



## 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, 2019, 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, 2019, 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, 2019 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019, 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, 2019, 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, 2019.

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

*P. R. Bhuta*

Pankaj Bhuta  
Proprietor  
Membership No: 31820  
UDIN:19031820AAAAAU7728



Place : Mumbai  
Date : 19/08/2019



**ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT**

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

- (i) In respect of its fixed assets:
- (a) The company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets on the basis of available information.
  - (b) As explained to us, the fixed assets have been physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, having regard to the size of the company and the nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
  - (c) The title deeds of the all the immovable properties held by the company are in the name of the company;
- (ii) In respect of its inventories, as explained to us, the inventories have been physically verified by the management at regular intervals during the year. In our opinion, the frequency of such verification is reasonable having regard to the size of the company and nature of its business and no material discrepancies were noticed on such verification.
- (iii) The Company has granted unsecured loan to companies covered in the register maintained under section 189 of the Act.
- (a) The terms and conditions of the grant of such loans are not, prima facie, prejudicial to the company's interest.
  - (b) There is no stipulated period of receipt of principal amount and interest for loans given, hence the clause 3(iii)(b) of the Order relating to regularity in receipt of principal amount and interest is not applicable to the company.
  - (c) There is no stipulated period of loans granted by the company, hence the clause 3(iii)(c) of the Order relating to steps taken for recovery of principal and interest in case of overdue of amount more than 90 days, is not applicable to the company.
- (iv) In our opinion & according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made.
- (v) The Company has not accepted any deposits from the public.
- (vi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) In respect of statutory dues:
- (a) According to the information and explanations given to us and in our opinion, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, GST, Service Tax, Custom Duty, Excise Duty, Value Added Tax, Cess and any other statutory dues, as applicable, with the appropriate authorities and hence, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at March 31, 2019 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
Income Tax Act, 1961	Income Tax	52,16,779	AY 2003-04 To AY 2005-06	Nagpur High Court
Central Excise Act, 1944	Excise Duty	16,62,962	FY 2000-01 To FY 2010-11	Nagpur High Court

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

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

*Pankaj Bhuta*

Pankaj Bhuta  
Proprietor

Membership No: 31820  
UDIN:19031820AAAAAU7728



Place : Mumbai  
Date : 19/08/2019



**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)

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**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, 2019 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, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

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

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





judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

**Meaning of Internal Financial Controls over Financial Reporting**

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

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

For P. R. Bhuta & Co.

FRN: 101471W

Chartered Accountants



Pankaj Bhuta

Proprietor

Membership No: 31820

UDIN:19031820AAAAAU7728

Place : Mumbai

Date : 19/08/2019



**DIFFUSION ENGINEERS LTD**  
**BALANCE SHEET AS ON 31 MARCH 2019**

PARTICULARS	NOTES	AS At March 31, 2019		AS At March 31, 2018	
		₹	₹	₹	₹
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholder's funds</b>					
(a) Share Capital	3	3,73,74,670		3,73,74,670	
(b) Reserves and Surplus	4	83,85,83,934	87,59,58,604	76,97,36,660	80,71,11,330
<b>Non-current liabilities</b>					
(a) Long-term borrowings	5	53,19,516		73,00,000	
(b) Other long-term liabilities	6	70,63,814		73,90,981	
(c) Deferred tax liabilities (net)		2,10,22,529	3,34,05,859	1,67,26,913	3,14,17,894
<b>Current Liabilities</b>					
(a) Short term borrowings	7	14,27,27,329		16,69,06,722	
(b) Trade payables	8	16,66,49,582		13,38,32,074	
(c) Other current liabilities	9	10,33,40,333		4,32,14,759	
(d) Short term provisions	10	56,53,802	41,83,71,046	16,39,383	34,55,92,939
<b>TOTAL</b>			<b>1,32,77,35,509</b>		<b>1,18,41,22,163</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
(a) Fixed assets	11				
(i) Tangible assets		40,21,31,318		39,90,53,851	
(ii) Intangible assets		36,95,455		43,60,482	
(iii) Capital work-in-progress		27,69,865		-	
(iv) Intangible assets under development		-	40,85,96,638	-	40,34,14,333
(b) Non-current investments	12		16,36,23,372		15,19,23,372
(c) Long-term loans and advances	13		3,96,92,905		2,44,09,561
<b>Current assets</b>					
(a) Inventories	14	33,18,82,543		25,71,29,801	
(b) Trade receivables	15	33,70,11,340		29,63,09,236	
(c) Cash and Cash equivalents	16	1,42,56,541		48,29,133	
(d) Short-term loans and advances	17	3,26,72,171	71,58,22,595	4,61,06,728	60,43,74,897
<b>TOTAL</b>			<b>1,32,77,35,509</b>		<b>1,18,41,22,163</b>
<b>Contingent Liabilities</b>	26(ii)		0		(0)
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*



**PANKAJ BHUTA**

Proprietor  
Membership Number: 31820  
Place : Mumbai  
Date : 19 AUG 2019

*N. K. Garg*

**N. K. GARG**  
Chairman &  
Managing Director  
DIN :- 00049074  
Place : Nagpur  
Date : 17 AUG 2019

*Ajay Jain*

**AJAY JAIN**  
Director  
DIN :- 02815416

**DIFFUSION ENGINEERS LTD**

**STATEMENT OF PROFIT & LOSS FOR THE PERIOD 31 MARCH 2019**

PARTICULARS	NOTES	AS At March 31, 2019		AS At March 31, 2018	
		₹	₹	₹	₹
i Revenues from operations	18	1,52,28,25,810		1,08,27,04,544	
ii Other income	19	1,27,13,525		2,71,25,822	
iii Total Revenue			1,53,55,39,335		1,10,98,30,366
iv Expenses					
Cost of material consumed	20	80,72,92,762		46,12,19,567	
Purchase of Traded goods (inclusive of Stock-in-Transit)		7,68,76,739		4,43,66,754	
Direct Expenses	21	17,03,15,279		13,56,65,742	
Changes in inventories	22	(5,18,30,752)		(14,27,708)	
Employee benefit expenses	23	22,37,88,015		19,98,11,167	
Finance costs	24	2,26,99,557		1,95,32,288	
Depreciation expenses and amortisation exps	11	2,85,09,067		2,69,77,591	
Others expenses	25	11,53,05,474		10,32,15,804	
Total expenses			1,39,29,56,141		98,93,61,204
v Profit before exceptional and extraordinary items and tax			14,25,83,194		12,04,69,161
vi Exceptional and Extraordinary Items			-		-
vii Prior Period Items			-		-
viii Profit before income tax			14,25,83,194		12,04,69,161
ix Tax expenses:					
Current income tax		3,77,00,000		2,89,17,396	
Short / (Excess) Provision for Income Tax		-		(65,68,982)	
Deferred income tax		42,95,616	4,19,95,616	25,02,332	2,48,50,746
Profit Before CSR for the period(vii-viii)			10,05,87,578		9,56,18,415
CSR for the Period			24,52,635		16,79,229
Profit for the period			9,81,34,943		9,39,39,186
Earnings per equity share:					
Basic			26.26		25.13
Diluted			26.26		25.13

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*



**PANKAJ BHUTA**

Proprietor  
Membership Number: 31820  
Place : Mumbai

Date : 19 AUG 2019

*N. K. GARG*  
N. K. GARG  
Chairman &  
Managing Director  
DIN :- 00049074  
Place : Nagpur  
Date :

*Ajay Jain*

**AJAY JAIN**

Director  
DIN :- 02815416

17 AUG 2019

**DIFFUSION ENGINEERS LIMITED**

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2019**

PARTICULARS	AS At March 31, 2019		AS At March 31, 2018	
		₹	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net Profit before tax		14,25,83,194		12,04,69,161
<b>Adjustments for :</b>				
Bad Debts & Write Off	1,09,26,312		32,39,577	
Write Back	(13,32,167)		(4,34,466)	
Depreciation	2,85,09,067		2,69,77,591	
Dividend on Investments	-		-	
Interest and Finance Charges	2,17,13,053		1,92,65,835	
Interest Income	(28,59,985)		(20,92,814)	
Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	-		(1,55,72,367)	
CSR	(24,52,635)		(16,79,229)	
		5,45,03,645		2,97,04,128
<b>Operating Profit before Working Capital changes</b>		19,70,86,839		15,01,73,289
<b>Adjustment for :</b>				
Inventories	(7,47,52,742)		(1,89,90,819)	
Trade Receivables	(5,16,28,416)		(1,58,52,542)	
Other receivables	33,47,154		(59,49,613)	
Trade Payables & Other Liabilities	9,82,89,668		1,10,02,774	
		(2,47,44,337)		(2,97,90,200)
<b>Cash generated from Operations</b>		17,23,42,503		12,03,83,089
Direct Taxes Paid		(4,17,18,823)		(2,15,36,820)
<b>Net Cash Flow from Operating Activities (A)</b>		13,06,23,679		9,88,46,269
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>				
<b>Inflow / (Outflow) on account of :</b>				
Dividend on Investments	-		-	
Interest Income	28,59,985		20,92,814	
(Purchases) / Sales of Fixed Assets (Net)	(3,09,21,508)		(3,71,66,896)	
(Purchases) Capital W.I.P	(27,69,865)		-	
(Purchases) / Sales of Investments (Net)	(1,17,00,000)		1,61,08,680	
<b>Net Cash Flow from Investing Activities (B)</b>		(4,25,31,388)		(1,89,65,401)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Proceeds / (Repayment) from/of Secured Loans	(2,64,87,045)		(6,47,00,683)	
Interest and Finance Charges	(2,17,13,053)		(1,92,65,835)	
Dividend paid (including tax on dividend)	(2,92,87,669)		(89,96,674)	
<b>Net Cash Flow from Financing Activities (C)</b>		(7,74,87,767)		(9,29,63,192)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents [A+B+C]</b>		1,06,04,525		(1,30,82,324)
Cash and Cash Equivalents as at the beginning of the year	36,52,016		1,67,34,339	
<b>Cash and Cash Equivalents as at the year end</b>	1,42,56,541		36,52,016	
		1,06,04,525		(1,30,82,324)
<b>Reconciliation to Cash and Bank Balances given in Schedule 6:</b>				
<b>Cash and Bank Balance as at the year end</b>		1,42,56,541		48,29,133
<b>Less:</b>				
Balances in Fixed Deposit accounts kept as security for Overdraft Facilities and Bank Guarantee with the bankers		-		11,77,117
<b>Cash and Cash Equivalent as at the year end</b>		1,42,56,541		36,52,016

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

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

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

**PANKAJ BHUTA**  
Proprietor  
Membership Number: 31820  
Place : Mumbai  
Date : 19 AUG 2019



**N. K. GARG**  
Chairman & Managing Director  
DIN :- 00049074  
Place : Nagpur  
Date : 17 AUG 2019

**Ajay Jain**  
Director  
DIN :- 02815416

**NOTES TO ACCOUNTS**

**Note No. 1 : COMPANY BACKGROUND**

Diffusion Engineers Limited is an ISO 14001 & 18001 company engaged in the manufacturing of electrodes, flux cored wire, manufacturing of Durum products, Diffcor products, service welding and wear plates. Company is also engaged in trading of LSN Powder, 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) Fixed Assets and Depreciation**

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

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

**(v) Inventories**

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

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

The cost is computed on weighted average / FIFO basis.

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

**(vi) Investments**

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



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**(vii) Foreign Currency Transactions**

a) Transactions denominated in foreign currencies are recorded at the RBI Reference rates prevailing at the date of transaction. Items denominated in foreign currency at the year end are translated at year end rates. The exchange differences arising on settlement/translation are recognised in the Statement of Profit & Loss.

b) Investment in equity of foreign subsidiary and Joint Ventures, measured at historical cost, are translated at the exchange rate prevalent at the date of transaction.

**(viii) Borrowing Costs**

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

**(ix) Employee Benefits**

**i) Short Term Employee Benefits:**

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

**ii) Defined Contribution Plan:**

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

**iii) Defined Benefits Plan & Other Long Term Benefits:**

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

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

Termination benefits are recognized as and when incurred.

