(PB/01/2025-26)

DIFFUSION ENGINEERS LIMITED

(CIN: L99999MH2000PLC124154)
Registered Office: T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016
Mobile No.: 9158317943
E-mail - cs@diffusionengineers.com Website - www.diffusionengineers.com

NOTICE OF POSTAL BALLOT

[Pursuant to Section 108 and 110 of the Companies Act, 2013, read with the Rule 20 & 22 of the Companies (Management and Administration Rules, 2014)]

To
The Member(s),
Diffusion Engineers Limited

NOTICE is hereby given that pursuant to the provisions of Section 108 & 110 of Companies Act, 2013 read with Rule 20 & 22 of Companies (Management and Administration) Rules, 2014 ("Rules") read with the General Circular No. 14/2020 dated April 8, 2020, General Circular no. 17/2020 dated April 13, 2020, General Circular no. 22/2020 dated June 15, 2020, General Circular no.33/2020 dated September 28, 2020, General Circular No. 39/2020 dated December 31, 2020, General Circular no. 10/2021 dated June 23, 2021, General Circular no. 20/2021 dated December 08, 2021, General Circular no. 3/2022 dated May 05, 2022, General Circular No. 11/2022 dated December 28, 2022, General Circular No. 09/2023 dated September 25, 2023 and General Circular No. 09/2024 dated September 19, 2024, issued by the Ministry of Corporate Affairs ("MCA Circulars") read with other relevant circulars and other applicable provisions of the Companies Act, 2013, if any, Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Secretarial Standard on General Meetings ("SS-2") issued by the Institute of Company Secretaries of India and other applicable laws, rules and regulations (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the resolutions appended below be passed by the Members **(as on the Cut-off date i.e. Friday, May 16, 2025)** through Postal Ballot only by voting through electronic means **("remote evoting").** Communication of assent or dissent of the Members would take place only through the remote e-voting system.

In compliance with the aforesaid MCA Circulars, this Postal Ballot Notice is being sent only through electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories as on **Friday, May 16, 2025 ("Cut-Off date")**. If your e-mail address is not registered with the Company/Depositories, please follow the process provided in the Notes to receive this Postal Ballot Notice.

An explanatory statement pursuant to Sections 102, 110 and other applicable provisions, if any, of the Companies Act, 2013 pertaining to the resolutions setting out the material facts and reasons thereof, is appended to this Postal Ballot Notice. Pursuant to Rule 22(5) of the Rules, the Board of Directors of your Company on **Thursday, May 15, 2025** through Board resolution has appointed Mr. Amit Rajkotiya (Membership No. FCS 5561) as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

The Company has engaged the services of Central Depository Services (India) Limited ("CDSL") as the agency to provide e-voting facility.

Members are requested to read the instructions given in the Notes to this Postal Ballot Notice so as to cast their vote electronically. The remote e-voting period commences from **9.00 a.m. (IST)** on **Saturday, May 31, 2025 and ends at 5.00 p.m. (IST) on Sunday, June 29, 2025.** The Scrutinizer will submit the report to the Chairman of the Company, or any person authorized by him upon completion of the scrutiny of the votes cast through remote e-voting. The results of the Postal Ballot will be announced on or before **Tuesday, July 01, 2025.**

The said results along with the Scrutinizer's Report would be intimated to National Stock Exchange of India Limited and BSE Limited where the Equity Shares of the Company are listed. Additionally, the results will also be uploaded on the Company's website: www.diffusionengineers.com and on the website of Central Depository Services (India) Limited ("CDSL") www.evotingindia.com

SPECIAL BUSINESSES:

Item No. 1: Approval of 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025'

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

"RESOLVED THAT pursuant to the provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with Rules made thereunder, the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended and enacted from time to time read with all circulars and notifications issued thereunder ("**SBEB Regulations**"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**"), the Foreign Exchange Management Act, 1999, the relevant provisions of Memorandum and Articles of Association of the Company and subject to further such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions, sanctions, the consent of the members' of the Company be and is hereby accorded to the introduction of **'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' ("ESOP 2025" or "Scheme")** and implementation through an irrevocable employee welfare trust namely '**Diffusion ESOP Trust**' ("**Trust**") to be set-up by the Company, the salient features of which are furnished in the Explanatory Statement annexed to this notice, and authorizing the Board of Directors of the Company (hereinafter referred to as the "**Board**" which term shall be deemed to include any Committee, including the Nomination and Remuneration Committee which the Board has constituted) to create, offer, issue, grant and allot from time to time, in one or more tranches, not exceeding 7,00,000 (Seven lakh) employee stock options **("Options")** to the eligible employees of the Company, exclusively working in India or outside, as determined in terms of the Scheme, exercisable into not more than 7,00,000 (Seven lakh) equity shares of face value of ₹ 10/- (Rupees Ten Only) each fully paid-up ("**Shares**"), to be sourced from the secondary acquisition by the Trust, where one Option would convert into one equity share upon exercise, on such terms and in such manner, in accordance with the provisions of the applicable laws and the provisions of the Scheme.

