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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

**To the Board of Directors of
Diffusion Wear Solutions Middle East For Welding Wire Rods Electrodes And Similar
Products Manufacturing - L.L.C - S.P.C**

Opinion

We have audited the accompanying financial statements of **Diffusion Wear Solutions Middle East For Welding Wire Rods Electrodes And Similar Products Manufacturing - L.L.C - S.P.C** ("the Company"), which comprise the **Statement of Assets and Liabilities as at 31 March 2026**, and the **Statement of Profit and Loss (including Other Comprehensive Income)** and the **Statement of Cash Flows for the period then ended**, and 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 applicable financial reporting framework in the manner so required; and
- give a **true and fair view** in conformity with the accounting principles generally accepted in India (for consolidation purposes), of the state of affairs of the Company as at 31 March 2026, and its loss and its cash flows for the period ended on that date.

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, issued by the **Institute of Chartered Accountants of India (ICAI)**.

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 ethical requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

1. Currency Translation

The financial statements of the Company were originally prepared in **UAE Dirham (AED)** and have been translated into **Indian Rupees (INR)** for the purpose of presentation and consolidation by the Holding Company.

- **Assets and liabilities** are translated at **closing exchange rate**
- **Income and expenses** are translated at **average rates**

2. First-time Financial Statements

The Company was incorporated on **15 July 2025**, and these are the **first financial statements** prepared by the Company.

3. Going Concern

The Company has incurred losses during the period and has accumulated losses resulting in negative net worth.

However, the shareholder has undertaken to provide financial support to the Company to enable it to meet its obligations as they fall due, and accordingly, the financial statements have been prepared on a **going concern basis**.

Our opinion is not modified in respect of the above matters.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with applicable financial reporting standards.

This responsibility includes:

- Designing, implementing, and maintaining adequate **internal controls**
- Ensuring financial statements are **free from material misstatement**, whether due to fraud or error



- Selecting and applying appropriate accounting policies
- Making reasonable and prudent accounting estimates

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

An audit involves:

- Performing procedures to obtain audit evidence
- Assessing risks of material misstatement (fraud or error)
- Evaluating internal controls relevant to financial reporting
- Evaluating appropriateness of accounting policies
- Assessing reasonableness of estimates
- Evaluating overall presentation of financial statements

Other Matter

The financial statements of the Company are prepared for the purpose of **consolidation with its Holding Company in India** and may not be suitable for any other purpose.

For CA PN Gupta
Chartered Accountants
Membership No.: 044161
Nagpur,
Date: 06 May 2026
UDIN: 26044161BCQXYZ2672



NOTES TO FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2026

DIFFUSION WEAR SOLUTIONS MIDDLE EAST FOR WELDING WIRE RODS ELECTRODES AND
SIMILAR PRODUCTS MANUFACTURING - L.L.C - S.P.C

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a. Legal Status and Nature of Operations

The Company is a limited liability company incorporated on **15 July 2025** in Abu Dhabi, United Arab Emirates, under license issued by the Department of Economic Development.

The Company is a **wholly owned subsidiary of Diffusion Engineers Limited, India.**

The Company is licensed for manufacturing of welding wire, rods, electrodes and similar products. However, the Company **has not commenced commercial operations during the period** and has not generated any revenue.

b. Basis of Presentation

The Company maintains its books of account and prepares its statutory financial statements in accordance with **International Financial Reporting Standards (IFRS)** and applicable UAE laws and regulations.

The financial statements have been prepared on a **historical cost basis.**

The functional currency of the Company is **UAE Dirham (AED)** and statutory financial statements are prepared in AED.

Presentation in Indian Rupees (INR)

For the purpose of presentation and consolidation by its Holding Company, the financial information has been translated from **AED into INR.**

- **Assets and liabilities** → closing exchange rate
- **Income and expenses** → average exchange rate
- **Equity items** → historical rate

Resulting exchange differences are recognized in accordance with applicable accounting standards.



c. First-time Financial Statements

These are the **first set of financial statements** of the Company since incorporation on 15 July 2025.

d. Going Concern

The Company has incurred losses during the period and has accumulated losses resulting in negative equity.

However, the shareholder has committed to provide financial support and accordingly, the financial statements have been prepared on a **going concern basis**.

e. Segment Reporting

The Company operates in a **single reportable segment and geographical location**, and accordingly, segment reporting is not applicable.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Capital Work-in-Progress

Capital work-in-progress represents expenditure incurred on assets not yet ready for use.