**(x) Taxes on Income**

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

**(xi) Impairment of Assets:**

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

**(xii) Provisions, Contingent Liabilities and Contingent Assets:**

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

**(xiii) Classification of Current/Non Current**

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



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**NOTES TO ACCOUNTS**  
**DIFFUSION ENGINEERS LTD**

PARTICULARS	₹	₹
<b>NOTE No -3 SHARE CAPITAL</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
<u>AUTHORISED</u> 50,00,000 Equity Shares of Rs 10/- each	5,00,00,000	5,00,00,000
<u>ISSUED SUBSCRIBED &amp; PAID UP</u> 37,37,467 Equity shares of Rs 10/- each ( Refer Note No 26 (iii) )	3,73,74,670	3,73,74,670
	<b>3,73,74,670</b>	<b>3,73,74,670</b>
<b>NOTE No. -4 RESERVES AND SURPLUS</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Securities Premium Account	2,93,64,695	2,93,64,695
Capital Redemption Reserve	47,21,500	47,21,500
Capital Reserve	1,74,23,758	1,74,23,758
<u>General Reserve</u> Opening balance Add: Transferred from profit & loss a/c Closing Balance	11,22,35,189 98,13,494	10,28,41,270 93,93,919
	12,20,48,683	11,22,35,189
<u>Profit &amp; Loss Account</u> Opening Balance Add : Profit as per statement of profit & loss Less : Final Dividend for A Y 2018-19 Less : Interim Dividend Less : Proposed Dividend for A Y 2019-20 Less : Corporate Dividend Tax Less : Transfer to General Reserve Closing Balance	60,59,91,519 9,81,34,943 70,41,26,461 1,12,12,401 56,06,201 74,74,934 49,94,133 98,13,494	53,04,42,925 9,39,39,186 62,43,82,111 - 74,74,934 - 15,21,740 93,93,919
	66,50,25,298	60,59,91,519
	<b>83,85,83,934</b>	<b>76,97,36,660</b>
<b>NOTE No. -5 LONG TERM BORROWINGS</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
<u>SECURED LOANS</u> From HDFC Bank Loan (For Vehicle) ( Secured against Hypothecation of Audi Q7 45 Tdi Car)	53,19,516	73,00,000
	<b>53,19,516</b>	<b>73,00,000</b>
<b>NOTE No. -6 OTHER LONG-TERM LIABILITIES</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Vehicle/Laptop Scheme	21,97,463	18,48,171
Deposits From Distributors	48,66,351	55,42,810
	<b>70,63,814</b>	<b>73,90,981</b>



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NOTE No. -7 SHORT TERM BORROWINGS		
	AS At March 31, 2019	AS At March 31, 2018
<b>SECURED LOANS</b>		
From HDFC Bank (Secured against Mortgage of building & fixed assets)	13,65,82,549	-
From Syndicate bank Overdraft (Secured against book debts & hypothication of Stock )	12,55,527	11,96,38,336
Overdraft ( ODD ) (Secured against Fixed Deposits)	12,55,527	11,96,38,336
From Yes Bank ( CC A/C ) (Secured against book debts & hypothication of Stock )	44,36,429	4,77,22,546
From State Bank of India (ODD) (Secured against Fixed Deposits)	4,53,435	(4,25,827)
From ICICI Bank Overdraft (Secured against book debts & hypothication of Stock )	(610)	(0)
Working Capital Demand Loan	(610)	(28,331)
	<b>14,27,27,329</b>	<b>16,69,06,722</b>
<b>NOTE No. -8 TRADE PAYABLES</b>		
	AS At March 31, 2019	AS At March 31, 2018
Sundry Creditors:		
Due to Micro,Medium and Small Enterprises	27,42,028	30,89,982
Others	16,39,07,554	13,07,42,092
	<b>16,66,49,582</b>	<b>13,38,32,074</b>
<b>NOTE No. -9 OTHER CURRENT LIABILITIES</b>		
	AS At March 31, 2019	AS At March 31, 2018
Statutory Remittances	2,67,73,639	41,47,902
Liabilities For Expences	2,87,58,689	2,41,84,473
Staff/Branch Advances/Imprest	3,08,933	-
Advance Received from customers	4,54,62,294	1,27,27,517
Other Credit Balances	20,26,528	21,44,617
Mobile Scheme	10,250	10,250
	<b>10,33,40,333</b>	<b>4,32,14,759</b>
	<b>10,33,40,333</b>	<b>4,32,14,759</b>



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**Diffusion Engineers Limited**

**Note 11 Fixed assets**

ASSETS	Gross Block									
	Balance as at 31 March, 2018	Additions	Disposals	Acquisitions through business combinations	Reclassified as held for sale	Revaluation Increase	Effect of foreign currency exchange differences	Borrowing cost capitalised	Other adjustments	Balance as at 31 March, 2019
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>TANGIBLE ASSETS</b>										
(a) Land										
Freehold	8,82,70,886	-	-	-	-	-	-	-	-	8,82,70,886
(b) Buildings										
Own use	17,96,56,909	24,00,493	-	-	-	-	-	-	-	18,20,57,402
(c) Plant and Equipment										
Owned	36,77,20,870	2,29,67,475	-	-	-	-	-	-	-	39,06,88,345
(d) Furniture and Fixtures										
Owned	1,25,33,716	21,97,453	-	-	-	-	-	-	-	1,47,31,169
(e) Vehicles										
Owned	2,91,66,200	11,55,000	-	-	-	-	-	-	-	3,03,21,200
(f) Office equipment										
Owned	57,23,171	3,32,072	-	-	-	-	-	-	-	60,55,243
(g) Others										
Air-Conditioners	23,47,274	3,06,470	-	-	-	-	-	-	-	26,53,744
Computers	1,41,35,959	7,59,070	-	-	-	-	-	-	-	1,48,95,030
Projectors	7,99,509	57,000	-	-	-	-	-	-	-	8,56,509
Spectrometer	75,69,181	-	-	-	-	-	-	-	-	75,69,181
Weighing Machines	17,39,070	-	-	-	-	-	-	-	-	17,39,070
<b>INTANGIBLE ASSETS</b>										
(h) Technical Know-how	3,10,01,397	-	-	-	-	-	-	-	-	3,10,01,397
(i) Software	1,46,56,309	7,46,474	-	-	-	-	-	-	-	1,54,02,783
<b>Total</b>	<b>75,53,20,451</b>	<b>3,09,21,508</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,62,41,958</b>
<b>Previous year</b>	<b>71,84,32,965</b>	<b>3,76,83,091</b>	<b>7,95,606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,53,20,451</b>
<b>Capital Work In Progress</b>	<b>-</b>	<b>27,69,865</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,69,865</b>



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Note 11 Fixed assets (contd.)

ASSETS	Accumulated depreciation and impairment										Net block	
	Balance as at 1 April, 2018	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, 2019	Balance as at 31 March, 2019	Balance as at 31 March, 2018	Balance as at 31 March, 2018	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
<b>TANGIBLE ASSETS</b>												
(a) Land												
Freehold Buildings												
Own use	5,08,67,598	46,95,200	-	-	-	-	-	-	-	8,82,70,886	8,82,70,886	
(c) Plant and Equipment												
Owned	21,41,14,570	1,70,64,790	-	-	-	-	5,55,62,798	23,11,79,360	12,64,94,604	12,67,89,311	12,67,89,311	
(d) Furniture and Fixtures												
Owned	72,53,192	8,22,172	-	-	-	-	80,75,364	80,75,364	66,55,804	52,80,524	52,80,524	
(e) Vehicles												
Owned	1,23,41,665	27,59,207	-	-	-	-	1,51,00,872	1,52,20,328	1,52,20,328	1,68,24,535	1,68,24,535	
(f) Office equipment												
Owned	38,87,751	4,76,535	-	-	-	-	43,64,285	43,64,285	16,90,958	18,35,420	18,35,420	
(g) Others												
Air-Conditioners	18,01,496	2,34,866	-	-	-	-	20,36,361	20,36,361	6,17,382	5,45,778	5,45,778	
Computers	1,26,44,788	7,55,362	-	-	-	-	1,34,00,150	1,34,00,150	14,94,879	14,91,171	14,91,171	
Projectors	6,15,176	29,968	-	-	-	-	6,45,144	6,45,144	2,11,365	1,84,333	1,84,333	
Spectrometer	56,92,782	2,28,116	-	-	-	-	59,20,898	59,20,898	16,48,283	18,76,399	18,76,399	
Weighing Machines	13,89,877	31,351	-	-	-	-	14,21,228	14,21,228	3,17,842	3,49,193	3,49,193	
<b>INTANGIBLE ASSETS</b>												
(h) Technical Know-how	3,08,67,314	-	-	-	-	-	3,08,67,314	3,08,67,314	1,34,083	1,34,083	1,34,083	
(i) Software	1,04,29,910	14,11,501	-	-	-	-	1,18,41,411	1,18,41,411	35,61,372	42,26,399	42,26,399	
Total	35,19,06,118	2,85,09,067	-	-	-	-	38,04,15,185	40,58,26,773	40,34,14,333	40,34,14,333	40,34,14,333	
Previous year	32,53,56,085	2,69,77,591	4,27,558	-	-	-	35,19,06,118	40,34,14,333	39,30,76,880	39,30,76,880	39,30,76,880	
Capital Work In Progress	-	-	-	-	-	-	-	-	27,69,865	-	-	



<b>NOTE No. -10 SHORT TERM PROVISIONS</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Provision for Leave encashment	26,34,234	26,38,639
Provision for Tax- Net of Advance Tax	30,19,568	(9,99,256)
	<b>56,53,802</b>	<b>16,39,383</b>
<b>NOTE No. -12 NON CURRENT INVESTMENTS</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
<b>Non-Trade Investments</b>		
<u>Quoted</u>		
Syndicate Bank Equity Share	17,000	17,000
In Mutual Fund	5,19,00,706	4,02,00,706
<u>Trade Investments</u>		
<u>Unquoted</u>		
<u>In Equity Shares of Subsidiaries</u>		
Diffusion Super-Conditioning Services Pvt. Ltd.	32,96,828	32,96,828
Diffusion Engineers Singapore Pte. Ltd.	1,54,42,500	1,54,42,500
Diffusion Hemon Adhesive And Sealant Pvt. Ltd.	9,50,000	9,50,000
Newelco Industries Pvt Ltd	66,73,428	66,73,428
	<b>2,63,62,756</b>	<b>2,63,62,756</b>
<u>In Equity Shares of Joint Venture</u>		
LSN Diffusion Ltd (Fully Paid Equity Shares)	8,53,42,910	8,53,42,910
	<b>16,36,23,372</b>	<b>15,19,23,372</b>
<b>NOTE No. -13 LONG TERM LOAN AND ADVANCES</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
<u>Security Deposits &amp; Fixed Deposit</u>		
Earnest Money Deposit & Security Deposit	85,08,491	60,55,872
Fixed Deposit (Security for Overdraft Facilities and Bank Guarantee)	3,11,84,414	1,83,53,690
	<b>3,96,92,905</b>	<b>2,44,09,561</b>
<b>NOTE No. -14 INVENTORIES</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Consumables, Stores and Spare parts	78,27,632	63,38,644
<u>Stock in trade</u>		
Raw Materials	10,14,69,398	6,77,95,932
Work in Progress	10,84,05,174	8,76,00,441
Finished goods & Traded Goods	9,82,43,657	7,38,21,447
	<b>30,81,18,229</b>	<b>22,92,17,820</b>
<u>Stock - In - Transit</u>		
Raw Materials	46,43,784	1,62,93,448
Consumables, Stores and Spare parts	2,71,782	8,62,580
Traded Goods	1,10,21,116	44,17,307
	<b>1,59,36,682</b>	<b>2,15,73,336</b>
	<b>33,18,82,543</b>	<b>25,71,29,801</b>



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<b>NOTE No. -15 TRADE RECEIVABLES</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
(Unsecured, considered good )		
Outstanding for a period exceeding six months	4,87,40,728	3,01,67,113
Other Debts	28,82,70,612	26,61,42,123
	<b>33,70,11,340</b>	<b>29,63,09,236</b>
<b>NOTE No. -16 CASH AND CASH EQUIVALENT</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
<u>Balances with Scheduled Banks</u>		
In Current Accounts	1,40,27,542	32,82,990
In Dividend Accounts	66,716	1,02,003
In Deposit Accounts - Principal & Accrued Interest	1,40,94,258	11,77,117
Cash in Hand	1,62,283	2,67,024
	<b>1,42,56,541</b>	<b>48,29,133</b>
<b>NOTE No. - 17 SHORT TERM LOAN AND ADVANCES</b>		
	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Loans and advances to related parties	37,85,376	54,78,676
<u>Advances with Government Authorities</u>		
IGST Receivable	-	3,54,554
CGST Receivable	-	17,92,623
SGST Receivable	9,89,767	20,84,806
TDS ON GST	4,15,054	-
Custom Duty Advance	5,72,521	2,74,617
Income Tax Refund	-	60,84,237
Duty Drawback Receivable	4,31,374	6,17,614
Meis License (Export Incentive Receivable)	10,48,680	12,66,042
PSI Incentive Receivable	75,00,000	75,00,000
Recurring Deposit Receivable	-	65,101
VAT & Sales Tax	43,03,228	47,47,750
	1,52,60,626	2,47,87,345
<u>Other Short term loans &amp; advances</u> ( Unsecured & considered good )		
Deposits Recoverable	66,01,934	55,93,583
Staff Advance	12,17,544	21,15,844
Advance to others	58,06,691	81,31,280
	1,36,26,169	1,58,40,707
	<b>3,26,72,171</b>	<b>4,61,06,728</b>
<b>NOTE No. -18 REVENUES FROM OPERATIONS</b>		
<b>PARTICULARS</b>	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
<u>Sale of Products &amp; Services</u>		
Sales (Manufacturing)	1,19,61,61,209	85,20,25,219
Less: Returns	53,87,112	1,16,47,033
	1,19,07,74,097	84,03,78,186
Sales (Trading)	8,28,64,294	7,35,87,524
Less: Returns	11,29,270	18,71,232
	8,17,35,024	7,17,16,292
Export Sales	15,21,72,062	11,21,72,398
Job Work Receipt:		
Local	7,20,66,753	7,02,97,039
Export	56,74,957	35,83,391
	7,77,41,710	7,38,80,430
Less:- Excise Duty	-	(2,39,99,691)
<u>Other Operating Revenues</u>		
Insurance, Licenses & Packing on Sales	1,69,82,627	73,08,340
Duty Drawback	34,20,291	12,48,589
	2,04,02,918	85,56,929
	<b>1,52,28,25,810</b>	<b>1,08,27,04,544</b>
<b>NOTE No. - 19 OTHER INCOME</b>		
<b>PARTICULARS</b>	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Profit on Sale of Assets & Investment	-	1,55,72,367
Insurance Claim	2,76,016	-
PSI Incentive	-	75,00,000
Interest Received	28,59,985	20,92,814
Meis Licence A/C	7,34,862	-
Net Gain on Foreign Exchange Fluctuations	67,07,550	9,56,275
Write Back of Liabilities	13,32,167	4,34,466
Rent Received	1,56,000	1,54,000
Other Income	6,46,945	4,15,901
	<b>1,27,13,525</b>	<b>2,71,25,822</b>



