



NOTICE OF THE FORTIETH (40th) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 40TH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE DIFFUSION ENGINEERS LIMITED [CIN - U99999MH2000PLC124154] WILL BE HELD ON SHORTER NOTICE ON TUESDAY ON 27TH SEPTEMBER, 2022 11.00 A.M. AT REGISTERED OFFICE AND SIMULTANEOUSLY CO - ORDINATED THROUGH VIDEO CONFERENCING ("VC") / OTHER AUDIO-VISUAL MEANS ("OAVM") FROM T-5 & 6, MIDC, HINGANA NAGPUR - 440 038 TO TRANSACT THE FOLLOWING BUSINESS: -

ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Standalone Financial Statements and Audited Consolidated Financial Statements for the year ended March 31, 2022 together with the Reports of the Board of Directors and Auditors thereon.
2. To declare a final dividend of Rs.2 per equity share and to approve the interim dividend of Rs. 2 per equity share already paid during the year, for the year ended March 31, 2022.
3. To appoint a Director in place of Dr. Renuka Garg (DIN - 02815373) who retires from the office by rotation and being eligible, offers herself for re - appointment.

SPECIAL BUSINESS:-

4. Ratification of Remuneration payable to the Cost Auditors for the Financial Year 2022 - 23

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:



DIFFUSION ENGINEERS LIMITED

Regd. Office : T-5 & 6, M.I.D.C., Hingna Industrial Area, Nagpur - 440 016, Maharashtra, INDIA
[t] 091-7104-232820, 234727, 236772 [f] 091-7104-232085, CIN : U99999MH2000PLC124154
[e] info@diffusionengineers.com, [w] www.diffusionengineers.com GSTIN : 27AAACD8008L1ZK

Branches At : Ahmedabad • Chennai • Chittorgarh • Faridabad • Jamshedpur • Kolkata • Pune • Raipur • Secunderabad

“RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014 and Companies (Cost Records and Audit) Rules, 2014 (including any statutory modification(s) or re - enactment thereof, for the time being in force), the Company hereby ratifies the remuneration of Rs.50,000/- (Rupees Fifty Thousand only) plus applicable taxes and reimbursement of travel and out of pocket expenses, to be paid to **M/s A. B. Verma & Co., Cost Accountants, Nagpur (Firm Registration No. 102527/ Membership No. 31367)**, who have been appointed by the Board of Directors on the recommendation of the Audit Committee, as the Cost Auditors of the Company to conduct the audit of the cost records of the Company for the Financial Year ending March 31, 2023.

RESOLVED FURTHER THAT the Board (including any Committee thereof) be and is hereby authorized to do all such acts, deeds and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

5. Revision in the remuneration of director’s relative to hold office in the company

To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

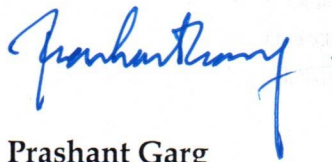
“RESOLVED THAT pursuant to Section 188[1] of the Companies Act, 2013 read with rule 15 of Companies [Meetings of Board and Its Powers] Rules, 2014 and other applicable provisions, if any, including any statutory modification[s] or re-enactment[s] thereof for the time being in force, the consent of the Company be and is hereby accorded for revision in the remuneration (excluding reimbursement of expenses, if any) of Mrs. Neelu Garg who is relative of Director and holds office or place of profit in the Company with the designation as General Manager - Procurement, to Rs. 4,60,000 per month with effect from 1st April 2023 and authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and remuneration from time to time, within the limits approved by the Members and subject to such approvals, as may be necessary.

RESOLVED FURTHER THAT the Board of Directors of the Company and any person/authority authorized by the Board of Directors of the Company be and is

hereby authorised to promote her to higher cadres and/or to sanction her increments and/or accelerated increments within the said cadre or higher cadre as and when the Board of Directors deem fit, subject, however, to the rules and regulations of the Company, in force, from time to time, as may be required in this regard.

RESOLVED FURTHER THAT any of Directors of the Company be and are hereby authorized severally to execute and perform such acts, deeds, matters and things as may be necessary to give such directions as may be desirable that may arise in giving effect to this resolution."

For and on behalf of Board of Directors
Diffusion Engineers Limited



Date: 21.09.2022.
Place: Nagpur

Prashant Garg
Chairman & Managing Director
(DIN - 00049106)

NOTES:-

- a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member of the Company. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

A person appointed as a proxy shall act on behalf of such number of Member(s) not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company, carrying voting rights. Further, a Member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

- b) In view of the ongoing COVID-19 pandemic, the Ministry of Corporate Affairs ('MCA') has vide its General Circulars dated April 8, 2020, April 13, 2020, May 5, 2020, January 13, 2021, December 14, 2021 and May 5, 2022 (collectively referred to as 'MCA Circulars') permitted the holding of the Annual General Meeting ('AGM') through Video Conferencing ('VC') facility / Other Audio Visual Means ('OAVM'), without the physical presence of the Members at a common venue. In compliance with the applicable provisions of the Companies Act, 2013 ('the Act') and the MCA Circulars, the 40th AGM of the Company is being held at Registered Office and simultaneously through VC/OAVM on Tuesday, September 27, 2022 at 11.00 a.m. (IST). The venue of the proceedings of the 40th AGM shall be the Registered Office of the Company at T-5 & 6, MIDC, Hingana Nagpur - 440 038
- c) Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, in respect of the Item No.4 and 5 set out above is annexed hereto and forms part of this notice.

- d) All relevant documents referred to in this notice and the explanatory statement will be available for inspection by the members at the registered office of the Company during normal business hours on all working days [except Saturday(s) and Sunday(s) and public holiday(s)] up to the date of the AGM and during the continuance of AGM.

ANNEXURE TO THE NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Pursuant to Section 102 of the Companies Act, 2013 ("the Act"), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item No. 4 of the accompanying Notice dated 21st September, 2022

Item No. 4

Pursuant to the provisions of Section 148 of the Companies Act, 2013 ("the Act"), read with the Companies (Cost Records and Audit) Rules, 2014, the Company is required to have the audit of its cost records conducted by a cost accountant in practice.

The Board of Directors of your Company has, on the recommendation of the Audit Committee, approved the appointment of **M/s A. B. Verma & Co., Cost Accountants, Nagpur (Firm Registration No. 102527/ Membership No. 31367)**, as the Cost Auditors of the Company to conduct the audit of the cost records of the Company for the Financial Year ending March 31, 2023, at a remuneration of Rs. 50,000/- plus applicable taxes and reimbursement of travel and out of pocket expenses.

M/s A. B. Verma & Co., Cost Accountants, Nagpur (Firm Registration No. 102527/ Membership No. 31367), have the necessary experience in the field of cost audit and have submitted a certificate regarding their eligibility for appointment as Cost Auditors of the Company.

As per the provisions of Section 148 of the Act read with Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing the resolution as set out in Item No. 4 of the Notice for ratification of the remuneration payable to the Cost Auditors for the Financial Year ending March 31, 2023.

None of the Directors and Key Managerial Personnel or their relatives are, in any way, concerned or interested, financially or otherwise, in the said resolution.

The Board accordingly recommends the ordinary resolution as set out in Item No. 4 of this Notice for your approval.

Item No.5

In accordance with the provisions of Section 188[1] of the Companies Act, 2013, which govern the related party transaction, it is required for the Company to obtain prior approval of the Board of Directors and Shareholders for the revision in the remuneration of Related Party who hold any office or place of office.

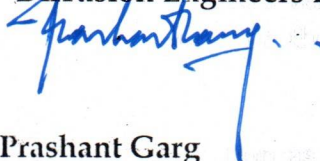
The board of directors of the Company approved the revision in the remuneration of Mrs Neelu Garg as General Manager of Purchase Department of the Company (excluding reimbursement of expenses, if any) to Rs. 4,60,000 per month w.e.f 01.04.2023, subject to the approval of the shareholders by way of an Ordinary Resolution.

Neelu Garg has completed Master of Business Administration (MBA) from Department of Management studies and Research and have expertise in delivering Business and Financial Services. Mrs. Neelu Garg is managing purchase department of Diffusion Engineers Limited since 2015 and is instrumental in reducing purchase cost and availing benefits of economies of scale. Since beginning she was working under Shri N.K.Garg. She was entrusted to take care of the Purchases of the company. She started with managing purchases of plant at T5/6, Hingna and over the years she has proved her capability. After the sad demise of our Founder, Shri N.K. Garg, she was handed over the purchase department of N78/79 plant as well. Currently she is taking care of the purchase of the company.

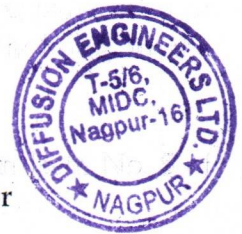
None of the Directors and Key Managerial Personnel or their relatives are, concerned or interested, in the said resolution, except to the extent of their shareholding in the Company.

The Board accordingly recommends the ordinary resolution as set out in Item No. 5 of this Notice for your approval.

For and on behalf of Board of Directors
Diffusion Engineers Limited



Prashant Garg
Chairman & Managing Director
(DIN - 00049106)



Date: 21.09.2022.
Place: Nagpur

DIFFUSION ENGINEERS LIMITED
CIN: U99999MH2000PLC124154
Registered office: T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016
Contact no: 9158317943
Website: <https://www.diffusionengineers.com/>

ATTENDANCE SLIP
40th Annual General Meeting

NAME (IN BLOCK LETTERS)	
REGISTERED ADDRESS	
FOLIO NO. / DP ID & CLIENT ID	
SHAREHOLDER / PROXY/ AUTHORISED REPRESENTATIVE	

I/We hereby record my/our presence at the 40th Annual General Meeting of the Company being held on Tuesday, the 27th day of September 2022 at 11:00 AM at T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016.

Signature of Shareholder / Proxy / Authorised Representative

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the AGM.

Form No. MGT-11
Proxy form

*[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the
Companies (Management and Administration) Rules, 2014]*

CIN	<i>U99999MH2000PLC124154</i>
Name of the Company:	<i>DIFFUSION ENGINEERS LIMITED</i>
Registered office:	<i>T-5 & 6, MIDC, HINGANA, NAGPUR, Maharashtra, India, 440016</i>

Name of the member (s):	
Registered address :	
E-mail Id:	
Folio No/ Client Id :	
DP ID :	

I/We, being the member (s) of shares of the above named company, hereby appoint

1. Name	
Address	
E-mail Id	
Signature :..... , or failing him	

2. Name	
Address	
E-mail Id	
Signature :..... , or failing him	

3. Name	
Address	
E-mail Id	

Signature :..... ,

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on 27th September 2022 at 11.00 am. at registered office of the Company at T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016. and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Details of Resolution
1	To receive, consider and adopt the Audited Standalone Financial Statements and Audited Consolidated Financial Statements for the year ended March 31, 2022 together with the Reports of the Board of Directors and Auditors thereon.
2	To declare a final dividend of Rs.2 per equity share and to approve the interim dividend of Rs. 2 per equity share already paid during the year, for the year ended March 31, 2022.
3	To appoint a Director in place of Dr. Renuka Garg (DIN - 02815373) who retires from the office by rotation and being eligible, offers herself for re - appointment.
4	Ratification of Remuneration payable to the Cost Auditors for the Financial Year 2022- 2023
5	Revision in the remuneration of Directors Relative to hold office in the Company.

Signed this..... day of..... 20....

Signature of Shareholder: _____

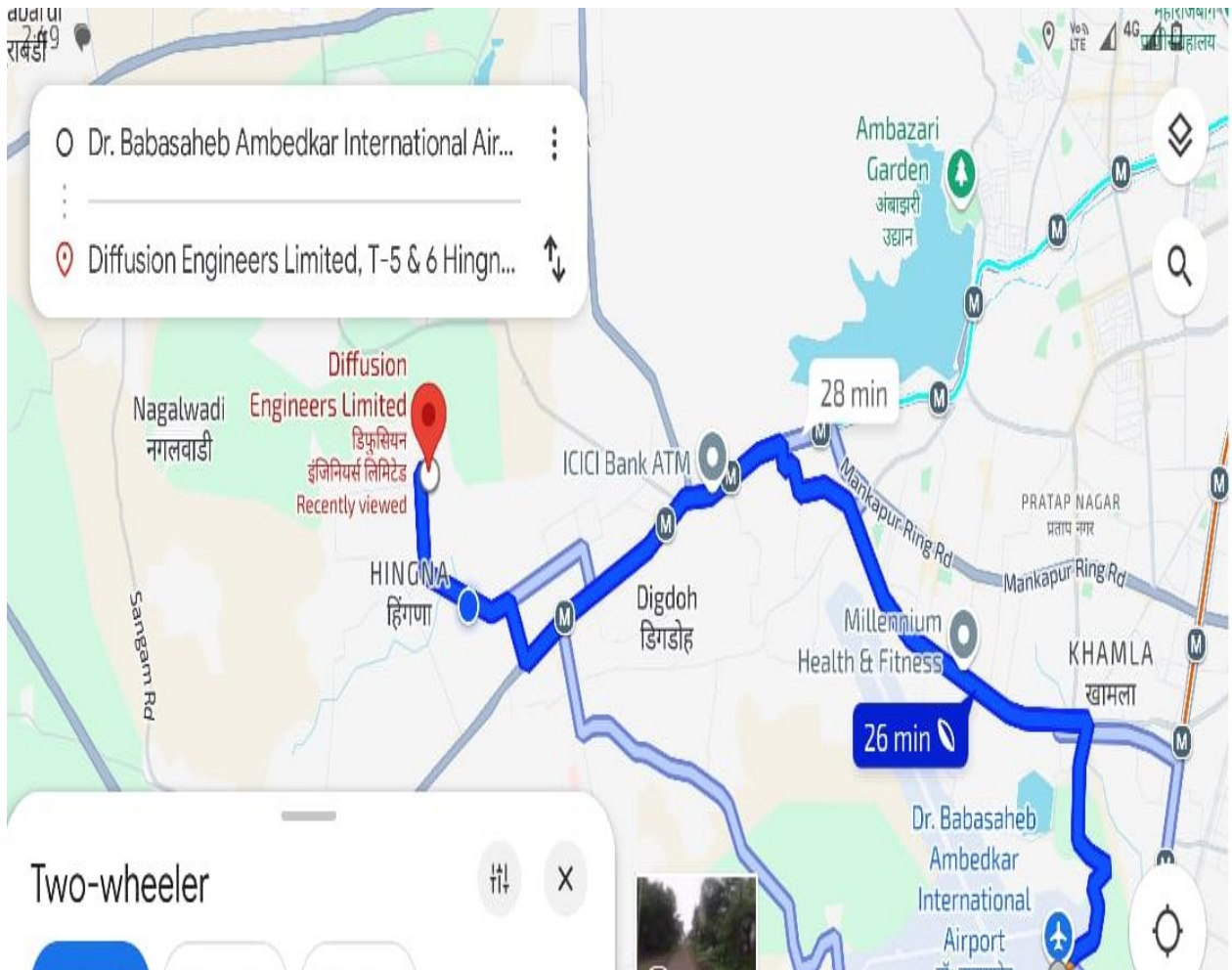
Affix Re. 1
Revenue
Stamp

Signature of Proxy holder(s): _____

Notes:

(1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

Route map :



DIRECTORS REPORT

Dear Members,

Your Directors have immense pleasure in presenting the *Fortieth Annual Report* on the business and operation of the Company together with Audited Statement of Accounts for the financial year ended 31st March, 2022.