RESOLVED FURTHER THAT the Shares as specified hereinabove shall be transferred by the Trust to the grantees upon exercise of Options in accordance with the terms of the grant and

provisions of the Scheme and such Shares shall rank pari passu in all respects with the then existing Shares of the Company.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional Options to be granted by the Company, for the purpose of making a fair and reasonable adjustment to the Options granted earlier, the ceiling of total number of Options and equity shares specified above shall be deemed to be increased to the extent of such additional Options granted.

RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the eligible employees under the Scheme shall automatically stand reduced or augmented, as the case may be, in the same proportion as the face value per equity share shall bear to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said eligible employees.

RESOLVED FURTHER THAT the trustees of the Trust shall ensure compliance of the provisions of the SBEB Regulations, Companies Act, 2013 and rules made thereunder and all other applicable laws at all times in connection with acquisition, holding and dealing in the Shares of the Company including but not limited to maintenance of proper books of account, records and documents with appropriate disclosures as prescribed.

RESOLVED FURTHER THAT the Company and the Trust shall conform to the accounting policies prescribed from time to time under the SBEB Regulations and any other applicable laws and regulations to the extent relevant and applicable to Scheme.

RESOLVED FURTHER THAT the Board, be and is hereby authorized at any time to modify, change, vary, alter, amend, suspend or terminate the Scheme subject to the compliance with the applicable laws and regulations and further subject to consent of the shareholders by way of special resolution to the extent required under SBEB Regulations, and to do all such acts, deeds, matters and things as it may deem fit at its absolute discretion, for such purpose and also to settle any issues, questions, difficulties or doubts that may arise in this regard and further to execute all such documents, writings and to give such directions and or instructions as may be necessary or expedient to give effect to such modification, change, variation, alteration, amendment, suspension or termination of the Scheme and do all other things incidental and ancillary thereof in conformity with the provisions of the Companies Act, 2013, SBEB Regulations, the relevant provisions of the Memorandum and Articles of Association of the Company and any other applicable laws in force to give effect to this resolution."

Item No. 2: Consider and approve grant of Options to the employees of the subsidiary Company of the Company under 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025'

To consider and if deemed fit, to pass, the following resolution as a **Special Resolution:**

"**RESOLVED** that pursuant to the provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with Rules made thereunder, the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations 2021, as amended and enacted from time to time read with all circulars and notifications issued thereunder ("**SBEB Regulations**"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR**

Regulations"), the relevant provisions of Memorandum and Articles of Association of the Company and subject to further such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions, sanctions the consent of the members' of the Company be and is hereby accorded to authorize the Board of Directors of the Company (hereinafter referred to as the "**Board**" which term shall be deemed to include any Committee, including the Nomination and Remuneration Committee which the Board has constituted) to offer, issue, grant and allot from time to time, in one or more tranches, employee stock options ("**Options**") under **'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' ("ESOP 2025" or "Scheme")** to the eligible employees of the subsidiary company of the Company, exclusively working in India or outside India, as determined in terms of the ESOP 2025, within the ceiling of total number of Options and equity shares, as specified in ESOP 2025 along with such other terms and in such manner, in accordance with the provisions of the applicable laws and the provisions of the Scheme."

Item No. 3: Approval for secondary acquisition of shares through Trust route for the implementation of 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025'

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

"**RESOLVED THAT** pursuant to the provisions of Section 62(1)(b) and other applicable provisions, if any, of the Companies Act, 2013 read with Rules made thereunder, the provisions of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended and enacted from time to time read with all circulars and notifications issued thereunder ("**SBEB Regulations**"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**"), the relevant provisions of Memorandum and Articles of Association of the Company and subject to further such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions, sanctions, consent of the members' be and is hereby accorded to acquire not exceeding 7,00,000 (Seven lakh) equity shares of face value of ₹ 10/- (Rupees Ten Only) each fully paid-up **("Shares"),** by way of secondary acquisition, from time to time, in one or more tranches, for implementation of **'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' ("ESOP 2025" or "Scheme")**, through an irrevocable employee welfare trust namely '**Diffusion ESOP Trust**' ("**Trust**") to be set-up by the Company, in due compliance with the provisions of the SBEB Regulations and other applicable laws.

RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, change in capital structure, or other re-organization, the ceiling aforesaid in terms of number of Shares intended to be purchased by the Trust from secondary acquisition shall be adjusted with a view to facilitate fair and reasonable adjustment to the eligible employees as per provisions of the SBEB Regulations and such adjusted number of Shares shall be deemed to be the ceiling as originally approved.

RESOLVED FURTHER THAT the Trust shall not deal in derivatives and shall undertake only delivery-based transactions for the purposes of secondary acquisition as permitted under the SBEB Regulations.

RESOLVED FURTHER THAT the Trustees of the Trust shall not vote in respect of the shares acquired and held by such Trust."

Item No. 4: Approval for provision of money by the Company for purchase of its own Shares by the Trust under the 'Diffusion Engineers Limited – Employee Stock Option Scheme 2025'

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

"RESOLVED THAT pursuant to the provisions of the Section 67 of the Companies Act, 2013 read with Rule 16 of the Companies (Share Capital and Debentures) Rules, 2014 and Regulation 3(8) of the Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021 and any circulars/ notifications/ guidance/ frequently asked questions issued thereunder, as amended from time to time ("**SBEB Regulations**"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("**LODR Regulations**"), the relevant provisions of the Memorandum and Articles of Association of the Company, and subject to further such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, consent of the members' be and is hereby accorded by authorizing the Board of Directors of the Company (hereinafter referred to as the "**Board**" which term shall be deemed to include any Committee, which the Board has constituted) to grant a loan, provide guarantee or security in connection with a loan granted or to be granted, in one or more tranches, to the irrevocable employee welfare trust namely '**Diffusion ESOP Trust**' **("Trust")** to be set-up by the Company, by such sum of money not exceeding 5% (Five Percent) of the aggregate of the paid-up capital and free reserves of the Company, with a view to enable the Trust to acquire equity shares of the Company of face value of ₹ 10/- (Rupees Ten Only) each fully paid-up ("**Shares**"), by way of secondary acquisition, for implementation of **'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' ("ESOP 2025" or "Scheme").**

RESOLVED FURTHER THAT the Trust shall use the loan amount disbursed from time to time only for the purposes of the Scheme strictly in accordance with the provisions of SBEB Regulations.

RESOLVED FURTHER THAT the loan provided by the Company shall be interest free with tenure of such loan based on term of the Scheme and shall be repayable to the Company from realization of proceeds of exercise/ permitted sale/ transfer of Shares and any other eventual income of the Trust.

RESOLVED FURTHER THAT subject to the broad terms above, the Board be and is hereby authorized to do all such acts, deeds, matters and things, as may at its absolute discretion, as deemed fit, to settle any issues, questions, difficulties or doubts that may arise in this regard and further to execute all such documents, writings and to give such directions and/ or instructions as may be necessary or expedient to give effect to this resolution."

Place: Nagpur
Date: **May 30, 2025**
Registered Office: T- 5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016

By Orders of the Board of Directors
For Diffusion Engineers Limited

Sd/-
Chanchal Jaiswal
Company Secretary and Compliance Officer
(Membership no. A67136)

NOTES:

1. An Explanatory Statement pursuant to the provisions of Sections 102 and 110 of the Companies Act, 2013 read with Rule 22 of the Rules stating material facts and reasons for the proposed resolutions are annexed hereto.

2. In compliance with MCA Circulars, this Postal Ballot Notice is being sent only through electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories

3. Members are requested to register/update their e-mail addresses, in respect of electronic holding with the Depository through the concerned Depository Participants and in respect of physical holdings with Bigshare Services Private Limited, Registrar and Share Transfer Agent of the Company ("RTA") by following the due procedure. Members may note that this notice will also be available at the Company's website www.diffusionengineers.com, website of the Stock Exchange i.e. BSE Limited at www.bseindia.com, National Stock Exchange of India Limited at www.nseindia.com and on the website of CDSL at www.evotingindia.com.