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<b>NOTE No. -20 COST OF MATERIAL CONSUMED</b>			
<b>PARTICULARS</b>	<b>AS At March 31, 2019</b>		<b>AS At March 31, 2018</b>
<b>Raw Material Consumed</b>			
Opening Stock (inclusive of Stock-in-Transit)	8,40,89,381		6,70,19,840
Add: Purchases (inclusive of Stock-in-Transit)	82,93,16,563.50		47,82,89,107
	91,34,05,944		54,53,08,947
Less: Closing Stock (inclusive of Stock-in-Transit)	10,61,13,182	80,72,92,762	8,40,89,381
			46,12,19,567
		<b>80,72,92,762</b>	<b>46,12,19,567</b>
<b>NOTE No. -21 DIRECT EXPENSES</b>			
<b>PARTICULARS</b>	<b>AS At March 31, 2019</b>		<b>AS At March 31, 2018</b>
<b>Consumable, Stores &amp; Spare Parts Material Consumed</b>			
Opening Stock (inclusive of Stock-in-Transit)	72,01,225		67,07,653
Add : Purchase (inclusive of Stock-in-Transit)	3,50,80,036		2,94,34,738
	4,22,81,261		3,61,42,391
Less: Closing Stock (inclusive of Stock-in-Transit)	80,99,414	3,41,81,847	72,01,225
Laboratory Expenses		4,92,850	4,42,212
Custom Duties		93,56,265	52,03,880
Job Work Charges		6,97,42,771	4,97,78,514
Labour Charges		1,44,15,843	1,67,28,277
Carriage Inward & Clearing Charges		1,48,46,905	1,45,33,111
Power & Fuel		2,69,55,910	1,96,87,532
Water Charges		3,22,888	3,51,049
		<b>17,03,15,279</b>	<b>13,56,65,742</b>
<b>NOTE No. -22 CHANGE IN INVENTORIES</b>			
<b>PARTICULARS</b>	<b>AS At March 31, 2019</b>		<b>AS At March 31, 2018</b>
<b>Closing Stock</b>			
Work in Progress	10,84,05,174		8,76,00,441
Finished Goods	5,23,62,706		4,30,29,712
Traded Goods (inclusive of Stock-in-Transit)	5,69,02,067		3,52,09,043
	21,76,69,947		16,58,39,195
Less: Opening Stock			
Work in Progress	8,76,00,441		6,68,19,064
Finished Goods	4,30,29,712		6,38,41,902
Traded Goods	3,52,09,043		3,37,50,522
	16,58,39,195		16,44,11,488
Change in Inventories		5,18,30,752	14,27,708
		<b>5,18,30,752</b>	<b>14,27,708</b>



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<b>NOTE No. - 23 EMPLOYEE BENEFIT EXPENSES</b>		
<b>PARTICULARS</b>	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Salaries, Wages, Bonus & Ex-gratia	17,65,14,112	16,48,27,269
Sales Commission to Staff	39,96,929	22,78,072
Company's Contribution to PF, ESIC & Others	1,27,87,842	1,31,35,147
Gratuity	19,50,006	13,88,171
Directors Remuneration	1,45,50,000	1,14,00,000
Directors' Commission	77,50,000	8,00,000
Staff Training and Recruitment	4,63,537	3,02,229
Staff Welfare	20,96,983	21,77,823
Leave Travel Allowance & Other Allowance	36,78,606	35,02,456
	<b>22,37,88,015</b>	<b>19,98,11,167</b>
<b>NOTE No. - 24 FINANCE COST</b>		
<b>PARTICULARS</b>	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Bank Interest	1,31,76,739	1,64,69,530
Bank Charges	85,36,314	27,96,306
Other Interest	9,86,504	2,66,452
	<b>2,26,99,557</b>	<b>1,95,32,288</b>
<b>NOTE No. - 25 OTHER COST</b>		
<b>PARTICULARS</b>	<b>AS At March 31, 2019</b>	<b>AS At March 31, 2018</b>
Rates & Taxes	8,98,394	15,15,000
Security Charges	43,44,133	41,42,160
Insurance	26,51,497	24,36,712
Foreign Travel Expenses	36,64,362	26,34,907
Foreign Technical Fees	6,12,762	-
Postage, Telegram, Telex & Telephone	26,71,729	30,16,833
Printing & Stationery	1,95,635	1,82,572
Travelling Expenses & Conveyance:	2,53,32,876	2,41,48,866
Rent	24,87,658	21,70,230
Office Maintenance & Factory Expenses	6,27,586	8,28,168
<u>Repairs &amp; Maintenance:</u>		
Building	2,85,232	3,57,228
Machinery	5,89,874	19,82,071
Vehicles	28,78,899	12,28,911
Others	28,39,890	13,77,008
Legal & Professional Charges	65,93,895	49,45,218
I. S. O. & R.D.S.O Expenses	68,02,813	1,30,88,965
Membership & Subscription, Books & Periodicals	2,61,208	2,58,668
Donation & Charity	11,76,231	3,14,837
Registration Fees	1,02,750	1,21,500
Board Meeting Expenses	1,318	42,930
Filing Fees	57,624	8,038
Directors' Sitting Fees	27,676	26,529
Service Tax & Excise Duty	6,75,000	3,80,000
Other Expenses	2,34,600	12,71,262
Pooja, Diwali & Gift Expenses	14,16,050	13,57,017
<u>Auditors' Remuneration</u>	6,31,038	5,28,273
Statutory Audit	3,60,000	3,60,000
Tax Audit & Transfer Pricing	3,30,000	3,30,000
Other Services	-	1,36,165
Audit Expenses	1,33,842	1,98,299
Internal Audit Fees	1,20,000	1,20,000
Sales Tax Paid	9,43,842	11,44,464
GST Paid	8,45,497	1,16,501
Company Profession Tax	1,30,292	3,42,731
Website Development Expenses	12,500	12,200
Carriage Outward & Handling Charges	2,43,700	54,878
Advertisement	2,27,63,866	1,62,99,149
Sales Promotion (Including Entertainment)	9,42,100	3,19,023
Tender Fees	5,39,956	7,79,226
Commission & Discount to Distributors & others	21,753	68,103
Exhibition, seminar & New Product Launching	1,25,67,904	1,52,91,266
Testing Charges	15,21,212	10,78,645
Late Delivery Charges	8,86,892	6,13,544
Bad Debts & Write Off	8,97,756	67,455
Rate / Weight Differences	1,09,26,312	32,39,577
	5,95,057	3,70,358
	<b>11,53,05,474</b>	<b>10,32,15,804</b>



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**NOTE No. -26 NOTES ON ACCOUNTS**

(All amounts in 'Rs `)

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

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

**Guarantees :-**

a. Bank Guarantee

**Current Year**      **Previous Year**

11,47,57,917      6,24,40,174

**Claims against the company not acknowledge as Debt**

b. Income Tax Liability under Dispute

52,16,779      52,16,779

c. Excise Duty Liability Disputed

16,62,962      16,62,962

d. Sales Tax Liability Disputed

54,75,954

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

(b) 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 2019 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	41.74%	15,60,191	41.74%	15,60,191
2	Mr.N.K.Garg [HUF]	8.00%	2,98,897	8.00%	2,98,897
3	Mrs.Chitra Garg	22.73%	8,49,653	22.73%	8,49,653
4	Mr.Prashant Garg	17.74%	6,62,893	17.70%	6,61,647
5	Dr. Nitin Garg	5.77%	2,15,831	5.77%	2,15,831

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

a) Quoted Non Trade Investment of 1,700 (Previous Year 1,700) Equity shares of Syndicate Bank at a cost of Rs. 17,000/- (Previous Year Rs.17,000/-) the Market value of which is Rs. 60,146/- (Previous Year Rs. 94,265/-).

b) Unquoted Trade Investment of 3,760 (Previous Year 3,760) Equity shares of Diffusion Super-Conditioning Services Private Limited at a cost of Rs.32,96,828/- (Previous Year Rs. 32,96,828/-), the intrinsic value (book value) of which based on audited financial statements is Rs. 65,53,918 /- (Previous Year Rs. 61,67,016 /-).

c) Unquoted Trade Investment of 6,85,510 (Previous Year 6,85,510) Equity shares of Nowelco Industries Private Limited at a cost of Rs. 66,73,428/- (Previous Year Rs. 66,73,428/-), the intrinsic value (book value) of which based on audited financial statements is Rs. 37,60,821/- (Previous Year Rs.42,66,922/-).

d) Unquoted Trade Investment of 95,000 (Previous Year 95,000) Equity Shares of Diffusion Herson Adhesive And Sealant Pvt Ltd. at a cost of Rs 9,50,000/- (Previous Year Rs. 9,50,000), the intrinsic value (book value) of which based on audited financial statements is Rs 11,69,397/- (Previous Year 7,89,219/-).

e) Unquoted Trade Investment of 954.45 subscribed Equity shares of LSN Diffusion Ltd at a cost of Rs. 8,53,42,910/- (GBP 9,54,450/-) (Previous Year paid up capital Rs.8,53,42,910/- (GBP 9,54,450/-). The intrinsic value (book value) of which based on audited certified financial statements is Rs.5,71,73,730/- (GBP 6,31,301) (Previous Year Rs. 5,74,03,670/- (GBP 6,22,029)).

f) Unquoted Trade Investment of 2,50,217 subscribed Equity shares of Diffusion Engineers Singapore Pte Ltd at a cost of Rs. 1,54,42,500/- (USD 2,50,000/-) (Previous Year Rs. 1,54,42,500/- (USD 2,50,000/-)). The intrinsic value (book value) of which based on audited financial statements is Rs.1,47,58,966/- (USD 2,12,347) (Previous Year Rs.1,69,36,898/- (USD 2,60,391).



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**h) Mutual Fund Investment**

Sr. No.	Name of Mutual Fund	Amount	No. of Units	Market Value
1	DSP Blackrock India Tiger Fund (Previous Year)	35,41,738 23,41,738	46,350 32,546	42,77,166 30,73,447
2	DSP Blackrock Opportunities Fund (Previous Year)	8,20,334 8,20,335	5,537 5,537	12,35,822 11,71,401
3	Franklin India Flexi Cap Fund (Previous Year)	5,37,575 5,37,575	8,517 8,517	6,92,297 6,55,496
4	Franklin India Prima Fund (Previous Year)	26,33,070 14,33,070	3,195 1,907	31,12,286 18,28,544
5	HDFC Equity Fund (Previous Year)	27,85,192 16,35,192	5,195 3,337	35,38,909 19,74,280
6	HDFC Prudence Fund (Previous Year)	20,97,110 14,97,110	13,289 3,732	26,71,892 18,10,426
7	Prudential ICICI Discovery Fund (Previous Year)	32,72,182 21,22,182	25,327 17,286	37,05,095 24,03,321
8	Prudential ICICI Infrastructure Fund (Previous Year)	21,45,271 21,45,271	53,858 53,858	27,95,785 27,71,010
9	Absl Front Line Equity Fund (Previous Year)	5,50,000 -	2,560 -	5,80,304 -
10	Reliance Money Manager Fund (Previous Year)	1,00,000 1,00,000	45 45	1,15,642 1,07,140
11	ICICI Pru -Dynamic Plan (Previous Year)	28,98,247 17,48,247	12,685 8,168	33,99,356 20,61,462
12	IDFC -Premier Equity Fund (Previous Year)	26,57,447 14,57,447	32,463 19,276	30,47,011 17,39,769
13	Frankline- India Bluechip Fund (Previous Year)	40,12,539 28,62,539	10,344 7,783	48,77,587 33,77,020
14	Franklin India Short Term Income Plan (Previous Year)	2,10,00,000 2,10,00,000	6,604 6,604	2,63,99,561 2,42,39,858
15	IDFC -Classic Equity (Previous Year)	14,50,000 2,50,000	32,820 5,536	14,92,644 2,42,763
16	L & T Infrastructure Fund (Previous Year)	14,00,000 2,50,000	85,726 13,904	13,74,184 2,38,320

**(v) Payment to Auditors:**

	Current Year	Previous Year
Audit Fees	6,90,000	6,90,000
For other services rendered	1,33,842	2,14,390

**(vi) Earning Per Share :**

	Current Year	Previous Year
Net Profit after Tax after Prior Period Items and CSR	9,81,34,943	9,39,39,186
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
<b>Basic &amp; Diluted Earning Per Share</b> [ Nominal Value Rs.10/- each ] (Rs.)	<b>26.26</b>	<b>25.13</b>

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

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

2,46,80,993	1,99,73,156
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**Deferred Tax Assets:**

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

36,58,467	32,46,246
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**Net Deferred Tax Assets / (Liability)**

<b>(2,10,22,529)</b>	<b>(1,67,26,910)</b>
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viii) Disclosure pursuant to Accounting Standard 15 - "Employee Benefits"

