of even date
For P. R. Bhuta & Co.
Chartered Accountants
F.R.N. : 101471W

x *P. R. Bhuta*
PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
Date : 29.09.2020



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

Prashant Gang
PRASHANT GANG
Chairman & Managing Director
DIN :- 00049106
Place: Nagpur
28/9/2020

Ajay Jain
AJAY JAIN
Director
DIN :- 02815416
Place : Mumbai
29/9/2020

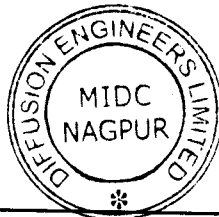
DIFFUSION ENGINEERS LTD
STATEMENT OF PROFIT & LOSS FOR THE PERIOD 31 MARCH 20220

PARTICULARS		NOTES	AS At March 31, 2020		AS At March 31, 2019	
i	Revenues from operations	18	1,463,513,011		1,522,825,810	
ii	Other income	19	21,985,989		12,713,525	
iii	Total Revenue			1,485,499,000		1,535,539,335
iv	Expenses					
	Cost of material consumed	20	788,512,277		807,292,762	
	Purchase of Traded goods (inclusive of Stock-in-Transit)		50,737,215		76,876,739	
	Direct Expenses	21	192,068,265		170,315,279	
	Changes in inventories	22	(101,320,093)		(51,830,752)	
	Employee benefit expenses	23	261,234,554		223,788,015	
	Finance costs	24	19,034,560		22,699,557	
	Depreciation expenses and amortisation exps	11	30,532,557		28,509,067	
	Others expenses	25	116,202,312		115,305,474	
	Total expenses			1,357,001,646		1,392,956,141
v	Profit before exceptional and extraordinary items and tax			128,497,354		142,583,194
vi	Exceptional and Extraordinary Items			-		-
vii	Prior Period Items			-		-
viii	Profit before income tax			128,497,354		142,583,194
ix	Tax expenses:					
	Current income tax		29,655,517		37,700,000	
	Short / (Excess) Provision for Income Tax		-		-	
	Deferred income tax		5,905,276	35,560,793	4,295,616	41,995,616
	Profit Before CSR for the period(vii-viii)			92,936,561		100,587,578
	CSR for the Period			2,297,489		2,452,635
	Profit for the period			90,639,071		98,134,943
	Earnings per equity share:					
	Basic			24.25		26.26
	Diluted			24.25		26.26

As per our report of even date
For P. R. Bhuta & Co.
Chartered Accountants
F.R.N. : 101471W

Pankaj Bhuta

PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
Date : 29.09.2020



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

Prashant Garg

PRASHANT GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur

18/9/2020

Ajay Jain

AJAY JAIN
Director
DIN :- 02815416
Place : Mumbai

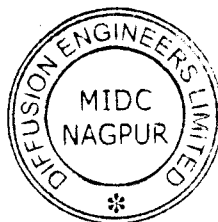
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CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2020

PARTICULARS	AS At March 31, 2020		AS At March 31, 2019	
	₹	₹	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax		12,84,97,354		14,25,83,194
Adjustments for :				
Bad Debts & Write Off	46,23,964		1,09,26,312	
Write Back	(13,859)		(13,32,167)	
Depreciation	3,05,32,557		2,85,09,067	
Dividend on Investments	-		-	
Interest and Finance Charges	1,90,34,560		2,17,13,053	
Interest Income	(35,10,533)		(28,59,985)	
Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	(37,89,556)		-	
CSR	(22,97,489)		(24,52,635)	
Operating Profit before Working Capital changes		4,45,79,643		5,45,03,645
Adjustment for :		17,30,76,997		19,70,86,839
Inventories	(11,25,70,451)		(7,47,52,742)	
Trade Receivables	(2,83,86,424)		(5,16,28,416)	
Other receivables	(2,12,22,060)		33,47,153	
Trade Payables	8,61,75,862		9,82,89,668	
Other Liabilities	91,90,902			
Cash generated from Operations		(6,68,12,170)		(2,47,44,337)
Direct Taxes Paid		10,62,64,827		17,23,42,502
Deferred Tax		(2,96,55,517)		(2,89,66,897)
Net Cash Flow from Operating Activities (A)		7,66,09,310		14,33,75,605
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Inflow / (Outflow) on account of :				
Dividend on Investments				
Interest Income	35,10,533		28,59,985	
(Purchases) / Sales of Fixed Assets (Net)	(22,76,81,163)		(3,09,21,508)	
(Purchases) Capital W.L.P	27,69,865		(27,69,865)	
(Purchases) / Sales of Investments (Net)	(67,16,602)		(1,17,00,000)	
Net Cash Flow from Investing Activities (B)		(22,81,17,367)		(4,25,31,388)
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds / (Repayment) from/of Secured Loans	16,84,92,319		(2,64,87,045)	
Interest and Finance Charges	(1,90,34,560)		(2,17,13,053)	
Profit/(loss) on sale of Investments	37,89,556			
Dividend paid (including tax on dividend)	(90,11,426)		(2,92,87,669)	
Net Cash Flow from Financing Activities (C)		14,42,35,889		(7,74,87,767)
Net Increase / (Decrease) in Cash and Cash Equivalents [A+B+C]		(72,72,168)		2,33,56,450
Cash and Cash Equivalents as at the beginning of the year	1,42,56,541		36,52,016	
Cash and Cash Equivalents as at the year end	69,84,373		1,42,56,541	
		(72,72,168)		1,06,04,525
Reconciliation to Cash and Bank Balances given in Schedule 6:				
Cash and Bank Balance as at the year end		69,84,373		1,42,56,541
Less:				
Balances in Fixed Deposit accounts kept as security for Overdraft Facilities and Bank Guarantee with the bankers				
Cash and Cash Equivalent as at the year end		69,84,373		1,42,56,541

Previous year figures have been re-grouped, re-classified and re-arranged wherever necessary.

As per our report of even date
For P. R. Bhuta & Co.
Chartered Accountants
F.R.N. : 101471W



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

Prashant Garg
PRASHANT GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 29/9/20

Ajay Jain
AJAY JAIN
Director
DIN :- 02815416
Place : Mumbai
Date : 29/9/2020

PANKAJ BHUTA

Proprietor
Membership Number: 31820

Place : Mumbai

Date : 29.09.2020

NOTES TO ACCOUNTS

Note No. 1 : COMPANY BACKGROUND

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

Note No. 2 : SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Preparation of Financial Statements :

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles (GAAP) convention on an accrual basis. GAAP comprises mandatory accounting standards as prescribed by Companies (Accounting Standard) Rules, 2006 under the historical cost (as amended), provisions of Companies Act 2013 (to the extent notified) and the Companies Act 1956 (to the extent applicable). All Accounting policies have been consistently applied by the company and are consistent with those used in the previous year.

(ii) Use of Estimates :

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based on management's best estimate of current events and actions, actual results could differ from these estimates. Differences between actual results and estimates are recognised in the period in which the results are known / materialised.

(iii) Revenue Recognition :

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue is recognized when the significant risk and rewards of ownership of the goods have passed to the buyer. Sales are recorded at invoice value, net of sales tax, value added tax (VAT), Goods & Service Tax (GST), returns and trade discounts. Revenue is recognized on accrual basis except in case of significant uncertainties. Export incentives are recognized on accrual basis in the year of export. The Job work revenue are recorded net of service tax/ GST on accrual basis.

(iv) Fixed Assets and Depreciation

a) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All costs relating to the acquisition and installation of fixed assets net of cenvat credits are capitalised. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit functioning of capability from/or of such assets.

b) In respect of the fixed assets of holding company, depreciation on tangible fixed assets is consistently provided on straight line method at the rates specified in the Schedule III to the Companies Act, 2013. In respect of Plant & Machinery of Unit II (N78, N79), depreciation has been charged on double shift basis. Intangible assets are amortised over a period of five years. No depreciation has been charged on land and capital work in progress.

(v) Inventories

Raw materials, Consumables, Stores and Spare parts are valued at lower of cost and net realizable value. However materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

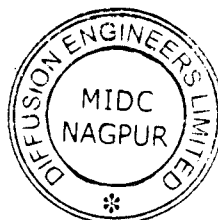
Work in Progress and Finished goods are valued at lower of cost and net realizable value. Cost includes cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost is computed on weighted average / FIFO basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

(vi) Investments

Trade Investments are the investments made to enhance company's business interests. Investments are classified either as current investments or non-current investments based on management's intention at the time of purchase. Current investments are carried at lower of cost and fair value of each investment individually. Cost for overseas investment comprises the Indian Rupee Value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Non-current investments are carried at cost less provisions recorded to recognise any decline, other than temporary, in the carrying value of each investment.



Signature
Gay Jaw |

(vii) Foreign Currency Transactions

- a) Transactions denominated in foreign currencies are recorded at the RBI Reference rates prevailing at the date of transaction. Items denominated in foreign currency at the year end are translated at year end rates. The exchange differences arising on settlement/translation are recognised in the Statement of Profit & Loss.
- b) Investment in equity of foreign subsidiary and Joint Ventures, measured at historical cost, are translated at the exchange rate prevalent at the date of transaction.

(viii) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(ix) Employee Benefits

i) Short Term Employee Benefits:

All the employees benefits payable wholly within twelve months of rendering services are classified as Short term employee benefits and recognised as expenses at undiscounted amount in Statement of Profit & Loss of the year in which the related services are rendered.

ii) Defined Contribution Plan:

Employees benefits in the form of contribution to Provident Fund, ESIC, Labour Welfare Fund and Other Fund are considered to be defined contribution plan and the same are charged to Statement of Profit and Loss of the year when the contributions to the respective funds are due.

iii) Defined Benefits Plan & Other Long Term Benefits:

Retirement benefit in the form of gratuity is considered as defined benefit obligation. Company makes contribution to LIC Group Gratuity Scheme known as "Employees Group Gratuity Scheme". The present value of the obligation is determined on the basis of actuarial valuation as at the Balance Sheet date using the Projected Unit Credit Method. The fair value of the Plan Assets of the Trust, constituted for the benefit of the employees, is reduced from the gross obligation under the Defined Benefit Plans, to recognize the obligation on a net basis.

Long term compensated absences are provided on the basis of an actuarial valuation.

Termination benefits are recognized as and when incurred.

(x) Taxes on Income

Income tax expense comprises of current tax and deferred tax charge or credit. Provision for current tax is made on the basis of the estimated assessable income at the tax rate applicable to the relevant assessment year without considering ICDS. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realisation.

(xi) Impairment of Assets:

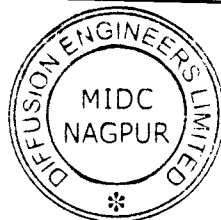
The carrying amounts of the assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital.

(xii) Provisions, Contingent Liabilities and Contingent Assets:

A provision is recognized when an enterprise has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which reliable estimate can be made. Provision are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

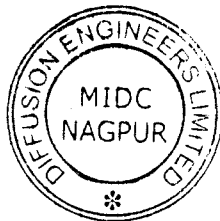
(xiii) Classification of Current/Non Current

All assets and liabilities are presented as Current or Non Current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI of the Companies Act, 1956. Based on the nature of the products and the time between the acquisition of assets for processing and their realisation, the Company has ascertained its operating cycle as 12 months for the purpose of Current/ Non-Current classification of assets & liabilities.



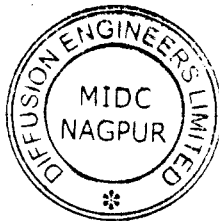
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NOTES TO ACCOUNTS			
DIFFUSION ENGINEERS LTD			
PARTICULARS			
NOTE No -3 SHARE CAPITAL			
	AS At March 31, 2020		AS At March 31, 2019
<u>AUTHORISED</u> 50,00,000 Equity Shares of Rs 10/- each		50,000,000	50,000,000
<u>ISSUED SUBSCRIBED & PAID UP</u> 37,37,467 Equity shares of Rs 10/- each (Refer Note No 26 (iii))		37,374,670	37,374,670
		37,374,670	37,374,670
NOTE No. -4 RESERVES AND SURPLUS			
	AS At March 31, 2020		AS At March 31, 2019
Securities Premium Account		29,364,695	29,364,695
Capital Redemption Reserve		4,721,500	4,721,500
Capital Reserve		17,423,758	17,423,758
<u>General Reserve</u>			
Opening balance	122,048,683		112,235,189
Add: Transferred from profit & loss a/c	-		9,813,494
Closing Balance		122,048,683	122,048,683
<u>Profit & Loss Account</u>			
Opening Balance			
Add : Profit as per statement of profit & loss	665,025,297		605,991,519
	90,639,071		98,134,943
	755,664,368		704,126,461
Less : Final Dividend for A Y 2018-19			11,212,401
Less : Interim Dividend	7,474,934		5,606,201
Less : Proposed Dividend	-		7,474,934
Less : Corporate Dividend Tax	1,536,492		4,994,133
Less : Transfer to General Reserve	-		9,813,494
Closing Balance		746,652,942	665,025,298
		920,211,579	838,583,934
NOTE No. -5 LONG TERM BORROWINGS			
	AS At March 31, 2020		AS At March 31, 2019
<u>SECURED LOANS</u>			
From HDFC Bank Loan (For Vehicle) (Secured against Hypothecation of Audi Q7 45 Tdi Car)	2,981,761		5,319,516
From HDFC Bank (For Nimji Plant Expansion) (Secured Against hypothecation of)	113,336,045	116,317,805	
		116,317,805	5,319,516
NOTE No. -6 OTHER LONG-TERM LIABILITIES			
	AS At March 31, 2020		AS At March 31, 2019
Vehicle/Laptop Scheme		2,019,146	2,197,463
Deposits From Distributors		5,086,351	4,866,351
		7,105,497	7,063,814



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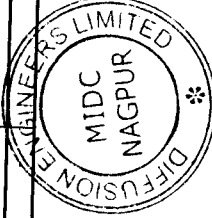
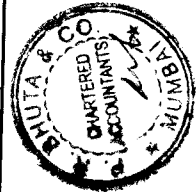
NOTE No. -7 SHORT TERM BORROWINGS				
	AS At March 31, 2020		AS At March 31, 2019	
SECURED LOANS				
<u>From HDFC Bank</u> (Secured against Mortgage of building & fixed assets)		161,796,750		136,582,549
<u>From Syndicate bank</u> Overdraft (Secured against book debts & hypothication of Stock)	10,023,984		1,255,527	
Overdraft (ODD) (Secured against Fixed Deposits)		10,023,984		1,255,527
Cash Credit (CC) (Secured against book debts & hypothication of Stock)	22,568,233		4,436,429	
		22,568,233		4,436,429
From State Bank of India (ODD) (Secured against Fixed Deposits)		5,793,342		453,435
<u>From ICICI Bank</u> Overdraft (Secured against book debts & hypothication of Stock)	(2,632)		(610)	
Working Capital Demand Loan	-	(2,632)	-	(610)
		200,179,677		142,727,329
NOTE No. -8 TRADE PAYABLES				
	AS At March 31, 2020		AS At March 31, 2019	
<u>Sundry Creditors:</u> Due to Micro,Medium and Small Enterprises	7,531,777		2,742,028	
Others	245,279,809	252,811,586	163,907,554	166,649,582
		252,811,586		166,649,582
NOTE No. -9 OTHER CURRENT LIABILITIES				
	AS At March 31, 2020		AS At March 31, 2019	
Statutory Remittances	5,487,629		26,773,639	
Liabilities For Expences	19,538,855		28,758,689	
Staff/Branch Advances/Imprest	-		308,933	
Advance Received from customers	97,266,253		45,462,294	
Other Credit Balances	2,724,621		2,026,528	
Mobile Scheme	10,250	125,027,607	10,250	103,340,333
		125,027,607		103,340,333
NOTE No. -10 SHORT TERM PROVISIONS				
	AS At March 31, 2020		AS At March 31, 2019	
Provision for Leave encashment		2,305,929		2,634,234
Provision for Tax- Net of Advance Tax		(9,148,499)		3,019,568
		(6,842,570)		5,653,802