4. The Resolution, if passed by requisite majority, will be deemed to have been passed on the last date of e-voting i.e. **Sunday, June 29, 2025**

5. The instructions for remote e-voting are as under:

i. In compliance with the provisions of Sections 108 and 110 of the Companies Act, 2013, Rules 20 and 22 of the Rules, Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), MCA Circulars and SEBI circular no. SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated July 11, 2023, as amended, in relation to e-voting Facility provided by Listed Entities, the Company has provided the facility of remote e-voting to all Members, to enable them to cast their votes electronically. The Company has engaged the services of CDSL to provide remote e-voting facility to its members.

ii. Voting rights of the Members shall be in proportion to the shares held by them in the paid-up equity share capital of the Company as on **Friday, May 16, 2025** ("Cut-off date"). Only those Members whose names are recorded in the Register of Members of the Company or in the Register of Beneficial Owners maintained by the Depositories as on the Cut-off date will be entitled to cast their votes by remote e-voting. A person who is not a member as on the Cut-off date should treat this Postal Ballot Notice for information purposes only.

iii. The remote e-voting period commences from 9.00 a.m. (IST) on **Saturday, May 31, 2025 and ends at 5.00 p.m. (IST) on Sunday, June 29, 2025.** The e-voting module shall be disabled by CDSL thereafter. Once the vote on the resolution is cast by the Member, he/she shall not be allowed to change it subsequently.

iv. The Board of Directors of your Company on **Thursday, May 15, 2025**, has appointed Mr. Amit Rajkotiya, Practicing Company Secretary (Membership No. FCS 5561) as the Scrutinizer to conduct the Postal Ballot through remote e-voting process in a fair and transparent manner.

v. The details of the process and manner for remote e-voting are explained herein below:

ACCESS THROUGH DEPOSITORIES CDSL/NSDL E-VOTING SYSTEM IN CASE OF INDIVIDUAL SHAREHOLDERS HOLDING SHARES IN DEMAT MODE.

In terms of SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to abovesaid SEBI Circular, Login method for e-Voting **for Individual shareholders holding securities in Demat mode CDSL/NSDL** is given below:

Type of shareholders	**Login Method**
Individual Shareholders holding securities in Demat mode with **CDSL Depository**	1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login to Easi / Easiest are requested to visit CDSL website www.cdslindia.com and click on login icon & My Easi New (Token) Tab. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the e-voting is in progress as per the information provided by company. On clicking the e-voting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period. Additionally, there is also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly. 3) If the user is not registered for Easi/Easiest, option to register is available at CDSL website www.cdslindia.com and click on login & My Easi New (Token) Tab and then click on registration option. 4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the e-voting is in progress and also able to directly access the system of all e-Voting Service Providers.
Individual Shareholders	1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is

holding securities in demat mode with **NSDL Depository**	launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period. 2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS Portal" or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen-digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period. 4) For OTP based login you can click on https://eservices.nsdl.com/SecureWeb/evoting/evotinglogin.jsp. You will have to enter your 8-digit DP ID,8-digit Client Id, PAN No., Verification code and generate OTP. Enter the OTP received on registered email id/mobile number and click on login. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on **company name or e-Voting service provider name** and you will be re-directed to **e-Voting service provider website** for casting your vote during the remote e-Voting period
Individual Shareholders (holding securities in demat mode) login through their **Depository Participants**	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	**Helpdesk details**
Individual Shareholders holding securities in Demat mode with **CDSL**	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 21 09911
Individual Shareholders holding securities in Demat mode with **NSDL**	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at : 022 - 4886 7000 and 022 - 2499 7000

ACCESS THROUGH CDSL E-VOTING SYSTEM IN CASE OF SHAREHOLDERS HOLDING SHARES IN PHYSICAL MODE AND NON-INDIVIDUAL SHAREHOLDERS IN DEMAT MODE.

i) Login method for Remote e-Voting for **Physical shareholders and shareholders other than individual holding in Demat form.**

1) The shareholders should log on to the e-voting website www.evotingindia.com.
2) Click on "Shareholders" module.
3) Now enter your User ID

   a. For CDSL: 16 digits beneficiary ID,
   b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
   c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.

4) Next enter the Image Verification as displayed and Click on Login.
5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
6) If you are a first-time user follow the steps given below:

	For Physical shareholders and other than individual shareholders holding shares in Demat.
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the

	sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details **OR** Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field.

(ii) After entering these details appropriately, click on "SUBMIT" tab.

(iii) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(iv) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(v) Click on the EVSN for the Diffusion Engineers Limited.