1. Financial Highlights

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

Particulars	(Rs.in Lakhs)	
	Year ended 31 st March, 2022	Year ended 31 st March, 2021
Turnover	19,575.77	15,230.78
Profit/(Loss) before taxation	2,016.57	1,543.33
Less: Tax Expense	484.39	473.83
Profit/(Loss) after tax	1,532.18	1,069.50
Add: Balance B/F from the previous year	8,381.49	7,466.53
Balance Profit / (Loss) C/F to the next year	9,730.83	8,381.49

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

Particulars	(Rs.in Lakhs)	
	Year ended 31 st March, 2022	Year ended 31 st March, 2021
Turnover	20,458.87	15,526.33
Profit/(Loss) before taxation	2,064.85	1,666.82
Less: Tax Expense	490.65	507.78
Profit/(Loss) after tax	1,626.25	938.17
Add: Balance B/F from the previous year	8,466.97	7,659.62
Balance Profit / (Loss) C/F to the next year	9,943.72	8,466.97

****Annexure-I & II for details**

2. Dividend

During the Year, the board had declared and distributed an interim dividend of 20% & proposed final dividend of 20%, total dividend for 2021- 22 is 40%.

3. Amounts transferred to Reserves

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

4. State of Company's Affairs & Future Outlook

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

As we step into the third year of the pandemic, it is abundantly clear that we are at the crossroads of a redefined future. While economies started rebounding, new challenges

emerged including geopolitical tensions, inflationary headwinds as well as extended supply chain disruptions. Our journey into the future will be shaped by our ability to adapt to the new normal and address emerging challenges with agility, innovative capabilities, inclusivity and resilience. While the COVID-19 crisis has caused unprecedented disruptions to human life and economic activity, it has also provided multi-dimensional learnings which will power transformational change going forward. We witnessed the constant breakthroughs in science, technology and innovation, the extraordinary fortitude displayed by humanity in serving people in distress. As the dust settles, and a clearer picture of the world ahead emerges, we believe we are standing at the threshold of a period of great opportunity and growth. In the face of widespread change, your company has shown remarkable resilience and adaptability, coming out stronger than ever, after catastrophic events like the global financial crisis and the pandemic.

In a year marked by several disruptions, your Company turned in a credible performance and registered appreciable recovery across key performance parameters. One of the most noteworthy recognition awarded to your Company was *the Great Place to Work* Certification! It is a matter of achievement and satisfaction that your Company was able to withstand the challenges and came out with an encouraging performance under challenging conditions. The company continues to be a high quality manufacturer of Maintenance Welding Consumables like Lo 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.

The subsidiary and associate companies have also improved their performance during the year.

5. Directors

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

Dr. RenukaGarg (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

Four meetings were held during the Financial Year 2021 - 22, 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	05.07.2021	4	4	100%
2	24.09.2021	4	4	100%
3	17.12.2021	4	4	100%
4	30.03.2022	4	4	100%

7. Audit Committee

The Audit Committee's role is to assist the Board in overseeing the governance function and responsibilities in relation to the Company's financial reporting process carried out by the Management, internal control system, risk management system and internal and

external audit functions. The Audit Committee functions according to its charter/terms of reference that defines its composition, authority, responsibilities and reporting functions.

The Audit Committee consists of the following members -

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

8. Corporate Social Responsibility Committee

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

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

- 24th September, 2021

The members of the CSR Committee are as under -

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

9. NOMINATION & REMUNERATION COMMITTEE

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

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

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

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

- 17th December, 2021

10. Corporate Governance

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

11. Secretarial Standards:

The directors state that applicable Secretarial standards. 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.

12. Subsidiaries

As on 31st March 2022 company had 7 (seven) Subsidiary Companies (3 in India and 4 overseas) 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)

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

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

14. Particulars of Contracts or Arrangements with Related Parties

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

15. Deposits

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

16. 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 14th September 2019.

The board has decided to re appoint them for remaining period of two years 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.

17. Cost Audit Records

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

18. Cost Auditors and Cost Audit Report

As per Section 148 of the Act, the Company is required to have the audit of its cost records conducted by a Cost Accountant in practice. The Board on the recommendation of the Audit Committee has appointed **M/s A. B. Verma & Co., Cost Accountants, Nagpur (Firm Registration No. 102527/ Membership No. 31367)**, as the Cost Auditors of the Company for FY 2022 - 23 under Section 148 and all other applicable provisions of the Act read with the Companies (Cost Records and Audit) Amendment Rules, 2014.

M/s A. B. Verma & Co., have confirmed that they are free from disqualification specified under Section 141(3) and provision to Section 148(3) read with Section 141(4) of the Act and that the appointment meets the requirements of Section 141(3)(g) of the Act. They have further confirmed their independent status and an arm's length relationship with the Company.

The remuneration payable to the Cost Auditors is required to be placed before the members in a general meeting for their ratification. Accordingly, a Resolution for seeking members' ratification for the remuneration payable to **M/s A. B. Verma & Co.** is included at item No. 4 of the Notice convening the AGM.

19. 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.

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

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

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

Details is as per **Annexure-IV**

22. 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**

23. Extract of Annual Return

Pursuant to Section 92(3) read with Section 134 (3) (a) of the Act and Rule 12 of the Companies (Management and Administration), Rules 2014 the Annual Return in Form MGT - 7 as on March 31, 2022 is available on the Company's website at www.diffusionengineers.com

24. 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, 2022, 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, 2022 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.

25. 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**

PRASHANT GARG
Digitally signed by PRASHANT GARG
DN: c=IN, o=Personal,
2.5.4.20=8889-1d3-3b79e8d25d3d8f
c8922b4d9e4d588ac3378a41198
4c6117c, postalCode=440025,
st=Maharashtra,
serialNumber=a8d3f890ea26afab2f9
106e9a99f3c8aaf3f890e488c2287c
3a336d9d7, cn=PRASHANT GARG
Date: 2022.09.22 15:32:42 +05'30'

Place : Nagpur

PRASHANT GARG

Date : 21st September, 2022

(DIN - 00049106)

Chairman & Managing Director

Annexure I
(Point 1 of Director's Report)

(Rs. in Lakhs)

CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 ST MARCH 2022									
Sr No	PARTICULARS	Diffusion Engineers Limited	Nowelco Industries Pvt Ltd	Diffusion HERNON Adhesive & Sealant Pvt Ltd	Diffusion on Super-Conditioning Service Pvt Ltd		Diffusion Engineers Singapore & Associates	Inter Company Deduction	TOTAL
1	Turnover	19,575.770	850.056	19.013	139.941		842.587	(968.495)	20,458.872
2	Profit & (Loss) Before Tax	2,016.57	5.257	4.440	2.794		35.788	0	2,064.85
3	Less:- Tax Expenses	484.39	(0.640)	1.163	0.630		5.111	0	490.65
4	Profit & (Loss) After Tax	1,532.185	5.897	3.277	2.163		30.677	0	1,574.20
5	Add :- Balance Bf From The Previous Year	8,381.49	(83.106)	6.34	35.512		215.321	(88.587)	8,466.97
6	Balance Profit/(Loss) C/F To The Next Year	9,730.83	(77.209)	9.61	37.675		247.781	(4.967)	9,943.72

Annexure II
(Point 1 of Director's Report)

(Rs. in Lakhs)

CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 ST MARCH 2021									
Sr No	PARTICULARS	Diffusion Engineers Limited	Nowelco Industries Pvt Ltd	Diffusion HERNON Adhesive & Sealant Pvt Ltd	Diffusion on Super-Conditioning Service Pvt Ltd		Diffusion Engineers Singapore & Associates	Inter Company Deduction	TOTAL
1	Turnover	15,230.78	424.39	27.78	6.96		612.14	(775.73)	15,526.33
2	Profit & (Loss) Before Tax	1,543.33	(18.88)	3.17	.98	-	138.28	0	1,666.81
3	Less:- Tax Expenses	473.83	(0.788)	0.82	0.17	-	33.73	0	507.22
4	Profit & (Loss) After Tax	1,069.49	(18.09)	2.34	.81	-	106.49	0	1,159.03
5	Add :- Balance Bf From The Previous Year	7,466.52	(65.01)	3.98	65.03	-	72.50	302.75	7,473.46
6	Balance Profit/(Loss) C/F To The Next Year	8,381.49	(83.10)	6.33	65.91	-	194.52	(334.160)	8,231.00

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, 2022	For the year ended 31st March, 2021
	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 Hernon 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 20 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 equipment	expenditure incurred Rs.1,55,00,000/- Cr and company would be allocating sufficient funds in depending on future requirement

b) Technology Absorption

Efforts made for technology absorption	<p>New technology is constantly used for improving production / process in its main products and services.</p> <p>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.</p>
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	Company is always on the forefront of the new innovations, constant research and development with resultant improvement in techniques of production has immensely benefitted the company. 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 received DSIR - Department of Scientific and Industrial Research Certificate.

d) Exports:

Growth in Export is consistent and improving every year.

e) Foreign Exchange Earning and outgo:

Foreign Exchange Earning	Rs. 1,617.40/- Lakhs
Foreign Exchange outgo	Rs. 14.01/- Lakhs

Annexure V
(Point 21 of Director's Report)

Corporate Social Responsibility (CSR)

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

Areas identified for CSR activities:

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

Financial Period 2021 - 2022

I. HEALTH & SANITATION:

1. Preserving Environment:

The Company contributed to CSR for the Maintenance of the Pawanbhoomi ground cum park. Project is ongoing project & progressing well. Ground is well maintained.

II. MEDICAL FUND :

1.Chichbhavan Village Medical Services -Kalmeshwar

We have got the permission from CDPO to use the AganwadiChichbhavan for the services. 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. MayurNipane (B.A.M.S & D.Y.N.S) for the program. Dr. Nipane will visit and provide medical consultancy twice a week i.e. on Wednesday & Saturday for 2 hours per visit i.e. 7.00 am to 9.00 am and 3.00 pm to 5.00 pm. Diffusion Engineers Ltd pays consultancy charges to Dr. Nipane per visit for 8 visits per month. Diffusion Engineers Ltd provides basic and emergency medication to patients and is stocked at the Aganwadi. In case of requirement for specialists, Dr. Nipane will refer the same. We have provided Dr. Nipane with an Assistant to assist in the service and spreading knowledge about the services in Chichbhavan and nearby villages. Project is just started with average of 10 to 20 patients per visit. Project is progressing well and going on with great success with average of 15 to 25 patients per session. Medicines as per requirement are also provided to the patients which saves them a trip to the nearest primary health centre.

2.Oxygen Generation Plant Donation:

The NK Garg Foundation donated an advanced Oxygen Generation Plant in the memory of Shri NK Garg, Founder and Promoter of Diffusion Engineers Limited to Swami Vivekanand Medical Mission Hospital at Khapri, Nagpur. The Oxygen plant was inaugurated by ShriNitinGadkari, Honorable Minister of Road Transport and Highways and The Minister of Micro, Small and Medium Enterprises on 04th July 2021.

Mr. PrashantGarg, Managing Director of Diffusion Engineers Ltd informed that during the second wave of COVID, hospitals across India witnessed critical constraints in

Oxygen availability. The hospital administrators have realized the need to be self-sufficient and have in-house oxygen generation facilities. With similar aim, the NK Garg Foundation has come forward and decided to donate the Oxygen generation plant which has the capacity to fill 70 jumbo oxygen cylinders per day. ShriNitinGadkari appreciated the efforts of NK Garg Foundation and highlighted the need to have more private organizations/NGO to supplement the efforts of the Government.

MrPrashantGarg, Managing Director gave a brief introduction about various social and charitable activities conducted under the Foundation. The Foundation has been doing charitable work in the areas of Health, Education and Social Upliftment. This effort was generously supported by donors and patrons from across the world. The addition of the Oxygen Generation Plant will make the hospital self-sufficient and ready to manage any unexpected surge in the number of patients. The occasion was graced by the trustees of Hospital, MrsChitraGarg, MrsNeeluGarg, MsAneetaVijayakar, Dr. NitinGarg, Mr. UlhasBujone - Secretary SVMM, Dr. MeenaKhaltkar- Medical superintendent.

The oxygen generation plant donated by NK Garg Foundation would be solace to the needy in these trying times.

3. Cataract Operation:

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

III. SOCIAL COMMITMENT / PROVISION OF BASIC NEEDS

1. Donation of RO water plant to SanjiwanVridhashram :

Sanjiwangram is a fast evolving facility that has its roots in The Sanjiwan Home/ Vridhashram 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. Diffusion Engineers Limited donated AquatekPurio RO water plant to SanjiwanVridhashram to take care of their needs through the harsh summers. The Water Plant has a capacity of purifying 100 litres per hour.

IV. SKILL DEVELOPMENT

Right training and skill development can help underprivileged individuals to get decent jobs and sustain high growth momentum. One of the CSR Goals at Diffusion Engineers Limited is to help & to develop the skills of youth of rural India as well as to enable them to earn well and live a better life. Understanding its importance, we started Pilot Batch of Welding & Fabrication Skill Development Course under Skill India in association with Montfort Integrated Education Centre commenced on 16th January, 2020. It gets immense response & there are total 15 participants. 11 students have appeared for the certificate exam of Skill India.

V. CONTRIBUTION TO N. K. GARG FOUNDATION

The Company has donated to N K Garg Foundation with objective of which is to work towards social upliftment of the deprived / less privileged sections of the society. The donation will be used for projects in the areas of education in rural development, medical aid, skill development, child nutrition & maternal health, assistance to




industrial workers and to sportsmen. The company and the N.K. Garg Foundation jointly completed the installation of Oxygen Plant through Swami Vivekananda Mission, Khapri Nagpur.