**Disclosure of Defined Benefit Gratuity Plan**

	<u>Current Year</u>	<u>Previous Year</u>		
<b>1) Changes in Present value of Obligation:</b>				
Present Value of Obligations as at the beginning of the year	95,92,586	95,05,911		
Interest Cost	7,11,509	6,67,894		
Current Service Cost	7,72,434	6,86,973		
Benefits Paid	7,76,131	9,44,582		
Actuarial (gain) / Loss on obligations	14,25,551	(3,23,610)		
<b>Present Value of Obligations as at the end of the year</b>	<b>1,17,25,949</b>	<b>95,92,586</b>		
<b>2) Changes in fair Value of Plan assets:</b>				
Fair Value of Plan assets at the beginning of the year	1,38,07,370	1,26,09,281		
Expected return on plan assets	10,25,012	8,58,940		
Contributions	14,85,083	14,97,493		
Benefits Paid	7,76,131	12,01,307		
Actuarial Gain / (Loss) On Plan assets	(25,656)	42,963		
<b>Fair Value of Plan assets at the end of the year</b>	<b>1,55,15,678</b>	<b>1,38,07,370</b>		
<b>3) The amount to be recognized in the Balance sheet:</b>				
Present Value of Obligations as at the end of year	1,17,25,949	95,92,586		
Fair Value of Plan assets at the end of the year	1,55,15,678	1,38,07,370		
<b>Net assets / (Liability) recognised in Balance sheet</b>	<b>37,89,729</b>	<b>42,14,784</b>		
<b>4) Actuarial Gain / Loss recognized:</b>				
Actuarial (Gain) / Loss on Obligations	14,25,551	(3,23,610)		
Actuarial (Gain) / Loss for the year on plan assets	(25,656)	42,963		
<b>Actuarial (Gain) / Loss recognized in the year</b>	<b>14,25,551</b>	<b>(3,23,610)</b>		
<b>5) Expenses recognized in Statement of Profit and Loss:</b>				
Current Service cost	7,72,434	6,86,973		
Interest Cost	7,11,509	6,67,894		
Expected return on plan assets	(10,25,012)	(6,02,214)		
Net actuarial (Gain) / Loss recognized in the year	14,51,207	(3,66,573)		
<b>Expenses recognized in Statement of Profit and Loss</b>	<b>19,10,138</b>	<b>3,86,080</b>		
<b>6) Assumption:</b>				
Discount Rate	7.65%	7.73%	7.50%	8.00%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>	<b>31-Mar-16</b>
Present Value of Obligations	1,17,25,949	95,92,586	95,05,911	82,01,616
Fair Value of Plan Assets	1,55,15,678	1,38,07,370	1,26,09,281	1,09,40,166
<b>Surplus / (Deficit) in the plan</b>	<b>37,89,729</b>	<b>42,14,784</b>	<b>31,03,370</b>	<b>27,38,550</b>
Experience Adjustment - Obligations	14,25,551	(3,23,610)	4,15,158	1,74,867
Experience Adjustment - Plan Assets	(25,656)	42,963	Nil	Nil
			<b>Current Year</b>	<b>Previous Year</b>
<b>Total amount of defined contribution plan during the year</b>			<b>1,27,87,842</b>	<b>1,31,35,147</b>



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	<u>Current Year</u>	<u>Previous Year</u>
(ix) Outstanding to Micro, Small and Medium Enterprises (MSME) at the close of the year	27,42,028	30,89,982
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) <b>Expenditure in Foreign Currency</b>		
Dividends to a Foreign Shareholder		
- Current year	-	-
- Last year	-	4,21,973
Other Expenses	51,87,830	34,54,042
(xi) <b>Earnings in Foreign Exchange</b>		
Export Sales	15,21,72,062	11,21,72,398
Job work receipts	56,74,957	35,83,391
(xii) <b>C. I. F. Value of Imports</b>		
Raw Materials	7,23,53,822	2,50,41,549
Traded Goods	6,05,48,922	4,03,00,979
Capital Goods	-	-
Consumables, Stores and Spare parts	69,46,651	34,35,821

(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
<b>Raw Materials</b>				
Imported	7,23,53,822	8.72%	2,50,41,549	5.24%
Indigenous	75,69,62,741	91.28%	45,32,47,558	94.76%
<b>Total</b>	<b>82,93,16,564</b>	<b>100.00%</b>	<b>47,82,89,107</b>	<b>100.00%</b>
<b>Consumables, Stores and Spare parts</b>				
Imported	69,46,651	19.80%	34,35,821	11.67%
Indigenous	2,81,33,385	80.20%	2,59,98,917	88.33%
<b>Total</b>	<b>3,50,80,036</b>	<b>100.00%</b>	<b>2,94,34,738</b>	<b>100.00%</b>

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

*P. R. Bhuta*



**PANKAJ BHUTA**  
Proprietor  
Membership Number: 31820  
Place : Mumbai

119 AUG 2019

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

*N. K. Garg*  
**N. K. GARG**  
Chairman & Managing Director  
DIN :- 00049074  
Place : Nagpur

*Ajay Jain*

**AJAY JAIN**  
Director  
DIN :- 02815416

17 AUG 2019

SEGMENT REPORTING UNDER ACCOUNTING STANDARD (AS) 17

Business Segment

Particulars	Manufactured Products		Trading Products		Job Works		Eliminations / Unallocated		Consolidated Total	
	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018
a) Revenues										
External Sales (Net of excise duty)										
Local	1,19,07,74,097	81,63,78,496	8,17,35,024	7,17,16,292	7,20,66,753	7,02,97,039			1,34,45,75,874	95,83,91,826
Export	14,30,06,315	10,71,43,361	91,65,747	50,29,037	56,74,957	35,83,391			15,78,47,019	11,57,55,789
Inter-Segment	88,88,009	68,88,495	-	-	-	-	(88,88,009)	(68,88,495)	-	-
Total Revenue	1,34,26,68,421	93,04,10,352	9,09,00,771	7,67,45,328	7,77,41,710	7,38,80,430	(88,88,009)	(68,88,495)	1,50,24,22,893	1,07,41,47,615
Identifiable Operating Expenses	92,16,54,879	58,15,46,299	5,60,76,712	4,39,39,973	5,11,34,703	3,82,87,970	(88,88,009)	(68,88,495)	1,01,99,78,285	65,68,85,747
b) Segment results before Interest & tax	42,10,13,542	34,88,64,053	3,48,24,060	3,28,05,355	2,66,07,007	3,55,92,460	-	-	48,24,44,608	41,72,61,868
c) Interest & Other Income										
d) Unallocated expenses									3,31,16,443	3,56,82,751
e) Profit before tax									37,29,77,856	33,24,75,459
f) Tax Expense									14,25,83,194	12,04,69,161
g) Net Profit after tax									4,19,95,616	2,48,50,746
h) Segment assets	42,39,41,735	36,26,12,894	5,69,02,067	3,52,09,043	1,26,47,936	1,52,73,839	83,42,43,772	77,10,26,387	1,32,77,35,509	1,18,41,22,163
i) Segment liabilities	15,27,30,022	12,40,09,989	64,22,119	61,25,921	74,97,441	36,96,164	27,83,68,755	24,31,78,759	44,50,18,337	37,70,10,833
j) Capital Expenditure										
k) Depreciation and amortisation	1,63,76,067	1,58,12,503			9,48,189	12,48,889	1,11,84,811	99,16,200	2,85,09,067	2,69,77,592
l) Other Significant Non Cash Expenses							1,09,16,459	32,35,811	1,09,16,459	32,35,811

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.



**RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD (AS) 18**

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

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**E Transactions with Related Parties :**

Type of the related Party	Name of the related party	Description of the nature of Transactions	Volume of transactions during		Amounts Outstanding				
			2018-2019	2017-2018	Receivable		Payable		
			2018-2019	2017-2018	2018-2019	2017-2018	2018-2019	2017-2018	
Subsidiary Companies	Diffusion Super-Conditioning Services Pvt. Ltd.	Sale	17,92,199	-	-	-	-	-	-
		Total Debit Notes towards expenses	2,34,418	1,80,630	20,26,617	61,894	-	-	-
	Nowelco Industries Pvt. Ltd.	Purchase	68,91,177	27,52,952	24,81,177	10,61,176	-	-	-
		Sales	16,14,239	6,54,798	66,32,299	53,14,313	-	-	-
	Total Debit Notes towards expenses	15,79,886	30,40,569	13,04,199	39,54,362	-	-	-	
	Interest Income (Gross)	-	-	-	4,63,138	-	-	-	
	Diffusion Hermon Adhesive & Sealants Pvt Ltd	Rent Deposit	-	-	-	-	37,500	-	-
		Sales	20,79,084	5,99,789	45,19,904	47,80,908	-	-	
		Rent Receipt	1,56,000	1,54,000	-	-	-	-	
		Purchase	-	15,784	-	-	-	20,154	
	Investment In shares	-	3,00,000	-	-	-	-		
	Total Debit Notes towards expenses	42,058	1,55,188	-	-	-	-		
Step-down Subsidiary	Diffusion Engineers Singapore Pte. Ltd.	Sales	8,63,252	-	8,44,859	-	-	-	
			-	-	-	-	-	-	
Associate of Subsidiary	M/s Diffusion Wear Solutions Philippines Inc.	Sales	35,97,480	26,10,546	21,65,219	-	-	-	
		Total Debit Notes towards expenses	-	1,14,625	-	-	-	-	
Associate of Subsidiary	M/s Mecdiff SD. BHD.	Sales	77,68,688	81,22,914	29,32,879	38,18,154	-	-	
		Purchase	-	-	-	-	-	-	
	Total Debit Notes towards expenses	-	2,27,583	-	-	-	-		
Joint Venture	LSN Diffusion Ltd	Purchase	3,71,61,020	2,70,86,859	-	-	62,70,769	-	
		Total Debit Notes towards expenses	38,810	-	-	-	-	-	
		Total Credit Notes Towards Commission Investment in shares	61,364	1,77,87,150	-	-	-	-	



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Key Managerial Personnel	Mr. N.K. Garg	Remuneration Rent Dividend Commission Medical Re-imbursment Leave Encashment	75,00,000 4,97,510 70,20,860 35,00,000 1,03,407	60,00,000 5,95,800 31,20,382 82,989			
	Mr. Prashant Garg	Remuneration Rent Medical Re-imbursment Leave Encashment Commission Dividend	70,50,000 4,03,313 30,393	54,00,000 18,212			
	Mr. Ajay Jain	Commission	2,50,000	1,00,000			
	Mrs. Renuka Garg	Commission	2,50,000	1,00,000			
	Ms. Anita Vijaykar	Commission	2,50,000	1,00,000			
	Mrs. Chitra N Garg	Rent Dividend	9,40,000 38,23,439	8,19,500 16,99,306			
	N. K. Garg HUF	Rent Dividend	1,64,235 13,45,034	1,42,800 5,97,794			
	Mr. Nitin N Garg	Dividend	9,71,240	4,31,662			
	Mr. Ajay Jain ( H.U.F)	Dividend	45,000	20,000			
	Mrs. Daksha Jain	Dividend	900	400			
Control of Key Managerial Person	Diffusion MGM Machines Pvt Ltd.	Total Debit Notes towards expenses	1,000	14,670	10,520	9,520	

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



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## 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, 2019, and the consolidated statement of Profit and Loss, and the consolidated cash flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the Company as at March 31, 2019, of consolidated profit, and its consolidated cash flows for the year then ended.

#### Basis for Opinion

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

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

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Companies Act, 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associates and Jointly controlled entities in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for





maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

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

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

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

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

#### **Other Matters**

(a) We did not audit the financial statements of six subsidiaries, whose financial statements reflect total assets of Rs. 4,08,52,172/- as at 31st March, 2019, total revenues of Rs. 3,23,76,257/- and net cash flows amounting to Rs. (62,82,174/-) 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. 9,64,749/- for the year ended 31st December, 2018, as considered in the consolidated financial statements, in respect of associates, whose financial statements have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in





so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and(11) of Section 143 of the Act, in so far 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 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 31<sup>st</sup> March, 2019 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 31<sup>st</sup> March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - 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 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.

For P. R. Bhuta & Co.