(vi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(vii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(viii) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(ix) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(x) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

(xi) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xii) There is also an optional provision to upload BR/POA if any uploaded, which will be made available to scrutinizer for verification.

(xiii) **Additional Facility for Non – Individual Shareholders and Custodians –For Remote Voting only.**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.

- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login will be mapped automatically & can be delink in case of any wrong mapping.
- It is Mandatory that, a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively Non Individual shareholders are required mandatory to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; cs@diffusionengineers.com , if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL/MOBILE NO. ARE NOT REGISTERED WITH THE COMPANY/DEPOSITORIES.

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to Company/RTA email id.

2. For Demat shareholders -, Please update your email id & mobile no. with your respective Depository Participant (DP)

3. For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting .

If you have any queries or issues regarding e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 21 09911

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call at toll free no. 1800 21 09911

EXPLANATORY STATEMENT
(Pursuant to Section 102(1) of the Companies Act, 2013)

In conformity with the provisions of Section 102 of the Companies Act, 2013 the following Explanatory Statement sets out all material facts relating to the business under Item No. 1, 2, 3 and 4 mentioned in the accompanying Notice.

Item Nos. 1, 2 and 3:

The Members to take note that, the equity compensation schemes are effective tools to reward the talents working with the Company or its subsidiary, as they help align employee interests with long-term shareholder value while creating an ownership culture that supports talent retention, motivation, and attraction for the Company's growing business.

At this juncture, the Company has transited to the next phase of leveraging market opportunities, business growth including addressing of business competitions which has resulted in consistent demand for talents for critical roles. Apart from this, emergence of new skillsets relevant for the Company's business has resulted in changed dynamics of the talent market. This has necessitated in bringing out a meaningful reward strategy for attraction of new talents and retention of both existing and new critical resources having leadership qualities or holding critical roles as required in the businesses.

In view of above, it is thought expedient to implement an employee stock option scheme wherein employee stock options ("**Options**") will be granted to the eligible employees, and the equity shares of face value of ₹ 10/- (Rupees Ten Only) each of the Company ("**Shares**") required for the implementation of the proposed scheme, shall be sourced from secondary acquisition. The proposed scheme will not only enable the Company to reward eligible employees but, by its very design, will also generate value for shareholders. Furthermore, there will be no additional equity dilution if the Shares required under the proposed scheme are acquired through secondary acquisition by the Trust.

Further, in case the scheme involves secondary acquisition, then as per Regulation 3 of the Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021 ("**SBEB Regulations**"), it shall be mandatory for the Company to implement such scheme through a trust. Accordingly, the Nomination and Remuneration Committee ("**Committee**") and the Board of Directors of the Company ("**Board**") have approved the draft of **'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' ("ESOP 2025" or "Scheme")**, in their meetings held on May 14, 2025 and May 15,2025 respectively subject to the approval of Members and also approved a trust deed of an irrevocable employee welfare trust namely '**Diffusion ESOP Trust**' ("**Trust**") to be set-up by the Company. Further, the ESOP 2025 shall be administered through the Trust and supervised by the Committee. The contemplated secondary acquisition shall be well within the ceiling prescribed under the SBEB Regulations.

In terms of Regulation 6 of the SBEB Regulations, the salient features of the ESOP 2025 are given as under:

a. Brief Description of the scheme:

Keeping the view of aforesaid objectives, the ESOP 2025 contemplates grant of Options to the eligible employees of the Company and/ or its subsidiary, exclusively working in India or outside India, as determined in terms of the ESOP 2025 and in due compliance of SBEB Regulations. After vesting of Options, the eligible employees earn a right (but not obligation) to exercise the vested Options within the exercise period and obtain equity shares of the Company subject to payment of exercise price and satisfaction of any tax obligation arising thereon. The eligible employees are expected to receive benefits based on their contribution to creating value for shareholders.

The Committee shall act as the Compensation Committee and shall supervise the Scheme. All questions of interpretation of the Scheme shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in the Scheme. Whereas the Trust shall administer the Scheme.

b. Total number of Options to be granted:

The total number of Options to be granted under the Scheme shall not exceed 7,00,000 (Seven lakh). Each Option when exercised would be converted into one equity share of face value of ₹ 10/- (Rupees Ten Only) each fully paid-up.