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub - heads: (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure up to the reporting period	Amount spent : Direct or through implementing agency*
1	Preserving Environment Sustainability	Environment	Pawanbhoomi Nagpur Maharashtra	2,85,000	-	2,85,000	Ground cum park Maintenance
2	Promoting Health & Sanitation	Health	Village Chichbhavan Taluka Kalmeshwar City Nagpur State Maharashtra	1,47,106	-	1,47,106	a) Medical Services b) Medical Consultancy from specialists c) Emergency medication d) Promotion of above services amongst people to take benefit of the said services e) Providing Medicines
3	Social	Donation to Swami Vivekanand Medical Mission for Oxygen Generation	City Nagpur State Maharashtra	17,00,000	18,373	17,18,373	Donated Advanced Oxygen Generation Plant through NK Garg Foundation
4	Promoting Health & Sanitation	Operation at Dr. K. G. Deshpande Memorial Centre	City Ram Nagar Nagpur State Maharashtra	7,500	-	7,500	Donation to perform Cataract operation of a patient
5	Social	Donation to Sanjiwan Vriddhashram	City Nagpur State Maharashtra	26,000	-	26,000	donated Aquatek Purio RO water plant to Sanjiwan Vriddhashram
7	Education/ Skill Development	Skill Development Course in association with Montfort Integrated Education Centre	City Nagpur State Maharashtra				Pilot Batch of Welding & Fabrication Skill Development Course under Skill India in association with Montfort Integrated Education Centre commenced on 16 th January, 2020
7	Social	Donation to NK Garg Foundation	City Nagpur State Maharashtra	11,50,000	-	11,50,000	Donation for the projects in the areas of a) Education in rural development, medical aid, skill development, child nutrition & maternal health b) Assistance to industrial workers and to sportsmen. c) Installation of Advanced Oxygen Generation Plant
	TOTAL			33,16,106	18,373	33,34,479	Actual : 33,34,479 Scheduled : 25,00,000

Note -

*The CSR Projects of Diffusion Engineers Limited are executed through **N. K. Garg Foundation** as discussed and approved by the Board of Directors, however due to subsequent amendments N.K.GargFoundation being section 8 company requires itself to comply with the requirements of CSR-1. During the year under review the company donated Rs.11, 50,000/- to the foundation from its funds. N.K.Garg foundation has applied for the recognition under section 80(G) of the Income Tax, 1961. The registration is still awaited & hence it could not file Form CSR-1 with the MCA. In the meantime during the year under review the menace of COVID-19 corona virus was at peak to tide over the shortage of Oxygen in the city of Nagpur the company and the N.K. Garg Foundation jointly completed the installation of Oxygen Plant through Swami Vivekananda Mission ,Khapri Nagpur.*

DIFFUSION ENGINEERS LTD					
BALANCE SHEET AS ON 31 MARCH 2022					
PARTICULARS	NOTES	AS At March 31, 2022		AS At March 31, 2021	
		₹ (Lakhs)	₹ (Lakhs)	₹ (Lakhs)	₹ (Lakhs)
<u>EQUITY AND LIABILITIES</u>					
Shareholder's funds					
(a) Share Capital	3	373.75		373.75	
(b) Reserves and Surplus	4	11,466.41	11,840.16	10,117.07	10,490.82
(c) Money Received against Sahre Warrants			-		-
Share Application Money Pending Allotment					
Non- current liabilities					
(a) Long-term borrowings	5	279.90		556.47	
(b) Deferred tax liabilities (net)		343.50		340.12	
(c) Other long-term liabilities	6	65.33		71.52	
(d) Long Term Provisions		-	688.73	-	968.12
Current Liabilities					
(a) Short term borrowings	7	2,130.56		1,366.88	
(b) Trade payables	8				
total outstanding dues of micro and small enterprises		13.07		88.10	
total outstanding dues of creditors other than micro and small enterprises		2,760.32		1,739.92	
(c) Other current liabilities	9	846.99		766.66	
(d) Short term provisions	10	27.01	5,777.95	21.70	3,983.27
TOTAL			18,306.84		15,442.21
<u>ASSETS</u>					
Non-current assets					
(a) Property, plant and equipment and Intangible assets	11				
(i) Property, Plant and Equipment		5,827.58		5,544.31	
(ii) Intangible Assets		17.19		21.72	
(iii) Capital Work-in-Progress		-		-	
(iv) Intangible assets under development		-	5,844.77	-	5,566.02
(b) Non-Current Investments	12		2,138.81		1,635.65
(c) Deferred Tax Assets (Net)			-		-
(d) Long-Term Loans and Advances			-		-
(e) Other Non Current Assets	13		548.80		456.03
Current assets					
(a) Current Investments					
(b) Inventories	14	4,153.54		2,687.28	
(c) Trade receivables	15	4,779.79		4,106.06	
(d) Cash and Cash equivalents	16	249.37		402.80	
(e) Short-term loans and advances	17	591.75	9,774.46	588.36	7,784.50
(f) Other Current Assets			-		-
TOTAL			18,306.84		15,442.21
Contingent Liabilities	26(ii)		0.00		0.00
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			For and on behalf of the Board of Directors of Diffusion Engineers Limited		
 PANKAJ BHUTA Proprietor Membership Number: 31820 Place : Mumbai Date : 21-09-2022 UDIN : 22031820ATRLKA2793			 PRASHANT N. GARG Chairman & Managing Director DIN :- 00049106 Place : Nagpur Date : 21-09-2022		 AJAY JAIN Director DIN :- 02815416 Place : Nagpur Date : 21-09-2022

DIFFUSION ENGINEERS LIMITED
CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2022

PARTICULARS	AS At March 31, 2022		AS At March 31, 2021	
	₹ (Lakhs)	₹ (Lakhs)	₹ (Lakhs)	₹ (Lakhs)
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax		1,983.23	-	1,045.77
Adjustments for :			-	
Bad Debts & Write Off	12.99		26.31	
Write Back	(2.45)		(26.63)	
Depreciation	383.52		374.00	
Dividend on Investments	-		-	
Interest and Finance Charges	133.88		189.95	
Interest Income	(31.48)		(20.19)	
Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	(120.25)		(38.08)	
		376.22		505.35
Operating Profit before Working Capital changes		2,359.45		1,551.12
Adjustment for :				
Inventories	(1,466.27)		1,757.25	
Trade Receivables	(686.72)		(524.63)	
Other receivables	(96.16)		(12.98)	
Trade Payables	947.82		(673.46)	
Other Liabilities	76.07		(85.57)	
		(1,225.26)		460.60
Cash generated from Operations		1,134.19		2,011.72
Direct Taxes Paid		(481.01)		(402.99)
Deferred Tax		3.38		70.85
Net Cash Flow from Operating Activities (A)		656.55		1,679.58
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Inflow / (Outflow) on account of :				
Dividend on Investments			20.19	
Interest Income	31.48		89.73	
(Purchases) / Sales of Fixed Assets (Net)	(662.26)		-	
(Purchases) Capital W.I.P			-	
Profit/(loss) on sale of Investments	120.25		38.08	
(Purchases) / Sales of Investments (Net)	(503.16)		67.75	
Net Cash Flow from Investing Activities (B)		(1,013.70)		215.76
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds / (Repayment) from/of Secured Loans	487.10		(1,241.65)	
Interest and Finance Charges	(133.88)		(189.95)	
Dividend paid (including tax on dividend)	(149.50)		(130.81)	
Net Cash Flow from Financing Activities (C)		203.72		(1,562.41)
Net Increase / (Decrease) in Cash and Cash Equivalents [A+B+C]		(153.43)		332.93
Cash and Cash Equivalents as at the beginning of the year	402.80		69.87	
Cash and Cash Equivalents as at the year end	249.37		402.80	
		(153.43)		332.93
Reconciliation to Cash and Bank Balances given in Schedule 6:				
Cash and Bank Balance as at the year end		(0.00)		0.00
Less:				
Balances in Fixed Deposit accounts kept as security for Overdraft Facilities and Bank Guarantee with the bankers		249.37		402.80
Cash and Cash Equivalent as at the year end		249.37		402.80

As per our report of even date

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

PANKAJ BHUTA
RASIKLAL BHUTA
BHUTA

PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
UDIN : 22031820ATRLKA2793
Date : 21-09-2022

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

PRASHANT N. GARG

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

Date : 21-09-2022

AJAY MOTILAL JAIN

AJAY JAIN
Director
DIN :- 02815416
Place : Nagpur

Date : 21-09-2022

NOTES TO ACCOUNTS
DIFFUSION ENGINEERS LTD

NOTE No -3 SHARE CAPITAL

PARTICULARS	₹ (lacs)		₹ (lacs)	
	AS At Mar 31, 2022		AS At March 31, 2021	
<u>AUTHORISED</u> 50,00,000 Equity Shares of Rs 10/- each		500.00		500.00
<u>ISSUED SUBSCRIBED & PAID UP</u> 37,37,467 Equity shares of Rs 10/- each (Refer Note No 26 (iii))		373.75		373.75
		373.75		373.75

Note 3.1 : Reconciliation of number of shares outstanding is set out below:

Particulars	AS At Mar 31, 2022		AS At March 31, 2021	
Equity shares at the beginning of the year (in Nos.)		37,37,467		37,37,467
Add: Shares issued during the current financial year		-		-
Equity shares at the end of the year (in Nos.)		37,37,467		37,37,467

Note 3.2 : The Company has only one class of equity shares. Each holder of equity shares is entitled to one vote per share.

Note 3.3 : There is no fresh issue or buyback of shares during the year.

Note 3.4 : The Company has only one class of equity shares. Each holder of equity shares is entitled to one vote per share.

Note 3.5 : There is no change in the number of shares outstanding at the beginning and at the end of the year.

Note 3.6 : There is no change in the pattern of shareholding during the year. It is same as the last year.

Shares held by promoters at the end of the year 31st March 2022			% Change during the year
Promoter Name	No. of Shares	% of total shares	
N.K. Garg (HUF)	2,97,897	7.97%	
Prashant Garg	14,56,593	38.97%	
Nitin Garg	9,82,322	26.28%	
Chitra Garg	8,49,653	22.73%	
Nitin & Renuka Garg	75,281	2.01%	
Prashant & Neelu Garg	9,364	0.25%	
Total	36,71,110	98.21%	

Shares held by promoters at the end of the year 31st March 2021			% Change during the year
Promoter Name	No. of Shares	% of total shares	
N.K. Garg (HUF)	2,97,897	7.97%	-0.01%
Prashant Garg	14,56,593	38.97%	
Nitin Garg	9,82,322	26.28%	
Chitra Garg	8,49,653	22.73%	
Nitin & Renuka Garg	75,281	2.01%	
Prashant & Neelu Garg	9,364	0.25%	
Total	36,71,110	98.21%	

NOTE No. -4 RESERVES AND SURPLUS

	₹ (lacs)		₹ (lacs)	
	AS At Mar 31, 2022		AS At March 31, 2021	
Securities Premium Account		293.65		293.65
Capital Redemption Reserve		47.22		47.22
Capital Reserve		174.24		174.24
<u>General Reserve</u>				
Opening balance	1,220.49		1,220.49	
Add: Transferred from profit & loss a/c	-		-	
Closing Balance		1,220.49		1,220.49
<u>Profit & Loss Account</u>				
Opening Balance	8,381.49		7,466.53	
Add : Profit as per statement of profit & loss	1,498.84		1,045.77	
	9,880.33		8,512.30	
Less : Final Dividend for F Y 2020-2021	74.75		-	
Less: Interim Dividend for 21-22	74.75		130.81	
Closing Balance		9,730.83		8,381.49
		11,466.41		10,117.07

NOTE No. -5 LONG TERM BORROWINGS

	AS At Mar 31, 2022		AS At March 31, 2021	
SECURED LOANS				
From HDFC Bank Loan (For Vehicle) (Secured against Hypothecation of Audi Q7 45 Tdi Car)	-		4.44	
From HDFC Bank (For Nimji Plant Expansion) (Secured Against hypothecation of Nimji Plant)	74.43	74.43	552.03	556.47
From HDFC Bank (FCTL) (Secured Against hypothecation of Roller)	205.47	205.47		
		279.90		556.47

NOTE No. -6 OTHER LONG-TERM LIABILITIES

	₹ (lacs)		₹ (lacs)	
	AS At Mar 31, 2022		AS At March 31, 2021	
Vehicle/Laptop Scheme		15.12		20.91
Deposits From Distributors		50.21		50.61
		65.33		71.52

NOTE No. -7 SHORT TERM BORROWINGS

	AS At Mar 31, 2022		AS At March 31, 2021	
SECURED LOANS - CASH CREDIT				
<u>From HDFC Bank</u> (Secured against Mortgage of Land & Building, book debts & hypothication of Stock)		1,095.39		941.45
<u>From DBS bank</u> (Secured against Mortgage of Land & Building, book debts & hypothication of Stock)		767.00		175.43
<u>From Yes Bank</u> (Secured against Mortgage of Land & Building, book debts & hypothication of Stock)		50.14		-
From State Bank of India (OD) (Secured against Fixed Deposits) Limit againt FD - 56.60 Lakhs		-		
CURRENT MATURITIES OF LONG TERM BORROWINGS				
From HDFC Bank Term Loan	166.67			250.00
From HDFC Bank FCTL	51.37	218.03		-
		2,130.56		1,366.88
Note 7.1 : The company has unutilised working capital limit from various banks of Rs. 1587.48 lakhs as on 31.3.2022 (Previous Year 31.3.2021 Rs. 2383.12 lakhs)				

NOTE No. -8 TRADE PAYABLES

	AS At Mar 31, 2022		AS At March 31, 2021	
Sundry Creditors:				
Total outstanding dues of micro and small enterprises	13.07		88.10	
Total outstanding dues of creditors other than micro and small enterprises	2,760.32	2,773.39	1,739.92	1,828.02
		2,773.39		1,828.02
Note 8.1 : Steps have been taken to identify the suppliers who qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as at 31st March 2021, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished. In the opinion of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act, is not expected to be material.				

NOTE No. -9 OTHER CURRENT LIABILITIES

	AS At Mar 31, 2022		AS At March 31, 2021	
Statutory Remittances	275.65		151.72	
Interim Dividend Payable 21-22	50.53		-	
Liabilities For Expences	50.29		34.88	
Advance Received from customers	87.34		141.47	
Other Credit Balances	383.08		431.51	
Covid Incentive Payable	0.00		6.98	
Mobile Scheme	0.10	846.99	0.10	766.66
		846.99		766.66

NOTE No. -10 SHORT TERM PROVISIONS

	AS At Mar 31, 2022		AS At March 31, 2021	
Provision for Leave Encashment		27.01		21.70
		27.01		21.70

NOTE No. -12 NON CURRENT INVESTMENTS

	AS At Mar 31, 2022		AS At March 31, 2021	
<u>Non-Trade Investments</u>				
<u>Quoted</u>				
Syndicate Bank Equity Share		0.17		0.17
In Mutual Fund		1,200.41		697.25
<u>Trade Investments</u>				
<u>Unquoted</u>				
<u>In Equity Shares of Subsidiaries</u>				
Diffusion Super-Conditioning Services Pvt. Ltd.		32.97		32.97
Diffusion Engineers Singapore Pte. Ltd.		154.43		154.43
Diffusion Herson Adhesive And Sealant Pvt. Ltd.		9.50		9.50
Newelco Industries Pvt Ltd		66.73		66.73
<u>In Equity Shares of Joint Venture</u>				
LSN Diffusion Ltd (Fully Paid Equity Shares)		674.61		674.61
		2,138.81		1,635.65

NOTE No. -13 OTHER NON CURRENT ASSETS

	AS At Mar 31, 2022		AS At March 31, 2021	
<u>Security Deposits & Fixed Deposit</u>				
Earnest Money Deposit & Security Deposit		74.35		71.47
Fixed Deposit (Security for Overdraft Facilities and Bank Guarantee)		474.45		384.57
		548.80		456.03

NOTE No. -14 INVENTORIES

	AS At Mar 31, 2022		AS At March 31, 2021	
Consumables, Stores and Spare parts				
<u>Stock in trade</u>				
Raw Materials	1,806.74		946.13	
Work in Progress	1,325.13		740.37	
Finished goods & Traded Goods	843.57	3,975.44	762.67	2,449.17
<u>Stock - In - Transit</u>				
Raw Materials	55.87		202.36	
Consumables, Stores and Spare parts	5.35		11.46	
Traded Goods	116.89	178.11	24.29	238.11
		4,153.54		2,687.28

NOTE No. -15 TRADE RECEIVABLES

	AS At Mar 31, 2022		AS At March 31, 2021	
(Unsecured, considered good)				
Outstanding for a period exceeding six months		416.28		521.13
Other Debts		4,363.51		3,584.93
		4,779.79		4,106.06

NOTE No. -16 CASH AND CASH EQUIVALENT

	AS At Mar 31, 2022		AS At March 31, 2021	
<u>Balances with Scheduled Banks</u>				
In Current Accounts	198.17		401.83	
In Dividend Accounts	50.53		0.07	
In Deposit Accounts - Principal & Accrued Interest		248.70		401.90
Cash in Hand		0.67		0.90
		249.37		402.80

NOTE No. - 17 SHORT TERM LOAN AND ADVANCES

	AS At Mar 31, 2022		AS At March 31, 2021	
Loans and advances to related parties		42.64		79.12
<u>Advances with Government Authorities</u>				
Excise Duty & Service Tax			-	
IGST Receivable	0.16		0.23	
CGST Receivable	0.00		0.00	
SGST Receivable	2.95		0.00	
TDS ON GST				
Custom Duty Advance	15.92		-	
Income Tax Refund				
Duty Drawback Receivable	22.63		8.26	
Meis License (Export Incentive Receivable)	6.78		-	
PSI Incentive Receivable	152.45		167.68	
Recurring Deposit Receivable				
VAT & Sales Tax	3.21	204.10	4.18	180.35
<u>Other Short term loans & advances</u> (Unsecured & considered good)				
Deposits Recoverable	122.73		71.53	
Staff Advance	35.97		24.73	
Provision for Tax- Net of Advance Tax	37.12		95.54	
Advance to others	149.20	345.02	137.09	328.89
		591.75		588.36