FRN: 101471W

Chartered Accountants

*P. R. Bhuta*

Pankaj Bhuta

Proprietor

Membership Number: 31820

UDIN: 19031820AAAAAV6054



Place : Mumbai

Date : 19/08/2019



**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)

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**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, 2019 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, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**Management's Responsibility for Internal Financial Controls**

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

**Auditors' Responsibility**

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





internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

### Meaning of Internal Financial Controls over Financial Reporting

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

### Inherent Limitations of Internal Financial Controls over Financial Reporting

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

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

**Pankaj Bhuta**  
Proprietor  
Membership No: 31820  
UDIN: 19031820AAAAAV6054



Place : Mumbai  
Date : 19/08/2019

**DIFFUSION ENGINEERS LTD**

**CONSOLIDATED BALANCE SHEET AS ON 31 MARCH 2019**

PARTICULARS	NOTES	As At March 31, 2019		As At March 31, 2018	
		₹	₹	₹	₹
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholder's funds</b>					
(a) Parent's Share Capital	3	3,73,74,670		3,73,74,670	
(b) Reserves and Surplus	4	83,78,69,653	87,52,44,323	77,00,93,260	80,74,67,930
<b>Minority Interest</b>	5	36,03,702	36,03,702	39,30,603	39,30,603
<b>Non-current liabilities</b>					
(a) Long-term borrowings	6	53,19,516		73,00,000	
(b) Other Long-Term Liabilities	7	73,33,086		77,13,481	
(c) Deferred tax liabilities (net)		1,89,92,718	3,16,45,320	1,63,36,158	3,13,49,639
<b>Current Liabilities</b>					
(a) Short term borrowings	8	14,78,00,472		17,18,69,034	
(b) Trade payables	9	16,43,23,930		13,50,18,283	
(c) Other current liabilities	10	10,72,20,831		4,65,77,800	
(d) Short term provisions	11	57,53,165	42,50,98,398	16,39,383	35,51,04,500
<b>TOTAL</b>			<b>1,33,55,91,743</b>		<b>1,19,78,52,672</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
(a) Fixed assets	12				
(i) Tangible assets		41,48,94,410		41,38,84,037	
(ii) Intangible assets		37,03,502		43,72,117	
(iii) Capital work-in-progress		27,69,865		-	
(iv) Intangible assets under development		-	42,13,67,778	-	41,82,56,154
(b) Non-current investments	13		14,00,63,871		12,48,56,450
(c) Long-term loans and advances	14		4,12,10,656		2,58,56,848
<b>Current assets</b>					
(a) Inventories	15	34,56,42,087		27,45,43,833	
(b) Trade receivables	16	33,56,76,388		29,44,03,349	
(c) Cash and Cash equivalents	17	1,79,45,963		1,48,00,730	
(d) Short-term loans and advances	18	3,36,85,001	73,29,49,439	4,51,35,309	62,88,83,220
<b>TOTAL</b>			<b>1,33,55,91,743</b>		<b>1,19,78,52,672</b>
<b>Contingent Liabilities</b>	27(ii)				
Significant accounting policies and notes to accounts					

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

*Pankaj Bhuta*



**PANKAJ BHUTA**  
Proprietor  
Membership Number: 31820  
Place : Mumbai  
Date : 19 AUG 2019

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

*N. K. Garg*  
N. K. GARG  
Chairman & Managing Director  
DIN :- 00049074  
Place : Nagpur  
Date : 17 AUG 2019

*Ajay Jain*

**AJAY JAIN**  
Director  
DIN :- 02815416

**DIFFUSION ENGINEERS LTD**

**CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE PERIOD 31 MARCH 2019**

PARTICULARS	NOTES	As At March 31, 2019		As At March 31, 2018	
		₹	₹	₹	₹
i Revenues from operations	19	1,53,92,27,889		1,10,48,58,201	
ii Other income	20	1,63,22,327		2,81,04,417	
iii <b>Total Revenue</b>			<b>1,55,55,50,216</b>		<b>1,13,29,62,619</b>
iv <b>Expenses</b>					
Cost of material consumed	21	81,44,66,212		47,24,19,573	
Purchase of Traded goods (inclusive of Stock-in-Transit)		7,68,76,739		4,43,66,754	
Direct Expenses	22	17,39,59,914		13,92,25,348	
Changes in inventories	23	(5,01,57,603)		(20,59,522)	
Employee benefit expenses	24	22,80,52,590		20,38,18,285	
Finance costs	25	2,32,06,083		2,01,51,243	
Depreciation expenses and amortisation expenses	12	3,05,79,749		2,89,33,485	
Others expenses	26	12,71,72,931		10,75,50,960	
<b>Total expenses</b>			<b>1,42,41,56,616</b>		<b>1,01,44,06,126</b>
v <b>Profit before exceptional and extraordinary items and tax</b>			<b>13,13,93,600</b>		<b>11,85,56,492</b>
vi <b>Prior Period Items</b>			-		-
vii <b>Profit before income tax</b>			<b>13,13,93,600</b>		<b>11,85,56,492</b>
viii <b>Tax expenses:</b>					
Current income tax		3,77,00,000		2,93,21,575	
Short / (Excess) Provision for Income Tax		(65,68,982)		(65,68,982)	
Deferred income tax		41,63,860		23,40,673	
<b>Profit Before CSR for the period(vii-viii)</b>			<b>9,60,98,722</b>		<b>9,34,63,226</b>
<b>CSR for the Period</b>			<b>24,52,635</b>		<b>16,79,229</b>
<b>Profit after tax before share in profit of associates &amp; minority interest</b>			<b>9,36,46,087</b>		<b>9,17,83,997</b>
Add/Less:- Minority Interest			(3,26,900)		(8,73,743)
Add:- Shares in Profit & (Loss) of Associates			9,64,749		56,34,800
x <b>Profit for the period</b>			<b>9,49,37,736</b>		<b>9,82,92,541</b>
<b>Earnings per equity share:</b>					
Basic			25.40		26.30
Diluted			25.40		26.30

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*



**PANKAJ BHUTA**  
Proprietor  
Membership Number: 31820  
Place : Mumbai

Date : 19 AUG 2019

*N. K. Garg*

**N. K. GARG**  
Chairman & Managing Director  
DIN :- 00049074  
Place : Nagpur

Date : 17 AUG 2019

*Ajay Jain*

**AJAY JAIN**  
Director  
DIN :- 02815416

**DIFFUSION ENGINEERS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2019**

PARTICULARS	AS At March 31, 2019		AS At March 31, 2018	
	₹	₹	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net Profit before tax		13,13,93,600		11,85,56,492
Adjustments for:				
Bad Debts & Write Off			3,70,358	
Write Back	5,95,057		(5,35,280)	
Depreciation	(13,32,167)		2,89,33,485	
Dividend on Investments	3,05,79,749		-	
Interest and Finance Charges	26,53,186		1,98,84,716	
Interest Income	2,22,19,567		(24,16,946)	
Loss / (Surplus) on Sale of Fixed Assets / Investments (Net)	(30,69,949)		(1,48,62,307)	
Inter Company Stock Reserve	-		(5,39,665)	
CSR	(5,05,977)		(16,79,229)	
	(24,52,635)			
<b>Operating Profit before Working Capital changes</b>		<b>4,86,86,830</b>		<b>2,91,55,132</b>
Adjustment for:				
Inventories		18,00,80,430		14,77,11,624
Trade Receivables	(7,10,98,254)		(1,52,96,139)	
Other receivables	(4,18,68,096)		(1,40,10,816)	
Trade Payables & Other Liabilities	(5,26,122)		(56,04,707)	
	9,40,62,460		51,73,315	
<b>Cash generated from Operations</b>		<b>(1,94,30,011)</b>		<b>(2,97,38,347)</b>
Direct Taxes Paid		16,06,50,419		11,79,73,277
<b>Net Cash Flow from Operating Activities (A)</b>		<b>(2,66,97,236)</b>		<b>(2,18,71,583)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Inflow / (Outflow) on account of:				
Dividend on Investments				
Interest Income	(26,53,186)		24,16,946	
(Purchases) / Sales of Fixed Assets (Net)	30,69,949		(3,71,90,496)	
(Purchases) Capital W.I.P	(3,09,21,508)		-	
(Purchases) / Sales of Investments (Net)	(27,69,865)		1,61,08,680	
	(1,52,07,421)			
<b>Net Cash Flow from Investing Activities (B)</b>		<b>(4,84,82,031)</b>		<b>(1,86,64,870)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Proceeds / (Repayment) from/of Secured Loans				
Interest and Finance Charges	(2,64,29,442)		(6,47,00,683)	
Dividend paid (including tax on dividend)	(2,22,19,567)		(1,98,84,716)	
<b>Net Cash Flow from Financing Activities (C)</b>	(3,19,14,469)		(8,96,675)	
		<b>(8,05,63,478)</b>		<b>(9,35,82,074)</b>
<b>D. FOREIGN EXCHANGE TRANSLATION RESERVE</b>				
		15,44,473		24,29,397
<b>Net Increase / (Decrease) in Cash and Cash Equivalents [A+B+C+D]</b>		<b>64,52,148</b>		<b>(1,37,15,853)</b>
Cash and Cash Equivalents as at the beginning of the year	94,84,927		2,32,00,780	
Cash and Cash Equivalents as at the end of the year	1,59,37,075		94,84,927	
		<b>64,52,148</b>		<b>(1,37,15,853)</b>

<b>Reconciliation to Cash and Bank Balances given in Schedule 6:</b>			
Cash and Bank Balance as at the year end			
Less:		1,79,45,963	1,48,00,730
Balances in Fixed Deposit accounts kept as security for Cash and Cash Equivalent as at the year end		20,08,888	53,15,803
		<b>1,59,37,075</b>	<b>94,84,927</b>

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 BHUTA  
Proprietor  
Membership Number: 31820  
Place : Mumbai  
Date : 19 AUG 2019

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

*N. K. GARG*  
N. K. GARG  
Chairman & Managing Director  
DIN :- 00049074  
Place : Nagpur  
Date : 17 AUG 2019

*Ajay Jain*  
AJAY JAIN  
Director  
DIN :- 02815416

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

Diffusion Engineers Limited is an ISO 14001 & 18001 & Associates company engaged in the manufacturing of electrodes, flux cored wire, manufacturing of Durum products, Diffcor products, service welding and wear plates. Company is also engaged in trading of LSN Powder, 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 except singular change in Accounting Policy for accounting of Purchase of Goods. Previously, the Company used to account for purchase of goods only when the goods physically reached Company premises. The Company now accounts for purchase of goods on receipt of purchase invoice and consequently, at year end, for the goods which would not have reached Company premises, it would record them as Stock-in-Transit. This has no impact on the profit for the 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.

**) Use of Estimates :**

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

**(v) Revenue Recognition :**

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

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

**(vi) Fixed Assets and Depreciation**

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

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

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

**(vii) Inventories**

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

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

The cost is computed on weighted average / FIFO basis.

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

**(viii) Investments**

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

**(ix) Foreign Currency Transactions**

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a) Transactions denominated in foreign currencies are recorded at the RBI Reference rates prevailing at the date of transaction. Items denominated in foreign currency at the year end are translated at year end rates. The exchange differences arising on settlement/translation are recognised in the Statement of Profit & Loss.

b) Investment in equity of foreign subsidiary and Joint Ventures, measured at historical cost, are translated at the exchange rate prevalent at the date of transaction.

**(x) Borrowing Costs**

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

**(xi) Employee Benefits**

**i) Short Term Employee Benefits:**

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

**ii) Defined Contribution Plan:**

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

**iii) Defined Benefits Plan & Other Long Term Benefits:**

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

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

Termination benefits are recognized as and when incurred.

**(xii) Taxes on Income**

Income tax expense comprises of current tax and deferred tax charge or credit. Provision for current tax is made on the basis of the estimated assessable income at the tax rate applicable to the relevant assessment year without considering ICDS. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets are reviewed to 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 VI of the Companies Act, 1956. Based on the nature of the products and the time between the acquisition of assets for processing and their realisation, the Company has ascertained its operating cycle as 12 months for the purpose of Current/ Non-Current classification of assets & liabilities.



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**CONSOLIDATED NOTES TO ACCOUNTS**
**DIFFUSION ENGINEERS LTD**
**PARTICULARS**

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**NOTE No-3 SHARE CAPITAL**
**As At March 31, 2019**
**As At March 31, 2018**
**AUTHORISED**

50,00,000 Equity Shares of Rs 10/- each

5,00,00,000

5,00,00,000

**5,00,00,000**
**5,00,00,000**
**PARENT'S SHARE CAPITAL**

 37,37,467 Equity shares of Rs 10/- each  
 ( Refer Note No 27 (iii) )

3,73,74,670

3,73,74,670

**3,73,74,670**
**3,73,74,670**
**NOTE No. -4 RESERVES AND SURPLUS**
**As At March 31, 2019**
**As At March 31, 2018**

Securities Premium Account

2,93,64,695

2,93,64,695

Capital Redemption Reserve

47,21,500

47,21,500

Capital Investment Subsidy

77,259

77,259

Capital Reserve

1,74,23,758

1,74,23,758

**General Reserve**

Opening balance

11,22,35,189

10,28,41,270

Add: Transferred from profit &amp; loss a/c

98,13,494

93,93,919

Closing Balance

12,20,48,683

11,22,35,189

**Profit & Loss Account**

Opening Balance

62,93,76,849

54,95,65,526

Add : Profit as per statement of profit &amp; loss

9,49,37,736

9,82,92,541

Less:- Inter-Company Stock Reserve

33,687

(90,626)

72,43,48,272

64,77,67,442

Less : Final Dividend for A Y 2018-19

1,38,39,201

-

Less : Interim Dividend

56,06,201

74,74,934

Less : Proposed Dividend for A Y 2019-20

74,74,934

-

Less : Corporate Dividend Tax

49,94,133

15,21,740

Less : Transfer to General Reserve

98,13,494

93,93,919

Closing Balance

68,26,20,309

62,93,76,849

Share of Reserves from Associates Company

(1,99,31,024)

(1,99,31,024)

(1,99,31,024)

(1,99,31,024)

Foreign Exchange Difference

15,44,473

(31,74,966)

**83,78,69,653**
**77,00,93,260**
**NOTE No. -5 MINORITY INTEREST**
**As At March 31, 2019**
**As At March 31, 2018**

Investment

57,54,400

57,54,400

Share in Reserves

(21,50,698)

(18,23,797)

**36,03,702**
**39,30,603**
**NOTE No. -6 LONG TERM BORROWINGS**
**As At March 31, 2019**
**As At March 31, 2018**
**SECURED LOANS**

From HDFC Bank Loan (For Vehicle)

53,19,516

73,00,000

( Secured against Hypothecation of Audi Car Q7 45 Tdi )