- Measured at cost
- Includes directly attributable costs
- Not depreciated until assets are ready for use

b. Financial Instruments

Financial Assets

Financial assets are measured at **amortized cost**, where:

- Held to collect contractual cash flows
- Cash flows represent SPPI

Includes:

- Other receivables
- Cash and cash equivalents



Impairment (ECL)

The Company applies the **Expected Credit Loss (ECL) model**:

- Lifetime ECL for receivables
- 12-month ECL for low-risk assets

Financial Liabilities

Financial liabilities are measured at **amortized cost**, including:

- Loan from related party
- Other payables

c. Other Receivables

Other receivables are carried at cost less impairment.

d. Cash and Cash Equivalents

Cash and cash equivalents include bank balances and short-term liquid investments with maturity ≤ 3 months.

e. Trade and Other Payables

Liabilities are recognized for goods/services received, whether invoiced or not.

f. Provisions

Recognized when:

- Present obligation exists
- Outflow probable
- Reliable estimate available

g. Foreign Currency Transactions

Transactions in foreign currencies are recorded at exchange rates on transaction date.



- Monetary items → closing rate
- Exchange differences → P&L

h. Leases

The Company has entered into **short-term lease arrangements (≤ 12 months)**.

- Lease payments expensed on straight-line basis

i. Employee Benefits

No provision for gratuity is made as:

- UAE law requires minimum 1 year service
- Company has not completed 1 year

j. Revenue Recognition

Revenue is recognized when control transfers to customer.

However, the Company has **not generated revenue during the period**.

k. Value Added Tax (VAT)

VAT is accounted as per UAE VAT law:

- Output tax – Input tax = Net payable
- Net amount presented in balance sheet

l. Corporate Tax and Deferred Tax

- UAE Corporate Tax @ **9% applicable**
- Deferred tax recognized on temporary differences

Deferred tax asset is recognized where recovery is probable.

m. Current vs Non-current Classification

Assets and liabilities are classified based on:



- Operating cycle
- 12-month criteria
- Settlement expectations

Deferred tax is classified as **non-current**.

n. Statement of Cash Flows

Prepared using **indirect method**:

- Operating
- Investing
- Financing

o. Foreign Currency Translation Reserve (FCTR)

Financial statements are translated from **AED (functional currency)** to **INR (presentation currency)**:

- Assets & liabilities → closing rate
- Income & expenses → average rate
- Equity → historical rate

Exchange differences:

- Recognized in **OCI**
- Accumulated as **FCTR**

Not routed through P&L and reclassified only on disposal.

3. KEY ACCOUNTING JUDGMENTS AND ESTIMATES

a. Going Concern

Assessment based on shareholder support.

b. Deferred Tax Recognition

Based on future taxable profits.

c. ECL Provisioning



Based on assumptions of recoverability and credit risk.

4. ADDITIONAL DISCLOSURES (IMPORTANT FOR YOUR GROUP)

a. Related Party Transactions

The Company has received a loan from:

- Diffusion Engineers Singapore Pte. Ltd.

Loan is:

- Interest-bearing @ 4.5%
- Repayable on demand

b. Capital Structure

- Share capital: AED 100,000

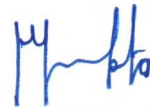
c. Commencement of Operations

The Company is in **pre-operative stage**.



For Diffusion Wear Solutions Middle East L.L.C - S.P.C

Date: 06 May 2026



For CA PN Gupta

Chartered Accountant

Membership No.: 044161

Nagpur

UDIN: 26044161BCQXYZ2672



DIFFUSION WEAR SOLUTIONS MIDDLE EAST FOR WELDING WIRE RODS ELECTRODES AND SIMILAR PRODUCTS MANUFACTURING - L.L.C - S.P.C Statement of Assets and Liabilities as at March 31, 2026	
(Amount - INR in Million)	
Particulars	As at 31st March, 2026
I. ASSETS	
A. Non Current Assets	
(a) Property, plant and equipment	0.31
(b) Capital work-in-progress	8.05
(c) Financial Assets	
(i) Investments	
(d) Deferred Tax Asset (DTA)	1.08
Total Non-current assets	9.44
B. Current Assets	
(a) Financial Assets	
(i) Trade Receivables	
(ii) Cash and Cash Equivalents	0.47
(iii) Loans and advances	0.03
(b) Current Tax Asset (Net)	
(c) Other current assets	13.86
Total Current assets	14.36
TOTAL ASSETS	23.80
II. EQUITY AND LIABILITIES	
A. Equity	
(a) Equity Share Capital	2.50
(b) Other Equity	-10.89
Total Equity	-8.40
B. Liabilities	
B.1 Non -Current liabilities	
(a) Financial liabilities	
(i) Other financial liabilities	
(ii) Borrowings - from related party	14.98
(b) Provisions (Provision for taxation)	
(c) Other Non -Current liabilities	
Total Non -Current liabilities	14.98
B.2 Current liabilities	
(a) Financial liabilities	
(i) Trade Payables	17.23
(A) Total outstanding dues of micro enterprise and small enterprises	
(B) Total outstanding dues of creditors other than micro enterprises and small enterprises	
(ii) Other Financial Liabilities	
(b) Current Tax Liabilities (Net)	
Total Current liabilities	17.23
Total Liabilities	32.20
TOTAL EQUITY AND LIABILITIES	23.80
For and on behalf of the Board of Directors of	
DIFFUSION WEAR SOLUTIONS MIDDLE EAST FOR WELDING WIRE RODS ELECTRODES AND SIMILAR PRODUCTS MANUFACTURING - L.L.C - S.P.C	
As per our report of even date	
Director - Veera Bhadra Sarma Boddapati Place - Nagpur Date - 06-05-2026  For CA PN Gupta Chartered Accountant Membership No. 044161 Nagpur, Date - 06-05-2026 UDIN-26044161SMUVU14600	