NOTE No. -18 REVENUES FROM OPERATIONS

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
<u>Sale of Products & Services</u>				
Sales (Manufacturing)	15,079.89		11,346.29	
Less: Returns	92.73	14,987.15	104.07	11,242.22
Sales (Trading)	1,339.06		865.86	
Less: Returns	13.20	1,325.86	2.78	863.08
Export Sales		1,603.45		1,838.79
Job Work Receipt:				
Local	1,491.50		1,057.71	
Export	13.95	1,505.45	43.00	1,100.71
Less:- Excise Duty				
<u>Other Operating Revenues</u>				
Insurance, Licenses & Packing on Sales	129.25		159.02	
Duty Drawback	24.61	153.86	26.97	185.99
		19,575.77		15,230.78

NOTE No. - 19 OTHER INCOME

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
Profit on Sale of Assets & Investment		120.25		38.08
Insurance Claim		23.65		10.09
PSI Incentive		69.97		66.68
Interest Received		31.48		20.19
Meis Licence A/C		31.03		4.65
Net Gain on Foreign Exchange Fluctuations		53.61		-
Write Back of Provisions		2.45		26.63
Rent Received		1.66		1.62
Other Income		7.99		7.52
		342.08		175.48

NOTE No. -20 COST OF MATERIAL CONSUMED

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
<u>Raw Material Consumed</u>				
Opening Stock (inclusive of Stock-in-Transit)	1,060.70		1,076.48	
Add: Purchases (inclusive of Stock-in-Transit)	11,684.67		6,097.06	
	12,745.36		7,173.54	
Less: Closing Stock (inclusive of Stock-in-Transit)	1,677.68	11,067.69	1,060.70	6,112.84
		11,067.69		6,112.84

NOTE No. -21 DIRECT EXPENSES

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
<u>Consumable, Stores & Spare Parts Material Consumed</u>				
Opening Stock (inclusive of Stock-in-Transit)	99.25		74.46	
Add : Purchase (inclusive of Stock-in-Transit)	515.08		393.49	
	614.33		467.95	
Less: Closing Stock (inclusive of Stock-in-Transit)	129.07	485.26	99.25	368.70
Laboratory Expenses		-		
Custom Duties		127.02		100.33
Job Work Charges		1,051.42		711.55
Labour Charges		156.75		102.75
Carriage Inward & Clearing Charges		247.15		126.83
Power & Fuel		373.62		283.69
Lease Rental		77.78		2.20
Water Charges		2.88		2.95
		2,521.86		1,699.00

NOTE No. -22 CHANGE IN INVENTORIES

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
Closing Stock				
Work in Progress	1,325.13		740.37	
Finished Goods	452.78		363.44	
Traded Goods (inclusive of Stock-in-Transit)	390.79		423.52	
	2,168.70		1,527.33	
Less: Opening Stock				
Work in Progress	740.37		1,570.11	
Finished Goods	363.44		1,153.25	
Traded Goods	423.52		466.54	
	1,527.33		3,189.90	
Change in Inventories		641.37		(1,662.57)
		641.37		(1,662.57)

NOTE No. - 23 EMPLOYEE BENEFIT EXPENSES

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
Salaries, Wages, Bonus & Ex-gratia		2,123.17		1,805.23
Sales Commission to Staff		49.18		27.52
Company's Contribution to PF, ESIC & Others		139.67		124.55
Gratuity		38.10		22.41
Directors Remuneration		132.72		121.85
Directors' Commission		70.50		57.50
Staff Training and Recruitment		1.30		(0.01)
Staff Welfare		10.94		5.42
Workman Compensation		-		16.00
Covid Incentive		-		114.59
Leave Travel Allowance & Other Allowance		29.32		17.32
		2,594.91		2,312.37

NOTE No. - 24 FINANCE COST

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
Bank Interest		93.68		157.03
Bank Charges		29.50		19.16
Other Interest		11.37		13.77
Exchange Fluctuation on Foreign Currency Transactions/ Translations		(0.66)		
		133.88		189.95

NOTE No. - 25 OTHER COST

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
Rates & Taxes		33.19		19.64
Security Charges		45.56		45.48
Insurance		35.07		43.76
Foreign Travel Expenses		9.08		5.63
Foreign Travel Expenses - Director		2.61		-
Postage, Telegram, Telex & Telephone		19.06		19.02
Printing & Stationery		0.94		0.53
<u>Travelling Expenses & Conveyance:</u>				
Directors	9.25		1.79	
Others	164.65	173.90	112.41	114.20
Rent		38.07		35.80
Office Maintenance & Factory Expenses		3.76		6.21
<u>Repairs & Maintenance:</u>				
Building				
Machinery	5.85		6.81	
Vehicles	27.54		26.67	
Others	28.80	62.19	22.50	55.98
Legal & Professional Charges		124.52		83.29
I. S. O. & R.D.S.O Expenses		2.86		0.70
Membership & Subscription, Books & Periodicals		19.60		5.64
Donation & Charity		-		-
Registration Fees		1.99		0.10
Board Meeting Expenses		0.05		0.00
Filing Fees		0.00		0.42
Directors' Sitting Fees		5.60		5.60
Other Expenses		27.42		16.00
Pooja, Diwali & Gift Expenses		7.76		1.09
<u>Auditors' Remuneration</u>				
Statutory Audit	4.00	-	3.60	
Tax Audit & Transfer Pricing	3.50	7.50	3.30	6.90
Internal Audit Fees		3.20		3.12
Sales Tax Paid		-		-
GST Paid		21.33		0.43
Company Profession Tax		0.08		0.07
Website Development Expenses		0.05		0.05
Carriage Outward & Handling Charges		291.91		278.82
Advertisement		8.24		7.20
Sales Promotion (Including Entertainment)		8.77		2.81
Tender Fees		1.35		0.57
Net Loss on Foreign Exchange Fluctuations		-		18.03
Commission & Discount to Distributors & others		23.51		75.76
Exhibition, seminar & New Product Launching		2.54		0.25
Testing Charges		8.61		8.28
Late Delivery Charges		0.03		24.42
Bad Debts & Write Off		12.99		26.31
Rate / Weight Differences		16.79		1.41
		1,020.12		913.50

NOTES TO ACCOUNTS

Note No. 1 : COMPANY BACKGROUND

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

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) **Property, plant and equipment and Intangible assets and Depreciation**

a) Property, plant and equipment and Intangible assets are stated at cost of acquisition or construction less accumulated depreciation. All costs relating to the acquisition and installation of Property, plant and equipment and Intangible 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 Property, plant and equipment and Intangible assets of holding company, depreciation on Property, plant and equipment 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.

c) In FY 19-20, Plant and Machinery was installed and however some part of it was wrongly added into Building. It has been correctly regrouped from Building to Plant and Machinery in current Financial Year.

(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.

(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.

NOTE No. -26 NOTES ON ACCOUNTS

(in Rs Lakhs)

(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

a. Excise Duty Liability Disputed

Current Year Previous Year

16.63

16.63

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 2022 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 [HUF]	7.97%	2,97,897	7.97%	2,97,897
2	Mr.Prashant Garg	38.97%	14,56,593	38.97%	14,56,593
3	Dr. Nitin Garg	26.28%	9,82,322	26.28%	9,82,322
4	Mrs Chitra garg	22.73%	8,49,653	22.73%	8,49,653

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

- a) Quoted Non Trade Investment of 268 (Previous Year 268) Equity shares of Canara Bank (Earlier Syndicate) at a cost of Rs. 17,000/- (Previous Year Rs.17,000/-) the Market value of which is Rs. 61,037/- (Previous Year Rs.40827/-).
- 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/-).
- 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/-)
- d) Unquoted Trade Investment of 95,000 (Previous Year 95,000) Equity Shares of Diffusion Hemon Adhesive And Sealant Pvt Ltd. at a cost of Rs 9,50,000/- (Previous Year Rs. 9,50,000)
- e) Unquoted Trade Investment of Equity shares of LSN Diffusion Ltd at a cost of Rs. 674,60,687/-(GBP 7,50,000/-) (Previous Year paid up capital Rs.6,74,60,687/-(GBP 7,50,000/-).
- 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/-)

(in Rs Lakhs)

h) **Mutual Fund Investment**

Sr. No.	Name of Mutual Fund	Amount	No. of Units	Market Value
1	DSP Blackrock India Tiger Fund	29.68	34,449.187	49.18
	(Previous Year)	29.68	34,449	38.18
2	Franklin India Equity Advantage Fund (G)	0.00	8,517.044	8.38
	(Previous Year)	5.38	8,517	8.38
3	Franklin India Prima Fund	7.00	793.6310	11.31
	(Previous Year)	7.00	794	9.95
4	HDFC - Flexi Cap Fund Reg (G)	7.50	1,288.4370	13.03
	(Previous Year)	7.50	1,288	10.27
5	HDFC Balance Advantage Fund (G)	12.98	6,975.006	19.91
	(Previous Year)	12.98	6,975	16.45
6	ICICI Pru - Value Discovery Fund (G)	46.72	35,706.3230	90.53
	(Previous Year)	46.72	35,706	68.78
7	ICICI Pru - Infrastructure Fund Reg (G)	13.91	33,487.3620	27.72
	(Previous Year)	13.91	33,487	20.45
8	Absl Front Line Equity Fund	3.50	1,684.2790	5.68
	(Previous Year)	3.50	1,684	4.73
10	ICICI Pru -Multi Asset Fund	31.09	12,270.8020	53.27
	(Previous Year)	42.98	18,096	59.92
11	IDFC -Flexi cap Fund (G)	15.44	17,188.8460	23.14
	(Previous Year)	15.44	17,189	19.31
12	Frankline- India Bluechip Fund	6.50	1,498.864	10.25
	(Previous Year)	6.50	1,499	8.94
13	Franklin India Short Term Income Plan	31.12	671.884	31.66
	(Previous Year)	239.66	22,263	287.12
14	IDFC -Core Equity Fund (G)	27.50	63,290.4860	43.28
	(Previous Year)	27.50	63,290	35.91
15	L & T Infrastructure Fund	39.50	2,50,330.8080	59.00
	(Previous Year)	33.50	2,22,713	40.47
16	Mirae Asset India Equity Fund- (G)	71.50	1,05,036.00	81.31
	(Previous Year)	54.80	1,02,565	67.19
17	Kotak Flexicap Fund-Growth	59.00	1,46,183	75.97
	(Previous Year)	56.40	1,55,575	69.95
18	L&T Midcap Fund- (G)			
	(Previous Year)	12.60	9,801	17.18
19	Hdfc Small Cap Fund- (G)	9.60	17,566	12.47
	(Previous Year)	9.60	24,741	13.08
20	Axis Bluechip Fund - Regular Plan- Growth	40.00	1,09,185.0000	48.89
	(Previous Year)	32.00	96,745	37.45
21	Parag Parikh Long Term Equity Fund-Regular Plan- C	76.00	1,95,309	96.63
	(Previous Year)	36.00	1,09,101	41.46
22	Kotak Emerging Equity Fund Growth	42.02	63,031.0000	45.00
	(Previous Year)	3.60	11,858	6.80
24	Axis Focused 25-G Fund	22.50	50,299	43.11
	(Previous Year)	-	-	-
26	Icici Prudential Savings Fund- Regular- Growth	0.60	140	433.36
	(Previous Year)	-	-	-
27	Invesco India Contra-G Fund	30.00	40,185	75.44
	(Previous Year)	-	-	-
23	Avendus Absolute Return Fund	201.76	1,0000	212.39
	(Previous Year)	-	-	-
25	Icici Prudential Long Short Fund - Series I	374.98	1,0000	386.33
	(Previous Year)	-	-	-

(v)	Payment to Auditors:	Current Year	Previous Year
	Audit Fees	4.00	3.60
	Tax Audit	1.25	1.20
	Transfer Pricing	2.25	2.10

(vi)	Earning Per Share :	Current Year	Previous Year
	Net Profit after Tax after Prior Period Items and CSR	1,498.84	1,045.77
	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	40.10	27.98
	[Nominal Value Rs.10/- each] (Rs.)		

(vii)	Break-up of Deferred Tax Assets / (Liabilities) :	Current Year	Previous Year
	Deferred Tax Liability:		
	Timing Difference on account of Carrying amount of Property, plant and equipment and Intangible assets in the Financial Statements and the Income Tax Return	350.30	366.24
	Deferred Tax Assets:	-	-
	Expense allowable for tax purpose when paid (Section 43B items)	6.80	26.12
	Net Deferred Tax Assets / (Liability)	(343.50)	(340.12)

viii) **Disclosure pursuant to Accounting Standard 15 - "Employee Benefits"**
Disclosure of Defined Benefit Gratuity Plan

		Current Year	Previous Year	
1) Changes in Present value of Obligation:				
Present Value of Obligations as at the beginning of the year		171.17	142.03	
Interest Cost		11.05	9.10	
Current Service Cost		19.27	12.02	
Benefits Paid		(15.87)	(10.90)	
Actuarial (gain) / Loss on obligations		8.70	18.92	
Present Value of Obligations as at the end of the year		194.32	171.17	
2) Changes in fair Value of Plan assets:				
Fair Value of Plan assets at the beginning of the year		192.07	154.51	
Expected return on plan assets		13.21	12.44	
Contributions		22.92	36.98	
Benefits Paid		(15.87)	(10.90)	
Actuarial Gain / (Loss) On Plan assets		(0.24)	(0.97)	
Fair Value of Plan assets at the end of the year		212.08	192.07	
3) The amount to be recognized in the Balance sheet:				
Present Value of Obligations as at the end of year		0.00	0.00	
Fair Value of Plan assets at the end of the year		0.00	0.00	
Net assets / (Liability) recognised in Balance sheet		0.00	0.00	
4) Actuarial Gain / Loss recognized:				
Actuarial (Gain) / Loss on Obligations		8.70	18.92	
Actuarial (Gain) / Loss for the year on plan assets		(0.24)	0.97	
Actuarial (Gain) / Loss recognized in the year		8.46	19.89	
5) Expenses recognized in Statement of Profit and Loss:				
Current Service cost		19.27	12.02	
Interest Cost		11.05	9.10	
Expected return on plan assets		(13.21)	(12.44)	
Net actuarial (Gain) / Loss recognized in the year		8.94	19.89	
Expenses recognized in Statement of Profit and Loss		26.05	28.56	
6) Assumption:				
Discount Rate	7.11%	6.77%	6.66%	7.65%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
	31-Mar-22	31-Mar-21	31-Mar-20	31-Mar-19
Present Value of Obligations	194.32	171.17	142.03	117.26
Fair Value of Plan Assets	212.08	192.07	154.51	155.16
Surplus / (Deficit) in the plan	17.76	20.89	12.48	37.90
Experience Adjustment - Obligations	8.70	18.92	17.50	14.66
Experience Adjustment - Plan Assets	(0.24)	(0.97)	0.14	(0.26)

Total amount of defined contribution plan during the year

Current Year
139.67

Previous Year
124.55

	<u>Current Year</u>	<u>Previous Year</u>
(ix) Outstanding to Micro, Small and Medium Enterprises (MSME) at the close of the year	13.07	88.10
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.