**53,19,516**
**73,00,000**


NOTE No. -7 OTHER LONG TERM LIABILITIES		
	As At March 31, 2019	As At March 31, 2018
Vehicle/Laptope Scheme	21,97,463	18,48,171
Deposit From Distributors	51,35,623	58,65,310
	<b>73,33,086</b>	<b>77,13,481</b>
NOTE No. -8 SHORT TERM BORROWINGS		
	As At March 31, 2019	As At March 31, 2018
<b>SECURED LOANS</b>		
From HDFC Bank ( Secured against Mortgage of building & fixed assets)	13,65,82,549	-
From Syndicate bank Overdraft (Secured against book debts & hypothication of Stock )	63,28,669	12,45,91,505
Overdraft ( ODD ) (Secured against Fixed Deposits)	-	9,142
	63,28,669	12,46,00,647
From YES Bank Ca...credit (CC) (Secured against book debts & hypothication of Stock )	44,36,429	4,77,22,546
	44,36,429	4,77,22,546
From State Bank of India (ODD) (Secured against Fixed Deposits)	4,53,435	(4,25,827)
From ICICI Bank Overdraft (Secured against book debts & hypothication of Stock )	(610)	(0)
Working Capital Demand Loan	-	(28,331)
	(610)	(28,331)
Advance Received From Related Parties	-	-
	<b>14,78,00,472</b>	<b>17,18,69,034</b>
NOTE No. -9 TRADE PAYABLES		
	As At March 31, 2019	As At March 31, 2018
<b>Sundry Creditors:</b>		
Due to Micro,Medium and Small Enterprises	36,70,754	42,31,715
Others	16,06,53,177	13,07,86,568
	16,43,23,930	13,50,18,283
	<b>16,43,23,930</b>	<b>13,50,18,283</b>



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**Diffusion Engineers Limited & Associates**

**Note 12 Consolidated Fixed assets**

ASSETS	Gross Block									
	Balance as at 31 March, 2018	Additions	Disposals	Acquisitions through business combinations	Reclassified as held for sale	Revaluation Increase	Effect of foreign currency exchange differences	Borrowing cost capitalised	Other adjustments	Balance as at 31 March, 2019
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>TANGIBLE ASSETS</b>										
(a) Land Freehold	9,02,45,206	-	-	-	-	-	-	-	-	9,02,45,206
(b) Buildings Own use	18,49,80,406	24,00,493	-	-	-	-	-	-	-	18,73,80,899
(c) Plant and Equipment Owned	39,11,98,225	2,29,67,475	-	-	-	-	-	-	-	41,41,65,700
(d) Furniture and Fixtures Owned	1,28,90,873	21,97,453	-	-	-	-	-	-	-	1,50,88,326
(e) Vehicles Owned	2,97,93,900	11,55,000	-	-	-	-	-	-	-	3,09,48,900
(f) Office equipment Owned	57,71,698	3,32,072	-	-	-	-	-	-	-	61,03,770
(g) Others										
Air-Conditioners	23,73,074	3,06,470	-	-	-	-	-	-	-	26,79,543
Computers	1,43,40,701	7,59,070	-	-	-	-	-	-	-	1,50,99,771
Projectors	7,99,509	57,000	-	-	-	-	-	-	-	8,56,509
Spectrometer	75,69,180	-	-	-	-	-	-	-	-	75,69,180
Weighing Machines	17,39,070	-	-	-	-	-	-	-	-	17,39,070
<b>INTANGIBLE ASSETS</b>										
(h) Technical Know-how	3,10,01,397	-	-	-	-	-	-	-	-	3,10,01,397
(i) Software	1,47,21,107	7,46,474	-	-	-	-	-	-	-	1,54,67,581
<b>Total</b>	78,74,24,345	3,09,21,508	-	-	-	-	-	-	-	81,83,45,853
<b>Previous year</b>	75,20,13,259	3,77,06,691	22,95,605	-	-	-	-	-	-	75,20,13,259
<b>Capital Work In Progress</b>	-	27,69,865	-	-	-	-	-	-	-	27,69,865



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**NOTE No. -10 OTHER CURRENT LIABILITIES**

	As At March 31, 2019		As At March 31, 2018	
Amount Payable To Related Parties		-		0
<b>Other Payables</b>				
Statutory Remittances		2,73,77,632		45,31,089
Liabilities For Expences		3,10,42,220		2,54,74,066
Staff/Branch Imprest		3,08,933		-
Advance Received from customers		4,64,30,268		1,43,92,778
Other Credit Balances		20,51,528		21,69,617
Mobile Scheme		10,250		10,250
		<u>10,72,20,831</u>		<u>4,65,77,800</u>
		<b>10,72,20,831</b>		<b>4,65,77,800</b>

**NOTE No. -11 SHORT TERM PROVISIONS**

	As At March 31, 2019		As At March 31, 2018	
Provision for Leave encashment		26,34,234		26,38,639
		-		-
		<u>26,34,234</u>		<u>26,38,639</u>
Provision for Tax- Net of Advance Tax		31,18,931		(9,99,256)
		<u>57,53,165</u>		<u>16,39,383</u>
		<b>57,53,165</b>		<b>16,39,383</b>

**NOTE No. -13 NON CURRENT INVESTMENTS**

	As At March 31, 2019		As At March 31, 2018	
<b>Non-Trade Investments</b>				
<b>Quoted</b>				
Syndicate Bank Equity Share		17,000		17,000
In Mutual Fund		5,44,00,706		4,02,00,706
<b>Subsidiaries Investment</b>				
DSCS -National Saving Certificate		12,600		12,600
DSCS -Newelco Industries Pvt Ltd		15,00,000		15,00,000
Investment in Philippines		-		-
Investment in Mecdiff		27,13,920		25,54,266
<b>Trade Investments</b>				
<b>Unquoted</b>				
<b>In Equity Shares of Foreign Subsidiaries</b>				
Diffusion Super-Conditioning Services Pvt. Ltd.		-		-
Diffusion Engineers Singapore Pte. Ltd.		-		-
Diffusion Herson Adhesive And Sealant Pvt. Ltd.		-		-
Newelco Industries Pvt Ltd		-		-
<b>In Equity Shares of Joint Venture</b>				
LSN Diffusion Ltd (Fully Paid Equity Shares)		8,14,19,645		8,05,71,878
		<u>14,00,63,871</u>		<u>12,48,56,450</u>
		<b>14,00,63,871</b>		<b>12,48,56,450</b>

**NOTE No. -14 LONG TERM LOAN AND ADVANCES**

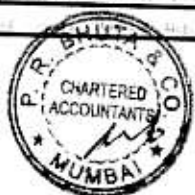
	As At March 31, 2019		As At March 31, 2018	
<b>Statutory Advance Payments</b>				
Advance Income Tax		15,17,751		14,47,287
<b>Security Deposits &amp; Fixed Deposit</b>				
Earnest Money Deposit & Security Deposit		85,08,491		60,55,872
Fixed Deposit (Security for Overdraft Facilities and Bank Guarantee) (Unsecured, considered good)		3,11,84,414		1,83,53,690
		<u>4,12,10,656</u>		<u>2,58,56,848</u>
		<b>4,12,10,656</b>		<b>2,58,56,848</b>

**NOTE No. -15 INVENTORIES**

	As At March 31, 2019		As At March 31, 2018	
Consumables, Stores and Spare parts		78,27,632		63,38,644


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<u>Stock in trade</u>				
Raw Materials	11,29,11,128		8,12,52,690	
Work in Progress	11,05,12,295		8,87,34,126	
Finished goods & Traded Goods	9,89,60,327	32,23,83,750	7,71,84,701	24,71,71,517
Less:- Inter-Company Stock Reserve		(5,05,977)		(5,39,665)
<u>Stock - In - Transit</u>				
Raw Materials	46,43,784		1,62,93,448	
Consumables,Stores and Spare parts	2,71,782		8,62,580	
Traded Goods	1,10,21,116	1,59,36,682	44,17,307	2,15,73,336
		34,56,42,087		27,45,43,833
<b>NOTE No. -16 TRADE RECEIVABLES</b>				
		<b>As At March 31, 2019</b>		<b>As At March 31, 2018</b>
(Unsecured, considered good )				
Outstanding for a period exceeding six months		4,87,40,728		3,01,67,113
Other Debts		28,69,35,660		26,42,36,236
		33,56,76,388		29,44,03,349
<b>NOTE No. -17 CASH AND CASH EQUIVALENT</b>				
		<b>As At March 31, 2019</b>		<b>As At March 31, 2018</b>
<u>Balances with Scheduled Banks</u>				
In Current Accounts	1,55,11,928		89,66,855	
In Dividend Accounts	66,716		1,02,003	
In Deposit Accounts - Principal & Accrued Interest	20,08,888	1,75,87,532	53,15,803	1,43,84,661
Cash in Hand		3,58,431		4,16,069
		1,79,45,963		1,48,00,730
<b>NOTE No. - 18 SHORT TERM LOAN AND ADVANCES</b>				
		<b>As At March 31, 2019</b>		<b>As At March 31, 2018</b>
Loans and advances to related parties		(0)		(1)
Preliminary Expenses		2,07,962		2,07,962
<u>Advances with Government Authorities</u>				
Excise Duty & Service Tax	38,867		3,79,521	
IGST Receivable	-		17,92,623	
CGST Receivable	9,97,611		20,92,650	
SGST Receivable	4,22,898		7,844	
Income Tax Refund Receivable F Y 2016-17	5,72,521		2,74,617	
Meis License (Export Incentive Receivable)	-		60,84,237	
PSI Incentive Receivable	4,31,374		6,17,614	
Custom Duty Advance	10,48,680		12,66,042	
Duty Drawback Receivable	75,00,000		75,00,000	
Recurring Deposit Receivable	-		65,101	
VAT & Sales Tax	72,17,995		75,37,432	
		1,82,29,948		2,76,17,682
<u>Other Short term loans &amp; advances</u>				
( Unsecured & considered good )				
Deposits Recoverable	75,81,311		64,92,811	
Staff Advance	12,23,144		21,26,444	
Advance to others	64,42,637		86,90,411	
		1,52,47,092		1,73,09,666
		3,36,85,001		4,51,35,309
<b>NOTE No. -19 REVENUES FROM OPERATIONS</b>				
<b>PARTICULARS</b>		<b>As At March 31, 2019</b>		<b>As At March 31, 2018</b>
<u>Sale of Products &amp; Services</u>				
Sales (Manufacturing)	1,20,57,30,520		86,12,74,844	
Less: Returns	53,87,112	1,20,03,43,408	1,19,21,495	84,93,53,349
Sales (Trading)	8,28,64,294		7,35,87,524	



Less: Returns	11,29,270	8,17,35,024	18,71,232	7,17,16,292
Export Sales		15,21,72,062		11,21,72,398
Job Work Receipt:				
Local	7,88,99,520		8,34,75,533	
Export	56,74,957	8,45,74,477	35,83,391	8,70,58,924
Less:- Excise Duty				(2,39,99,691)
<b>Other Operating Revenues</b>				
Insurance, Licenses & Packing on Sales	1,69,82,627		73,08,340	
Duty Drawback	34,20,291	2,04,02,918	12,48,589	85,56,929
		<b>1,53,92,27,889</b>		<b>1,10,48,58,201</b>

**NOTE No. - 20 OTHER INCOME**

PARTICULARS	As At March 31, 2019	As At March 31, 2018
Profit on Sale of Assets	-	1,48,62,307
Insurance Claim	2,76,016	-
Dividend Received	26,53,186	-
PSI Incentive Received	-	75,00,000
Interest Received	30,69,949	24,16,947
Meis Licence A/C	7,34,862	-
Net Gain on Foreign Exchange Fluctuations	67,43,650	11,83,079
Write Back of Liabilities	13,32,167	5,35,280
Rent Received	2,412	-
Other Income	15,10,085	16,06,805
	<b>1,63,22,327</b>	<b>2,81,04,417</b>

**NOTE No.-21 COST OF MATERIAL CONSUMED**

PARTICULARS	As At March 31, 2019	As At March 31, 2018
<b>Raw Material Consumed</b>		
Opening Stock	9,80,04,002	8,45,42,733
Add: Purchases (inclusive of Stock-in-Transit)	83,40,70,027	48,55,53,197
Less: Closing Stock (inclusive of Stock-in-Transit)	11,76,07,817	9,76,76,357
	<b>81,44,66,212</b>	<b>47,24,19,573</b>

**NOTE No. -22 DIRECT EXPENSES**

PARTICULARS	As At March 31, 2019	As At March 31, 2018
Consumption of Consumables, Stores and Spare parts (inclusive of Stock-in-Transit)	3,42,95,512	2,90,44,648
Labour Expenses	5,25,445	5,39,266
Custom Duties	93,56,265	52,03,880
Job Work Charges	7,01,25,406	5,02,98,722
Labour Charges	1,57,21,853	1,79,99,420
Carriage Inward & Clearing Charges	1,52,04,406	1,48,02,098
Power & Fuel	2,84,08,139	2,09,86,264
Water Charges	3,22,888	3,51,049
	<b>17,39,59,914</b>	<b>13,92,25,348</b>

**NOTE No. -23 CHANGE IN INVENTORIES**

PARTICULARS	As At March 31, 2019	As At March 31, 2018
<b>Closing Stock</b>		
Work in Progress	11,05,12,295	8,87,34,126
Finished Goods	5,30,79,376	4,63,92,966
Traded Goods (inclusive of Stock-in-Transit)	5,69,02,067	3,52,09,043
	<b>22,04,93,738</b>	<b>17,03,36,135</b>
<b>Less: Opening Stock</b>		
Work in Progress	8,87,34,126	6,72,34,614
Finished Goods	4,63,92,966	6,72,91,477
Traded Goods	3,52,09,043	3,37,50,522
	<b>17,03,36,135</b>	<b>16,82,76,613</b>
<b>Change in Inventories</b>		
	<b>5,01,57,603</b>	<b>20,59,522</b>
Excise Duty on Increase/Decrease of Finished Goods		