Further, SBEB Regulations require that in case of any corporate action(s) such as rights issue, bonus issue, merger, sale of division etc., a fair and reasonable adjustment needs to be made to the Options granted. In this regard, the Committee shall adjust the number and price of the Options granted in such a manner that the total value of the Options granted under the Scheme remain the same after any such corporate action. Accordingly, if any additional Options are granted by the Company, for making such fair and reasonable adjustment, the ceiling of aforesaid shall be deemed to be increased to the extent of such additional Options granted.

c. Identification of classes of employees entitled to participate in the scheme:

Subject to determination or selection by the Committee, following classes of employees are eligible being:

i. an employee as designated by the company, who is exclusively working in India or outside India; or
ii. a Director of the Company, whether a whole time director or not; including a non-executive director who is not a Promoter or member of the Promoter Group; or
iii. an employee as defined in sub-clauses (i) or (ii), of a Subsidiary Company in India or outside India;

but does not include

i) an employee who is a Promoter or belongs to the Promoter Group;
ii) a Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding Shares of the Company;

iii) an Independent Director.

The Committee while granting the Options to any eligible employee(s) of any subsidiary company, shall at its discretion, consider the factors including but not limited to the role(s) of such employee(s) for safeguarding the interest of the Company, or such employee's contribution to the Company.

d. Requirements of Vesting and period of Vesting:

All the Options granted on any date shall vest not earlier than the minimum vesting period of **1 (one) year** and not later than maximum vesting period of **4 (Four) years** from the date of grant.

The vesting of Options shall be contingent upon the employee's continued employment with the Company or its subsidiary, as the case may be. In addition, the Committee, in its sole discretion, may impose specific performance criteria, the satisfaction of which shall be required for the Options to vest. The Committee shall have the authority to determine the performance parameters applicable to an employee or a class of employees, based on their respective roles, and to assign relative weightages to each parameter as it deems appropriate. The specific vesting schedule and vesting conditions subject to which vesting would take place would be outlined in the grant letter given to the Option grantee at the time of grant of Options.

In the event of death or permanent incapacity of an employee, the minimum vesting period of 1 (**One**) year shall not be applicable and in such instances, all the unvested Options shall vest with effect from date of the death or permanent incapacity.

In case of retirement, all unvested Options as on the date of retirement would continue to vest in accordance with the original vesting schedules even after the retirement unless otherwise determined by the Committee in accordance with the company's policies and provisions of the then prevailing applicable laws.

Further, in case of an eligible Employee who has been granted benefits under ESOP 2025 is deputed or transferred (including resignation in connection with transfer) to join its subsidiary company or a holding company or an associate company of the Company, prior to vesting or exercise, vesting schedule and exercise period to remain same as per the terms of the grant.

e. Maximum period within which the Options shall be vested:
All the Options granted on any date shall vest not later than maximum vesting period of **4 (Four) years** from the date of each grant.

f. Exercise price or pricing formula:
The exercise price per Option shall be determined by the Committee. However, the exercise price per Option shall not be less than the face value of the Share of the Company.

g. Exercise period and the process of exercise:
The exercise period for vested Options shall be a maximum of **4 (Four)** years commencing from the date of each vesting or such other shorter period as may be prescribed by the Committee at the time of grant. In case of death or permanent incapacity, the Committee

may, at its discretion, allow such additional period for exercise which shall not be more than 12 months from the original prescribed exercise period.

The vested Options shall be exercisable by the eligible employees by a written application to the Trust/ Company expressing his/ her desire to exercise such Options in such manner and in such format as may be prescribed by the Committee from time to time. Exercise of Options shall be entertained only after payment of requisite exercise price and satisfaction of applicable taxes by the eligible employee. The Options shall lapse if not exercised within the specified exercise period.

h. Appraisal process for determining the eligibility of employees under the scheme:
The appraisal process for determining eligibility shall be decided from time to time by the Committee. The broad criteria for appraisal and selection may include parameters like grade, criticality, skills, potential contribution, and such other criteria as may be determined by the Committee at its sole discretion, from time to time.

i. Maximum number of Options to be issued per employee and in aggregate:
The maximum number of Options under the Scheme that may be granted to each Employee per Grant and in aggregate (taking into account all grants) vary depending upon the designation and the appraisal/ assessment process, however, shall not exceed **2,00,000 (Two Lakh)** Options at the time of grant.

j. Maximum quantum of benefits to be provided per employee under the scheme:
The maximum quantum of benefits contemplated under the Scheme are in terms of the maximum number of Options that may be granted to an eligible employee as specified in the Scheme.