	<u>Current Year</u>	<u>Previous Year</u>
(x) Particulars		
Expenditure in Foreign Currency		
Dividends to a Foreign Shareholder		
Current year	-	-
Last year	-	-
Other Expenses	14.01	46.70
(xi) Earnings in Foreign Exchange	-	-
Export Sales	1,603.45	1,838.79
Job work receipts	13.95	43.00
(xii) C. I. F. Value of Imports	-	-
Raw Materials	1,173.16	602.79
Traded Goods	513.02	477.65
Capital Goods	-	-
Consumables, Stores and Spare parts	76.54	76.69

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	1,173	10.04%	-	0.00%
Indigenous	10,512	89.96%	6,097	100.00%
Total	11,685	100.00%	6,097	100.00%
Consumables, Stores and Spare parts				
Imported	77	14.86%	-	0.00%
Indigenous	439	85.14%	393	100.00%
Total	515	100.00%	393	100.00%

xiv) The impact assessment of Covid-19 is a continuing process given the uncertainties associated with its nature and duration. However, the management has estimated future cash flows for the Company and it believes that there is no impact on its ability to continue as a going concern and meeting its liabilities as and when they fall due.

(xv) **Note on Debtors**

The aging schedule is prepared by the company based on the transaction date as per the MIS of the company.

Trade Receivables ageing schedule as at 31st March,2022

(Rs. in Lakhs)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	4,363.73	99.38	71.01	65.75	124.38	4,724.25
(i) Undisputed Trade receivables - considered doubtful						-
(iii) Disputed trade receivables considered good					24.72	24.72
(iv) Disputed trade receivables considered doubtful		6.85	19.68	1.04	3.25	30.82

Trade Receivables ageing schedule as at 31st March,2021

(Rs. in Lakhs)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	3,584.93	182.97	122.69	62.34	106.17	4,059.10
(i) Undisputed Trade receivables - considered doubtful						-
(iii) Disputed trade receivables considered good					35.43	35.43
(iv) Disputed trade receivables considered doubtful					11.54	11.54

Sr. No.	Party Name	Amount	Remarks
1	CONCAST STEEL & POWER LIMITED	1,40,611	The company is under liquidation and liquidation proceedings are in progress. Company is of view that they will receive 100%, from NCLT
2	LIGNITE POWER PRIVATE LIMITED	1,56,424	Claim before NCLT dt. 06, July 2020
3	ENESTEE	95,104	Claim before NCLT dt. 08, October 2020
4	HNGIL	42,91,191	Claim before NCLT dt. 16, November 2021
5	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	1,21,650	ACCURATES (INDIA),LUDHIANA
	b	8,60,484	FUSION TECH(STK)
	c	84,708	MAA INDUSTRIAL SERVICES,SONEBHADRA
d	1,99,268	MANGALAM TIMBER PRODUCTS LTD	
6	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	15,40,656	PIONEER INDUSTRIAL MILL STORES,(STK)
	c	1,77,219	RUV INDUSTRIAL PRODUCTS PVT LTD.,NAGPUR
	d	4,54,775	TSS GLOBAL PVT LTD.,(DISTRIBUTOR)
	e	708	FUSION TECH(STK)
f	14,935	MAA INDUSTRIAL SERVICES,SONEBHADRA	

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

The aging schedule is prepared by the company based on the transaction date as per the MIS of the company.

Particulars	Outstanding for following periods from due date of payment				(Rs. in Lakhs)
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	7.46	-	-	-	7.46
(ii) Others	2,497.68	168.36	47.48	46.79	2,760.32
(iii) Disputed dues-MSME	5.61				5.61
(iv) Disputed dues - Others					-

Trade Payables ageing schedule: As at 31st March,2021

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	69.15	-	-	-	69.15
(ii) Others	1,634.35	58.47	44.17	2.93	1,739.92
(iii) Disputed dues-MSME	18.96				18.96
(iv) Disputed dues - Others					-

xvii) **Ratio Analysis**

Sr No	Ratio Analysis	Numerator	Denominator	31-Mar-22	31-Mar-21	% Variance	Remarks
1	Current Ratio	Current Assets	Current Liabilities	1.69	1.95	-13.44%	
2	Debt Equity Ratio	Total Liabilities	Shareholder's Equity	0.55	0.47	15.72%	
3	Debt Service Coverage Ratio	Net Operating Income (EBDITA)	Finance Expenses	18.93	11.09	70.61%	Reduction in Debt
4	Return on Equity Ratio	Profit After Tax	Avg. Shareholders Equity	13.42%	11.08%	21.15%	
5	Inventory Turnover Ratio	Cost of Goods sold	Average Inventory	4.03	3.35	20.01%	
6	Trade Receivables Turnover Ratio	Net Credit Sales	Average Trade Receivables	4.41	4.07	8.14%	
7	Trade Payables Turnover Ratio	Total Purchases	Average Trade Payables	5.30	7.79	-31.93%	Substantial Increase in purchases as compared to creditors
8	Net Capital Turnover Ratio	Net Sales	Average Working Capital	5.02	4.50	11.68%	
9	Net Profit Ratio	Profit After Tax	Net Sales	7.66%	6.79%	12.80%	
10	Return on Capital employed	EBIT	Capital Employed	17.16%	15.13%	13.47%	
11	Return on Investment	Profit After Tax	Investment (Share Capital + Reserves) Last Year	14.29%	11.94%	19.67%	

xviii) **CORPORATE SOCIAL RESPONSIBILITY**

PARTICULARS	AS At Mar 31, 2022	AS At March 31, 2021
Amount required to be spent by the company during the year	26.93	23.70
Amount of expenditure incurred	33.34	23.73
Shortfall at the end of the year	0.00	0.00
Total of previous years shortfall	0.00	0.00

Note : Excess amount Rs. 6.41 Lakhs will be carried forward to next year

xix) Board of Directors proposes 20% Final Dividend on Equity shares subject to approval in AGM

xx) Quarterly returns or statements of current assets filed by the company with banks or financial institutions are generally in agreement with the books of accounts and there are no major discrepancies.

xxi) No funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

No funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

xxii) 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

PANKAJ RASIKLA L BHUTA Digitally signed by PANKAJ RASIKLA BHUTA Date: 2022.09.21 19:42:17 +05'30'

PANKAJ BHUTA
 Proprietor
 Membership Number: 31820
 Place : Mumbai
 UDIN : 22031820ATRLKA2793
 Date : 21-09-2022

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

PRASHANT GARG Digitally signed by PRASHANT GARG DN: cn=IN, o=Personal, 2.5.4.20=909091430794642554687, 2.5.4.42=20220921194217, email=prashant@diffusionengineers.com

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

Date : 21-09-2022

AJAY MOTILAL JAIN Digitally signed by AJAY MOTILAL JAIN DN: cn=IN, o=Personal, 2.5.4.20=909091430794642554687, 2.5.4.42=20220921194217, email=ajay@diffusionengineers.com

AJAY JAIN
 Director
 DIN :- 02815416
 Place : Nagpur

Date : 21-09-2022

Note 11 Fixed assets (contd.)											
ASSETS	Accumulated Depreciation and Impairment								Net block		
	Balance as at 1 April, 2021	Depreciation / amortisation expense for the year		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, 2022	Balance as at 31 March, 2022	Balance as at 31 March, 2021
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
PROPERTY PLANT & EQUIPMENT											
(a) Land											
Freehold	-	-	-	-	-	-	-	-	-	847.54	847.54
(b) Buildings											
Own use	695.70	75.42	-	-	-	-	-	-	771.12	2,246.95	2,455.98
(c) Plant and Equipment											
Owned	2,720.09	253.05	-	-	-	-	-	-	2,973.15	2,493.28	2,003.00
(d) Furniture and Fixtures											
Owned	101.42	10.70	-	-	-	-	-	-	112.12	57.34	65.03
(e) Vehicles											
Owned	209.18	23.38	-	-	-	-	-	-	232.55	115.08	125.71
(f) Office equipment											
Owned	52.59	4.20	-	-	-	-	-	-	56.79	26.12	10.36
(g) Others											
Air-Conditioners	24.82	1.62	-	-	-	-	-	-	26.44	4.61	4.85
Computers	147.55	6.18	-	-	-	-	-	-	153.73	18.10	12.43
Projectors	6.94	0.31	-	-	-	-	-	-	7.25	4.02	4.33
Spectrometer	63.61	2.18	-	-	-	-	-	-	65.79	11.26	12.08
Weighing Machines	14.86	0.32	-	-	-	-	-	-	15.18	3.27	3.00
INTANGIBLE ASSETS											
(h) Technical Know-how	308.67	-	-	-	-	-	-	-	308.67	1.34	1.34
(i) Software	138.03	6.16	-	-	-	-	-	-	144.19	15.85	20.38
Total	4,483.47	383.52							4,867.00	5,844.77	5,566.02
Previous year	4,109.48	305.33								6,029.75	
Capital Work In Progress	-	-							-	-	-

SEGMENT REPORTING UNDER ACCOUNTING STANDARD (AS) 17
Business Segment

(in Rs. Lakhs)

Particulars	Manufactured Products		Trading Products		Job Works		Eliminations / Unallocated		Consolidated Total	
	₹		₹		₹		₹		₹	
	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021	2021-2022	2020-2021
a) Revenues										
<u>External Sales (Net of excise duty)</u>										
Local	14,987.15	11,242.22	1,325.86	863.08	1,491.50	1,057.71	-	-	17,804.51	13,163.00
Export	1,573.70	1,810.72	29.74	28.08	13.95	43.00			1,617.40	1,881.80
<u>Inter-Segment</u>	-	-					-	-	-	-
Total Revenue	16,560.86	13,052.94	1,355.61	891.15	1,505.45	1,100.71	-	-	19,421.91	15,044.80
Identifiable Operating Expenses	0.12	9,151.37	0.01	651.02	0.01	625.34	-	-	0.14	10,427.72
b) Segment results before interest & tax	16,560.74	3,901.57	1,355.60	240.14	1,505.44	475.37	-	-	19,421.77	4,617.08
c) Interest & Other Income									495.94	361.47
d) Unallocated expenses									17,901.14	3,435.21
e) Profit before tax									2,016.57	1,543.33
f) Tax Expense									484.39	473.83
g) Net Profit after tax									1,532.18	1,069.50
h) Segment assets	5,803.64	5,662.32	390.79	466.54	213.45	156.94	11,898.96	9,060.86	18,306.84	15,346.66
i) Segment liabilities	(122.55)	1,659.91	1	1.77	122.02	655.17	18,306.84	13,029.83	18,306.84	15,346.66
j) Capital Expenditure							0.00	0.00	0.00	0.00
k) Depreciation and amortisation	0.00	207.82	-	-	0.00	17.52	0.00	148.65	0.00	374.00
l) Other Significant Non Cash Expenses							12,890.00	109.16	12,890.00	109.16

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.



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, 2022, 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, 2022, 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, 2022 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022, 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, 2022, 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, 2022;
 - (iv) a) The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
c) Based on the audit procedures that were considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub clause (a) & (b) contain any material misstatement.
 - (v) The final dividend paid by the Company during the year in respect of that declared for the previous year is in accordance with section 123 of the Act to the extent it applies to payment of dividend.

The interim dividend declared and paid by the Company during the year and until the date of this audit report is in accordance with section 123 of the Act.

As stated in Note No 26(xviii) to the standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of dividend declared is in accordance with section 123 of the Act to the extent it applies to declaration of dividend

For **P. R. Bhuta & Co.**

FRN: 101471W

Chartered Accountants

PANKAJ
RASIKLAL
BHUTA

Digitally signed by
PANKAJ RASIKLAL
BHUTA
Date: 2022.09.21
19:50:38 +05'30'

Pankaj Bhuta

Proprietor

Membership No: 31820

UDIN: 22031820ATRLKA2793

Place : Mumbai

Date : 21-09-2022

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT

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

-
- (i) In respect of its Property, Plant & Equipment and Intangible Assets:
- (a) (A) The company has maintained proper records showing full particulars, including quantitative details and situation of its "Property, Plant and Equipment" on the basis of available information.
(B) the company has maintained proper records showing full particulars of intangible assets.
 - (b) As explained to us, the "Property, Plant and Equipment" have been physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, having regard to the size of the company and the nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
 - (c) The title deeds of the all the immovable properties held by the company are in the name of the company;
 - (d) The Company has not revalued its Property, Plant and Equipment (including right to use) or intangible assets during the year ended 31st March, 2022,
 - (e) There are no proceedings initiated or are pending against the company for holding any Benami property under the Prohibition of Benami Property Transactions Act, 1988 and rules made thereunder.
- (ii) (a) In respect of its inventories, as explained to us, the inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and nature of its business. Discrepancies of 10% or more in aggregate for each class of inventory were not noticed on such physical verification.
(b) As disclosed in Note No. 7 to the standalone financial statements, the Company has been sanctioned working capital limits in excess of Rs.5 crore in aggregate from banks on the basis of security of current assets of the Company. The quarterly returns/statements filed by the company with such banks are in agreement with the books of accounts of the company.
- (iii) The Company has not made any investments, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties during the year and accordingly, the requirement to report on clause 3(iii) is not applicable to the Company.
- (iv) In our opinion & according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made.
- (v) The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Companies Act and the rules made thereunder, to the extent applicable. Accordingly, requirement to report on clause 3(v) of the order is not applicable to the company.
- (vi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) In respect of statutory dues:
- (a) According to the information and explanations given to us and in our opinion, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, GST, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess and any other statutory dues, as applicable, with the appropriate authorities and hence, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at March 31, 2022 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) The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- (ix) (a) The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.
 (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
 (c) Term loans were applied for the purpose for which the loans were obtained.
 (d) On an overall examination of the standalone financial statements of the Company, no funds raised on short-term basis have been used for long-term purposes by the Company.
 (e) On an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures. Accordingly, the requirement to report on clause 3(ix)(e) of the Order is not applicable to the Company and hence not reported upon.
 (f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Hence, the requirement to report on clause (ix)(f) of the Order is not applicable to the Company and hence not reported upon
- (x) (a) The Company has not raised any money during the year by way of initial public offer/ further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company and hence not reported upon.
 (b) The Company has not made any preferential allotment or private placement of shares /fully or partially or optionally convertible debentures during the year under audit and hence, the requirement to report on clause 3(x)(b) of the Order is not applicable to the Company and hence not reported upon
- (xi) (a) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the standalone financial statements and according to the information and explanations given by the management, no fraud by the Company or no material fraud on the Company has been noticed or reported during the year.
 (b) During the year, no report under sub-section (12) of section 143 of the Companies Act, 2013 has been filed by cost auditor/ secretarial auditor or by us in Form ADT – 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
 (c) The Company is not required to make and does not have Whistle Blower Policy. Accordingly, the requirement to report on clause 3(xi)(c) is not applicable to the Company.
- (xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the company, the transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the Financial Statements, as required by the applicable accounting standards.
- (xiv) (a) The Company has an internal audit system commensurate with the size and nature of its business.
 (b) The internal audit reports of the Company issued till the date of the audit report, for the period under audit have been considered by us.

- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the requirement to report on clause 3(xvi) is not applicable to the Company.
- (xvii) The Company has not incurred cash losses in the current year and in the immediately preceding financial year.
- (xviii) There has been no resignation of the statutory auditors during the year and accordingly requirement to report on Clause 3(xviii) of the Order is not applicable to the Company.
- (xix) On the basis of the financial ratios disclosed in No 26(xvii), to the standalone financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) (a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub section 5 of section 135 of the Act.
(b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance of provision of sub section (6) of section 135 of Companies Act.

Place : Mumbai
Date : 21-09-2022

For P. R. Bhuta & Co.