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	5,01,57,603	20,59,522
<b>NOTE No. -24 EMPLOYEE BENEFIT EXPENSES</b>		
<b>PARTICULARS</b>	<b>As At March 31, 2019</b>	<b>As At March 31, 2018</b>
Salaries, Wages, Bonus & Ex-gratia	17,97,87,834	16,80,30,320
Sales Commission to Staff	39,96,929	22,78,072
Company's Contribution to PF, ESIC & Others	1,30,75,351	1,32,76,263
Gratuity	19,50,006	13,88,171
Directors Remuneration	1,48,50,000	1,17,00,000
Directors' Commission	78,25,000	8,60,000
Staff Training and Recruitment	4,63,537	3,02,229
Staff Welfare	24,25,327	24,72,274
Leave Travel Allowance & Other Allowance	36,78,606	35,10,956
	<b>22,80,52,590</b>	<b>20,38,18,285</b>
<b>NOTE No. - 25 FINANCE COST</b>		
<b>PARTICULARS</b>	<b>As At March 31, 2019</b>	<b>As At March 31, 2018</b>
Bank Interest	1,36,29,825	1,70,38,843
Bank Charges	85,89,742	28,45,872
Other Interest	9,86,517	2,66,528
	<b>2,32,06,083</b>	<b>2,01,51,243</b>
<b>NOTE No. - 26 OTHER COST</b>		
<b>PARTICULARS</b>	<b>As At March 31, 2019</b>	<b>As At March 31, 2018</b>
Rates & Taxes	9,00,894	15,77,500
Security Charges	45,33,001	43,32,870
Insurance	27,32,223	25,12,851
Foreign Travel Expenses	36,64,362	26,34,907
Foreign Technical Fees	6,12,762	-
Postage, Telegram, Telex & Telephone	26,82,285	30,45,120
Printing & Stationery	1,99,533	1,82,642
Travelling Expenses & Conveyance:	2,64,16,577	2,49,39,335
Rent	35,10,860	26,71,165
Office Maintenance & Factory Expenses	7,51,378	9,44,049
<u>Repairs &amp; Maintenance:</u>		
Building	2,85,232	3,57,228
Machinery	5,98,809	20,02,026
Vehicles	28,78,899	12,28,911
Others	28,69,619	14,27,765
Legal & Professional Charges	66,32,559	50,15,930
I. S. O. & R.D.S.O Expenses	77,59,210	1,43,50,508
Membership & Subscription, Books & Periodicals	2,61,208	2,58,668
Donation & Charity	11,76,231	3,14,837
Ratification Fees	1,02,750	1,21,500
Board Meeting Expenses	1,21,556	42,930
Filing Fees	57,624	8,038
Directors' Sitting Fees	27,676	26,529
Service Tax	6,75,000	3,80,000
Other Expenses	2,34,600	12,72,644
Pooja, Diwali & Gift Expenses	28,27,573	17,87,039
Statutory and Tax Audit Fees	6,45,213	5,33,422
Sales Tax Paid	9,74,842	11,70,464
GST Paid	8,68,939	1,84,828
Company Profession Tax	1,30,292	3,42,731
Website Development Expenses	12,500	12,200
Carriage Outward & Handling Charges	2,48,700	64,878
Advertisement	2,27,63,866	1,62,99,149
Sales Promotion (Including Entertainment)	12,98,196	6,25,045
Tender Fees	5,39,956	7,79,226
Commission & Discount to Distributors & others	83,989	1,11,015
Exhibition, seminar & New Product Launching	1,88,77,706	1,52,91,266
Testing Charges	15,30,688	14,26,741
Late Delivery Charges	8,86,892	6,13,544
Bad Debts & Write Off	8,97,756	67,455
Rate / Weight Differences	1,09,38,476	32,39,577
	5,95,057	3,70,358
	<b>12,71,72,931</b>	<b>10,75,50,960</b>



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**NOTE No. -27 NOTES ON ACCOUNTS**

(All amounts in `)

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

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

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

NAME	Country of Incorporation	F.Y. 2018-19		F.Y. 2017-18	
		No of Shares	% of Holding	No of Shares	% of Holding
<b>Subsidiaries :-</b>					
<b>Indian</b>					
1. Diffusion Super-Conditioning Services Pvt	India	3,760	98.95	3,760	98.95
2. Nowelco Industries Pvt. Ltd.	India	6,85,510	55.04	6,85,510	55.04
3. Diffusion Hemon Adhesive & Sealant Pvt.	India	95,000	95	95,000	95
<b>Foreign</b>					
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
<b>Foreign Joint Ventures :-</b>					
1. LSN Diffusion Ltd.	United Kingdom	954.45	27.27	954	27.27
<b>Foreign Associate :-</b>					
1. Mecdiff Sdn Bhd *	Malaysia	150000	30	150000	30
<b>Common key management personal :-</b>					
1. Diffusion MGM Machines Pvt. Ltd.	India	Nil	Nil	Nil	Nil

\* shares held by Diffusion Engineers Singapore Pte. Ltd.

Name of the entity in the	Net Assets, i.e., total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount
	2	3	4	5
Parent- Diffusion Engineers Ltd.	100.44	88,27,17,172	104.79	9,81,34,943
<b>Indian &amp; Foreign Subsidiaries:-</b>				
1. Diffusion Super-Conditioning Services Pvt. Ltd.	0.71	62,43,641	0.34	3,21,602
2. Nowelco Industries Pvt. Ltd.	0.78	68,33,292	(0.98)	(9,19,571)
3. Diffusion Hemon Adhesive & Sealant Pvt. Ltd.	0.15	12,77,996	0.26	2,39,277
4. Diffusion Engineers Singapore Pte. Ltd.	2.17	1,90,91,428	1.06	9,93,212
5. Diffusion Wear Solutions Philippines Inc.	1.19	1,04,74,524	(5.38)	(50,38,939)
<b>Common Key Management Personnel</b>				
1. Diffusion Mgm Machines Pvt. Ltd.	0.02	1,73,066	(0.00)	(1,294)
Sub-total	105.46	92,68,11,119	100.09	9,37,29,230
Intercompany Elimination & Consolidation Adjustments	(5.46)	(4,79,63,094)	(0.09)	(83,143)
Grand total:		87,88,48,025		9,36,46,087
Minority Interest in subsidiaries		36,03,702		39,30,603
Share of Profit in Associates				

(iii) Contingent Liabilities not provided for :

**Guarantees :-**

a. Bank Guarantee

**Claims against the company not acknowledge as Debt**

b. Income Tax Liability under Dispute

c. Excise Duty Liability Disputed

d. Sales Tax Liability Disputed

e. Associates Sales Tax Liability Disputed

f. Associates Entry Tax Disputed

**Current Year**
**Previous Year**

11,47,57,917

6,24,40,174

52,16,779

52,16,779

16,62,962

16,62,962

36,44,191

54,75,954

36,44,191

36,44,191

93,950

93,950

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

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

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

(iv) Details of Shareholders having more than 5% shares in the company as on 31 st March 2019 as under :-



AT

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	41.74%	15,60,191	41.74%	15,60,191
2	Mr.N.K.Garg (HUF)	8.00%	2,98,897	8.00%	2,98,897
3	Mrs.Chitra Garg	22.73%	8,49,653	22.73%	8,49,653
4	Mr.Prashant Garg	17.74%	6,62,893	17.70%	6,61,647
5	Dr. Nitin Garg	5.77%	2,15,831	5.77%	2,15,831
6	Mr. Manfred Kluge	0.00%	-	0.00%	-

(v) Fair Value of Investments :-

a) Quoted Non Trade Investment of 1,700 (Previous Year 1,700) Equity shares of Syndicate Bank at a cost of Rs. 17,000/- (Previous Year Rs.17,000/-) the Market value of which is Rs. 60,146/- (Previous Year Rs. 94,265/-).

C) Mutual Fund Investment

Sr. No.	Name of Mutual Fund	Amount	No. of Units	Market Value
1	DSP Blackrock India Tiger Fund (Previous Year)	1,59,36,682	46,350	42,77,166
		23,41,738	32,546	30,73,447
2	DSP Blackrock Opportunities Fund (Previous Year)	5,21,82,106	5,537	12,35,822
		8,20,335	5,537	11,71,401
3	Franklin India Flexi Cap Fund (Previous Year)	10,56,77,897	8,517	6,92,297
		5,37,575	8,517	6,55,496
4	Franklin India Prima Fund (Previous Year)	10,14,69,398	3,195	31,12,286
		14,33,070	1,907	18,28,544
5	HDFC Equity Fund (Previous Year)	-	5,195	35,38,909
		16,35,192	3,337	19,74,280
6	HDFC Prudence Fund (Previous Year)	78,27,632	13,289	26,71,892
		14,97,110	3,732	18,10,426
7	Prudential ICICI Discovery Fund (Previous Year)	1,80,600	25,327	37,05,095
		21,22,182	17,286	24,03,321
8	Prudential ICICI Infrastructure Fund (Previous Year)	4,58,80,951	53,858	27,95,785
		21,45,271	53,858	27,71,010
9	Absl Front Line Equity Fund (Previous Year)	3,02,262	2,560	5,80,304
		-	-	-
10	Reliance Money Manager Fund (Previous Year)	-	45	1,15,642
		1,00,000	45	1,07,140
11	ICICI Pru -Dynamic Plan (Previous Year)	-	12,685	33,99,356
		17,48,247	8,168	20,61,462
12	IDFC -Premier Equity Fund (Previous Year)	1,40,450	32,463	30,47,011
		14,57,447	19,276	17,39,769
13	Frankline- India Bluechip Fund (Previous Year)	-	10,344	48,77,587
		28,62,539	7,783	33,77,020
14	Franklin India Short Term Income Plan (Previous Year)	-	6,604	2,63,99,561
		2,10,00,000	6,604	2,42,39,858
15	IDFC -Classic Equity (Previous Year)	-	32,820	14,92,644
		2,50,000	5,536	2,42,763
16	L & T Infrastructure Fund (Previous Year)	-	85,726	13,74,184
		2,50,000	13,904	2,38,320

(vi) Payment to Auditors:

	Current Year	Previous Year
Audit Fees	6,90,000	6,90,000
For other services rendered	1,33,842	2,14,390

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

(viii) Earning Per Share :

	Current Year	Previous Year
Net Profit after Tax after Prior Period Items	9,49,37,736	9,82,92,541
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
<b>Basic &amp; Diluted Earning Per Share</b> [ Nominal Value Rs.10/- each ] (Rs.)	<b>25.40</b>	<b>26.30</b>



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

**Deferred Tax Liability:**

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

	Current Year	Previous Year
	2,47,19,070	2,00,16,951

**Deferred Tax Assets:**

Expense allowable for tax purpose when paid (Section 43B items)	57,26,352	36,80,793
<b>Net Deferred Tax Assets / (Liability)</b>	<b>(1,89,92,718)</b>	<b>(1,63,36,158)</b>

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

**Disclosure of Defined Benefit Gratuity Plan**

	<u>Current Year</u>	<u>Previous Year</u>		
<b>1) Changes in Present value of Obligation:</b>				
Present Value of Obligations as at the beginning of the year	95,92,586	95,05,911		
Interest Cost	7,11,509	6,67,894		
Current Service Cost	7,72,434	6,86,973		
Benefits Paid	7,76,131	9,44,582		
Actuarial (gain) / Loss on obligations	14,25,551	(3,23,610)		
<b>Present Value of Obligations as at the end of the year</b>	<b>1,17,25,949</b>	<b>95,92,586</b>		
<b>2) Changes in fair Value of Plan assets:</b>				
Fair Value of Plan assets at the beginning of the year	1,38,07,370	1,26,09,281		
Expected return on plan assets	10,25,012	8,58,940		
Contributions	14,85,083	14,97,493		
Benefits Paid	7,76,131	12,01,307		
Actuarial Gain / (Loss) On Plan assets	(25,656)	42,963		
<b>Fair Value of Plan assets at the end of the year</b>	<b>1,55,15,678</b>	<b>1,38,07,370</b>		
<b>3) The amount to be recognized in the Balance sheet:</b>				
Present Value of Obligations as at the end of year	1,17,25,949	95,92,586		
Fair Value of Plan assets at the end of the year	1,55,15,678	1,38,07,370		
<b>Net assets / (Liability) recognised in Balance sheet</b>	<b>37,89,729</b>	<b>42,14,784</b>		
<b>4) Actuarial Gain / Loss recognized:</b>				
Actuarial (Gain) / Loss on Obligations	14,25,551	(3,23,610)		
Actuarial (Gain) / Loss for the year on plan assets	(25,656)	42,963		
<b>Actuarial (Gain) / Loss recognized in the year</b>	<b>14,25,551</b>	<b>(3,23,610)</b>		
<b>5) Expenses recognized in Statement of Profit and Loss:</b>				
Current Service cost	7,72,434	6,86,973		
Interest Cost	7,11,509	6,67,894		
Expected return on plan assets	(10,25,012)	(6,02,214)		
Net actuarial (Gain) / Loss recognized in the year	14,51,207	(3,66,573)		
<b>Expenses recognized in Statement of Profit and Loss</b>	<b>19,10,138</b>	<b>3,86,080</b>		
<b>6) Assumption:</b>				
Discount Rate	7.65%	7.73%	7.50%	8.00%
Salary Escalation	5.00%	5.00%	5.00%	5.00%
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>31-Mar-17</b>	<b>31-Mar-16</b>
Present Value of Obligations	1,17,25,949	95,92,586	95,05,911	82,01,616
Fair Value of Plan Assets	1,55,15,678	1,38,07,370	1,26,09,281	1,09,40,166
<b>Surplus / (Deficit) in the plan</b>	<b>37,89,729</b>	<b>42,14,784</b>	<b>31,03,370</b>	<b>27,38,550</b>
Experience Adjustment - Obligations	14,25,551	(3,23,610)	4,15,158	1,74,867
Experience Adjustment - Plan Assets	(25,656)	42,963	Nil	Nil
<b>Total amount of defined contribution plan during the year</b>			<b>Current Year</b>	<b>Previous Year</b>
			27,676	26,529