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Diffusion Engineers Limited

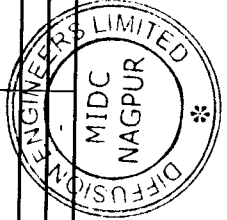
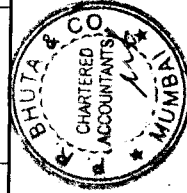
ASSETS	Gross Block									
	Balance as at 31 March, 2019	Additions	Disposals	Acquisitions through business combinations	Reclassified as held for sale	Revaluation increase	Effect of foreign currency exchange differences	Borrowing cost capitalised	Other adjustments	Balance as at 31 March, 2020
TANGIBLE ASSETS										
(a) Land Freehold	88,270,886	-	3,517,108	-	-	-	-	-	-	84,753,778
(b) Buildings Own use	182,057,402	132,564,154	-	-	-	-	-	-	-	314,621,557
(c) Plant and Equipment Owned	390,688,345	93,565,895	-	-	-	-	-	-	-	484,254,241
(d) Furniture and Fixtures Owned	14,731,169	1,592,432	-	-	-	-	-	-	-	16,323,600
(e) Vehicles Owned	30,321,200	2,560,150	510,527	-	-	-	-	-	-	32,370,823
(f) Office equipment Owned	6,055,243	240,332	-	-	-	-	-	-	-	6,295,575
(g) Others	2,653,744	313,050	-	-	-	-	-	-	-	2,966,793
Air-Conditioners	14,895,030	613,815	32,000	-	-	-	-	-	-	15,476,844
Computers	856,509	29,000	-	-	-	-	-	-	-	885,509
Projectors	7,569,181	-	-	-	-	-	-	-	-	7,569,181
Spectrometer	1,739,070	34,000	-	-	-	-	-	-	-	1,773,070
Weighing Machines	31,001,397	-	-	-	-	-	-	-	-	31,001,397
INTANGIBLE ASSETS										
(h) Technical Know-how	15,402,783	227,971	-	-	-	-	-	-	-	15,630,754
(i) Software	786,241,958	231,740,798	4,059,635	-	-	-	-	-	-	1,013,923,121
Total	755,320,451	30,921,508	-	-	-	-	-	-	-	786,241,958
Previous year										
Capital Work In Progress	-	-	-	-	-	-	-	-	-	-



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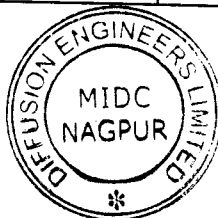
Note 11 Fixed assets (contd.)

ASSETS	Balance as at 1 April, 2019	Depreciation / amortisation expense for the year	Accumulated depreciation and impairment				Net block	
			Eliminated on disposal of assets	Eliminated on reclassification as held for sale	Impairment loss recognised in statement of P&L A/c.	Reversal of impairment loss recognised in Statement of P&L A/c.	Other adjustments	Balance as at 31 March, 2020
TANGIBLE ASSETS								
(a) Land Freehold	-	-	-	-	-	-	-	88,270,886
(b) Buildings Own use	55,562,798	5,076,177	-	-	-	-	-	126,494,604
(c) Plant and Equipment Owned	231,179,360	18,545,770	-	-	-	-	249,725,130	159,508,986
(d) Furniture and Fixtures Owned	8,075,364	991,897	-	-	-	-	9,067,261	6,655,804
(e) Vehicles Owned	15,100,872	3,051,432	-	-	-	-	18,152,304	15,220,328
(f) Office equipment Owned	4,364,285	456,215	-	-	-	-	4,820,500	1,690,958
(g) Others								
Air-Conditioners	2,036,361	254,418	-	-	-	-	2,290,780	617,382
Computers	13,400,150	777,360	-	-	-	-	14,177,510	1,494,879
Projectors	645,144	23,598	-	-	-	-	668,742	211,365
Spectrometer	5,920,898	222,215	-	-	-	-	6,143,113	1,648,283
Weighing Machines	1,421,228	32,222	-	-	-	-	1,453,450	317,842
INTANGIBLE ASSETS								
(h) Technical Know-how	30,867,314	-	-	-	-	-	30,867,314	134,083
(i) Software	11,841,411	1,101,251	-	-	-	-	12,942,662	3,561,372
Total	380,415,185	30,532,557	-	-	-	-	410,947,742	405,826,773
Previous year	380,415,185	28,509,067	-	-	-	-	380,415,185	403,414,333
Capital Work In Progress	-	-	-	-	-	-	-	-



Prakash Kumar
Aiy Tam

NOTE No. -12 NON CURRENT INVESTMENTS				
		AS At March 31, 2020		AS At March 31, 2019
Non-Trade Investments				
<u>Quoted</u>				
Syndicate Bank Equity Share		17,000		17,000
In Mutual Fund		76,499,531		51,900,706
Trade Investments				
<u>Unquoted</u>				
<u>In Equity Shares of Subsidiaries</u>				
Diffusion Super-Conditioning Services Pvt. Ltd.		3,296,828	3,296,828	
Diffusion Engineers Singapore Pte. Ltd.		15,442,500	15,442,500	
Diffusion Herson Adhesive And Sealant Pvt. Ltd.		950,000	950,000	
Newelco Industries Pvt Ltd		6,673,428	6,673,428	26,362,756
<u>In Equity Shares of Joint Venture</u>				
LSN Diffusion Ltd (Fully Paid Equity Shares)		67,460,687		85,342,910
		170,339,974		163,623,372
NOTE No. -13 LONG TERM LOAN AND ADVANCES				
		AS At March 31, 2020		AS At March 31, 2019
<u>Security Deposits & Fixed Deposit</u>				
Earnest Money Deposit & Security Deposit		8,346,511		8,508,491
Fixed Deposit (Security for Overdraft Facilities and Bank Guarantee)		39,290,154		31,184,414
		47,636,665		39,692,905
NOTE No. -14 INVENTORIES				
		AS At March 31, 2020		AS At March 31, 2019
Consumables, Stores and Spare parts				
				7,827,632
<u>Stock in trade</u>				
Raw Materials	115,094,090		101,469,398	
Work in Progress	157,010,979		108,405,174	
Finished goods & Traded Goods	161,979,061	434,084,130	98,243,657	308,118,229
<u>Stock - In - Transit</u>				
Raw Materials	6,224,604		4,643,784	
Consumables, Stores and Spare parts	730,367		271,782	
Traded Goods	3,413,893	10,368,864	11,021,116	15,936,682
		444,452,994		331,882,543
NOTE No. -15 TRADE RECEIVABLES				
		AS At March 31, 2020		AS At March 31, 2019
(Unsecured, considered good)				
Outstanding for a period exceeding six months				48,740,728
Other Debts		360,773,801		288,270,612
		360,773,801		337,011,340
NOTE No. -16 CASH AND CASH EQUIVALENT				
		AS At March 31, 2020		AS At March 31, 2019
<u>Balances with Scheduled Banks</u>				
In Current Accounts	6,832,265		14,027,542	
In Dividend Accounts	5,646		66,716	
In Deposit Accounts - Principal & Accrued Interest	-	6,837,911	-	14,094,258
Cash in Hand		146,462		162,283
		6,984,373		14,256,541



For and on behalf of
Ajay Jani

NOTE No. - 17 SHORT TERM LOAN AND ADVANCES

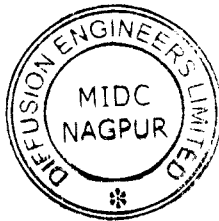
Loans and advances to related parties	AS At March 31, 2020		AS At March 31, 2019	
			52,16,278	
<u>Advances with Government Authorities</u>				
IGST Receivable				
CGST Receivable	7,24,221		-	
SGST Receivable	58,88,491		-	
TDS ON GST	62,64,847		9,89,767	
Custom Duty Advance	-		4,15,054	
Income Tax Refund	1,25,124		5,72,522	
Duty Drawback Receivable	-		-	
Meis License (Export Incentive Receivable)	6,71,513		4,31,374	
PSI Incentive Receivable	4,55,507		10,48,680	
VAT & Sales Tax	1,00,99,850		75,00,000	
	4,88,368	2,47,17,922	43,03,228	1,52,60,626
<u>Other Short term loans & advances</u> (Unsecured & considered good)				
Deposits Recoverable				
Staff Advance	76,71,270		66,01,934	
Advance to others	19,21,659		12,17,544	
	64,23,342	1,60,16,271	58,06,691	1,36,26,169
		4,59,50,470		3,26,72,171

NOTE No. -18 REVENUES FROM OPERATIONS

PARTICULARS	AS At March 31, 2020		AS At March 31, 2019	
<u>Sale of Products & Services</u>				
Sales (Manufacturing)				
Less: Returns	1,17,62,96,283		1,19,61,61,209	
	2,27,11,003	1,15,35,85,281	53,87,112	1,19,07,74,097
Sales (Trading)				
Less: Returns	7,71,57,545		8,28,64,294	
	16,25,570	7,55,31,974	11,29,270	8,17,35,024
Export Sales		14,08,89,814		15,21,72,062
Job Work Receipt:				
Local				
Export	7,48,58,214		7,20,66,753	
	36,73,159	7,85,31,374	56,74,957	7,77,41,710
<u>Other Operating Revenues</u>				
Insurance, Licenses & Packing on Sales	1,30,59,304		1,69,82,627	
Duty Drawback	19,15,264	1,49,74,568	34,20,291	2,04,02,918
		1,46,35,13,011		1,52,28,25,810

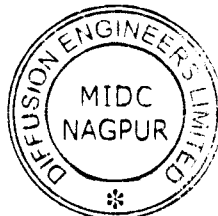
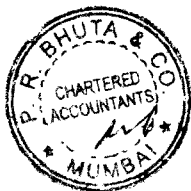
NOTE No. - 19 OTHER INCOME

PARTICULARS	AS At March 31, 2020		AS At March 31, 2019	
Profit on Sale of Assets & Investment				
Insurance Claim		37,89,556		-
PSI Incentive		4,22,984		2,76,016
Interest Received		50,00,000		-
Meis Licence A/C		35,10,533		28,59,985
Gain on Foreign Exchange Fluctuations		42,61,507		7,34,862
Write Back of Liabilities		48,00,481		67,07,550
Rent Received		13,859		13,32,167
Other Income		1,56,000		1,56,000
		31,070		6,46,945
		2,19,85,989		1,27,13,525



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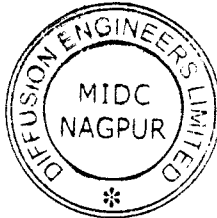
NOTE No. -20 COST OF MATERIAL CONSUMED				
PARTICULARS				
	AS At March 31, 2020		AS At March 31, 2019	
Raw Material Consumed				
Opening Stock (inclusive of Stock-in-Transit)	106,113,182		84,089,381	
Add: Purchases (inclusive of Stock-in-Transit)	790,047,370		829,316,563.50	
	896,160,552		913,405,944	
Less: Closing Stock (inclusive of Stock-in-Transit)	107,648,275	788,512,277	106,113,182	807,292,762
		788,512,277		807,292,762
NOTE No. -21 DIRECT EXPENSES				
PARTICULARS				
	AS At March 31, 2020		AS At March 31, 2019	
Consumable, Stores & Spare Parts Material Consumed				
Opening Stock (inclusive of Stock-in-Transit)	8,099,414		7,201,225	
Add : Purchase (inclusive of Stock-in-Transit)	41,719,992		35,572,886	
	49,819,406		42,774,111	
Less: Closing Stock (inclusive of Stock-in-Transit)	7,445,815	42,373,591	8,099,414	34,674,697
Laboratory Expenses		-		-
Custom Duties		6,064,809		9,356,265
Job Work Charges		82,606,127		69,742,771
Labour Charges		14,821,719		14,415,843
Carriage Inward & Clearing Charges		15,683,581		14,846,905
Power & Fuel		30,188,080		26,955,910
Water Charges		330,357		322,888
		192,068,265		170,315,279
NOTE No. -22 CHANGE IN INVENTORIES				
PARTICULARS				
	AS At March 31, 2020		AS At March 31, 2019	
Closing Stock				
Work in Progress	157,010,979		108,405,174	
Finished Goods	115,325,216		52,362,706	
Traded Goods (inclusive of Stock-in-Transit)	46,653,845		56,902,067	
	318,990,040		217,669,947	
Less: Opening Stock				
Work in Progress	108,405,174		87,600,441	
Finished Goods	52,362,706		43,029,712	
Traded Goods	56,902,067		35,209,043	
	217,669,947		165,839,195	
Change in Inventories		101,320,093		51,830,752
Excise Duty on Increase/Decrease of Finished Goods				
		101,320,093		51,830,752
NOTE No. - 23 EMPLOYEE BENEFIT EXPENSES				
PARTICULARS				
	AS At March 31, 2020		AS At March 31, 2019	
Salaries, Wages, Bonus & Ex-gratia				
Sales Commission to Staff		204,086,519		176,514,112
Company's Contribution to PF, ESIC & Others		2,735,312		3,996,929
Gratuity		14,044,269		12,787,842
Directors Remuneration		4,863,648		1,950,006
Directors' Commission		27,361,128		14,550,000
Staff Training and Recruitment		3,000,000		7,750,000
Staff Welfare		501,695		463,537
Leave Travel Allowance & Other Allowance		2,430,145		2,096,983
		2,211,838		3,678,606
		261,234,554		223,788,015
NOTE No. - 24 FINANCE COST				
PARTICULARS				
	AS At March 31, 2020		AS At March 31, 2019	
Bank Interest				
Bank Charges		11,826,446		13,176,739
Other Interest		6,015,605		8,536,314
		1,192,508		986,504
		19,034,560		22,699,557



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NOTE No. - 25 OTHER COST				
PARTICULARS				
	AS At March 31, 2020		AS At March 31, 2019	
Rates & Taxes				
Security Charges		925,856		898,394
Insurance		4,673,871		4,344,133
Foreign Travel Expenses		3,018,617		2,651,497
Foreign Technical Fees		4,728,318		3,664,362
Postage, Telegram, Telex & Telephone		57,520		612,762
Printing & Stationery		2,461,898		2,671,729
Travelling Expenses & Conveyance:		143,123		195,635
Directors				
Others	2,326,826		3,243,657	
Rent	23,403,013	25,729,839	22,089,219	25,332,876
Office Maintenance & Factory Expenses		3,218,980		2,487,658
Repairs & Maintenance:		785,711		627,586
Building			285,232	
Machinery	2,719,270		589,874	
Vehicles	2,470,336		2,878,899	
Others	3,775,124		2,839,890	
Legal & Professional Charges		8,964,730		6,593,895
I. S. O. & R.D.S.O Expenses		11,620,334		6,802,813
Membership & Subscription, Books & Periodicals		88,416		261,208
Donation & Charity		347,644		1,176,231
Registration Fees		362,000		102,750
Board Meeting Expenses		9,040		1,318
Filing Fees		23,550		57,624
Directors' Sitting Fees		22,277		27,676
Service Tax & Excise Duty		910,000		675,000
Other Expenses		-		234,600
Pooja, Diwali & Gift Expenses		1,329,384		1,416,050
Auditors' Remuneration		534,331		631,038
Statutory Audit				
Tax Audit & Transfer Pricing	690,000		360,000	
Other Services			330,000	
Audit Expenses			-	
Internal Audit Fees	143,046		133,842	
Sales Tax Paid		833,046	120,000	943,842
GST Paid		2,515,543		845,497
Company Profession Tax		488,159		130,292
Website Development Expenses		10,500		12,500
Carriage Outward & Handling Charges		310,200		243,700
Advertisement		24,108,412		22,763,866
Sales Promotion (Including Entertainment)		902,510		942,100
Tender Fees		350,233		539,956
Net Loss on Foreign Exchange Fluctuations		21,986		21,753
Commission & Discount to Distributors & others				-
Exhibition, seminar & New Product Launching		7,449,260		12,567,904
Testing Charges		1,706,894		1,521,212
Late Delivery Charges		899,518		886,892
Bad Debts & Write Off		2,110,900		897,756
Rate / Weight Differences		4,623,964		10,926,312
		(84,251)		595,057
		116,202,312		115,305,474



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NOTE No. -26 NOTES ON ACCOUNTS

(All amounts in 'Rs `)

(i) Figures have been rounded off to the nearest rupee and the figures for the previous year have been re-grouped, re-classified and re-arranged wherever necessary.