FRN: 101471W

Chartered Accountants

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Pankaj Bhuta

Proprietor

Membership No: 31820

UDIN: 22031820ATRLKA2793

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, 2022 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, 2022, 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

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Date: 2022.09.21
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Pankaj Bhuta

Proprietor

Membership No: 31820

UDIN: 22031820ATRLKA2793

Place : Mumbai

Date : 21-09-2022

DIFFUSION ENGINEERS LTD						
CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE PERIOD 31 MARCH 2022						
	PARTICULARS	NOTES	As At March 31, 2022		As At March 31, 2021	
			₹ (in Lacs)	₹ (in Lacs)	₹ (in Lacs)	₹ (in Lacs)
i	Revenues from operations	19	20,458.87		15,526.33	
ii	Other income	20	344.22		173.73	
iii	Total Revenue			20,803.09		15,700.06
iv	Expenses					
	Cost of material consumed	21	11,527.57		5,998.58	
	Purchase of Traded goods (inclusive of Stock-in-Transit)		820.66		598.71	
	Direct Expenses	22	2,644.90		1,763.87	
	Changes in inventories	23	(642.32)		1,684.96	
	Employee benefit expenses	24	2,698.57		2,414.36	
	Finance costs	25	138.43		200.04	
	Depreciation expenses and amortisation expenses	12	416.44		389.86	
	Others expenses	26	1,133.99		982.86	
	Total expenses			18,738.24		14,033.25
v	Profit before exceptional and extraordinary items and tax			2,064.85		1,666.82
vi	Prior Period Items			-		-
vii	Profit before income tax			2,064.85		1,666.82
viii	Tax expenses:					
	Current income tax		487.85		437.64	
	Short / (Excess) Provision for Income Tax					
	Deferred income tax		2.80	490.65	70.14	507.78
	Profit Before CSR for the period(vii-viii)			1,574.20		1,159.04
	CSR for the Period			33.34		23.73
ix	Profit after tax before share in profit of associates & minority interest			1,540.85		1,135.31
	Add/Less:- Minority Interest			2.14		(5.85)
	Add:- Shares in Profit & (Loss) of Associates			87.53		(203.00)
x	Profit for the period			1,626.25		938.17
	Earnings per equity share:					
	Basic			43.51		25.10
	Diluted			43.51		25.10

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

PANKAJ RASIKLAL BHUTA
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 Date: 2022.09.21 19:38:13 +05'30'

PANKAJ BHUTA
 Proprietor
 Membership Number: 31820
 Place : Mumbai
 Date : 21-September-2022
UDIN : 22031820ATRMSB9082

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

PRASHANT GARG
 Digitally signed by PRASHANT GARG
 DN: cn=PRASHANT GARG, o=DIFFUSION ENGINEERS LIMITED, ou=DIFFUSION ENGINEERS LIMITED, email=prashant.garg@diffusioneng.com, c=IN

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

Date : 21-September-2022

AJAY MOTILAL JAIN
 Digitally signed by AJAY MOTILAL JAIN
 DN: cn=AJAY MOTILAL JAIN, o=DIFFUSION ENGINEERS LIMITED, ou=DIFFUSION ENGINEERS LIMITED, email=ajay.motilal.jain@diffusioneng.com, c=IN

AJAY JAIN
 Director
 DIN :- 02815416
 Place : Nagpur

Date : 21-September-2022

DIFFUSION ENGINEERS LIMITED				
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2022				
PARTICULARS	AS At March 31, 2022		AS At March 31, 2021	
	₹	₹ (in Lacs)	₹	₹ (in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES:				
Net Profit before tax		2,064.85		1,666.82
Adjustments for :				
Bad Debts Written off	1.31		30.91	
Write Back	(2.45)		(26.63)	
Depreciation	416.44		389.86	
Dividend on Investments	-		(3.18)	
Interest and Finance Charges	138.43		200.04	
Interest Income	(32.62)		(15.17)	
Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	(122.28)		(38.18)	
Inter Company Stock Reserve	-		-	
CSR	(33.34)		(23.73)	
		365.48		513.92
Operating Profit before Working Capital changes		2,430.33		2,180.74
Adjustment for :				
Inventories	(1,484.13)		1,725.26	
Trade Receivables	(653.10)		(677.15)	
Short-term loans and advances	(114.50)		(4.52)	
Trade Payables & Other Liabilities	1,845.62		(2,046.85)	
		(406.11)		(1,003.26)
Cash generated from Operations		2,024.22		1,177.48
Direct Taxes Paid		(490.65)		(507.78)
Net Cash Flow from Operating Activities (A)		1,533.56		669.70
B. CASH FLOW FROM INVESTING ACTIVITIES:				
Inflow / (Outflow) on account of :				
Dividend on Investments	-		3.18	
Profit/(loss) on sale of Investments	122.28		38.18	
Interest Income	32.62		15.17	
(Purchases) / Sales of Fixed Assets (Net)	(753.38)		73.32	
(Purchases) Capital W.I.P	-		-	
(Purchases) / Sales of Investments (Net)	(482.05)		71.29	
Net Cash Flow from Investing Activities (B)		(1,080.53)		201.14
C. CASH FLOW FROM FINANCING ACTIVITIES:				
Proceeds / (Repayment) from/of Secured Loans	(282.77)		(356.74)	
Interest and Finance Charges	(138.43)		(200.04)	
Dividend paid (including tax on dividend)	(149.50)		(130.81)	
Net Cash Flow from Financing Activities (C)		(570.69)		(687.59)
D. FOREIGN EXCHANGE TRANSLATION RESERVE		6.34		2.15
Net Increase / (Decrease) in Cash and Cash Equivalents [A+B+C+D]		(111.31)		185.39
Cash and Cash Equivalents as at the beginning of the year	467.94		282.54	
Cash and Cash Equivalents as at the end of the year	356.62		467.94	
		(111.31)		185.39
Reconciliation to Cash and Bank Balances given in Schedule 6:				
Cash and Bank Balance as at the year end		356.62		467.94
Less:				
Balances in Fixed Deposit accounts kept as security for Overdraft		20.38		20.22
Cash and Cash Equivalent as at the year end		336.24		447.72

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

PANKAJ RASGLAL BHUTA

PANKAJ BHUTA

Proprietor

Membership Number: 31820

Place : Mumbai

Date : 21-September-2022

UDIN : 22031820ATRMSB9082

For and on behalf of the Board of Directors of

Diffusion Engineers Limited

**PRASHA
NT GARG**

PRASHANT GARG

Chairman & Managing Director

DIN :- 00049106

Place : Nagpur

Date : 21-September-2022

AJAY

MOTILAL

JAIN

AJAY JAIN

Director

DIN :- 02815416

Place : Nagpur

Date : 21-September-2022

Digitally signed by AJAY MOTILAL JAIN
DN: cn=Ajay Motilal Jain, o=Diffusion Engineers Limited, email=ajay@diffusionengineers.com, c=IN

CONSOLIDATED NOTES TO ACCOUNTS
DIFFUSION ENGINEERS LTD

NOTE No -3 SHARE CAPITAL **₹ (in Lacs)**

	As At March 31, 2022		As At March 31, 2021	
<u>AUTHORISED</u>				
50,00,000 Equity Shares of Rs 10/- each		500.00	-	500.00
		500.00		500.00
<u>PARENT'S SHARE CAPITAL</u>				
37,37,467 Equity shares of Rs 10/- each (Refer Note No 27 (iii))		373.75		373.75
		373.75		373.75

NOTE No. -4 RESERVES AND SURPLUS **₹ (in Lacs)**

	As At March 31, 2022		As At March 31, 2021	
Securities Premium Account		293.65	-	293.65
Capital Redemption Reserve		47.22		47.22
Capital Investment Subsidy		0.77	-	0.77
Capital Reserve	174.24		174.24	
Less: Investment of Subsidiary	15.00	159.24	15.00	159.24
<u>General Reserve</u>				
Opening balance	1,220.49		1,220.49	
Add: Transferred from profit & loss a/c	-		-	
Closing Balance	88.58	1,220.49		1,220.49
	8,555.55			
<u>Profit & Loss Account</u>				
Opening Balance	8,466.97		7,659.62	
Add : Profit as per statement of profit & loss	1,626.25		938.17	
Add : Transfer from Minority				
Less:- Inter-Company Stock Reserve	-		-	
	10,093.22		8,597.79	
Less : Final Dividend for A Y 2020-21	74.75		56.06	
Less : Interim Dividend	74.75		74.75	
Less : Proposed Dividend for A Y 2020-21	-		-	
Less : Corporate Dividend Tax	-		-	
Less : Share of Reserves from Associates Company				
Less : Transfer to General Reserve	-		-	
Closing Balance		9,943.72		8,466.97
Share of Loss on investment	(186.15)	(186.15)	(186.15)	(186.15)
Foreign Exchange Difference		(43.47)	-	(49.82)
		11,435.46		9,952.37

NOTE No. -5 MINORITY INTEREST **₹ (in Lacs)**

	As At March 31, 2022		As At March 31, 2021	
Minority Interest		18.75		16.62
Share in Reserves		-		
		18.75		16.62

NOTE No. -6 LONG TERM BORROWINGS **₹ (in Lacs)**

	As At March 31, 2022		As At March 31, 2021	
<u>SECURED LOANS</u>				
From HDFC Bank Loan (For Vehicle) (Secured against Hypothecation of Audi Car Q7 45 Tdi)		-		4.44
From HDFC Bank (For Nimji Plant Expansion)		74.43		552.03
From HDFC Bank (FCTL) (Secured Against hypothecation of Roller)		205.47		-
		279.90		556.47

NOTE No. -7 OTHER LONG TERM LIABILITIES		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
Vehicle/Laptope Scheme		15.12		20.91
Deposit From Distributors		49.84		50.24
		64.96		71.15
NOTE No. -8 SHORT TERM BORROWINGS		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
SECURED LOANS				
<u>From HDFC Bank</u> (Secured against Mortgage of building & fixed assets)		1,095.39		941.45
<u>From DBS bank</u> (Secured against Mortgage of Land & Building, book debts & hypothication of Stock)		767.00		
<u>From Syndicate bank</u> Overdraft (Secured against book debts & hypothication of Stock)	49.04		45.63	
Overdraft (ODD) (Secured against Fixed Deposits)	-	49.04	-	45.63
<u>From YES Bank</u> Cash Credit (CC) (Secured against book debts & hypothication of Stock)	50.14	50.14	175.43	175.43
From State Bank of India (ODD) (Secured against Fixed Deposits)		-		-
<u>From ICICI Bank</u> Overdraft (Secured against book debts & hypothication of Stock)	-		-	
CURRENT MATURITIES OF LONG TERM BORROWINGS				
From HDFC Bank Term Loan	166.67		250.00	
From HDFC Bank FCTL	51.37	218.03	-	250.00
Working Capital Demand Loan	-	-	-	-
Advance Received From Related Parties		-		-
		2,179.61		1,412.52

NOTE No. -9 TRADE PAYABLES		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
Sundry Creditors:				
Due to Micro,Medium and Small Enterprises	14.82		93.99	
Others	3,070.52	3,085.35	1,800.72	1,894.71
		3,085.35		1,894.71
NOTE No. -10 OTHER CURRENT LIABILITIES		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
Amount Payable To Related Parties		(290.82)		(214.36)
Other Payables				
Statutory Remittances	278.18		169.50	
Interim Dividend Payable 21-22	50.53		-	
Liabilities For Expences	86.62		155.45	
Staff/Branch Imprest	-		-	
Advance Received from customers	89.41		155.13	
Other Credit Balances	383.33		431.91	
Covid Incentive	0.00		6.98	
Mobile Scheme	0.10	888.18	0.10	919.07
		597.36		704.71
NOTE No. -11 SHORT TERM PROVISIONS		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
Provision for Leave encashment	27.01		21.70	
	10.84	37.85	11.14	32.84
Provision for Tax- Net of Advance Tax		0.10		-
		37.95		32.84

NOTE No. -13 NON CURRENT INVESTMENTS		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
Non-Trade Investments				
<u>Quoted</u>				
Syndicate Bank Equity Share		0.17		0.17
In Mutual Fund		1,202.95		720.20
Subsidiaries Investment				
DSCS -National Saving Certificate		0.13		0.13
DSCS -Newelco Industries Pvt Ltd		-		-
Investment in Philippines		-		-
Investment in Mecdiff		31.45		30.37
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)		397.33	-	311.59
		1,632.03		1,062.45
NOTE No. -14 LONG TERM LOAN AND ADVANCES		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
<u>Statutory Advance Payments</u>				
Advance Income Tax		-		0.63
<u>Security Deposits & Fixed Deposit</u>				
Earnest Money Deposit & Security Deposit		74.35		71.47
Fixed Deposit (Security for Overdraft Facilities and Bank Guarantee) (Unsecured, considered good)		474.45		384.57
		548.80		456.67
NOTE No. -15 INVENTORIES		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
Consumables,Stores and Spare parts				
Stock in trade		-		-
Raw Materials	2,030.72		1,207.15	
Work in Progress	1,326.18		740.91	
Finished goods & Traded Goods	902.00	4,258.91	766.71	2,714.77
Less:- Inter-Company Stock Reserve		-		-
<u>Stock - In - Transit</u>				
Raw Materials	55.87		202.36	
Consumables,Stores and Spare parts	5.35		11.46	
Traded Goods	116.89	178.11	24.29	238.11
		4,437.01		2,952.88

NOTE No. -16 TRADE RECEIVABLES		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
(Unsecured, considered good)				
Outstanding for a period exceeding six months		440.21		545.12
Other Debts		4,304.50		3,547.80
		4,744.71		4,092.92
NOTE No. -17 CASH AND CASH EQUIVALENT		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
<u>Balances with Scheduled Banks</u>				
In Current Accounts	280.53		441.24	
In Dividend Accounts	50.53		0.07	
In Deposit Accounts - Principal & Accrued Interest	20.38	351.45	20.22	461.53
Cash in Hand		5.18		6.41
		356.62		467.94
NOTE No. - 18 SHORT TERM LOAN AND ADVANCES		₹ (in Lacs)		
	As At March 31, 2022		As At March 31, 2021	
Loans and advances to related parties		42.64		79.12
Preliminary Expenses		0.83		1.25
<u>Advances with Government Authorities</u>				
Excise Duty & Service Tax	-		0.39	
IGST Receivable	0.86		0.23	
CGST Receivable	0.08		0.08	
SGST Receivable	12.35		0.31	
TDS on GST	-		-	
Custom Duty Advance	15.92		0.23	
Income Tax Refund	1.39		0.77	
Duty Drawback Receivable	22.63		8.26	
Advance income tax	16.02		16.05	
Meis License (Export Incentive Receivable)	6.78		-	
PSI Incentive Receivable	152.45		167.68	
VAT & Sales Tax	21.47		19.90	
		249.95		213.90
<u>Other Short term loans & advances</u> (Unsecured & considered good)				
Deposits Recoverable	135.70		82.25	
Staff Advance	36.03		24.79	
Provision for Tax- Net of Advance Tax	37.12		95.54	
Advance to others	159.55		142.60	
		368.39		345.18
		661.82		639.45
NOTE No. -19 REVENUES FROM OPERATIONS		₹ (in Lacs)		
PARTICULARS	As At March 31, 2022		As At March 31, 2021	
<u>Sale of Products & Services</u>				
Sales (Manufacturing)	15,436.93		11,200.00	
Less: Returns	92.73	15,344.19	104.07	11,095.93
Sales (Trading)	1,339.06		865.86	
Less: Returns	13.20	1,325.86	2.78	863.08
Export Sales		1,603.45		1,838.79
Job Work Receipt:				
Local	2,017.56		1,499.54	
Export	13.95	2,031.51	43.00	1,542.55
Less:- Excise Duty		-		-
<u>Other Operating Revenues</u>				
Insurance, Licenses & Packing on Sales	129.25		159.02	
Duty Drawback	24.61	153.86	26.97	185.99
		20,458.87		15,526.33

