

# PGS & Associates

## Chartered Accountants

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### RESTATED CONSOLIDATED FINANCIAL STATEMENTS

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

To,  
The Board of Directors  
Diffusion Engineers Limited  
T-5 & 6, MIDC, Hingana Nagpur  
Maharashtra, Pin- 440016.

#### **Independent Auditors' Examination Report on Restated Financial for the year ended 31<sup>st</sup> March 2024, 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 in connection with the Initial Public Offering of Diffusion Engineers Limited**

**Dear Sirs,**

1. This report is issued in accordance with the terms of our engagement letter dated 30<sup>th</sup> July, 2024. We have examined the attached Restated Ind AS Consolidated Financial Information of Diffusion Engineers Limited (the "Company" or the "Issuer") and its subsidiaries (the Company and its subsidiaries together referred to as the "Group"), comprising:

a. The Restated Consolidated Statement of Assets and Liabilities as at 31<sup>st</sup> March 2024, 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022.

b. The Restated Consolidated Statements of Profit and Loss (including other comprehensive income) for the year ended 31<sup>st</sup> March 2024, 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 .

c. The Restated Consolidated Statement of Changes in Equity for the year ended 31<sup>st</sup> March 2024, 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 .

d. The Restated Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March 2024, 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 .

e. The Summary Statement of Significant Accounting Policies, and other explanatory information and for the year ended 31<sup>st</sup> March 2024, 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022. (hereinafter together referred to as the "Restated Consolidated Financial Information") as approved by the Board of Directors of the Company at their meeting held on 31<sup>st</sup> July, 2024, for the purpose of inclusion in the Red Herring Prospectus ("RHP") and the Prospectus (the "Prospectus") prepared by the Management of the Company in connection with its proposed Initial Public Offer of equity shares ("IPO") prepared in terms of the requirements of:

i. Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");

ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"); and

iii. The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

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

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

The respective Board of Directors are also responsible for identifying and ensuring that the Group complies with the Act, ICDR Regulations and the Guidance Note.

### Auditor's Responsibilities

3. Our work has been carried out considering the concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Consolidated Financial Information in accordance with the Guidance note on Reports in Company Prospectuses (Revised 2019) and other applicable authoritative pronouncement issued by the Institute of Chartered Accountants of India and pursuant to the requirement of Section 26 of the Companies Act and the SEBI ICDR Regulations.

Our work was performed solely to assist you in meeting your responsibility in relation to your compliance with the Act, SEBI ICDR and the Guidance Note in connection with the proposed IPO.

4. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

5. These Restated Consolidated Financial Information has been prepared by the Company's management from:

a. The Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2024 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2023 (the "Consolidated Financial Statements") which have been approved by the Board of Directors at their meeting held on 31<sup>st</sup> July, 2024.

b. The Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2023 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2022 (the "Consolidated Financial Statements") which have been approved by the Board of Directors at their meeting held on 17<sup>th</sup> August 2023.

c. The Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2022 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2021 (the "Consolidated Financial Statements") which have been approved by the Board of Directors at their meeting held on 21<sup>st</sup> September 2022.

d. The audited special purpose Consolidated Financial Statements as at and for the year ended 31<sup>st</sup> March 2022 for the year ended 31<sup>st</sup> March 2021 and for the year ended 31<sup>st</sup> March 2020, approved by the Board of Directors at their meeting held on 29<sup>th</sup> June 2023.

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6. For the purpose of our examination, we have relied on:

a. Report issued by us dated 17<sup>th</sup> August, 2023 on the Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2023 along with comparative audited consolidated financial statements for the year ended March 31, 2022 as referred in paragraph 5 (a) above;

b. Report issued by us dated 31<sup>st</sup> August 2023 on the Restated Financial Statements for the years ended 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021, in connection with the Initial Public Offering of Diffusion Engineers Limited.

c. Report issued by P. R. Bhuta & Co. dated 21<sup>st</sup> September 2022, on the Consolidated Financial Statements of the Group as at and for the year ended 31<sup>st</sup> March 2022 along with comparative audited consolidated financial statements for the year ended 31<sup>st</sup> March 2021 as referred in paragraph 5(b) above;

### Opinion

7. Based on our examination and according to the information and explanations given to us we report that the Restated Consolidated Financial Information. have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the year ended 31<sup>st</sup> March 2024, 31<sup>st</sup> March 2023, 31<sup>st</sup> March 2022 have been prepared in accordance with the Companies Act, ICDR Regulations and the Guidance Note. There are no qualification in the auditor's reports which required any adjustments<sup>8</sup>. The Restated Consolidated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on respective audited financial statements mentioned in paragraph 7 above<sup>9</sup>. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

10. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

11. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

### Restriction on Use

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

Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

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**For PGS & Associates  
Chartered Accountants  
Firm Registration No.: 0122384W**

**Premal H Gandhi  
Partner  
Membership No. 111592  
Place: Nagpur  
Date: 31<sup>st</sup> July, 2024  
UDIN: 24111592BKBIPP9148**