(ii) **Contingent Liabilities not provided for :**

Claims against the company not acknowledge as Debt

Current Year Previous Year

a. Excise Duty Liability Disputed

1,662,962 1,662,962

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

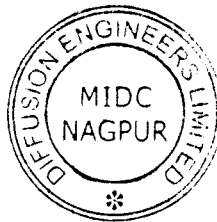
(iii) **Details of Shareholders having more than 5% shares in the company as on 31 st March 2020 as under :-**

Sr. No.	Name of the Share Holder	Current Year		Previous Year	
		% of Share Holding	No of Shares	% of Share Holding	No of Shares
1	Mr.N.K.Garg*	0.00%	-	41.74%	1,560,191
2	Mr.N.K.Garg [HUF]	7.98%	298,397	8.00%	298,897
3	Mrs.Chitra Garg	22.73%	849,653	22.73%	849,653
4	Mr.Prashant Garg	38.97%	1,456,593	17.74%	662,893
5	Dr. Nitin Garg	26.28%	982,322	5.77%	215,831

* Due to demise of Mr. N.K.Garg his shares are transferred to his legal heirs as per his Will

(iv) **Fair Value of Investments :-**

- a) Quoted Non Trade Investment of 1,700 (Previous Year 1,700) Equity shares of Syndicate Bank at a cost of Rs. 17,000/- (Previous Year Rs.17,000/-) the Market value of which is Rs. 25,755/- (Previous Year Rs. 94,265/-). The Company is now merged with Canara Bank
- b) Unquoted Trade Investment of 3,760 (Previous Year 3,760) Equity shares of Diffusion Super-Conditioning Services Private Limited at a cost of Rs.32,96,828/- (Previous Year Rs. 32,96,828/-), the intrinsic value (book value) of which based on audited financial statements is Rs. 68,11,416 /- (Previous Year Rs. 61.67,016 /-).
- c) Unquoted Trade Investment of 6,85,510 (Previous Year 6,85,510) Equity shares of Nowelco Industries Private Limited at a cost of Rs. 66,73,428/- (Previous Year Rs. 66,73,428/-), the intrinsic value (book value) of which based on audited financial statements is Rs. 33,99,651/- (Previous Year Rs. 42,66,922/-).
- d) Unquoted Trade Investment of 95,000 (Previous Year 65,000) Equity Shares of Diffusion Hemon Adhesive And Sealant Pvt Ltd. at a cost of Rs 9,50,000/- (Previous Year Rs. 6,50,000), the intrinsic value (book value) of which based on audited financial statements is Rs 13,28,800/- (Previous Year 7,89,219/-).
- e) Unquoted Trade Investment of 954.45 subscribed Equity shares of LSN Diffusion Ltd at a cost of Rs. 8,53,42,910/-(GBP 9,54,450/-) (Previous Year paid up capital Rs.6,75,57,760/- (GBP 7,50,000/-). The intrinsic value (book value) of which based on audited certified financial statements is Rs.5,74,03,670/- (GBP 6,22,029) (Previous Year Rs. 5,31,16,655/- (GBP 6,56,737)).
- f) Unquoted Trade Investment of 2,50,217 subscribed Equity shares of Diffusion Engineers Singapore Pte Ltd at a cost of Rs. 1,54,42,500/- (USD 2,50,000/-) (Previous Year Rs. 1,54,42,500/-(USD 2,50,000/-)). The intrinsic value (book value) of which based on audited financial statements is Rs.1,96,18,369/- (USD 3,03,792) (Previous Year Rs.1,69,36,898/- (USD 2,60,391).



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Ajay Jain

h) Mutual Fund Investment

Sr. No.	Name of Mutual Fund	Amount	No. of Units	Market Value
1	DSP Blackrock India Tiger Fund	28,68,365	32,925	20,03,020
	(Previous Year)	35,41,738	46,350	42,77,166
2	DSP Blackrock Opportunities Fund	-	-	-
	(Previous Year)	8,20,334	5,537	12,35,822
3	Franklin India Flexi Cap Fund	5,37,575	8,517	4,48,764
	(Previous Year)	5,37,575	8,517	6,92,297
4	Franklin India Prima Fund	38,33,070	4,501	31,11,538
	(Previous Year)	26,33,070	3,195	31,12,286
5	HDFC Equity Fund	18,37,405	2,894	13,24,466
	(Previous Year)	27,85,192	5,195	35,38,909
6	HDFC Prudence Fund	11,98,044	6,339	9,52,359
	(Previous Year)	20,97,110	13,289	26,71,892
7	Prudential ICICI Discovery Fund	44,72,182	34,019	35,96,536
	(Previous Year)	32,72,182	25,327	37,05,095
8	Prudential ICICI Infrastructure Fund	13,91,206	33,487	10,95,371
	(Previous Year)	21,45,271	53,858	27,95,785
9	Absl Front Line Equity Fund	11,50,000	5,315	8,77,236
	(Previous Year)	5,50,000	2,560	5,80,304
10	Reliance Money Manager Fund	1,00,000	45	1,23,123
	(Previous Year)	1,00,000	45	1,15,642
11	ICICI Pru -Dynamic Plan	40,98,247	17,232	36,36,031
	(Previous Year)	28,98,247	12,685	33,99,356
12	IDFC -Premier Equity Fund	14,43,680	15,893	11,42,230
	(Previous Year)	26,57,447	32,463	30,47,011
13	Frankline- India Bluechip Fund	20,49,758	4,565	15,38,575
	(Previous Year)	40,12,539	10,344	48,77,587
14	Franklin India Short Term Income Plan	2,60,00,000	7,847	3,05,17,180
	(Previous Year)	2,10,00,000	6,604	2,63,99,561
15	IDFC -Classic Equity	26,50,000	60,450	19,30,155
	(Previous Year)	14,50,000	32,820	14,92,644
16	L & T Infrastructure Fund	26,00,000	1,65,315	17,30,850
	(Previous Year)	14,00,000	85,726	13,74,184
17	ICICI Pru - Credit Risk Fund Reg (G)	50,00,348	2,48,403	54,02,214
	(Previous Year)	-	-	-

(v) Payment to Auditors:

	Current Year	Previous Year
Audit Fees	3,60,000	3,60,000
Transfer Pricing	3,30,000	3,30,000
For other services rendered	1,43,046	2,14,390

(vi) Earning Per Share :

	Current Year	Previous Year
Net Profit after Tax after Prior Period Items and CSR	9,06,39,071	9,81,34,943
No. of Shares Outstanding	37,37,467	37,37,467
Weighted Average number of shares outstanding during the year	37,37,467	37,37,467
Basic & Diluted Earning Per Share [Nominal Value Rs.10/- each] (Rs.)	24.25	26.26

(vii) Break-up of Deferred Tax Assets / (Liabilities) :

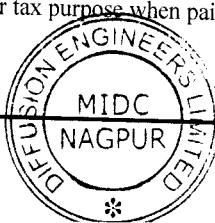
Deferred Tax Liability:

Timing Difference on account of Carrying amount of Fixed Assets in the Financial Statements and the Income Tax Return

Deferred Tax Assets:

Expense allowable for tax purpose when paid (Section 43B items)

	Current Year	Previous Year
Deferred Tax Liability	2,93,46,492	2,46,80,993
Deferred Tax Assets	24,18,687	36,58,467
Net Deferred Tax Assets / (Liability)	(2,69,27,806)	(2,10,22,529)



Net Deferred Tax Assets / (Liability)

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viii) Disclosure pursuant to Accounting Standard 15 - "Employee Benefits"

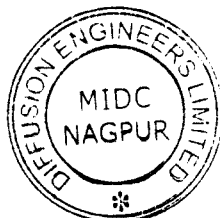
Disclosure of Defined Benefit Gratuity Plan

	<u>Current Year</u>	<u>Previous Year</u>		
1) Changes in Present value of Obligation:				
Present Value of Obligations as at the beginning of the year	1,17,25,950	95,52,586		
Interest Cost	8,54,850	7,11,509		
Current Service Cost	9,75,902	7,72,434		
Benefits Paid	11,02,872	7,76,131		
Actuarial (gain) / Loss on obligations	17,49,604	14,65,552		
Present Value of Obligations as at the end of the year	1,42,03,434	1,17,25,950		
2) Changes in fair Value of Plan assets:				
Fair Value of Plan assets at the beginning of the year	1,55,15,678	1,38,07,370		
Expected return on plan assets	10,25,051	10,25,012		
Contributions	-	14,85,083		
Benefits Paid	11,02,872	7,76,131		
Actuarial Gain / (Loss) On Plan assets	13,600	(25,656)		
Fair Value of Plan assets at the end of the year	1,54,51,457	1,55,15,678		
3) The amount to be recognized in the Balance sheet:				
Present Value of Obligations as at the end of year	1,42,03,434	1,17,25,950		
Fair Value of Plan assets at the end of the year	1,54,51,457	1,55,15,678		
Net assets / (Liability) recognised in Balance sheet	12,48,023	37,89,728		
4) Actuarial Gain / Loss recognized:				
Actuarial (Gain) / Loss on Obligations	17,49,604	14,65,552		
Actuarial (Gain) / Loss for the year on plan assets	13,600	(25,656)		
Actuarial (Gain) / Loss recognized in the year	17,49,604	14,65,552		
5) Expenses recognized in Statement of Profit and Loss:				
Current Service cost	9,75,902	7,72,434		
Interest Cost	8,54,850	7,11,509		
Expected return on plan assets	(10,25,051)	(10,25,012)		
Net actuarial (Gain) / Loss recognized in the year	17,36,003	14,91,208		
Expenses recognized in Statement of Profit and Loss	25,41,704	19,50,139		
6) Assumption:				
Discount Rate	7.65%	7.65%	7.73%	7.50%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
Present Value of Obligations	1,42,03,434	1,17,25,950	83,74,966	82,88,291
Fair Value of Plan Assets	1,54,51,457	1,55,15,678	1,33,36,344	1,21,38,255
Surplus / (Deficit) in the plan	12,48,023	37,89,728	49,61,378	38,49,964
Experience Adjustment - Obligations	17,49,604	14,65,552	1,74,867	29,16,922
Experience Adjustment - Plan Assets	13,600	(25,656)	Nil	Nil

	<u>Current Year</u>	<u>Previous Year</u>
Total amount of defined contribution plan during the year	1,40,44,269	1,27,87,842

	<u>Current Year</u>	<u>Previous Year</u>
(ix) Outstanding to Micro, Small and Medium Enterprises (MSME) at the close of the year	75,31,777	27,42,028
Interest amounts paid, accrued or payable under the said act at the close of the year	Nil	Nil

The above disclosure is based on the information available with the Company regarding the status of the suppliers under the MSME Development Act.

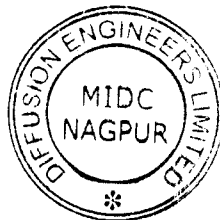


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Ajay Jais

	<u>Current Year</u>		<u>Previous Year</u>
(x) Expenditure in Foreign Currency			
Dividends to a Foreign Shareholder			
- Current year	-	-	-
- Last year	-	-	-
Other Expenses			
		46,69,817	51,87,830
			51,87,830
(xi) Earnings in Foreign Exchange			
Export Sales		14,08,89,814	15,21,72,062
Job work receipts		36,73,159	56,74,957
(xii) C. I. F. Value of Imports			
Raw Materials		3,86,73,072	7,23,53,822
Traded Goods		4,50,21,345	6,05,48,922
Capital Goods		-	-
Consumables, Stores and Spare parts		53,13,563	69,46,651
(xiii) Value of Imported / Indigenous Raw Material, Consumables, Stores and Spare parts			

Description	Current Year		Previous Year	
	Value Rs.	% of Total Value	Value Rs.	% of Total Value
Raw Materials				
Imported	3,86,73,072	4.90%	7,23,53,822	8.72%
Indigenous	75,13,74,298	95.10%	75,69,62,741	91.28%
Total	79,00,47,370	100.00%	82,93,16,564	100.00%
Consumables, Stores and Spare parts				
Imported	53,13,563	12.74%	69,46,651	19.80%
Indigenous	3,64,06,430	87.26%	2,81,33,385	80.20%
Total	4,17,19,992	100.00%	3,50,80,036	100.00%

xiv) The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and companies, have introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended across the country to contain the spread of the virus. The extent to which the COVID-19 pandemic will impact the Company's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Company.



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(xv) **Note on Debtors**

Sr. No.	Party Name	Amount	Remarks
1	BHUSHAN POWER & STEEL LTD.SAMBALPUR	969,430	As per NCLT Order dated 05/09/2019, Operational Creditors will be given 50% of the dues. We have made provision for 50% as Bad Debts.
2	CONCAST STEEL & POWER LIMITED	140,611	The company is under liquidation and liquiidation proceedings are in progress. Company is of view that they will receive 100%, from NCLT

3	The company has initiated legal action against the following parties for recovery of the outstanding amount. The Management is of the opinion that the following amount is recoverable.		
	Sr. No.	Amount	Party Name
	a	121,650	ACCURATES (INDIA),LUDHIANA
	b	860,484	FUSION TECH(STK)
	c	84,708	MAA INDUSTRIAL SERVICES,SONEBHADRA
4	The company has filed cases U/S 138 of The Negotiable Instrument Act. The matter is pending before JMFC, Nagpur. The company will recover entire amount.		
	Sr. No.	Amount	Party Name
	a	88,236	ANTIWEAR SOLUTIONS,(STOCKIST)
	b	1,540,656	PIONEER INDUSTRIAL MILL STORES,(STK)
	c	177,219	RUV INDUSTRIAL PRODUCTS PVT LTD.,NAGPUR
	d	454,775	TSS GLOBAL PVT LTD.,(DISTRIBUTOR)
	e	708	FUSION TECH(STK)
f	14,935	MAA INDUSTRIAL SERVICES,SONEBHADRA	

xvi) Board of Directors proposes 15% Dividend on Equity shares subject to approval in AGM

xvii) Previous Years Figures are re-grouped and re-arranged wherever necessary.