NOTE No. - 20 OTHER INCOME			₹ (in Lacs)	
PARTICULARS	As At March 31, 2022		As At March 31, 2021	
Profit on Sale of Assets		122.28		38.18
Insurance Claim		23.65		10.09
Dividend Received		-		3.18
PSI Incentive Received		69.97		66.78
Interest Received		32.62		15.17
Meis Licence A/C		31.03		4.65
Net Gain on Foreign Exchange Fluctuations		53.61		-
Write Back of Liabilities / Impairment reversed		2.45		26.63
Rent Received		-		(0.29)
Other Income		8.61		9.33
		344.22		173.73
NOTE No.-21 COST OF MATERIAL CONSUMED			₹ (in Lacs)	
PARTICULARS	As At March 31, 2022		As At March 31, 2021	
Raw Material Consumed				
Opening Stock	1,319.08		1,291.97	
Add: Purchases (inclusive of Stock-in-Transit)	12,165.81		5,827.41	
	13,484.89		7,119.38	
Less: Closing Stock (inclusive of Stock-in-Transit)	1,957.32	11,527.57	1,120.80	5,998.58
		11,527.57		5,998.58
NOTE No. -22 DIRECT EXPENSES			₹ (in Lacs)	
PARTICULARS	As At March 31, 2022		As At March 31, 2021	
Consumption of Consumables, Stores and Spare parts (inclusive of Stock-in-Transit)		485.26		368.70
Custom Duties		127.02		100.33
Job Work Charges		1,090.68		720.83
Labour Charges		202.12		132.11
Carriage Inward & Clearing Charges		258.06		133.63
Power & Fuel		401.10		303.11
Lease Rental		77.78		2.20
Water Charges		2.88		2.95
		2,644.90		1,763.87
NOTE No. -23 CHANGE IN INVENTORIES			₹ (in Lacs)	
PARTICULARS	As At March 31, 2022		As At March 31, 2021	
Closing Stock				
Work in Progress	1,326.18		740.91	
Finished Goods	457.27		367.49	
Traded Goods (inclusive of Stock-in-Transit)	390.79		423.52	
	2,174.24		1,531.92	
Less: Opening Stock				
Work in Progress	740.91		1,590.85	
Finished Goods	367.49		1,159.49	
Traded Goods	423.52		466.54	
	1,531.92		3,216.88	
Change in Inventories		642.32		(1,684.96)
Excise Duty on Increase/Decrease of Finished Goods		-		-
		642.32		(1,684.96)
NOTE No. -24 EMPLOYEE BENEFIT EXPENSES			₹ (in Lacs)	
PARTICULARS	As At March 31, 2022		As At March 31, 2021	
Salaries, Wages, Bonus & Ex-gratia		2,219.15		1,886.69
Sales Commission to Staff		49.18		27.52
Company's Contribution to PF, ESIC & Others		140.02		124.92
Gratuity		38.10		22.41
Directors Remuneration		135.72		124.85
Directors' Commission		74.25		58.25
Staff Training and Recruitment		1.30		(0.01)
Staff Welfare		11.51		21.83
Workman Compensation		-		16.00
Covid Incentive		-		114.59
Leave Travel Allowance & Other Allowance		29.32		17.32
		2,698.57		2,414.36

NOTE No. - 25 FINANCE COST		₹ (in Lacs)	
PARTICULARS	As At March 31, 2022		As At March 31, 2021
Bank Interest		96.22	162.10
Bank Charges		31.45	24.18
Other Interest		11.42	13.77
Exchange Fluctuation on Foreign Currency Transactions/ Translations		(0.66)	-
		138.43	200.04
NOTE No. - 26 OTHER COST		₹ (in Lacs)	
PARTICULARS	As At March 31, 2022		As At March 31, 2021
Rates & Taxes		34.02	19.65
Security Charges		47.65	47.39
Insurance		35.86	45.29
Foreign Travel Expenses		9.08	5.63
Foreign Travel Expenses - Director		2.61	
Postage, Telegram, Telex & Telephone		19.34	19.25
Printing & Stationery		1.26	0.55
Travelling Expenses & Conveyance:		192.10	118.55
Rent		53.27	46.39
Office Maintenance & Factory Expenses		6.95	7.48
<u>Repairs & Maintenance:</u>			
Building	-		-
Machinery	7.00		7.29
Vehicles	27.54		26.67
Others	33.01	67.55	24.65
Legal & Professional Charges		136.01	94.30
I. S. O. & R.D.S.O Expenses		2.96	0.80
Membership & Subscription, Books & Periodicals		19.60	5.64
Freight on Raw Material		0.22	0.25
Registration Fees		6.66	0.83
Board Meeting Expenses		0.05	0.00
Filing Fees		0.06	0.42
Directors' Sitting Fees		5.60	5.60
Other Expenses		63.05	27.53
Pooja, Diwali & Gift Expenses		8.03	1.17
Statutory and Tax Audit Fees		7.86	7.24
Internal Audit Fees		3.20	3.12
Sales Tax Paid		0.21	-
GST Paid		21.34	0.57
Company Profession Tax		0.15	0.15
Website Development Expenses		0.05	0.05
Carriage Outward & Handling Charges		300.67	282.93
Advertisement		8.24	7.20
Sales Promotion (Including Entertainment)		9.24	10.55
Tender Fees		1.35	0.57
Commission & Discount to Distributors & others		2.33	81.43
Exhibition, seminar & New Product Launching		23.51	0.25
Testing Charges		2.54	8.71
Late Delivery Charges		8.61	24.42
Bad Debts & Write Off		1.31	30.91
Net Loss on Foreign Exchange Fluctuations		14.57	18.03
Rate / Weight Differences		16.85	1.41
Income Tax Paid		-	0.04
		1,133.99	982.86

NOTES TO ACCOUNTS

Note No. 1 : COMPANY BACKGROUND

Diffusion Engineers Limited is an ISO 14001 & 18001 & its associated companies are 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 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 GST on accrual basis.

(vi) Property, plant and equipment and Intangible assets and Depreciation

a) Property, plant and equipment and Intangible assets are stated at cost of acquisition or construction less accumulated depreciation. All costs relating to the acquisition and installation of Property, plant and equipment and Intangible 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 Property, plant and equipment and Intangible assets of holding company, depreciation on Property, plant and equipment 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.

c) In FY 19-20, Plant and Machinery was installed and however some part of it was wrongly added into Building. It has been correctly regrouped from Building to Plant and Machinery in current Financial Year.

(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.

(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. 0

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 reassess 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 III of the Companies Act, 2013. 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

(Rs. In Lacs)

NOTE No-3 SHARE CAPITAL

As At 31-Mar-22

As At 31-Mar-21

AUTHORISED		
50,00,000 Equity Shares of Rs 10/- each	500.00	500.00
PARENT'S SHARE CAPITAL		
37,37,467 Equity shares of Rs 10/- each (Refer Note No 27 (iii))	373.75	373.75
	373.75	373.75

Note 3.1 : Reconciliation of number of shares outstanding is set out below:

Particulars		
Equity shares at the beginning of the year (in Nos.)	37,37,467	37,37,467
Add: Shares issued during the current financial year	-	-
Equity shares at the end of the year (in Nos.)	37,37,467	37,37,467

Note 3.2 : There is no fresh issue or buyback of shares during the year.

Note 3.3 : There is no change in the number of shares outstanding at the beginning and at the end of the year.

Note 3.4 : There is no change in the pattern of shareholding during the year. It is same as the last year.

Shares held by promoters at the end of the year 31st March 2022				% Change during the year
Sr. No.	Promoter Name	No. of Shares	% of total shares	
1	N.K. Garg (HUF)	2,97,897	7.97%	
2	Prashant Garg	14,56,593	38.97%	
3	Nitin Garg	9,82,322	26.28%	
4	Chitra Garg	8,49,653	22.73%	
5	Nitin & Renuka Garg	75,281	2.01%	
6	Prashant & Neelu Garg	9,364	0.25%	
	Total	36,71,110	98.21%	

Shares held by promoters at the end of the year 31st March 2021				% Change during the year
Sr. No.	Promoter Name	No. of Shares	% of total shares	
1	N.K. Garg (HUF)	2,97,897	7.97%	-0.01%
2	Prashant Garg	14,56,593	38.97%	
3	Nitin Garg	9,82,322	26.28%	
4	Chitra Garg	8,49,653	22.73%	
5	Nitin & Renuka Garg	75,281	2.01%	
6	Prashant & Neelu Garg	9,364	0.25%	
	Total	36,71,110	98.21%	

(i) Figures have been rounded off to the nearest "Rs. in lakhs" 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. 2021-22		F.Y. 2020-21	
		No of Shares	% of Holding	No of Shares	% of Holding
Subsidiaries :-					
Indian					
1. Diffusion Super-Conditioning Services Pvt Ltd.	India	3,760	98.95	3,760	98.95
2. Nowelco Industries Pvt. Ltd.	India	6,85,511	66.95	6,85,511	66.95
3. Diffusion Herson Adhesive & Sealant Pvt. Ltd	India	95,000	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 :-					
1. LSN Diffusion Ltd.	United Kingdom	7,54,450	21.56	7,54,450	21.56
Foreign Associate :-					
1. Mecdiff Sdn Bhd *	Malaysia	3,00,000	30	3,00,000	30
* 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
1	2	3	4	5
Parent- Diffusion Engineers Ltd.	100.10	11,840	97.27	1,499
Indian & Foreign Subsidiaries:-				
1. Diffusion Super-Conditioning Services Pvt. Ltd.	0.61	72	0.14	2
2. Nowelco Industries Pvt. Ltd.	0.41	49	0.38	6
3. Diffusion Herson Adhesive & Sealant Pvt. Ltd.	0.17	20	0.21	3
4. Diffusion Engineers Singapore Pte. Ltd.	2.24	265	1.36	21
5. Diffusion Wear Solutions Philippines Inc.	2.53	299	0.97	15
Sub-total	106.06	12,544	100.33	1,546
Intercompany Elimination & Consolidation Adjustments	(6.06)	(716)	(0.33)	(5)
Grand total:		11,828		1,541
Minority Interest in subsidiaries		19		17
Share of Profit in Associates				88

(iii) Contingent Liabilities not provided for :

Current Year Previous Year

Claims against the company not acknowledge as Debt

a. Excise Duty Liability Disputed 16.63 16.63

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

(iv) Details of Shareholders having more than 5% shares in the company as on 31 st March 2022 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 [HUF]	7.97%	2,97,897	7.97%	2,97,897
2	Mr.Prashant Garg	38.97%	14,56,593	38.97%	14,56,593
3	Dr. Nitin Garg	26.28%	9,82,322	26.28%	9,82,322
4	Mrs Chitra Garg	22.73%	8,49,653	22.73%	8,49,653

Fair Value of Investments :-

(v)

a) Quoted Non Trade Investment of 268 (Previous Year 268) Equity shares of Canara Bank (Earlier Syndicate) at a cost of Rs. 17,000/- (Previous Year Rs.17,000/-) the Market value of which is Rs. 61,037/- (Previous Year Rs.40827/-).

b) Unquoted Trade Investment of 754450 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.6,74,59,750/-(GBP 7,54,450/-).

c) Mutual Fund Investment

Sr. No.	Name of Mutual Fund	Amount	No. of Units	Market Value
1	DSP Blackrock India Tiger Fund (Previous Year)	29.68	34,449.187	49.18
		29.68	34,449	38.18
2	Franklin India Equity Advantage Fund (G) (Previous Year)	0.00	8,517.044	8.38
		5.38	8,517	8.38
3	Franklin India Prima Fund (Previous Year)	7.00	793,6310	11.31
		7.00	794	9.95
4	HDFC - Flexi Cap Fund Reg (G) (Previous Year)	7.50	1,288,4370	13.03
		7.50	1,288	10.27
5	HDFC Balance Advantage Fund (G) (Previous Year)	12.98	6,975,006	19.91
		12.98	6,975	16.45
6	ICICI Pru - Value Discovery Fund (G) (Previous Year)	46.72	35,706,3230	90.53
		46.72	35,706	68.78
7	ICICI Pru - Infrastructure Fund Reg (G) (Previous Year)	13.91	33,487,3620	27.72
		13.91	33,487	20.45
8	Absl Front Line Equity Fund (Previous Year)	3.50	1,684,2790	5.68
		3.50	1,684	4.73
10	ICICI Pru -Multi Asset Fund (Previous Year)	31.09	12,270,8020	53.27
		42.98	18,096	59.92
11	IDFC -Flexi cap Fund (G) (Previous Year)	15.44	17,188,8460	23.14
		15.44	17,189	19.31
12	Frankline- India Bluechip Fund (Previous Year)	6.50	1,498,864	10.25
		6.50	1,499	8.94
13	Franklin India Short Term Income Plan (Previous Year)	31.12	671,884	31.66
		239.66	22,263	287.12
14	IDFC -Core Equity Fund (G) (Previous Year)	27.50	63,290,4860	43.28
		27.50	63,290	35.91
15	L & T Infrastructure Fund (Previous Year)	39.50	2,50,330,8080	59.00
		33.50	2,22,713	40.47
16	Mirae Asset India Equity Fund- (G) (Previous Year)	71.50	1,05,036,00	81.31
		54.80	1,02,565	67.19
17	Kotak Flexicap Fund-Growth (Previous Year)	59.00	1,46,183	75.97
		56.40	1,55,575	69.95
18	L&T Midcap Fund- (G) (Previous Year)	12.60	9,801	17.18
		9.60	17,566	12.47
19	Hdfc Small Cap Fund- (G) (Previous Year)	9.60	24,741	13.08
		9.60	24,741	13.08
20	Axis Bluechip Fund - Regular Plan- Growth (Previous Year)	40.00	1,09,185,0000	48.89
		32.00	96,745	37.45
21	Parag Parikh Long Term Equity Fund-Regular Plan- C (Previous Year)	76.00	1,95,309	96.63
		36.00	1,09,101	41.46
22	Kotak Emerging Equity Fund Growth (Previous Year)	42.02	63,031,0000	45.00
		3.60	11,858	6.80
24	Axis Focused 25-G Fund (Previous Year)	22.50	50,299	43.11
		-	-	-
26	Icici Prudential Savings Fund- Regular- Growth (Previous Year)	0.60	140	433.36
		-	-	-
27	Invesco India Contra-G Fund (Previous Year)	30.00	40,185	75.44
		-	-	-
23	Aventus Absolute Return Fund (Previous Year)	201.76	1,0000	212.39
		-	-	-
25	Icici Prudential Long Short Fund - Series I (Previous Year)	374.98	1,0000	386.33
		-	-	-

(vi) Payment to Auditors:	Current Year	Previous Year
Audit Fees	4.00	3.60
Tax Audit	1.25	1.20
Transfer Pricing	2.25	2.10

(vii) Earning Per Share :	Current Year	Previous Year
Net Profit after Tax after Prior Period Items	1,626.25	938.17
No. of Shares Outstanding	37.37	37.37
Weighted Average number of shares outstanding during the year	37.37	37.37
Basic & Diluted Earning Per Share	43.51	25.10

[Nominal Value Rs.10/- each] (Rs.)