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

*Pankaj Bhuta*



PANKAJ BHUTA  
Proprietor  
Membership Number: 31820  
Place : Mumbai  
Date : 19 AUG 2019

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

*N. K. Garg*

N. K. GARG  
Chairman & Managing Director  
DIN :- 00049074  
Place : Nagpur  
Date : 17 AUG 2019

*Ajay Jain*

AJAY JAIN  
Director  
DIN :- 02815416

SEGMENT REPORTING UNDER ACCOUNTING STANDARD (AS) 17

Business Segment

Particulars	Manufactured Products			Trading Products			Job Works			Eliminations / Unallocated			Consolidated Total		
	₹			₹			₹			₹			₹		
	2018 - 2019	2017 - 2018	2017 - 2018	2018 - 2019	2017 - 2018	2017 - 2018	2018 - 2019	2017 - 2018	2017 - 2018	2018 - 2019	2017 - 2018	2017 - 2018	2018 - 2019	2017 - 2018	2017 - 2018
a) Revenues															
External Sales (Net of excise duty)															
Local	1,20,03,43,408	82,77,53,659	6,99,01,027	7,99,19,759	18,15,265	18,15,265	8,34,75,533								
Export	15,21,72,062	11,21,72,398	18,15,265	18,15,265			35,83,391								
Inter-Segment	88,88,009	68,88,495													
Total Revenue	1,36,14,03,480	94,68,14,552	8,17,35,024	8,45,74,477	4,38,68,402	4,38,68,402	8,70,38,924								
Identifiable Operating Expenses	93,48,75,632	59,38,38,895	5,59,97,174	5,59,97,174	2,78,47,890	2,78,47,890	4,51,74,968								
b) Segment results before interest & tax	42,65,27,847	35,29,75,657	2,57,37,850	3,13,60,624			4,18,83,956								
c) Interest & Other Income															
d) Unallocated expenses															
e) Profit before tax															
f) Tax Expense															
g) Minority Interest															
h) Profit & Loss Shares Of Associates															
i) Net Profit after tax															
j) Segment assets	44,34,90,099	38,56,71,888	3,52,09,043	1,41,20,446			1,82,04,252								
k) Segment liabilities	15,45,01,845	12,51,96,198	61,25,921	61,25,921			36,96,164								
l) Capital Expenditure															
m) Depreciation and amortisation	1,89,63,244	1,81,17,198													
n) Other Significant Non Cash Expenses															

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.



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## GEOGRAPHICAL SEGMENT REPORTING

### Profit & Loss Segment

Particulars	INDIA		PHILIPPINES		SINGAPORE		TOTAL	
	₹		₹		₹		₹	
	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018	2018 - 2019	2017 - 2018
a) Revenues	1,51,05,62,657	1,08,84,74,726	44,62,077	1,23,32,799	38,00,237	-	1,51,88,24,971	1,10,08,07,525
b) Identifiable Operating Expenses	1,03,11,35,111	67,34,37,290	32,13,033	46,62,731	8,50,506	-	1,03,51,98,650	67,81,00,021
c) Allocated Expenses	1,88,66,450	1,91,83,454	11,86,939	4,58,160	-	-	2,00,53,389	1,96,41,614
d) Segmental Operating Income	46,05,61,095	39,58,53,982	62,106	72,11,908	29,49,731	-	46,35,72,932	40,30,65,890
e) Unallocated expenses								
f) Other Income Net							37,13,57,211	32,28,49,975
g) Profit before tax							3,67,25,245	3,66,61,346
h) Tax Expense							12,89,40,966	11,68,77,261
i) Minority Interest							3,52,94,878	2,50,93,266
j) Profit & Loss Shares Of Associates							(3,26,900)	(8,73,743)
k) Net Profit after tax							9,64,749	56,34,802
							9,49,37,736	9,82,92,540

#### 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, are allocated by the management to the extent directly identifiable to each segment on a reasonable basis.



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**RELATED PARTY DISCLOSURES UNDER ACCOUNTING STANDARD (AS) 18**

- A Key Management Personnel : Mr. N. K. Garg  
Mr. Prashant Garg  
Mr. Ajay Jain  
Mrs. Renuka Garg  
Ms. Anita Vijaykar
- B Relatives of Key Management Personnel : Mrs. Chitra N Garg  
N. K. Garg HUF  
Mr. Nitin N Garg  
Mr. Ajay Jain HUF  
Mrs Daksha Jain



**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			
			2018-2019	2017-2018	Receivable		Payable	
					2018-2019	2017-2018	2018-2019	2017-2018
Key Managerial Personnel	Mr. N K Garg	Remuneration	75,00,000	60,00,000				
		Rent	4,97,510	5,95,800				
		Dividend	70,20,860	31,20,382				
		Commission	35,00,000	-				
		Medical Re-imbursement	1,03,407	82,989				
			Leave Encashment	-	-			
	Mr. Prashant Garg	Remuneration	70,50,000	54,00,000				
		Rent	4,03,313	-				
		Medical Re-imbursement	30,393	18,212				
		Leave Encashment	-	-				
Commission		35,00,000	5,00,000					
		Dividend	29,83,019	13,23,294				
	Mr. Ajay Jain	Commission	2,50,000	1,00,000				
	Mrs. Renuka Garg	Commission	2,50,000	1,00,000				
	Ms. Anita Vijaykar	Commission	2,50,000	1,00,000				
Relatives of Key Managerial Personnel	Mrs. Chitra N Garg	Rent	9,40,000	8,19,500				
		Dividend	38,23,439	16,99,306				
	N. K. Garg HUF	Rent	1,64,235	1,42,800				
		Dividend	13,45,034	5,97,794				
	Mr Nitin N Garg	Dividend	9,71,240	4,31,662				
	Mr Ajay Jain ( H.U.F)	Dividend	45,000	20,000				
		Dividend	900	400				
	Mrs Daksha Jain	Dividend	900	400				
	Diffusion MGM Machines Pvt Ltd.	Total Debit Notes towards expenses.	1,000	14,670	10,520	9,520		

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



## Form AOC-1

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

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

#### Part "A": Subsidiaries

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

#### A. Diffusion Super Conditioning Services Private Limited

Sl. No.	Particulars	Details
1.	Sl. No.	CIN - U51503MH1990PTC124545
2.	Name of the subsidiary	Diffusion Super Conditioning Services Private Limited
3.	The date since when subsidiary was acquired	10-01-1990
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
6.	Share capital	Rs. 380,000/-
7.	Reserves & surplus	Rs. 6,243,641/-
8.	Total assets	Rs. 6,925,074/-
9.	Total Liabilities	Rs. 289,061/-
10.	Investments	Rs. 4,012,600/- (Non-current Investments)
11.	Turnover	Rs. 2,370,690/-
12.	Profit before taxation	Rs. 434,001/-
13.	Provision for taxation	Rs. 112,399/-
14.	Profit after taxation	Rs. 321,602/-
15.	Proposed Dividend	-
16.	Extent of shareholding (In percentage)	98.95%



*[Signature]* AJ



**B. Diffusion Herson Adhesive And Sealant Private Limited**

Sl. No.	Particulars	Details
17.	Sl. No.	CIN - U24297MH2012PTC234063
18.	Name of the subsidiary	Diffusion Herson Adhesive And Sealant Private Limited
19.	The date since when subsidiary was acquired	02-08-2012
20.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
21.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
22.	Share capital	Rs. 1,000,000/-
23.	Reserves & surplus	Rs. 277,996/-
24.	Total assets	Rs. 5,871,177/-
25.	Total Liabilities	Rs. 4,567,475/-
26.	Investments	-
27.	Turnover	Rs.2,651,324/-
28.	Profit before taxation	Rs. 341,755/-
29.	Provision for taxation	Rs. 102,478/-
30.	Profit after taxation	Rs. 239,277/-
31.	Proposed Dividend	-
32.	Extent of shareholding (In percentage)	95.00%

**C. Nowelco Industries Private Limited**

Sl. No.	Particulars	Details
33.	Sl. No.	CIN - U29309CT1999PTC013276
34.	Name of the subsidiary	Nowelco Industries Private Limited
35.	The date since when subsidiary was acquired	12/03/2004
36.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
37.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
38.	Share capital	Rs. 12,455,500/-
39.	Reserves & surplus	Rs. (5,622,209)/-
40.	Total assets	Rs. 24,368,824/-
41.	Total Liabilities	Rs. 17,535,532/-



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42.	Investments	-
43.	Turnover	Rs. 21,745,114/-
44.	Profit before taxation	Rs. (1,057,280/-)
45.	Provision for taxation	Rs.(137,709/-)
46.	Profit after taxation	Rs. (919,571/-)
47.	Proposed Dividend	-
48.	Extent of shareholding (In percentage)	55.04%

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

Sl. No.	Particulars	Details
49.	Sl. No.	CIN - U29268MH2010PTC208211
50.	Name of the subsidiary	Diffusion MGM Machines Private Limited
51.	The date since when subsidiary was acquired	26/09/2010
52.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
53.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
54.	Share capital	Rs.100,000/-
55.	Reserves & surplus	Rs.73,066/-
56.	Total assets	Rs.184,586/-
57.	Total Liabilities	Rs.11,520/-
58.	Investments	-
59.	Turnover	NIL
60.	Profit before taxation	Rs.(1,294/-)
61.	Provision for taxation	-
62.	Profit after taxation	Rs.(1,294/-)
63.	Proposed Dividend	-
64.	Extent of shareholding (In percentage)	0%



*[Handwritten Signature]* AJ

**E. Diffusion Engineers Singapore Pte Ltd.**

Sl. No.	Particulars	Details
65.	Sl. No.	UIN-BYWAZ20140111
66.	Name of the subsidiary	Diffusion Engineers Singapore Pte. Ltd.
67.	The date since when subsidiary was acquired	26/11/2013
68.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
69.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	USD 1 USD=INR 69.504
70.	Share capital	Rs.17,376,000/-
71.	Reserves & surplus	Rs. 2,617,034/-
72.	Total assets	Rs. 15,245,424/-
73.	Total Liabilities	Rs .486,458/-
74.	Investments	Rs. 13,241,763/-
75.	Turnover	-
76.	Profit before taxation	Rs. (3,339,250/-)
77.	Provision for taxation	-
78.	Profit after taxation	Rs. (3,339,250/-)
79.	Proposed Dividend	-
80.	Extent of shareholding (In percentage)	100%

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

Sl. No.	Particulars	Details
81.	Sl. No.	-
82.	Name of the subsidiary	Diffusion Wear Solutions Philippines Inc.
83.	The date since when subsidiary was acquired	07/02/2014
84.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	-
85.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	PHP 1 PHP = INR1.3134
86.	Share capital	Rs.11,820,600/-
87.	Reserves & surplus	Rs.1,280,724/-
88.	Total assets	Rs.14,379,349/-



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89.	Total Liabilities	Rs.3,904,825/-
90.	Investments	Nil
91.	Turnover	Rs.4,425,017/-
92.	Profit before taxation	Rs.,7,050,120/-
93.	Provision for taxation	Rs.2,011,181/-
94.	Profit after taxation	Rs.5,038,939/-
95.	Proposed Dividend	-
96.	Extent of shareholding (In percentage)	100%

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

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



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**Part "B": Associates and Joint Ventures**

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

Name of associates/Joint Ventures	MecdiffSdnBhd (Associate of Diffusion Engineers Singapore Pte Ltd.)	LSN Diffusion Ltd.
1. Latest audited Balance Sheet Date	31/12/2018	31/12/2018
2. Date on which the Associate or Joint Venture was associated or Acquired	17-12-2013	31-08-2012
3. Shares of Associate/Joint Ventures held by the company on the year end	-	-
No.	300,000	954.45
Amount of Investment in Associates/Joint Venture	Rs.5,082,000/-	Rs.86,439,764/-
Extend of Holding (In percentage)	30.00%	27.27%
4. Description of how there is significant influence		
5. Reason why the associate/joint venture is not consolidated	NA	NA
6. Net worth attributable to shareholding as per latest audited Balance Sheet	Rs.9,042,754/-	Rs.293,883,425/-
7. Profit/Loss for the year		
i. Considered in Consolidation	Rs.116,982/-	Rs. 847,767/-
ii. Not Considered in Consolidation	Rs.272,957/-	Rs. 2,261,023/-

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

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

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

*P. R. Bhuta*



Pankaj Bhuta  
Proprietor  
Mem. No. 31820  
Place : Mumbai  
Date : 19.08.2019

*Prashant Garg*

Prashant Garg  
(DIN - 00049106)  
(Director)  
Date: 19.08.2019

*Ajay Jain*

Ajay Jain  
(DIN - 02815416)  
(Director)  
Date: 19.08.2019