Apart from the grant of Options as stated above, no other benefits are contemplated under the Scheme.

k. Route of the scheme implementation:
The Scheme shall be implemented and administered by the Trust of the Company.

l. Source of acquisition of shares under the scheme:
The Scheme contemplates acquisition of Shares not exceeding 7,00,000 (Seven lakh) from the secondary acquisition through the Trust.

m. Amount of loan to be provided for implementation of the scheme(s) by the Company to the trust, its tenure, utilization, repayment terms, etc.:

The Company shall provide necessary financial assistance by grant of loan, provision of guarantee or security in connection with a loan to the Trust, subject to 5% (Five Percentage) of the paid-up capital and free reserves, being the statutory ceiling under SBEB Regulations. The loan amount may be disbursed in one or more tranches.

The loan provided by the Company shall be interest free with tenure of such loan based on term of the Scheme and shall be repayable to the Company from realization of proceeds of exercise/ permitted sale/ transfer of Shares and any other eventual income of the Trust.

The Trust shall utilise the loan amount disbursed from time to time strictly for the acquisition of the Shares to be utilized for the purposes of the Scheme.

n. Maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the scheme:

The maximum number of Shares that may be acquired by way of secondary acquisition shall not exceed 7,00,000 (Seven lakh) (being [1.87%] of the paid-up capital of the Company) as on March 31, 2025, which shall be well within the statutory limit as prescribed under the SBEB Regulations.

o. Accounting and Disclosure Policies:

The Company shall follow the relevant accounting standards as may be prescribed by the Central Government in terms of Section 133 of the Companies Act, 2013 and/ or any relevant accounting standards/ guidance note as may be prescribed by the Institute of Chartered Accountants of India or any other competent authority, from time to time, including the disclosure requirements prescribed therein, in compliance with Regulation 15 of SBEB Regulations.

p. Method of Option valuation:

The Company shall adopt 'fair value method' for valuation of Options as prescribed under IND AS 102 on Share-based payments or any accounting standard/ guidance note, as applicable, notified by competent authorities from time to time.

q. Declaration:

In case, the Company opts for expensing of share-based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the Options and the impact of this difference on profits and on Earning Per Share (EPS) of the Company shall also be disclosed in the Boards' Report.

r. Period of lock-in:

The Shares issued/ transferred pursuant to exercise of Options shall not be subject to any lock-in period restriction except such restrictions as may be prescribed under applicable laws including that under the code of conduct framed by the Company under the Securities and Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended, shall apply.

s. Terms & conditions for buyback, if any, of specified securities/ Options covered granted under the scheme:

Subject to the provisions of the then prevailing applicable laws, the Board shall determine the procedure for buy-back of the specified securities/ Options if to be undertaken at any time by the Company and the applicable terms and conditions thereof.

A copy of draft Scheme of ESOP 2025 is available for inspection at the Company's registered office during official hours on all working days till the last date of the e-voting.

None of the Directors and Key Managerial Personnel of the Company, including their relatives, are interested or concerned in the resolutions, except to the extent they may be lawfully granted Options under ESOP 2025.

In this background, the Company seeks your approval by way of a special resolution pursuant to:

i. Section 62(1)(b) of the Companies Act, 2013 read with Regulation 3 and Regulation 6 of SBEB Regulations, for the implementation of ESOP 2025 through Trust route, in agenda item no.1; and
ii. Regulation 6(3)(c) of the SBEB Regulations, a separate resolution, for extending and granting the Options under the Scheme to the eligible employees of its subsidiary company, working in India or outside India, in agenda item no. 2; and
iii. Regulation 6(3)(a) of the SBEB Regulations, a separate resolution, for secondary acquisition of 7,00,000 (Seven lakh) equity shares by Trust under the Scheme, in agenda item no. 3.

Item No. 4:

The Members to take note that, the Company intends to implement equity compensation scheme namely **'Diffusion Engineers Limited – Employee Stock Option Scheme 2025' ("ESOP 2025" or "Scheme")** for which approval is sought from the members in separate resolutions at Item Nos. 1 and 2. This proposed Scheme shall be administered through an irrevocable employee welfare trust namely '**Diffusion ESOP Trust**' **("Trust")** to be set up by the Company. The proposed Scheme contemplates acquisition of equity shares of face value of ₹ 10/- (Rupees Ten Only) each fully paid-up ("**Shares**") of the Company from secondary acquisition through the Trust.