DIFFUSION WEAR SOLUTIONS MIDDLE EAST FOR WELDING WIRE RODS ELECTRODES AND SIMILAR PRODUCTS MANUFACTURING - L. L. C - S. P. C		
Statement of Profit and Loss including other comprehensive income for the period ended March 31, 2026		
(Amount - INR in million, except per share data)		
PARTICULARS		Period from 15 July 2025 to
		31st March 2026
I	Revenue from operations	0.00
II	Other Income	0.00
III	Total Income (I+II)	0.00
IV	Expenses	
	Purchases of Stock in trade	0.00
	Direct Expenses	0.24
	Employee Benefits Expense	1.49
	Finance costs	0.05
	Other Expenses	9.72
	Total Expenses	11.51
V	Profit/ (loss) before tax (III-IV)	(11.51)
VI	Tax expense	
	(a) Current Tax	-1.04
	(b) Deferred Tax	-1.04
	Total Tax Expense	-1.04
	Profit/ (loss) for the period (V - VI)	(10.47)
VII	Other comprehensive income	
I	A (i) Items that will not be reclassified to profit or loss:	
	(ii) Income tax relating to items that will not be reclassified to profit or loss	
	B (i) Items that will be reclassified to profit or loss - Foreign currency translation of foreign operations	-0.42
	(ii) Income tax relating to items that will be reclassified to profit or loss	
	Total Other Comprehensive Income for the period	-0.42
	Total Comprehensive Income for the period (VII+VIII)	(10.89)
	Earnings per equity share (EPS) (Amount in INR) :	
a)	Basic	(108, 937)
b)	Diluted	(108, 937)
For and on behalf of the Board of Directors of DIFFUSION WEAR SOLUTIONS MIDDLE EAST FOR WELDING WIRE RODS ELECTRODES AND SIMILAR PRODUCTS MANUFACTURING - L. L. C - S. P. C		
As per our report of even date		
 		
Director - Veera Bhadra Sarma Boddapati		
Place - Nagpur		
Date - 06-05-2026		
 		
For CA PN Gupta Chartered Accountant Membership No. 044161 Nagpur,		
Date - 06-05-2026		
UDIN-26044161SMUVU14600		

Cash Flow Statement for the Year Ended on 31st March, 2026

(Amount - INR in Million)

Particulars	For the year ended 31 March 2026
Cash flows from operating activities	
Profit / (loss) before tax	-11.51
Adjustments:	
FCTL	-0.42
Interest and Finance Charges	0.05
Operating cash flows before working capital changes and other assets	-11.88
(Decrease) / increase in other current assets	-14.97
(Decrease) / increase in Trade and Other Payables	17.23
Cash generated from operations	(9.62)
Income taxes refund / (paid), net	1.04
Net Cash Flow From/(Used In) Operating Activities (A)	(8.58)
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase/ Sale of property, plant and equipment	-0.31
Purchase of CWIP	-8.05
Net Cash Flow From/(Used In) Investing Activities (B)	(8.36)
CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from long-term borrowings	14.98
Finance Cost paid	-0.05
Share Capital	2.50
Net Cash Flow From/(Used In) Financing Activities (C)	17.42
Net increase / decrease in cash and cash equivalents	0.47
Cash and cash equivalents at the beginning of the period	
Cash & Cash Equivalents at the End of the Period(A+B+C)	0.47

For and on behalf of the Board of Directors of
**DIFFUSION WEAR SOLUTIONS MIDDLE EAST FOR WELDING WIRE
 RODS ELECTRODES AND SIMILAR PRODUCTS MANUFACTURING -
 L.L.C - S.P.C**

As per our report of even date




Director - Veera Bhadra Sarma Boddapati
 Place - Nagpur
 Date - 06-05-2026




For CA PN Gupta
 Chartered Accountant
 Membership No. 044161
 Nagpur,

Date - 06-05-2026
 UDIN-26044161SMUVU14600