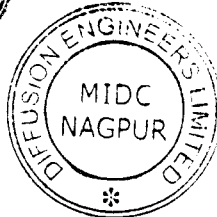
As per our report of even date
For **P. R. Bhuta & Co.**
Chartered Accountants

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

Pankaj Bhuta



PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
29.09.2020



Prashant Garg

PRASHANT GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur

Ajay Jain

AJAY JAIN
Director
DIN :- 02815416
Place : Mumbai

SEGMENT REPORTING UNDER ACCOUNTING STANDARD (AS) 17

Business Segment

Particulars	Manufactured Products			Trading Products			Job Works			Eliminations / Unallocated			Consolidated Total	
	2019-2020	2018-2019		2019-2020	2018-2019		2019-2020	2018-2019		2019-2020	2018-2019		2019-2020	2018-2019
	a) Revenues													
External Sales (Net of excise duty)														
Local	1,153,585,281	1,190,774,097		75,531,974	81,735,024		74,858,214	72,066,753					1,303,975,470	1,344,575,874
Export	126,586,580	143,006,315		14,303,234	9,165,747		3,673,159	5,674,957					144,562,973	157,847,019
Inter-Segment	8,314,262	8,888,009											8,314,262	
Total Revenue	1,288,486,123	1,342,668,421		89,835,208	90,900,771		78,531,374	77,741,710					1,456,852,705	1,502,422,893
Identifiable Operating Expenses	869,116,156	921,654,879		61,952,548	56,076,712		33,489,244	51,134,703					956,243,686	1,019,978,285
b) Segment results before interest & tax	419,369,967	421,013,542		27,882,660	34,824,060		45,042,130	26,607,007					500,609,019	482,444,608
c) Interest & Other Income														
d) Unallocated expenses														
e) Profit before tax														
f) Tax Expense														
g) Net Profit after tax														
h) Segment assets	494,005,925	423,941,735		56,902,067	56,902,067		17,383,434	12,647,936					98,953,333	100,587,578
i) Segment liabilities	187,118,511	152,730,022		176,539	6,422,119		65,516,536	7,497,441					834,243,772	1,327,735,509
j) Capital Expenditure													252,811,586	451,776,905
k) Depreciation and amortisation	17,720,187	16,376,067					1,080,020	948,189					30,532,557	28,509,067
l) Other Significant Non Cash Expenses													12,890	10,916,459

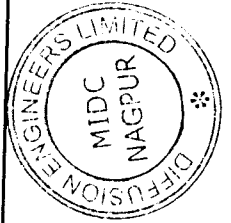
Notes:

a) The Company has disclosed business segment as the primary segment.

b) Types of Products and Services in each business segment:

Business Segment	Types of Products and Services
Manufactured Products	Welding Electrodes, Flux Cord Wires, SOP, Diffcor, Wear Plates, etc.
Trading Products	TIG, MIG, Filler Wires, Thermal Spray Powders, Welding Equipments, etc.
Job Works	Service Welding & Reconditioning Jobs.

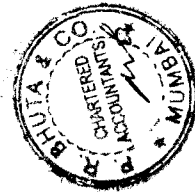
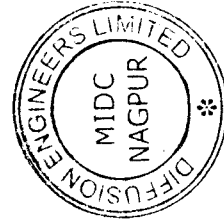
c) The segment Revenues, Expenses, Assets and Liabilities are allocated by the management to the extent directly identifiable to each segment on a reasonable basis.



Signature
Ajay Jais

RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD (AS) 18

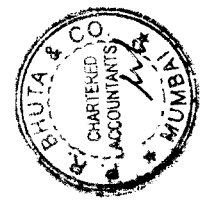
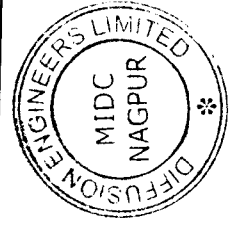
- A Parties where control exists**
 Subsidiary Companies :
- M/s. Diffusion Super Conditioning Services Private Limited
 - M/s. Nowelco Industries Private Limited
 - M/s. Diffusion Hemon Adhesive & Sealants Pvt. Ltd.
 - M/s. Diffusion Engineers Singapore Pte. Ltd.
- Step-down Subsidiary :
- M/s. Diffusion Wear Solutions Philippines Inc.
 (Subsidiary of M/s Diffusion Engineers Singapore Pte. Ltd.)
- Associate of Subsidiary :
- M/s. Mecdiff Sd. Bhd.
 (Associate of M/s Diffusion Engineers Singapore Pte. Ltd.)
- B Joint Venture**
 LSN Diffusion Ltd.
- C Key Management Personnel** :
- Mr. N. K. Garg
 - Mr. Prashant Garg
 - Mr. Ajay Jain
 - Mrs. Renuka Garg
 - Ms. Anita Vijaykar
- Relatives of Key Management Personnel :
- Mrs. Chitra N Garg
 - N. K. Garg HUF
 - Mr. Nitin N Garg
 - Mr. Ajay Jain HUF
 - Mrs Daksha Jain
- D Common Key Management Personnel** :
- M/s. Diffusion MGM Machines Pvt Ltd.
 (Key Management : Mr. N.K.Garg & Mr. Prashant Garg)



Prashant Garg - Ajay Jain

E Transactions with Related Parties :

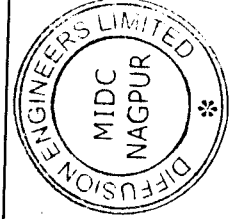
Type of the related Party	Name of the related party	Description of the nature of Transactions	Volume of transactions during		Amounts Outstanding			
			2019-2020	2018-2019	Receivable		Payable	
			2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019
Subsidiary Companies	Diffusion Super-Conditioning Services Pvt. Ltd.	Sale	973,037	1,792,199	530,322	2,026,617		
		Total Debit Notes towards expenses	382,285	234,418				
	Nowelco Industries Pvt. Ltd.	Purchase	7,539,708	6,891,177	1,021,968	2,481,177		
		Sales	680,282	1,614,239	6,392,581	6,632,299		
	Total Debit Notes towards expenses	2,452,924	1,579,886	5,216,278	1,304,199			
	Interest Income (Gross)	-	-	-	-			
Diffusion Hernon Adhesive & Sealants Pvt Ltd		Rent Deposit	-	-	-	-		37,500
		Sales	701,528	2,079,084	2,752,572	4,519,904		
		Rent Receipt	212,160	156,000	-	-		
		Purchase	-	-	-	-		
		Investment In shares	-	-	-	-		
	Total Debit Notes towards expenses	193,167	42,058	-	-			
Diffusion Engineers Singapore Pte. Ltd.		Sales	-	863,252	-	844,859		
		Total Debit Notes towards expenses	-	-	-	-		
Step-down Subsidiary	M/s Diffusion Wear Solutions Philippines Inc.	Sales	1,115,650	3,597,480	2,083,013	2,165,219		
		Total Debit Notes towards expenses	-	-	-	-		
Associate of Subsidiary	M/s Mecdiff SD. BHD.	Sales	10,402,565	7,786,688	3,095,587	2,932,879		
		Purchase	-	-	-	-		
		Total Debit Notes towards expenses	-	-	-	-		
Joint Venture	LSN Diffusion Ltd	Purchase	28,332,555	37,161,020	-	-		
		Total Debit Notes towards expenses	-	38,810	-	-		2,083,013
		Total Credit Notes Towards Commission	95,983	61,364	-	-		-
		Investment in shares	-	-	-	-		6,270,769



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Key Managerial Personnel	Mr. N K Garg	Remuneration	11,129,032	7,500,000			
		Rent	977,420	497,510			
		Dividend	6,040,764	7,020,860			
		Commission	-	3,500,000			
		Gratuity	2,884,615	-			
	Mr. Prashant Garg	Medical Re-imbursement	40,705	103,407			
		Leave Encashment	4,000,000	-			
		Remuneration	12,000,000	7,050,000			
		Rent	555,300	403,313			
		Medical Re-imbursement	-	30,393			
Relatives of Key Managerial Personnel	Mr. Ajay Jain	Leave Encashment	2,250,000	3,500,000			
		Commission	2,751,572	2,983,019			
		Commission	250,000	250,000			
		Commission	250,000	25			
	Mrs. Remika Garg	Commission	250,000	100,000			
		Commission	250,000	25			
	Ms. Anita Vijaykar	Commission	250,000	100,000			
		Commission	250,000	25			
	Mrs. Chitra N Garg	Rent	1,014,500	819,500			
		Dividend	3,398,612	1,699,306			
N. K. Garg HUF	Rent	164,400	142,800				
	Dividend	1,195,588	597,794				
Mr. Nitin N Garg	Dividend	1,264,448	431,562				
	Dividend	40,000	20,000				
Mr. Ajay Jain (H.U.F)	Dividend	800	400				
	Dividend	800	400				
Control of Key Managerial Person	Diffusion MGM Machines Pvt Ltd.	Total Debit Notes towards expenses	1,000	1,000	11,520	9,520	

Note: Related party relationship has been identified by management of the company.



Prashant Garg - Ajay Jain



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIFFUSION ENGINEERS LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of DIFFUSION ENGINEERS LIMITED (hereinafter referred to as the 'Holding Company') and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associates and jointly controlled entities, which comprise the consolidated Balance Sheet as at March 31, 2020, and the consolidated statement of Profit and Loss, and the consolidated cash flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the Company as at March 31, 2020, of consolidated profit, and its consolidated cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by ICAI, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Companies Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Companies Act, 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have

Auditors' Report



Page 1 of 5

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Ajay Jais



been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for assessing the ability of the Group and of its associates and jointly controlled entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for overseeing the financial reporting process of the Group and of its associates and jointly controlled entities.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

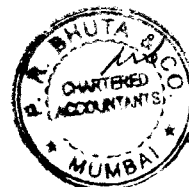
Other Matters

(a) We did not audit the financial statements of Five subsidiaries, whose financial statements reflect total assets of Rs.8,65,86,723/-as at 31st March, 2020, total revenues of Rs.9,44,97,879/-and net cash flows amounting to Rs.1,71,77,974/- for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs. 67,66,555/- for the year ended 31st December, 2019, as considered in the consolidated financial statements, in respect of associates, whose financial statements have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required bySection143(3) of the Act, we report, to the extent applicable, that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.





- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associates and jointly controlled entities— Refer Note 27 to the consolidated financial statements.
 - The holding Company and its subsidiary companies did not have any material foreseeable losses on long-term contracts including derivative contracts.
 - There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary companies incorporated in India.

For **P. R. Bhuta & Co.**
FRN: 101471W
Chartered Accountants

P. R. Bhuta



Pankaj Bhuta
Proprietor
Membership Number: 31820
UDIN: 20031820AAAAAS6674

Place : Mumbai
Date : 29-09-2020

ANNEXURE B TO THE INDEPPENDENT AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 1 UNDER 'REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS' SECTION OF OUR REPORT OF EVEN DATE)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

We have audited the internal financial controls over financial reporting of **DIFFUSION ENGINEERS LIMITED** (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") as of March 31, 2020 in conjunction with our audit of the consolidated financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal



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

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

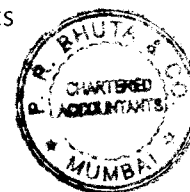
Inherent Limitations of Internal Financial Controls over Financial Reporting

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

For P. R. Bhuta & Co.

FRN: 101471W

Chartered Accountants



Pankaj Bhuta

Proprietor

Membership No: 31820

UDIN: 20031820AAAAAS6674

Place : Mumbai

Date : 29-09-2020

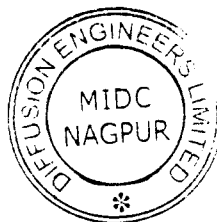
DIFFUSION ENGINEERS LTD					
CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2020					
PARTICULARS	NOTES	As At March 31, 2020		As At March 31, 2019	
EQUITY AND LIABILITIES					
Shareholder's funds					
(a) Parent's Share Capital	3	37,374,670		37,374,670	
(b) Reserves and Surplus	4	914,286,576	951,661,246	837,869,653	875,244,323
Minority Interest	5	2,246,895	2,246,895	3,603,703	3,603,703
Non-current liabilities					
(a) Long-term borrowings	6	116,317,805		5,319,516	
(b) Other Long-Term Liabilities	7	7,374,769		7,333,086	
(c) Deferred Tax Liabilities (net)		26,300,460	149,993,034	18,992,718	31,645,320
Current Liabilities					
(a) Short term borrowings	8	205,753,195		147,800,472	
(b) Trade payables	9	218,613,745		164,323,930	
(c) Other current liabilities	10	163,966,223		107,220,831	
(d) Short term provisions	11	(6,790,731)	581,542,432	5,753,165	425,098,398
TOTAL			1,685,443,606		1,335,591,743
ASSETS					
Non-current assets					
(a) Fixed assets	12				
(i) Tangible assets		612,597,905		414,894,410	
(ii) Intangible assets		2,828,459		3,703,502	
(iii) Capital work-in-progress		-		2,769,865	
(iv) Intangible assets under development		-	615,426,365	-	421,367,778
(b) Non-current investments	13		133,673,459		140,063,871
(c) Long-term loans and advances	14		49,019,808		41,210,656
Current assets					
(a) Inventories	15	467,814,317		345,642,087	
(b) Trade receivables	16	344,668,334		335,676,388	
(c) Cash and Cash equivalents	17	28,251,770		17,945,963	
(d) Short-term loans and advances	18	46,589,553	887,323,974	33,685,001	732,949,439
TOTAL			1,685,443,606		1,335,591,743
Contingent Liabilities	27(ii)				
Significant accounting policies and notes to accounts					

As per our report of even date
For P. R. Bhuta & Co.
Chartered Accountants
F.R.N. : 101471W

P. Bhuta



PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
Date : 29.09.2020



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

Prashant Garg
PRASHANT GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 28/9/2020

Ajay Jain
AJAY JAIN
Director
DIN :- 02815416
Place : Mumbai
Date : 28/9/2020

DIFFUSION ENGINEERS LTD

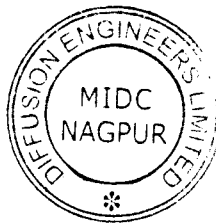
CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE PERIOD 31 MARCH 2020