The Members to further take note that, for facilitating acquisition, the amount of loan to be provided by the Company under the Scheme shall not exceed 5% (Five percentage) of the aggregate of the paid-up capital and free reserves of the Company being the statutory ceiling as per the Section 67 of the Companies Act, 2013 read with Rule 16 of the Companies (Share Capital and Debentures) Rules, 2014 and relevant provisions of the SBEB Regulations.

The loan provided by the Company shall be interest free with tenure of such loan based on term of the Scheme and shall be repayable to the Company upon realization of proceeds on permitted sale/ transfer of Shares including realization of exercise price and any other eventual income of the Trust.

Necessary details in this regard are provided as under:

i. **The class of employees for whose benefit the Scheme is being implemented and money is being provided for acquisition of the Shares:**

Following classes of employees and directors (collectively referred to as "Employees") are eligible being:

i. an employee as designated by the company, who is exclusively working in India or outside India; or
ii. a Director of the Company, whether a whole time director or not; including a non-executive director who is not a Promoter or member of the Promoter Group; or
iii. an employee as defined in sub-clauses (i) or (ii), of a Subsidiary Company in India or outside India.

but does not include

i) an employee who is a Promoter or belongs to the Promoter Group;

ii) a Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the issued and subscribed Shares of the Company;

iii) an Independent Director.

ii. The particulars of the Trustee or employees in whose favour such Shares are to be registered:

It is contemplated that designated trustee shall acquire and hold the Shares of the Company in due compliance of the SBEB Regulations and Companies Act, 2013. An Employee shall be a registered owner of Shares pursuant to exercise of vested Options and transfer of corresponding number of Shares by the trustee.

iii. The particulars of trust and name, address, occupation and nationality of trustees and their relationship with the promoters, directors or key managerial personnel, if any:

The Trust is in the nature of an irrevocable employee welfare trust with the name '**Diffusion ESOP Trust**' ("**Trust**") having its principal office at T-5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016.

Details of the Trustee:

S. No	Name	Address	Occupation	Nationality
1	Qapita Equity Tech Limited	S. No. 134, The Kode, 7th Floor, Baner - Pashan Link Rd, Pune, Maharashtra 411045	Corporate Trustee	Indian
2	Sarika Dhokne	171 A, Mrunal Apartment, Survey Nagar, Jaitala Road, Nagpur 440022	Service	Indian
3	Trushtee Sajal Edbor	T-02, Arjun Palace, near North View Hotel, Choti Dhantoli, Nagpur - 440012	Service	Indian

The Trustee has no relationship with the promoters, directors, or key managerial personnel of the Company.

iv. Any interest of key managerial personnel, directors or promoters in such Scheme or trust and effect thereof:

Promoters are not eligible to be covered under the Scheme. However, Key Managerial Personnel and Directors (excluding independent directors) may be covered under the Scheme in due compliance with relevant applicable SBEB Regulations.

v. The detailed particulars of benefits which will accrue to the employees from the implementation of the Scheme:

The maximum quantum of benefits contemplated under the Scheme are in terms of the maximum number of Options that may be granted to an eligible employee as specified in the Scheme.

Apart from the grant of Options as stated above, no other benefits are contemplated under the Scheme.

vi. The details about who would exercise and how the voting rights in respect of the shares to be acquired under the Scheme would be exercised:

The trustee of the Trust shall not vote in respect of Shares held in the Trust as per extant SBEB Regulations. In this circumstance, the voting rights can be exercised by an eligible employee only when the Shares are transferred by the Trust to him/ her upon exercise.

None of the directors and/ or Key Managerial Personnel of the Company including their relatives are interested or concerned in the Trust/ resolution, except to the extent of their entitlements, if any, under the Scheme.

In this background, the Company seeks your approval by way of a special resolution as set forth in the agenda item no. 4 of the Notice, in terms of Section 67 of the Companies Act, 2013 read with Rule 16 of the Companies (Share Capital and Debentures) Rules, 2014 and Regulation 3(8) of the SBEB Regulations, for approving provision of money by the Company for purchase of its own Shares by the Trust for the implementation of the Scheme.

Place: Nagpur
Date: May 30, 2025
Registered Office: T- 5 & 6, MIDC, Hingana, Nagpur, Maharashtra, India, 440016

By Orders of the Board of Directors
For Diffusion Engineers Limited

Sd/-
Chanchal Jaiswal
Company Secretary and
Compliance Officer
(Membership no. A67136)