(vii) Break-up of Deferred Tax Assets / (Liabilities) :	Current Year	Previous Year
Deferred Tax Liability:		
Timing Difference on account of Carrying amount of Fixed Assets in the Financial Statements and the Income Tax Return	342.75	366.83
Deferred Tax Assets:		
Expense allowable for tax purpose when paid (Section 43B items)	6.80	18.56
Net Deferred Tax Assets / (Liability)	(335.95)	(348.27)

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

Disclosure of Defined Benefit Gratuity Plan

	Current Year	Previous Year
1) Changes in Present value of Obligation:		
Present Value of Obligations as at the beginning of the year	171.17	142.03
Interest Cost	11.05	9.10
Current Service Cost	19.27	12.02
Benefits Paid	(15.87)	(10.90)
Actuarial (gain) / Loss on obligations	8.70	18.92
Present Value of Obligations as at the end of the year	194.32	171.17
2) Changes in fair Value of Plan assets:		
Fair Value of Plan assets at the beginning of the year	192.07	154.51
Expected return on plan assets	13.21	12.44
Contributions	22.92	36.98
Benefits Paid	(15.87)	(10.90)
Actuarial Gain / (Loss) On Plan assets	(0.24)	(0.97)
Fair Value of Plan assets at the end of the year	212.08	192.07
3) The amount to be recognized in the Balance sheet:		
Present Value of Obligations as at the end of year	194.32	171.17
Fair Value of Plan assets at the end of the year	212.08	192.07
Net assets / (Liability) recognised in Balance sheet	17.76	20.89
4) Actuarial Gain / Loss recognized:		
Actuarial (Gain) / Loss on Obligations	8.70	18.92
Actuarial (Gain) / Loss for the year on plan assets	(0.24)	0.97
Actuarial (Gain) / Loss recognized in the year	8.46	19.89
5) Expenses recognized in Statement of Profit and Loss:		
Current Service cost	19.27	12.02
Interest Cost	11.05	9.10
Expected return on plan assets	(13.21)	(12.44)
Net actuarial (Gain) / Loss recognized in the year	8.94	19.89
Expenses recognized in Statement of Profit and Loss	26.05	28.56

6) Assumption:

Discount Rate	7.11%	6.77%	6.66%	7.65%
Salary Escalation	5.00%	5.00%	5.00%	5.00%

	31-Mar-22	31-Mar-21	31-Mar-20	31-Mar-19
Present Value of Obligations	194.32	171.17	142.03	117.26
Fair Value of Plan Assets	212.08	192.07	154.51	155.16
Surplus / (Deficit) in the plan	17.76	20.89	12.48	37.90

Experience Adjustment - Obligations	8.70	18.92	17.50	14.66
Experience Adjustment - Plan Assets	(0.24)	(0.97)	0.14	(0.26)

	<u>Current Year</u>	<u>Previous Year</u>
Total amount of defined contribution plan during the year	139.67	124.55

	<u>Current Year</u>	<u>Previous Year</u>
(ix) Outstanding to Micro, Small and Medium Enterprises (MSME) at the close of the year	14.82	93.99
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.

(x) The impact assessment of Covid-19 is a continuing process given the uncertainties associated with its nature and duration. However, the management has estimated future cash flows for the Company and it believes that there is no impact on its ability to continue as a going concern and meeting its liabilities as and when they fall due.

(xi) **Note on Debtors**

The aging schedule is prepared by the company based on the transaction date as per the MIS of the company.

Trade Receivables ageing schedule as at 31st March,2022

(Rs. in Lakhs)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	4,328.66	99.38	71.01	65.75	124.38	4,689.17
(ii) Undisputed Trade receivables - considered doubtful						-
(iii) Disputed trade receivables considered good					24.72	24.72
(iv) Disputed trade receivables considered doubtful		6.85	19.68	1.04	3.25	30.82
						4,745

Trade Receivables ageing schedule as at 31st March,2021

(Rs. in Lakhs)

Particulars	Outstanding for following periods from due date of payment					Total
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables - considered good	3,571.79	182.97	122.69	62.34	106.17	4,045.96
(ii) Undisputed Trade receivables - considered doubtful						-
(iii) Disputed trade receivables considered good					35.43	35.43
(iv) Disputed trade receivables considered doubtful					11.54	11.54
						4,092.92

Sr. No.	Party Name	Amount in Rs	Remarks
1	CONCAST STEEL & POWER LIMITED	1,40,611	The company is under liquidation and liquidation proceedings are in progress. Company is of view that they will receive 100%, from NCLT
2	LIGNITE POWER PRIVATE LIMITED	1,56,424	Claim before NCLT dt. 06, July 2020
3	ENESTEE	95,104	Claim before NCLT dt. 08, October 2020
4	HNGIL	42,91,191	Claim before NCLT dt. 16, November 2021

Sr. No.	The company has initiated legal action against the following parties for recovery of the outstanding amount. The Management is of the opinion		
	Sr. No.	Amount in Rs	Party Name
5	a	1,21,650	ACCURATES (INDIA),LUDHIANA
	b	8,60,484	FUSION TECH(STK)
	c	84,708	MAA INDUSTRIAL SERVICES,SONEBHADRA
	d	1,99,268	MANGALAM TIMBER PRODUCTS LTD
Sr. No.	The company has filed cases U/S 138 of The Negotiable Instrument Act. The matter is pending before JMFC, Nagpur. The company will recover		
	Sr. No.	Amount in Rs	Party Name
6	a	88,236	ANTIWEAR SOLUTIONS,(STOCKIST)
	b	15,40,656	PIONEER INDUSTRIAL MILL STORES,(STK)
	c	1,77,219	RUV INDUSTRIAL PRODUCTS PVT LTD.,NAGPUR
	d	4,54,775	TSS GLOBAL PVT LTD. ,(DISTRIBUTOR)
	e	708	FUSION TECH(STK)
	f	14,935	MAA INDUSTRIAL SERVICES,SONEBHADRA

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

The aging schedule is prepared by the company based on the transaction date as per the MIS of the company.

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	7.46	-	-	-	7.46
(ii) Others	2,809.65	168.36	47.48	46.79	3,072.28
(iii) Disputed dues-MSME	5.61				5.61
(iv) Disputed dues - Others					-
Total	2,822.71	168.36	47.48	46.79	3,085.35

Trade Payables ageing schedule: As at 31st March,2021

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	69.15	-	-	-	69.15
(ii) Others	1,701.03	58.47	44.17	2.93	1,806.60
(iii) Disputed dues-MSME	18.96				18.96
(iv) Disputed dues - Others					-
Total	1,789.14	58.47	44.17	2.93	1,894.71

(xiii) Ratio Analysis

Sr No	Ratio Analysis	Numerator	Denominator	31-Mar-22	31-Mar-21	% Variance	Remarks
1	Current Ratio	Current Assets	Current Liabilities	1.73	2.02	-14.24%	
2	Debt Equity Ratio	Total Liabilities	Shareholder's Equity	0.56	0.49	14.57%	
3	Debt Service Coverage Ratio	Net Operating Income (EBDITA)	Finance Expenses	18.93	11.28	67.76%	Reduction in Debt
4	Return on Equity Ratio	Profit After Tax	Avg. Shareholders Equity	14.69%	8.48%	73.34%	All Group Companies performance was good during the
5	Inventory Turnover Ratio	Cost of Goods sold	Average Inventory	3.88	2.72	42.85%	Sales has increased and compared to Inventory
6	Trade Receivables Turnover Ratio	Net Credit Sales	Average Trade Receivables	4.63	3.51	31.77%	
7	Trade Payables Turnover Ratio	Total Purchases	Average Trade Payables	5.08	3.04	67.31%	Substantial Increase in purchases as compared to creditors
8	Net Capital Turnover Ratio	Net Sales	Average Working Capital	4.87	4.33	12.30%	
9	Net Profit Ratio	Profit After Tax	Net Sales	7.95%	6.04%	31.55%	
10	Return on Capital employed	EBIT	Capital Employed	17.61%	16.49%	6.79%	
11	Return on Investment	Profit After Tax	Investment (Share Capital + Reserves) Last	15.75%	9.86%	59.75%	

xiv) CORPORATE SOCIAL RESPONSIBILITY

PARTICULARS	AS At Mar 31, 2022		AS At March 31, 2021	
Amount required to be spent by the company during the year	26.93		23.70	
Amount of expenditure incurred	33.34		23.73	
Shortfall at the end of the year		0.00		0.00
Total of previous years shortfall		0.00		0.00
Total		0.00		0.00

Note : Excess amount Rs. 6.41 Lakhs will be carried forward to next year

xv) Board of Directors proposes 20% Final Dividend on Equity shares subject to approval in AGM

xvi) Quarterly returns or statements of current assets filed by the company with banks or financial institutions are generally in agreement with the books of accounts and there are no major discrepancies.

xvii) No funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

No funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(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

PANKAJ RASIKLAL BHUTA
Digitally signed by PANKAJ RASIKLAL BHUTA
Date: 2022.09.21 19:39:29 +05'30'

PANKAJ BHUTA
Proprietor
Membership Number: 31820
Place : Mumbai
Date : 21-September-2022
UDIN : 22031820ATRMSB9082

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

PRASHANT GARG
Digitally signed by PRASHANT GARG
Date: 2022.09.21 19:39:29 +05'30'

PRASHANT GARG
Chairman & Managing Director
DIN :- 00049106
Place : Nagpur
Date : 21-September-2022

AJAY MOTILAL JAIN
Digitally signed by AJAY MOTILAL JAIN
Date: 2022.09.21 19:39:29 +05'30'

AJAY JAIN
Director
DIN :- 02815416
Place : Nagpur
Date : 21-September-2022

SEGMENT REPORTING UNDER ACCOUNTING STANDARD (AS) 17

Business Segment

Particulars	Manufactured Products		Trading Products		Job Works		Eliminations / Unallocated		Consolidated Total	
	₹		₹		₹		₹		₹	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
a) Revenues										
External Sales (Net of excise duty)										
Local	16,312.69	11,871.67	1,325.86	863.08	2,017.56	1,499.54			19,656.11	14,234.29
Export	1,603.45	1,838.79			13.95	43.00			1,617.40	1,881.80
Inter- Segment	(968.50)	(775.74)	-	-	-	-	-	-	(968.50)	(775.74)
Total Revenue	16,947.64	12,934.73	1,325.86	863.08	2,031.51	1,542.55	-	-	20,305.01	15,340.35
Identifiable Operating Expenses	11,160.86	8,142.29	893.57	649.24	298.00	200.92	-	-	12,352.44	8,992.45
b) Segment results before interest & tax	5,786.78	4,792.44	432.29	213.83	1,733.51	1,341.63	-	-	7,952.58	6,347.90
c) Interest & Other Income									498.08	359.72
d) Unallocated expenses									6,418.28	5,064.53
e) Profit before tax after CSR									2,032.37	1,643.09
f) Tax Expense									490.65	508.57
g) Minority Interest									2.14	(5.85)
h) Profit & Loss Shares Of Associates									87.53	(203.00)
i) Net Profit after tax									1,627.11	937.38
j) Segment assets	8,219.32	6,762.55	390.79	423.52	536.68	540.47	9,263.08	7,541.30	18,409.88	15,267.85
k) Segment liabilities	2,962.80	2,372.69	0.53	38.32	122.02	129.80	3,495.98	2,384.31	6,581.33	4,925.12
l) Capital Expenditure			-	-	-	-	-	-	-	-
m) Depreciation and amortisation	258.90	213.82	-	-	30.29	24.47	127.24	151.57	416.44	389.86
n) Other Significant Non Cash Expenses	-	-	-	-	-	-	32.74	1.41	32.74	1.41

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 include loss of investment in subsidiary on account of liquidation.

RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD (AS) 18

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

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

C Common Management Benvira Forward Algorithms LLP

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				
			FY 21-22	FY 20-21	Receivable		Payable		
					FY 21-22	FY 20-21	FY 21-22	FY 20-21	
Key Managerial Personnel	Mr. Prashant Garg	Remuneration	130.50	120.00	-	-	-	-	
		Rent	6.39	5.91	-	-	-	-	
		Medical Re-imbursenent	-	0.28	-	-	-	-	
		Leave Encashment	-	-	-	-	-	-	
		Commission	40.00	38.00	-	-	-	-	
	Mr. Ajay Jain	Dividend	58.26	50.98	-	-	-	-	
		Mrs. Renuka Garg	Commission	3.50	2.50	-	-	-	-
			Dividend	3.50	2.50	-	-	-	-
		Mrs. Neelu Garg	Dividend	3.01	2.63	-	-	-	-
			Ms. Anita Vijaykar	Commission	3.50	2.50	-	-	-
Commission	3.50			2.50	-	-	-	-	
Relatives of Key Managerial Personnel	Mrs. Chitra N Garg	Commission	20.00	12.00	-	-	-	-	
		Salary / Remuneration	16.43	12.62	-	-	-	-	
	N. K. Garg HUF	Dividend	0.37	0.33	-	-	-	-	
		Dividend	11.92	10.44	-	-	-	-	
	Mr. Nitin N Garg	Rent	1.89	1.66	-	-	-	-	
	Ajay Jain (H.U.F)	Dividend	11.92	10.44	-	-	-	-	
Common Management	Benvira Forward Algorithms LLP	Dividend	42.30	37.02	-	-	-	-	
		Purchase	0.40	0.35	-	-	-	-	
		Total Debit Notes towards expenses	0.01	0.01	-	-	-	-	
Common Management	Benvira Forward Algorithms LLP	Purchase	-	2.96	1.64	-	-	-	
		Total Debit Notes towards expenses	3.50	0.18	-	-	-	-	

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



CONSOLIDATED 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, 2022, 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 and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and jointly controlled entities, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ("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 group, its associates and jointly controlled entities as at March 31, 2022, of consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity 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.

Information other than the Financial Statements and Auditor's Report thereon

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Consolidated Financial Statements and our auditor's report thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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

We did not audit the financial statements of four subsidiaries, whose financial statements reflect total assets of Rs. 11,15,58,383/- as at 31st March, 2022, total revenues of Rs.18,55,38,951/- and net cash flows amounting to Rs.1,07,24,800/- 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.87,52,758/- for the year ended 31st December, 2021, as considered in the consolidated financial statements, in respect of associate, whose financial statements have not been audited by us. These Standalone 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 by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of the subsidiary companies, associate companies and joint ventures, incorporated in India, as noted in the 'Other Matter' paragraph we give in the "Annexure A" a statement on the matters specified in paragraph 3(xxii) of the Order.
2. As required by Section 143(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, 2022 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, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls with reference to Consolidated Financial Statements of the Holding Company and its subsidiary companies, associates companies and jointly controlled entities, and the operating effectiveness of such controls, refer to our separate report in "Annexure B" to this report;
 - (g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries, associates and jointly controlled entities incorporated in India, the managerial remuneration for the year ended March 31, 2022 has been paid/provided by the Holding Company, its subsidiaries, associates and jointly controlled entities incorporated in India to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
 - (h) 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:
 - i. 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 (xi) to the consolidated financial statements.
 - ii. The holding Company and its subsidiary companies did not have any material foreseeable losses on long-term contracts including derivative contracts.

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

For P. R. Bhuta & Co.

FRN: 101471W

Chartered Accountants

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Pankaj Bhuta

Proprietor

Membership Number: 31820

UDIN: 22031820ATRMSB9082

Place : Mumbai

Date : 21-09-2022

Annexure A

To the independent Auditors' Report of even date on the Consolidated Financial Statements of Diffusion Engineers Limited

(referred to in paragraph 1, under 'Report on Other Legal and Regulatory Requirements' section of our Report of even date)

In terms of the information and explanation sought by us and given by the company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state that:

(xxi) There are no qualifications or adverse remarks by the respective auditors in the Companies (Auditors report) Order (CARO) report of the companies included in the consolidated financial statements.

For P. R. Bhuta & Co.

FRN: 101471W

Chartered Accountants

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Proprietor

Membership No: 31820

UDIN: 22031820ATRMSB9082

Place : Mumbai

Date : 21-09-2022

ANNEXURE B TO THE CONSOLIDATED 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** (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, 2022 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, 2022, 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

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Pankaj Bhuta

Proprietor

Membership No: 31820

UDIN: 22031820ATRMSB9082

Place : Mumbai

Date : 21-09-2022