PARTICULARS	NOTES	As At March 31, 2020		As At March 31, 2019	
i Revenues from operations	19	1,540,715,887		1,539,227,889	
ii Other income	20	28,058,627		16,322,327	
iii Total Revenue			1,568,774,514		1,555,550,216
iv Expenses					
Cost of material consumed	21	824,923,597		814,466,212	
Purchase of Traded goods (inclusive of Stock-in-Transit)		50,737,215		76,876,739	
Direct Expenses	22	200,288,849		173,959,914	
Changes in inventories	23	(101,193,899)		(50,157,603)	
Employee benefit expenses	24	268,351,311		228,052,590	
Finance costs	25	19,501,711		23,206,083	
Depreciation expenses and amortisation expenses	12	31,889,469		30,579,749	
Others expenses	26	128,201,698		127,172,931	
Total expenses			1,422,699,951		1,424,156,616
v Profit before exceptional and extraordinary items and tax			146,074,562		131,393,600
vi Prior Period Items			-		-
vii Profit before income tax			146,074,562		131,393,600
viii Tax expenses:					
Current income tax		33,732,360		37,700,000	
Short / (Excess) Provision for Income Tax				(6,568,982)	
Deferred income tax		5,812,112		4,163,860	
Profit Before CSR for the period(vii-viii)			106,530,090		96,098,722
CSR for the Period			2,297,489		2,452,635
Profit after tax before share in profit of associates & minority interest			104,232,600		93,646,087
Add/Less:- Minority Interest			(405,175)		(326,900)
Add:- Shares in Profit & (Loss) of Associates			6,766,555		964,749
Profit for the period			111,404,330		94,937,736
Earnings per equity share:					
Basic			29.81		25.40
Diluted			29.81		25.40

As per our report of even date
For P. R. Bhuta & Co.
Chartered Accountants
F.R.N. : 101471W

Pankaj Bhuta

PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
Date : 27.9.2020



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

Prashant Garg

PRASHANT GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 28/9/2020

Ajay Jain

AJAY JAIN
Director
DIN :- 02815416
Place : Mumbai
Date : 28/9/2020

DIFFUSION ENGINEERS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2020

PARTICULARS	AS At March 31, 2020		AS At March 31, 2019	
	₹	₹	₹	₹
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax		14,60,74,562		13,13,93,600
Adjustments for :				
Bad Debts Written off	48,49,245		5,95,057	
Write Back	(44,17,535)		(13,32,167)	
Depreciation	3,18,89,469		3,05,79,749	
Dividend on Investments	(1,46,321)		26,53,186	
Interest and Finance Charges	1,95,01,711		2,22,19,567	
Interest Income	(37,41,922)		(30,69,949)	
Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	(38,50,553)		-	
Inter Company Stock Reserve	-		(5,05,977)	
CSR	(22,97,489)		(24,52,635)	
Operating Profit before Working Capital changes		4,17,86,605		4,86,86,830
Adjustment for :		18,78,61,167		18,00,80,430
Inventories	(12,21,72,231)		(7,10,98,254)	
Trade Receivables	(1,38,41,192)		(4,18,68,096)	
Other receivables	(2,07,13,704)		(5,26,122)	
Trade Payables & Other Liabilities	11,02,16,588		9,40,62,460	
Cash generated from Operations		(4,65,10,538)		(1,94,30,011)
Direct Taxes Paid		14,13,50,629		16,06,50,419
Net Cash Flow from Operating Activities (A)		(3,95,44,473)		(2,66,97,236)
B. CASH FLOW FROM INVESTING ACTIVITIES:		10,18,06,157		13,39,53,183
Inflow / (Outflow) on account of :				
Dividend on Investments	1,46,321		(26,53,186)	
Profit/(loss) on sale of Investments	(1,62,64,575)			
Interest Income	37,41,922		30,69,949	
(Purchases) / Sales of Fixed Assets (Net)	(22,87,17,921)		(3,09,21,508)	
(Purchases) Capital W.I.P	27,69,865		(27,69,865)	
(Purchases) / Sales of Investments (Net)	1,31,56,966		(1,52,07,421)	
Net Cash Flow from Investing Activities (B)		(22,51,67,422)		(4,84,82,031)
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds / (Repayment) from/of Secured Loans	16,89,92,696		(2,64,29,442)	
Interest and Finance Charges	(1,95,01,711)		(2,22,19,567)	
Dividend paid (including tax on dividend)	(90,11,426)		(3,19,14,469)	
Net Cash Flow from Financing Activities (C)		14,04,79,559		(8,05,63,478)
D. FOREIGN EXCHANGE TRANSLATION RESERVE		(67,40,703)		15,44,473
Net Increase / (Decrease) in Cash and Cash Equivalents [A+B+C+D]		1,03,77,590		64,52,148
Cash and Cash Equivalents as at the beginning of the year	1,79,45,963		94,84,927	
Cash and Cash Equivalents as at the end of the year	2,82,51,770		1,59,37,075	
		1,03,05,807		64,52,148
Reconciliation to Cash and Bank Balances given in Schedule 6:				
Cash and Bank Balance as at the year end		2,82,51,770		1,79,45,963
Less:				
Balances in Fixed Deposit accounts kept as security for		18,51,065		20,08,888
Cash and Cash Equivalent as at the year end		2,64,00,705		1,59,37,075

Previous year figures have been re-grouped, re-classified and re-arranged wherever necessary.

As per our report of even date
For P. R. Bhuta & Co.
Chartered Accountants
F.R.N. : 101471W



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

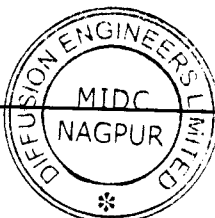
Prashant Garg

PRASHANT GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 26/9/2020

Ajay Jain

AJAY JAIN
Director
DIN :- 02815416
Place : Mumbai
Date : 28/9/2020

PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
Date : 29.09.2020



NOTES TO ACCOUNTS**Note No. 1 : COMPANY BACKGROUND**

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

Note No. 2 : SIGNIFICANT ACCOUNTING POLICIES**(i) Basis of Preparation of Financial Statements :**

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles (GAAP) convention on an accrual basis. GAAP comprises mandatory accounting standards as prescribed by Companies (Accounting Standard) Rules, 2006 under the historical cost (as amended), provisions of Companies Act 2013 (to the extent notified) and the Companies Act 1956 (to the extent applicable). All Accounting policies have been consistently applied by the company and are consistent with those used in the previous year

(ii) The financial statements of the holding company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions.

(iii) Significant accounting policies and notes to the Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide for better understanding of consolidated position of the Companies. Recognizing this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements which fairly present the needed disclosure.

(iv) Use of Estimates :

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based on management's best estimate of current events and actions, actual results could differ from these estimates. Differences between actual results and estimates are recognised in the period in which the results are known / materialised.

(v) Revenue Recognition :

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue is recognized when the significant risk and rewards of ownership of the goods have passed to the buyer. Sales are recorded at invoice value, net of sales tax, value added tax (VAT), Goods & Service Tax (GST), returns and trade discounts. Revenue is recognized on accrual basis except in case of significant uncertainties. Export incentives are recognized on accrual basis in the year of export. The Job work revenue are recorded net of service tax on accrual basis.

(vi) Fixed Assets and Depreciation

a) Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. All costs relating to the acquisition and installation of fixed assets net of cenvat credits are capitalised. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future benefit functioning of capability from/or of such assets.

b) In respect of the fixed assets of holding company, depreciation on tangible fixed assets is consistently provided on straight line method at the rates specified in the Schedule III to the Companies Act, 2013. In respect of Plant & Machinery of Unit II (N78, N79), depreciation has been charged on double shift basis. Intangible assets are amortised over a period of five years. No depreciation has been charged on land and capital work in progress.

In respect of the fixed assets of subsidiaries and associate companies which have been consolidated, depreciation on tangible fixed assets is consistently provided on written down value method at the rates specified in the Schedule III to the Companies Act, 2013. In respect of Plant & Machinery of Unit II (N78, N79), depreciation has been charged on double shift basis. Intangible assets are amortised over a period of five years. No depreciation has been charged on land and capital work in progress.

(vii) Inventories

Raw materials, Consumables, Stores and Spare parts are valued at lower of cost and net realizable value. However materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

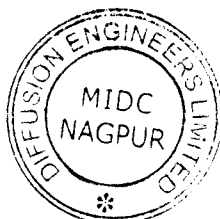
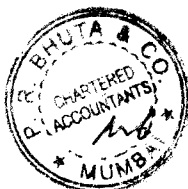
Work in Progress and Finished goods are valued at lower of cost and net realizable value. Cost includes cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of finished goods includes excise duty.

The cost is computed on weighted average / FIFO basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

(viii) Investments

Trade Investments are the investments made to enhance company's business interests. Investments are classified either as current investments or non-current investments based on management's intention at the time of purchase. Current investments are carried at lower of cost and fair value of each investment individually. Cost for overseas investment comprises the Indian Rupee Value of the consideration paid for the investment translated at the exchange rate prevalent at the date of investment. Non-current investments are carried at cost less provisions recorded to recognise any decline, other than temporary, in the carrying value of each investment.



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(ix) Foreign Currency Transactions

- a) Transactions denominated in foreign currencies are recorded at the RBI Reference rates prevailing at the date of transaction. Items denominated in foreign currency at the year end are translated at year end rates. The exchange differences arising on settlement/translation are recognised in the Statement of Profit & Loss.
- b) Investment in equity of foreign subsidiary and Joint Ventures, measured at historical cost, are translated at the exchange rate prevalent at the date of transaction.

(x) Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(xi) Employee Benefits

i) Short Term Employee Benefits:

All the employees benefits payable wholly within twelve months of rendering services are classified as Short term employee benefits and recognised as expenses at undiscounted amount in Statement of Profit & Loss of the year in which the related services are rendered.

ii) Defined Contribution Plan:

Employees benefits in the form of contribution to Provident Fund, ESIC, Labour Welfare Fund and Other Fund are considered to be defined contribution plan and the same are charged to Statement of Profit and Loss of the year when the contributions to the respective funds are due.

iii) Defined Benefits Plan & Other Long Term Benefits:

Retirement benefit in the form of gratuity is considered as defined benefit obligation. Company makes contribution to LIC Group Gratuity Scheme known as "Employees Group Gratuity Scheme". The present value of the obligation is determined on the basis of actuarial valuation as at the Balance Sheet date using the Projected Unit Credit Method. The fair value of the Plan Assets of the Trust, constituted for the benefit of the employees, is reduced from the gross obligation under the Defined Benefit Plans, to recognize the obligation on a net basis.

Long term compensated absences are provided on the basis of an actuarial valuation.

Termination benefits are recognized as and when incurred.

(xii) Taxes on Income

Income tax expense comprises of current tax and deferred tax charge or credit. Provision for current tax is made on the basis of the estimated assessable income at the tax rate applicable to the relevant assessment year without considering ICDS. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to reassure realisation.

(xiii) Impairment of Assets:

The carrying amounts of the assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to the present value at the weighted average cost of capital.

(xiv) Provisions, Contingent Liabilities and Contingent Assets:

A provision is recognized when an enterprise has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, in respect of which reliable estimate can be made. Provision are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

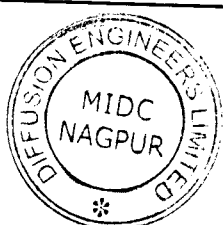
(xv) Classification of Current/Non Current

All assets and liabilities are presented as Current or Non Current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI of the Companies Act, 1956. Based on the nature of the products and the time between the acquisition of assets for processing and their realisation, the Company has ascertained its operating cycle as 12 months for the purpose of Current/ Non-Current classification of assets & liabilities.

CONSOLIDATED NOTES TO ACCOUNTS

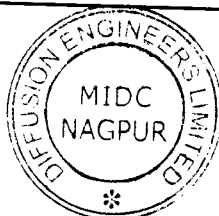
NOTE No -3 SHARE CAPITAL

	As At 31-Mar-20	As At 31-Mar-19
AUTHORISED		
50,00,000 Equity Shares of Rs 10/- each	50,000,000	50,000,000
PARENT'S SHARE CAPITAL		
37,37,467 Equity shares of Rs 10/- each (Refer Note No 27 (iii))	37,374,670	37,374,670
	37,374,670	37,374,670



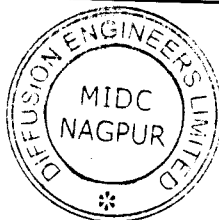
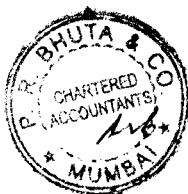
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NOTE No. -4 RESERVES AND SURPLUS		
	As At March 31, 2020	As At March 31, 2019
Securities Premium Account	2,93,64,695	2,93,64,695
Capital Redemption Reserve	47,21,500	47,21,500
Capital Investment Subsidy	77,259	77,259
Capital Reserve	1,74,23,758	1,74,23,758
Less: Investment of Subsidiary	15,00,000	
	1,59,23,758	
<u>General Reserve</u>		
Opening balance	12,20,48,683	11,22,35,189
Add: Transferred from profit & loss a/c	-	98,13,494
Closing Balance	(59,87,527)	
	12,20,48,683	12,20,48,683
<u>Profit & Loss Account</u>		
Opening Balance	66,26,89,285	62,93,76,849
Add : Profit as per statement of profit & loss	11,14,04,330	9,49,37,736
Add : Transfer from Minority	8,79,850	
Less:- Inter-Company Stock Reserve	-	33,687
	77,49,73,465	72,43,48,272
Less : Final Dividend for A Y 2019-20	-	1,38,39,201
Less : Interim Dividend	74,74,934	56,06,201
Less : Proposed Dividend for A Y 2019-20	-	74,74,934
Less : Corporate Dividend Tax	15,36,492	49,94,133
Less : Share of Reserves from Associates Company	-	1,99,31,024
Less : Transfer to General Reserve	-	98,13,494
Closing Balance	76,59,62,039	66,26,89,285
Share of Loss on investment	(1,86,15,128)	
	(1,86,15,128)	
Foreign Exchange Difference		15,44,473
	(51,96,230)	
	91,42,86,576	83,78,69,653
NOTE No. -5 MINORITY INTEREST		
	As At March 31, 2020	As At March 31, 2019
Minority Interest	22,46,895	57,54,400
Share in Reserves	-	(21,50,697)
	22,46,895	36,03,703
NOTE No. -6 LONG TERM BORROWINGS		
	As At March 31, 2020	As At March 31, 2019
From HDFC Bank Loan (For Vehicle) (Secured against Hypothecation of Audi Car Q7 45 Tdi)	29,81,761	53,19,516
From HDFC Bank (For Nimji Plant Expansion)	11,33,36,045	-
	11,63,17,805	53,19,516
NOTE No. -7 OTHER LONG TERM LIABILITIES		
	As At March 31, 2020	As At March 31, 2019
Vehicle/Laptope Scheme	20,19,146	21,97,463
Deposit From Distributors	53,55,623	51,35,623
	73,74,769	73,33,086



Signature *Ajay J...*

NOTE No. -8 SHORT TERM BORROWINGS		
	As At March 31, 2020	As At March 31, 2019
SECURED LOANS		
<u>From HDFC Bank</u> (Secured against Mortgage of building & fixed assets)	16,17,96,750	13,65,82,549
<u>From Syndicate bank</u> Overdraft (Secured against book debts & hypothication of Stock)	1,50,06,784	63,28,669
Overdraft (ODD) (Secured against Fixed Deposits)	5,90,719	-
<u>From YES Bank</u> Cash Credit (CC) (Secured against book debts & hypothication of Stock)	2,25,68,233	44,36,429
From State Bank of India (ODD) (Secured against Fixed Deposits)	57,93,342	4,53,435
<u>From ICICI Bank</u> Overdraft (Secured against book debts & hypothication of Stock)	(2,632)	(610)
Working Capital Demand Loan	(2,632)	(610)
Advance Received From Related Parties	-	-
	20,57,53,195	14,78,00,472
NOTE No. -9 TRADE PAYABLES		
	As At March 31, 2020	As At March 31, 2019
<u>Sundry Creditors:</u> Due to Micro,Medium and Small Enterprises	78,76,161	36,70,754
Others	21,07,37,584	16,06,53,177
	21,86,13,745	16,43,23,930
NOTE No. -10 OTHER CURRENT LIABILITIES		
	As At March 31, 2020	As At March 31, 2019
Amount Payable To Related Parties	-	-
<u>Other Payables</u> Statutory Remittances	64,08,309	2,73,77,632
Liabilities For Expences	5,64,40,441	3,10,42,220
Staff/Branch Imprest	-	3,08,933
Advance Received from customers	9,83,57,601	4,64,30,268
Other Credit Balances	27,49,621	20,51,528
Mobile Scheme	10,250	10,250
	16,39,66,223	10,72,20,831
NOTE No. -11 SHORT TERM PROVISIONS		
	As At March 31, 2020	As At March 31, 2019
Provision for Leave encashment	23,05,929	26,34,234
	-	-
Provision for Tax- Net of Advance Tax	(90,96,660)	31,18,931
	(67,90,731)	57,53,165

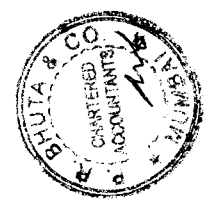


Pratikam
Ajay Tam

Diffusion Engineers Limited & Associates

Note 12 Consolidated Fixed assets

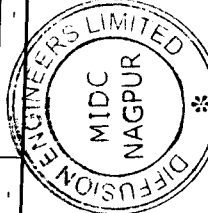
ASSETS	Gross Block									
	Balance as at 31 March, 2019	Additions	Disposals	Acquisitions through business combinations	Reclassified as held for sale	Revaluation increase	Effect of foreign currency exchange differences	Borrowing cost capitalised	Other adjustments	Balance as at 31 March, 2020
TANGIBLE ASSETS										
(a) Land Freehold	9,02,45,206	-	35,17,108	-	-	-	-	-	-	8,67,28,098
(b) Buildings Own use	18,73,80,899	13,25,64,154	-	-	-	-	-	-	-	31,99,45,054
(c) Plant and Equipment Owned	41,41,65,700	9,35,65,895	-	-	-	-	-	-	-	50,77,31,596
(d) Furniture and Fixtures Owned	1,50,88,326	15,92,432	-	-	-	-	-	-	-	1,66,80,758
(e) Vehicles Owned	3,09,48,900	25,60,150	5,10,527	-	-	-	-	-	-	3,29,98,523
(f) Office equipment Owned	61,03,770	2,40,332	-	-	-	-	-	-	-	63,44,102
(g) Others	26,79,543	3,13,050	-	-	-	-	-	-	-	29,92,593
Air-Conditioners	1,50,99,771	6,13,815	32,000	-	-	-	-	-	-	1,56,81,586
Computers	8,56,509	29,000	-	-	-	-	-	-	-	8,85,509
Projectors	75,69,180	-	-	-	-	-	-	-	-	75,69,180
Spectrometer	17,39,070	34,000	-	-	-	-	-	-	-	17,73,070
Weighing Machines										
INTANGIBLE ASSETS										
(h) Technical Know-how	3,10,01,397	-	-	-	-	-	-	-	-	3,10,01,397
(i) Software	1,54,67,581	2,27,971	-	-	-	-	-	-	-	1,56,95,552
Total	81,83,45,853	23,17,40,798	40,59,635	-	-	-	-	-	-	1,04,60,27,016
Previous year	75,20,13,259	3,09,21,508	22,95,605	-	-	-	-	-	-	75,20,13,259
Capital Work In Progress	-	-	-	-	-	-	-	-	-	-



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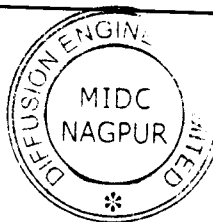
Note 12 Fixed assets (contd.)

ASSETS	Accumulated depreciation and impairment										Net block	
	Balance as at 1 April, 2019	Depreciation / amortisation expense for the year	Eliminated on disposal of assets	Eliminated on reclassification as held for sale	Impairment losses recognised in statement of profit and loss	Reversal of impairment losses recognised in Statement of Profit and Loss	Other adjustments	Balance as at 31 March, 2020	Balance as at 31 March, 2020	Balance as at 31 March, 2019	Balance as at 31 March, 2020	
TANGIBLE ASSETS												
(a) Land	-	-	-	-	-	-	-	-	-	-	-	
Freehold Buildings	-	-	-	-	-	-	-	-	-	-	-	
Own use	5,93,49,484	51,88,261	-	-	-	-	-	-	-	-	9,02,45,206	
(c) Plant and Equipment Owned	24,54,29,253	1,92,59,136	-	-	-	-	-	6,45,37,745	25,54,07,308	12,80,31,415	12,80,31,415	
(d) Furniture and Fixtures Owned	84,17,007	9,95,447	-	-	-	-	-	26,46,88,389	24,40,79,965	16,87,36,447	16,87,36,447	
(e) Vehicles Owned	1,57,28,568	30,51,432	-	-	-	-	-	94,12,454	72,68,304	66,71,320	66,71,320	
(f) Office equipment Owned	44,12,451	9,82,364	-	-	-	-	-	1,87,80,000	1,42,18,523	1,52,20,332	1,52,20,332	
(g) Others	20,60,874	2,54,418	-	-	-	-	-	53,94,815	9,49,287	16,91,320	16,91,320	
Air-Conditioners	1,35,97,559	7,77,360	-	-	-	-	-	23,15,292	6,77,301	6,18,670	6,18,670	
Computers	6,45,144	23,598	-	-	-	-	-	1,43,74,919	13,06,666	15,02,212	15,02,212	
Projectors	59,20,898	2,22,215	-	-	-	-	-	6,68,742	2,16,767	2,11,365	2,11,365	
Spectrometer	14,21,228	32,222	-	-	-	-	-	61,43,113	14,26,067	16,48,282	16,48,282	
Weighing Machines												
INTANGIBLE ASSETS												
(h) Technical Know-how	3,08,67,319	-	-	-	-	-	-	-	-	-	-	
(i) Software	1,18,98,156	11,03,014	-	-	-	-	-	3,08,67,319	1,34,078	1,34,078	1,34,078	
Total	39,97,47,940	3,18,89,469	-	-	-	-	-	1,30,01,171	26,94,381	35,69,424	35,69,424	
Previous year	34,06,62,264	2,89,33,485	4,27,558	-	-	-	-	43,16,37,409	61,54,26,365	41,85,97,913	41,85,97,913	
Capital Work In Progress								36,91,68,191	41,82,56,154	41,13,50,996	41,13,50,996	



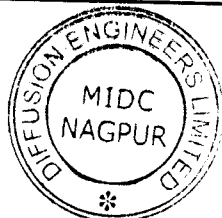
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NOTE No. -13 NON CURRENT INVESTMENTS		
	As At March 31, 2020	As At March 31, 2019
Non-Trade Investments		
<u>Quoted</u>		
Syndicate Bank Equity Share	17,000	17,000
In Mutual Fund	7,89,99,531	5,44,00,706
Subsidiaries Investment		
DSCS -National Saving Certificate	12,600	12,600
DSCS -Newelco Industries Pvt Ltd	-	15,00,000
Investment in Philippines	-	-
Investment in Mecdiff	30,17,981	27,13,920
Trade Investments		
<u>Unquoted</u>		
<u>In Equity Shares of Foreign Subsidiaries</u>		
Diffusion Super-Conditioning Services Pvt. Ltd.	-	-
Diffusion Engineers Singapore Pte. Ltd.	-	-
Diffusion Hernon Adhesive And Sealant Pvt. Ltd.	-	-
Newelco Industries Pvt Ltd	-	-
<u>In Equity Shares of Joint Venture</u>		
LSN Diffusion Ltd (Fully Paid Equity Shares)	5,16,26,347	8,14,19,645
	13,36,73,459	14,00,63,871
NOTE No. -14 LONG TERM LOAN AND ADVANCES		
	As At March 31, 2020	As At March 31, 2019
<u>Statutory Advance Payments</u>		
Advance Income Tax	13,94,537	15,17,751
<u>Security Deposits & Fixed Deposit</u>		
Earnest Money Deposit & Security Deposit	83,46,511	85,08,491
Fixed Deposit (Security for Overdraft Facilities and Bank Guarantee) (Unsecured, considered good)	3,92,78,760	3,11,84,414
	4,90,19,808	4,12,10,656
NOTE No. -15 INVENTORIES		
	As At March 31, 2020	As At March 31, 2019
Consumables,Stores and Spare parts	-	78,27,632
<u>Stock in trade</u>		
Raw Materials	13,62,63,794	11,29,11,128
Work in Progress	15,90,84,788	11,05,12,295
Finished goods & Traded Goods	16,26,02,849	9,89,60,327
	45,79,51,431	32,23,83,750
Less:- Inter-Company Stock Reserve	(5,05,977)	(5,05,977)
<u>Stock - In - Transit</u>		
Raw Materials	62,24,604	46,43,784
Consumables,Stores and Spare parts	7,30,367	2,71,782
Traded Goods	34,13,893	1,10,21,116
	1,03,68,864	1,59,36,682
	46,78,14,317	34,56,42,087



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NOTE No. -16 TRADE RECEIVABLES		
	As At March 31, 2020	As At March 31, 2019
(Unsecured, considered good)		
Outstanding for a period exceeding six months		4,87,40,728
Other Debts	34,46,68,334	28,69,35,660
	34,46,68,334	33,56,76,388
NOTE No. -17 CASH AND CASH EQUIVALENT		
	As At March 31, 2020	As At March 31, 2019
Balances with Scheduled Banks		
In Current Accounts	2,56,19,187	1,55,11,928
In Dividend Accounts	5,646	66,716
In Deposit Accounts - Principal & Accrued Interest	18,51,065	20,08,888
	2,74,75,898	1,75,87,532
Cash in Hand	7,75,871	3,58,431
	2,82,51,770	1,79,45,963
NOTE No. - 18 SHORT TERM LOAN AND ADVANCES		
	As At March 31, 2020	As At March 31, 2019
Loans and advances to related parties	21,30,273	(1)
Preliminary Expenses	1,66,370	2,07,962
<u>Advances with Government Authorities</u>		
Excise Duty & Service Tax	38,867	38,867
IGST Receivable	7,50,011	-
CGST Receivable	59,02,330	7,844
SGST Receivable	62,78,685	9,97,611
TDS on GST	-	4,15,054
Meis License (Export Incentive Receivable)	4,55,507	10,48,680
PSI Incentive Receivable	1,00,99,850	75,00,000
Custom Duty Advance	1,25,124	5,72,522
Duty Drawback Receivable	6,71,513	4,31,374
Recurring Deposit Receivable	-	-
VAT & Sales Tax	24,49,738	72,17,995
	2,67,71,626	1,82,29,948
<u>Other Short term loans & advances</u>		
(Unsecured & considered good)		
Deposits Recoverable	86,56,514	75,81,311
Staff Advance	19,27,259	12,23,144
Advance to others	69,37,510	64,42,637
	1,75,21,284	1,52,47,092
	4,65,89,553	3,36,85,001
NOTE No. -19 REVENUES FROM OPERATIONS		
PARTICULARS	As At March 31, 2020	As At March 31, 2019
<u>Sale of Products & Services</u>		
Sales (Manufacturing)	1,21,19,39,814	1,20,57,30,520
Less: Returns	2,27,11,003	53,87,112
	1,18,92,28,811	1,20,03,43,408
Sales (Trading)	7,71,57,545	8,28,64,294
Less: Returns	16,25,570	11,29,270
	7,55,31,974	8,17,35,024
Export Sales	14,08,89,814	15,21,72,062
Job Work Receipt:		
Local	11,64,17,560	7,88,99,520
Export	36,73,159	56,74,957
	12,00,90,719	8,45,74,477
Less:- Excise Duty	-	-
<u>Other Operating Revenues</u>		
Insurance, Licenses & Packing on Sales	1,30,59,304	1,69,82,627
Duty Drawback	19,15,264	34,20,291
	1,49,74,568	2,04,02,918
	1,54,07,15,887	1,53,92,27,889



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NOTE No. - 20 OTHER INCOME

PARTICULARS	As At March 31, 2020	As At March 31, 2019
Profit on Sale of Assets		
Insurance Claim	38,50,553	-
Dividend Received	4,22,984	2,76,016
PSI Incentive Received	1,46,321	26,53,186
Interest Received	50,00,000	-
Meis Licence A/C	37,41,922	30,69,949
Net Gain on Foreign Exchange Fluctuations	42,61,507	7,34,862
Write Back of Liabilities / Impairment reversed	60,05,274	67,43,650
Rent Received	44,17,535	13,32,167
Other Income	(56,160)	2,412
	2,68,691	15,10,085
	2,80,58,627	1,63,22,327

NOTE No.-21 COST OF MATERIAL CONSUMED

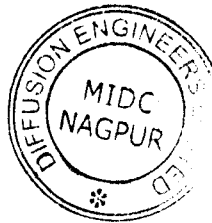
PARTICULARS	As At March 31, 2020	As At March 31, 2019
Raw Material Consumed		
Opening Stock	11,79,05,533	9,80,04,002
Add: Purchases (inclusive of Stock-in-Transit)	83,48,02,056	83,40,70,027
	95,27,07,589	93,20,74,029
Less: Closing Stock (inclusive of Stock-in-Transit)	12,77,83,992	11,76,07,817
	82,49,23,597	81,44,66,212
	82,49,23,597	81,44,66,212

NOTE No. -22 DIRECT EXPENSES

PARTICULARS	As At March 31, 2020	As At March 31, 2019
Consumption of Consumables, Stores and Spare parts (inclusive of Stock-in-Transit)		
Laboratory Expenses	4,27,78,302	3,47,88,362
Custom Duties	-	32,595
Job Work Charges	60,99,121	93,56,265
Labour Charges	8,60,44,798	7,01,25,406
Carriage Inward & Clearing Charges	1,73,79,509	1,57,21,853
Power & Fuel	1,60,51,168	1,52,04,406
Water Charges	3,16,05,593	2,84,08,139
	3,30,357	3,22,888
	20,02,88,849	17,39,59,914

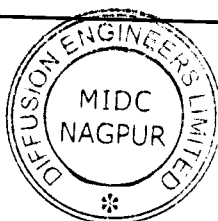
NOTE No. -23 CHANGE IN INVENTORIES

PARTICULARS	As At March 31, 2020	As At March 31, 2019
Closing Stock		
Work in Progress	15,90,84,788	11,05,12,295
Finished Goods	11,59,49,004	5,30,79,376
Traded Goods (inclusive of Stock-in-Transit)	4,66,53,845	5,69,02,067
	32,16,87,637	22,04,93,738
Less: Opening Stock		
Work in Progress	11,05,12,295	8,87,34,126
Finished Goods	5,30,79,376	4,63,92,966
Traded Goods	5,69,02,067	3,52,09,043
	22,04,93,738	17,03,36,135
Change in Inventories	10,11,93,899	5,01,57,603
Excise Duty on Increase/Decrease of Finished Goods	-	-
	10,11,93,899	5,01,57,603



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NOTE No. -24 EMPLOYEE BENEFIT EXPENSES		
PARTICULARS	As At March 31, 2020	As At March 31, 2019
Salaries, Wages, Bonus & Ex-gratia	20,93,36,208	17,97,87,834
Sales Commission to Staff	27,35,312	39,96,929
Company's Contribution to PF, ESIC & Others	1,41,61,293	1,30,75,351
Gratuity	48,63,648	19,50,006
Directors Remuneration	2,76,39,354	1,48,50,000
Directors' Commission	30,75,000	78,25,000
Staff Training and Recruitment	5,01,695	4,63,537
Staff Welfare	38,26,963	24,25,327
Leave Travel Allowance & Other Allowance	22,11,838	36,78,606
	26,83,51,311	22,80,52,590
	26,83,51,311	
NOTE No. - 25 FINANCE COST		
PARTICULARS	As At March 31, 2020	As At March 31, 2019
Bank Interest	1,22,44,130	1,36,29,825
Bank Charges	60,65,072	85,89,742
Other Interest	11,92,508	9,86,517
	1,95,01,711	2,32,06,083
NOTE No. - 26 OTHER COST		
PARTICULARS	As At March 31, 2020	As At March 31, 2019
Rates & Taxes	9,51,679	9,00,894
Security Charges	48,63,263	45,33,001
Insurance	31,11,503	27,32,223
Foreign Travel Expenses	47,28,318	36,64,362
Foreign Technical Fees	57,520	6,12,762
Postage, Telegram, Telex & Telephone	24,76,553	26,82,285
Printing & Stationery	1,46,318	1,99,533
Travelling Expenses & Conveyance:	2,70,17,268	2,64,16,577
Rent	44,73,310	35,10,860
Office Maintenance & Factory Expenses	11,02,235	7,51,378
<u>Repairs & Maintenance:</u>		
Building		2,85,232
Machinery	27,35,560	5,98,809
Vehicles	24,70,336	28,78,899
Others	39,64,681	28,69,619
Legal & Professional Charges	91,70,577	66,32,559
I. S. O. & R.D.S.O Expenses	1,28,04,172	77,59,210
Membership & Subscription, Books & Periodicals	1,18,416	2,61,208
Donation & Charity	3,47,644	11,76,231
Registration Fees	3,62,000	1,02,750
Board Meeting Expenses	1,04,040	1,21,556
Filing Fees	23,550	57,624
Directors' Sitting Fees	22,277	27,676
Service Tax	9,10,000	6,75,000
Other Expenses	-	2,34,600
Pooja, Diwali & Gift Expenses	32,65,807	28,27,573
Statutory and Tax Audit Fees	5,44,706	6,45,213
Sales Tax Paid	8,64,046	9,74,842
GST Paid	25,15,543	8,68,939
Company Profession Tax	4,88,159	1,30,292
Website Development Expenses	10,500	12,500
Carriage Outward & Handling Charges	3,17,700	2,48,700
Advertisement	2,45,28,208	2,31,19,962
Sales Promotion (Including Entertainment)	9,02,510	9,42,100
Tender Fees	4,70,199	5,39,956
Commission & Discount to Distributors & others	21,986	83,989
Exhibition, seminar & New Product Launching	1,19,77,875	1,88,77,706
Testing Charges	17,06,894	15,30,688
Late Delivery Charges	9,02,518	8,86,892
Bad Debts & Write Off	21,10,900	8,97,756
Loss on Sale of Investments	48,49,245	1,09,38,476
Rate / Weight Differences	18,510	-
	(84,251)	5,95,057
	12,82,01,698	12,71,72,931



Santhosh Ajoy Jain

SEGMENT REPORTING UNDER ACCOUNTING STANDARD (AS) 17

Business Segment

Particulars	Manufactured Products		Trading Products		Job Works			Eliminations / Unallocated		Consolidated Total	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	
	a) Revenues										
External Sales (Net of excise duty)											
Local	1,189,228,811	1,200,343,408									
Export	140,889,814	152,172,062	75,531,974	79,919,759	116,417,560	78,899,520	1,381,178,345	1,381,178,345	1,381,178,345	1,359,162,687	
Infer. Segment	8,314,262	8,888,009		1,815,265	3,673,159	5,674,957	144,562,973	144,562,973	144,562,973	159,662,284	
Total Revenue	1,338,432,887	1,361,403,480	75,531,974	81,735,024	120,090,719	84,574,477	1,525,741,318	(8,888,009)	1,525,741,318	1,518,834,971	
Identifiable Operating Expenses	850,854,453	934,875,632	61,775,745	55,997,174	90,758,698	53,213,853	995,074,634	(8,888,009)	995,074,634	1,035,198,650	
b) Segment results before interest & tax	487,578,434	426,527,847	13,756,229	25,737,850	29,332,021	31,360,624	530,666,685		530,666,685	483,636,321	
c) Interest & Other Income											
d) Unallocated expenses									43,033,195	36,725,245	
e) Profit before tax									439,922,807	391,410,600	
f) Tax Expense									143,777,073	128,940,966	
g) Minority Interest									39,544,473	35,294,878	
h) Profit & Loss Shares Of Associates									(405,175)	(326,900)	
i) Net Profit after tax									6,766,555	116,982	
j) Segment assets	643,767,374	443,490,099	46,653,845	56,902,067	21,607,141	14,120,446	973,415,246	821,079,131	1,111,404,330	94,089,969	
k) Segment liabilities	152,920,670	154,501,845	176,539	6,125,921	65,516,536	3,696,164	512,921,720	260,774,467	1,685,443,606	1,335,591,743	
l) Capital Expenditure									731,535,465	425,098,398	
m) Depreciation and amortisation	19,009,895	18,963,244									
n) Other Significant Non Cash Expenses					1,606,693	1,090,144	11,272,882	10,526,360	31,889,469	30,579,749	
							(84,251)	595,057	(84,251)	595,057	

Notes:

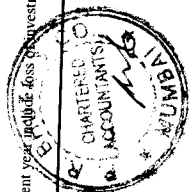
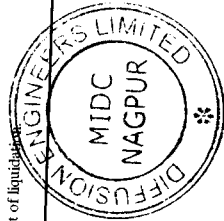
a) The Company has disclosed business segment as the primary segment.

b) Types of Products and Services in each business segment:

Business Segment	Types of Products and Services
Manufactured Products	Welding Electrodes, Flux Cord Wires, SOP, Diffcor, Wear Plates, etc.
Trading Products	TIG, MIG, Filler Wires, Thermal Spray Powders, Welding Equipments, etc.
Job Works	Service Welding & Reconditioning Jobs.

c) The segment Revenues, Expenses, Assets and Liabilities are allocated by the management to the extent directly identifiable to each segment on a reasonable basis.

d) Unallocable Other Significant Non Cash Expenses for the current year (Refer Note 68) investment in subsidiary on account of liquidation.



Approved and signed
Ajay Jais

NOTE No. -27 NOTES ON ACCOUNTS

(All amounts in `)

(i) Figures have been rounded off to the nearest rupee and the figures for the previous year have been re-grouped, re-classified and re-arranged wherever necessary.

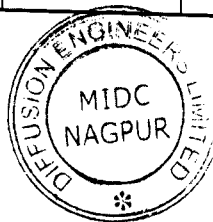
 (ii) **Following is the additional disclosure required under Schedule III as per Company Act 2013**

(a) The Consolidated Financial Statements present the Consolidated Accounts of Diffusion Engineers Limited with its following Subsidiaries (and its subsidiary & associate), Associate & common key management personal:

NAME	Country of Incorporation	F.Y. 2019-20		F.Y. 2018-19	
		No of Shares	% of Holding	No of Shares	% of Holding
Subsidiaries :-					
Indian					
1. Diffusion Super-Conditioning Services Pvt Ltd.	India	3,760	98.95		
2. Nowelco Industries Pvt. Ltd.	India	8,33,931	66.95	3,760	98.95
3. Diffusion Hemon Adhesive & Sealant Pvt. Ltd	India	95,000	95	21,69,721	66.95
				95,000	95
Foreign					
1. Diffusion Engineers Singapore Pte. Ltd.	Singapore	2,50,217	100	2,50,217	100
2. Diffusion Wear Solutions Philippines Inc. *	Philippines	90,00,000	100	90,00,000	100
Foreign Joint Ventures :-					
LSN Diffusion Ltd.	United Kingdom	754.45	21.56	954	27.27
Foreign Associate :-					
1. Mecdiff Sdn Bhd *	Malaysia	300000	30	300000	30
Common key management personal :-					
1. Diffusion MGM Machines Pvt. Ltd.	India	Nil	Nil	Nil	Nil

* shares held by Diffusion Engineers Singapore Pte. Ltd.

Name of the entity in the	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
	2	3	4	5
Parent- Diffusion Engineers Ltd.	100.39	95,75,86,249	86.96	9,06,39,071
Indian & Foreign Subsidiaries:-				
1. Diffusion Super-Conditioning Services Pvt. Ltd.	0.72	68,83,878	0.25	2,60,237
Nowelco Industries Pvt. Ltd.	0.64	61,04,379	(0.70)	(7,28,913)
3. Diffusion Hemon Adhesive & Sealant Pvt. Ltd.	0.15	13,98,737	0.12	1,20,741
4. Diffusion Engineers Singapore Pte. Ltd.	3.08	2,93,86,349	6.61	68,89,741
5. Diffusion Wear Solutions Philippines Inc.	2.12	2,02,54,225	8.10	84,44,666
Common Key Management Personnel				
1. Diffusion MGM Machines Pvt. Ltd.	-	-	(0.17)	(1,73,066)
Sub-total	107.10	1,02,16,13,816	101.17	10,54,52,477
Intercompany Elimination & Consolidation Adjustments	(7.10)	(6,77,05,676)	(1.17)	(12,19,877)
Grand total:		95,39,08,140		10,42,32,600
Minority Interest in subsidiaries				22,46,895
Share of Profit in Associates				36,03,703


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(iii) **Contingent Liabilities not provided for :**

Current Year Previous Year

Claims against the company not acknowledge as Debt

a. Excise Duty Liability Disputed	16,62,962	16,62,962
b. Associates Sales Tax Liability Disputed	36,44,191	36,44,191
c. Associates Entry Tax Disputed	93,950	93,950

Note : (a) The Income Tax Liability and Excise Duty Liability are being contested by the Company at Nagpur High Court. The Company has been advised by its legal consultants that it has a good case and the demands are not tenable.

(b) Sales Tax Liability raised on the Nowelco Industries Pvt. Ltd is being contested by it at Addl. Commissioner Commercial Tax, Raipur & Chattisgarh Sales Tax Tribunal.

(c) Entry Tax Liability raised on the Nowelco Industries Pvt. Ltd is being contested by it at Addl. Commissioner Commercial Tax, Raipur.

(iv) **Details of Shareholders having more than 5% shares in the company as on 31 st March 2020 as under :-**

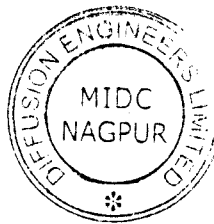
Sr. No.	Name of the Share Holder	Current Year		Previous Year	
		% of Share Holding	No of Shares	% of Share Holding	No of Shares
1	Mr.N.K.Garg*	0.00%	-	41.74%	15,60,191
2	Mr.N.K.Garg [HUF]	7.98%	2,98,397	8.00%	2,98,897
3	Mrs.Chitra Garg	22.73%	8,49,653	22.73%	8,49,653
4	Mr.Prashant Garg	38.97%	14,56,593	17.74%	6,62,893
5	Dr. Nitin Garg	26.28%	9,82,322	5.77%	2,15,831

* Due to demise of Mr. N.K.Garg his shares are transferred to his legal heirs as per his Will

(v) **Fair Value of Investments :-**

a) Quoted Non Trade Investment of 1,700 (Previous Year 1,700) Equity shares of Syndicate Bank at a cost of Rs. 17,000/- (Previous Year Rs.17,000/-) the Market value of which is Rs. 25,755/- (Previous Year Rs. 94,265/-). The Company is now merged with Canara Bank

b) Unquoted Trade Investment of 754.45 subscribed Equity shares of LSN Diffusion Ltd at a cost of Rs. 6,74,59,750/-(GBP 7,54,450/-) (Previous Year paid up capital Rs.8,53,42,910/- (GBP 9,54,450/-). The intrinsic value (book value) of which based on audited certified financial statements is Rs.5,74,03,670/- (GBP 6,22,029) (Previous Year Rs. 5,31,16,655/- (GBP 6,56,737)).



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Ajay Jais

c) Mutual Fund Investment

Sr. No.	Name of Mutual Fund	Amount	No. of Units	Market Value
1	DSP Blackrock India Tiger Fund (Previous Year)	28,68,365	32,925	20,03,020
2	DSP Blackrock Opportunities Fund (Previous Year)	35,41,738	46,350	42,77,166
3	Franklin India Flexi Cap Fund (Previous Year)	8,20,334	5,537	12,35,822
4	Franklin India Prima Fund (Previous Year)	5,37,575	8,517	4,48,764
5	HDFC Equity Fund (Previous Year)	38,33,070	4,501	31,11,538
6	HDFC Prudence Fund (Previous Year)	26,33,070	3,195	31,12,286
7	Prudential ICICI Discovery Fund (Previous Year)	18,37,405	2,894	13,24,466
8	Prudential ICICI Infrastructure Fund (Previous Year)	27,85,192	5,195	35,38,909
9	Absl Front Line Equity Fund (Previous Year)	11,98,044	6,339	9,52,359
10	Reliance Money Manager Fund (Previous Year)	20,97,110	13,289	26,71,892
11	ICICI Pru -Dynamic Plan (Previous Year)	44,72,182	34,019	35,96,536
12	IDFC -Premier Equity Fund (Previous Year)	32,72,182	25,327	37,05,095
13	Frankline- India Bluechip Fund (Previous Year)	13,91,206	33,487	10,95,371
14	Franklin India Short Term Income Plan (Previous Year)	21,45,271	53,858	27,95,785
15	IDFC -Classic Equity (Previous Year)	11,50,000	5,315	8,77,236
16	L & T Infrastructure Fund (Previous Year)	5,50,000	2,560	5,80,304
17	ICICI Pru - Credit Risk Fund Reg (G) (Previous Year)	1,00,000	45	1,23,123
		40,98,247	17,232	36,36,031
		28,98,247	12,685	33,99,356
		14,43,680	15,893	11,42,230
		26,57,447	32,463	30,47,011
		20,49,758	4,565	15,38,575
		40,12,539	10,344	48,77,587
		2,60,00,000	7,847	3,05,17,180
		2,10,00,000	6,604	2,63,99,561
		26,50,000	60,450	19,30,155
		14,50,000	32,820	14,92,644
		26,00,000	1,65,315	17,30,850
		14,00,000	85,726	13,74,184
		50,00,348	2,48,403	54,02,214
		-	-	-

(vi) Payment to Auditors:

	Current Year	Previous Year
Audit Fees		
Transfer Pricing	3,60,000	3,60,000
For other services rendered	3,30,000	3,30,000
	1,43,046	2,14,390

(vii) Excise duty relating to sales has been disclosed as a reduction from turnover. Excise duty related to difference between the closing stock and opening stock has been disclosed in Note 22 "Change in Inventories".

(viii) Earnings Per Share :

	Current Year	Previous Year
Net Profit after Tax after Prior Period Items	11,14,04,330	9,49,37,736
No. of Shares Outstanding	37,37,467	37,37,467
Weighted Average number of shares outstanding during the year	37,37,467	37,37,467
Basic & Diluted Earning Per Share [Nominal Value Rs.10/- each] (Rs.)	29.81	25.40

(ix) Break-up of Deferred Tax Assets / (Liabilities) :

Deferred Tax Liability:

Timing Difference on account of Carrying amount of Fixed Assets in the Financial Statements and the Income Tax Return

Current Year	Previous Year
2,93,96,452	2,47,19,070

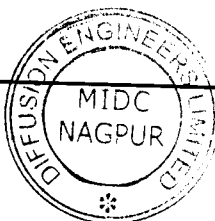
Deferred Tax Assets:

Expense allowable for tax purpose when paid (Section 43B items)

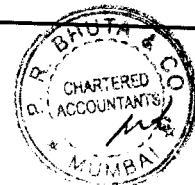
30,95,993	57,26,352
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Net Deferred Tax Assets / (Liability)

(2,63,00,460)	(1,89,92,718)
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(ix) Disclosure pursuant to Accounting Standard 15 - "Employee Benefits"

Disclosure of Defined Benefit Gratuity Plan

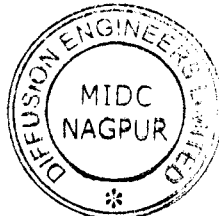
	<u>Current Year</u>	<u>Previous Year</u>		
1) Changes in Present value of Obligation:				
Present Value of Obligations as at the beginning of the year				
Interest Cost	1,17,25,949	95,92,586		
Current Service Cost	8,54,850	7,11,509		
Benefits Paid	9,75,902	7,72,434		
Actuarial (gain) / Loss on obligations	11,02,872	7,76,131		
Present Value of Obligations as at the end of the year	1,42,03,433	1,17,25,949		
2) Changes in fair Value of Plan assets:				
Fair Value of Plan assets at the beginning of the year				
Expected return on plan assets	1,55,15,678	1,38,07,370		
Contributions	10,25,051	10,25,012		
Benefits Paid	-	14,85,083		
Actuarial Gain / (Loss) On Plan assets	11,02,872	7,76,131		
Fair Value of Plan assets at the end of the year	1,54,51,457	1,55,15,678		
3) The amount to be recognized in the Balance sheet:				
Present Value of Obligations as at the end of year	1,42,03,433	1,17,25,949		
Fair Value of Plan assets at the end of the year	1,54,51,457	1,55,15,678		
Net assets / (Liability) recognised in Balance sheet	12,48,024	37,89,729		
4) Actuarial Gain / Loss recognized:				
Actuarial (Gain) / Loss on Obligations	17,49,604	14,65,552		
Actuarial (Gain) / Loss for the year on plan assets	13,600	(25,656)		
Actuarial (Gain) / Loss recognized in the year	17,49,604	14,65,552		
5) Expenses recognized in Statement of Profit and Loss:				
Current Service cost	9,75,902	7,72,434		
Interest Cost	8,54,850	7,11,509		
Expected return on plan assets	(10,25,012)	(10,25,012)		
Net actuarial (Gain) / Loss recognized in the year	17,36,003	14,91,208		
Expenses recognized in Statement of Profit and Loss	25,41,743	19,50,139		
6) Assumption:				
Discount Rate	7.65%	7.65%	7.73%	7.50%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
	31-Mar-20	31-Mar-19	31-Mar-18	31-Mar-17
Present Value of Obligations	1,42,03,433	1,17,25,950	83,74,966	82,88,291
Fair Value of Plan Assets	1,54,51,457	1,55,15,678	1,33,36,344	1,21,38,255
Surplus / (Deficit) in the plan	12,48,024	37,89,728	49,61,378	38,49,964
Experience Adjustment - Obligations	17,49,604	14,25,551	4,15,158	1,74,867
Experience Adjustment - Plan Assets	13,600	(25,656)	Nil	Nil
			Current Year	Previous Year
Total amount of defined contribution plan during the year			1,40,44,269	1,27,87,842

As per our report of even date
For P. R. Bhuta & Co.
Chartered Accountants



Pankaj Bhuta

PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
Date : 29.09.2020



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

Prashant Garg

PRASHANT GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 28/9/2020

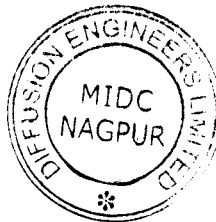
Ajay Jain

AJAY JAIN
Director
DIN :- 02815416
Place : Mumbai
Date : 28/9/2020

RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD (AS) 18

A Key Management Personnel : Mr. N. K. Garg
Mr. Prashant Garg
Mr. Ajay Jain
Mrs. Renuka Garg
Ms. Anita Vijaykar

B Relatives of Key Management Personnel : Mrs. Chitra N Garg
N. K. Garg HUF
Mr. Nitin N Garg
Mr. Ajay Jain HUF
Mrs Daksha Jain

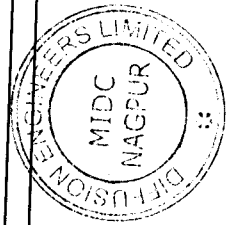


Accountant Ajay Jain

RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD (AS) 18
C Transactions with Related Parties :

Type of the related Party	Name of the related party	Description of the nature of Transactions	Volume of transactions during		Amounts Outstanding		
			2019-2020	2018-2019	Receivable		Payable
			2019-2020	2018-2019	2019-2020	2018-2019	2018-2019
Key Managerial Personnel	Mr. N K Garg	Remuneration	11,129,032	7,500,000			
		Rent	977,420	497,510			
		Dividend	6,040,764	7,020,860			
		Commission	-	3,500,000			
		Medical Re-imbursment	40,705	103,407			
	Leave Encashment	4,000,000	-				
	Mr. Prashant Garg	Remuneration	12,000,000	7,050,000			
		Rent	555,300	403,313			
		Medical Re-imbursment	-	30,393			
		Leave Encashment	-	-			
Commission		2,250,000	3,500,000				
Dividend	2,751,572	2,983,019					
Relatives of Key Managerial Personnel	Mr. Ajay Jain	Commission	250,000	250,000			
	Mrs. Renuka Garg	Commission	250,000	25			
	Ms. Anita Vijaykar	Commission	250,000	100,000			
	Mrs. Chitra N Garg	Rent	1,014,500	819,500			
		Dividend	3,398,612	1,699,306			
	N. K. Garg HUF	Rent	164,400	142,800			
		Dividend	1,195,588	597,794			
	Mr Nitin N Garg	Dividend	1,264,448	431,662			
	Mr Ajay Jain (H.U.F)	Dividend	40,000	20,000			
	Mrs Daksha Jain	Dividend	800	400			

Note: Related party relationship has been identified by management of the company.



Prashant Garg - Ajay Jain



Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Rs.)

A. Diffusion Super Conditioning Services Private Limited

Sl. No.	Particulars	Details
1.	Sl. No.	CIN - U51503MH1990PTC124545
2.	Name of the subsidiary	Diffusion Super Conditioning Services Private Limited
3.	The date since when subsidiary was acquired	10-01-1990
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
6.	Share capital	Rs. 3,80,000/-
7.	Reserves & surplus	Rs.65,03,878 /-
8.	Total assets	Rs.76,96,167 /-
9.	Total Liabilities	Rs. 8,12,289 /-
10.	Investments	Rs. 40,12,600/- (Non-current Investment)
11.	Turnover	Rs.21,83,436 /-
12.	Profit before taxation	Rs.3,45,788 /-
13.	Provision for taxation	Rs.85,551 /-
14.	Profit after taxation	Rs. 2,60,237/-
15.	Proposed Dividend	-
16.	Extent of shareholding (In percentage)	98.95%



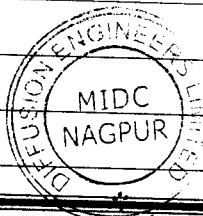
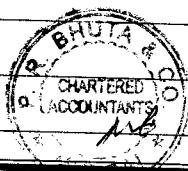
Ajay Jam
Ajay Jam

B. Diffusion Herson Adhesive And Sealant Private Limited

Sl. No.	Particulars	Details
17.	Sl. No.	CIN - U24297MH2012PTC234063
18.	Name of the subsidiary	Diffusion Herson Adhesive And Sealant Private Limited
19.	The date since when subsidiary was acquired	02-08-2012
20.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
21.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
22.	Share capital	Rs. 10,00,000/-
23.	Reserves & surplus	Rs.3,98,733 /-
24.	Total assets	Rs. 43,66,152/-
25.	Total Liabilities	Rs. 29,95,403/-
26.	Investments	-
27.	Turnover	Rs.19,09,798/-
28.	Profit before taxation	Rs. 1,48,506/-
29.	Provision for taxation	Rs. 27,769/-
30.	Profit after taxation	Rs. 1,20,737/-
31.	Proposed Dividend	-
32.	Extent of shareholding (In percentage)	95.00%

C. Nowelco Industries Private Limited

Sl. No.	Particulars	Details
33.	Sl. No.	CIN - U29309CT1999PTC013276
34.	Name of the subsidiary	Nowelco Industries Private Limited
35.	The date since when subsidiary was acquired	12/03/2004
36.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
37.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
38.	Share capital	Rs. 1,24,55,500/-
39.	Reserves & surplus	Rs.(63,51,121/-)
40.	Total assets	Rs. 2,35,61,739/-
41.	Total Liabilities	Rs. 1,74,57,360/-
42.	Investments	-

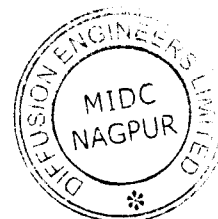


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43.	Turnover	Rs. 1,96,91,444/-
44.	Profit before taxation	Rs. (8,33,960/-)
45.	Provision for taxation	Rs. (1,05,047/-)
46.	Profit after taxation	Rs. (7,28,913/-)
47.	Proposed Dividend	-
48.	Extent of shareholding (In percentage)	66.95%

**D. Diffusion MGM Machines Private Limited
(Common Key Management Personnel)**

Sl. No.	Particulars	Details
49.	Sl. No.	CIN - U29268MH2010PTC208211
50.	Name of the subsidiary	Diffusion MGM Machines Private Limited
51.	The date since when subsidiary was acquired	26/09/2010
52.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
53.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
54.	Share capital	Rs.1,00,000/-
55.	Reserves & surplus	Rs. (1,00,000)/-
56.	Total assets	NIL
57.	Total Liabilities	NIL
58.	Investments	-
59.	Turnover	NIL
60.	Profit before taxation	Rs.(1,73,066/-)
61.	Provision for taxation	-
62.	Profit after taxation	Rs.(1,73,066/-)
63.	Proposed Dividend	-
64.	Extent of shareholding (In percentage)	0%



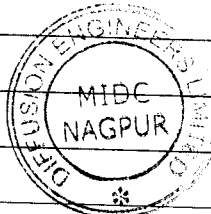
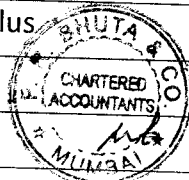
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E. Diffusion Engineers Singapore Pte Ltd.

Sl. No.	Particulars	Details
65.	Sl. No.	UIN-BYWAZ20140111
66.	Name of the subsidiary	Diffusion Engineers Singapore Pte. Ltd.
67.	The date since when subsidiary was acquired	26/11/2013
68.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
69.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	USD 1 USD=INR 75.343
70.	Share capital	Rs.18,835,750/-
71.	Reserves & surplus	Rs. 4,052,851/-
72.	Total assets	Rs.57,228,132/-
73.	Total Liabilities	Rs. 34,339,531/-
74.	Investments	Rs.1,90,50,628/-
75.	Turnover	Rs. 4,62,50,280/-
76.	Profit before taxation	Rs. 69,65,083/-
77.	Provision for taxation	Rs.37,672/-
78.	Profit after taxation	Rs.69,27,412/-
79.	Proposed Dividend	-
80.	Extent of shareholding (In percentage)	100%

F. Diffusion Wear Solutions Philippines Inc.
(Subsidiary of Diffusion Engineers Singapore Pte.Ltd.)

Sl. No.	Particulars	Details
81.	Sl. No.	-
82.	Name of the subsidiary	Diffusion Wear Solutions Philippines Inc.
83.	The date since when subsidiary was acquired	07/02/2014
84.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
85.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	PHP 1 PHP = INR1.4808
86.	Share capital	Rs.1,33,27,200/-
87.	Reserves & surplus	Rs.76,00,031/-
88.	Total assets	Rs.4,19,84,816/-
89.	Total Liabilities	Rs.2,10,57,585/-

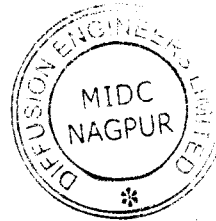


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90.	Investments	Nil
91.	Turnover	Rs.4,20,60,049/-
92.	Profit before taxation	Rs.1,33,38,815/-
93.	Provision for taxation	Rs.42,21,142/-
94.	Profit after taxation	Rs.91,17,674/-
95.	Proposed Dividend	-
96.	Extent of shareholding (In percentage)	100%

Notes: The following information shall be furnished at the end of the statement:

1. Names of subsidiaries which are yet to commence operations
2. Names of subsidiaries which have been liquidated or sold during the year.



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A

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Name of associates/Joint Ventures	Mecdiff Sdn Bhd (Associate of Diffusion Engineers Singapore Pte Ltd.)	LSN Diffusion Ltd.
1. Latest audited Balance Sheet Date	31/12/2019	04/01/2020
2. Date on which the Associate or Joint Venture was associated or Acquired	17-12-2013	31-08-2012
3. Shares of Associate/Joint Ventures held by the company on the year end	-	-
No.	300,000	754.45
Amount of Investment in Associates/Joint Venture	Rs.50,82,000/-	Rs.6,74,60,687/-
Extend of Holding (In percentage)	30.00%	21.56%
4. Description of how there is significant influence		
5. Reason why the associate/joint venture is not consolidated	NA	NA
6. Net worth attributable to shareholding as per latest audited Balance Sheet	Rs.1,00,59,937/-	Rs.23,94,86,038/-
7. Profit/Loss for the year		
i. Considered in Consolidation	Rs. 2,23,193/-	Rs. 65,43,362/-
ii. Not Considered in Consolidation	Rs.5,20,784/-	Rs. 2,38,10,206/-

- Names of associates or joint ventures which are yet to commence operations.
- Names of associates or joint ventures which have been liquidated or sold during the year.

Note: This Form is to be certified in the same manner in which the Balance Sheet is to be certified.

For P. R. Bhuta & Co.,
Chartered Accountants
Firm Regn. No. 101471W

P. R. Bhuta



Pankaj Bhuta
Proprietor
Mem. No. 31820
Place : Mumbai
Date :29-09-2020



Prashant Garg
Prashant Garg
(DIN - 00049074)
(Chairman & MD)
Date: 28-09-2020

Ajay Jain
Ajay Jain
(DIN - 02815416)
(Director)
Date : 29-09-2020