



Date: May 21, 2025

To,
The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East),
Mumbai - 400 051
NSE Symbol: DIFFNKG

To,
The Manager
Corporate Relationship Department
BSE Limited
Floor 25, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
BSE Scrip Code - 544264

Dear Sir/Madam,

Subject: Transcript of the Analysts/Institutional Investors Meeting / Call on Financial Results for the quarter and year ended March 31, 2025

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call on Audited Financial Results (Standalone and Consolidated) for the quarter and year ended March 31, 2025 held on Friday, May 16, 2025 at 05:00 p.m. (IST).

The above information is also available on the website of the Company i.e.
<https://www.diffusionengineers.com/investors-relation>

Kindly take the information on record.

Thanking You.
Yours faithfully,

For Diffusion Engineers Limited

Chanchal Jaiswal
Company Secretary and Compliance Officer
Membership no. A67136



DIFFUSION ENGINEERS LIMITED

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“Diffusion Engineers Limited
Q4 and FY25 Conference Call”
May 16, 2025



**MANAGEMENT: MR. PRASHANT GARG – CHAIRMAN AND MANAGING
DIRECTOR – DIFFUSION ENGINEERS LIMITED
MR. RAMESH KUMAR N – CHIEF EXECUTIVE OFFICER
– DIFFUSION ENGINEERS LIMITED
MR. ABHISHEK MEHTA – CHIEF FINANCIAL OFFICER –
DIFFUSION ENGINEERS LIMITED
MS. CHANCHAL JAISWAL – COMPANY SECRETARY
AND COMPLIANCE OFFICER – DIFFUSION ENGINEERS
LIMITED
ADFACTORS PR, INVESTOR RELATIONS TEAM**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY25 conference call hosted by Diffusion Engineers Limited.

This conference call may contain forward-looking statements based on the beliefs, opinions and expectations as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Today on the call we have with us the following management representatives, Mr. Prashant Garg, Chairman and Managing Director, Mr. Ramesh Kumar N, Chief Executive Officer, Mr. Abhishek Mehta, Chief Financial Officer. I now hand the conference over to Mr. Prashant Garg, Chairman and Managing Director from Diffusion Engineers Limited. Thank you and over to you, sir.

Prashant Garg: Thank you so much. Good evening, everyone. Greetings, esteemed attendees. Welcome to the maidens' Earnings Call for Diffusion Engineers Limited for the fourth quarter and year ended 31st March 2025. It's a pleasure to have you all here.

We appreciate your presence here today and joining with me on this call are Mr. Ramesh Kumar N, Chief Executive Officer, Mr. Abhishek Mehta, Chief Financial Officer, Ms. Chanchal Jaiswal, Company Secretary and Compliance Officer and our Investor Relations Team from AdFactors PR. Prior to this call, we've uploaded the updated presentation. I believe you've had the opportunity to go through it.

Being our first conference call, let me start by giving a brief introduction about our company. Diffusion Engineers Limited has been a pioneer in the manufacturing of special welding consumables, wear plates and wear parts and heavy engineering machinery, catering to diverse industries such as cement, steel power, mining and other core industrial sector. Our company is dedicated to providing products, services and solutions that help core industrial customers to increase equipment or asset availability.

Core industries are typically processed plants and plant availability is an important KPI that affects the competitiveness and profitability of our customers. Therefore, our solutions are key for the success of our customers. Additionally, we are also involved in the sale of thermal spray powders which are manufactured in our associate company, LSN Diffusion Limited in the UK. These powders are used for wear protection, cladding and high temperature brazing applications for the engineering sector.

Basically, this category of products are high price, high performance in nature in comparison to the products that we make here in India. In addition to this and to complete our product offering, we are also involved in the supply of welding and cutting equipment that complements well

with our welding and anti-wear products offering.

We provide super-conditioning services at our manufacturing facility. Super-conditioning is a surface treatment concept used for machine components that enhances wear resistance, eliminates stress and improves the reparability, ultimately extending their lifespan and reducing cost for industrial users. Over the years, we have done forward integration, developed synergies to offer comprehensive solutions to our customers.

We started with manufacturing of special purpose electrodes followed by flux-coated wires, which is an automated version of electrodes. Using these consumables, then we ventured into manufacturing of well-cladded wear plates, normally known as wear plates. These wear plates are an integral part of the majority of industrial equipments and are integral to the performance of them.

We would manufacture these liners and wear plates and supply them to erstwhile equipment manufacturers who would then assemble them on their equipments. However, as the demand for higher uptime increased, the percentage content of wear plates in these equipments started increasing significantly, which motivated us to consider venturing out in manufacturing of heavy engineering equipment. By doing this, basically, we have become a one-stop shop for our customers.

With strategically located manufacturing units in Nagpur, we benefit from central connectivity which facilitates efficient logistics, reduced transit times, and cost optimization. Our robust manufacturing capabilities supported by strong R&D and quality control enable us to serve a diverse customer base across India and international markets. Over the years, we have expanded our global footprint and right now are exporting to more than 30 countries.

Before we delve into our financial performance, I would like to take a moment to reflect on the remarkable journey that has brought us here to where we stand. Our company was incorporated in 1982 and began as a seller of special welding electrodes for super conditioning. In 1993, we ventured into manufacturing of welding electrodes followed by the acquisition of Unit 1 in 1994 for this purpose.

Over the years, we have expanded our operations strategically, acquired Unit 2 for wear plates and flux-coated wires, Unit 3 in 2015 for coatings that provide abrasion and corrosion resistance using polymer chemistry as a concept, and then ultimately Unit 4 in 2016 for manufacturing heavy engineering equipment. Recently, we have also commenced the production of flux-coated wires and wear plates at Unit 4.

Additionally, our global presence has strengthened through subsidiaries in Singapore, Turkey, and Philippines, as well as in joint venture and associate companies, partnerships in UK and Malaysia. And as declared in our previous quarter, our service and manufacturing plant in Abu Dhabi will go live in this quarter.

We are pleased to announce that we successfully completed our IPO and we were officially listed on the Bombay Stock Exchange and National Stock Exchange on 4th October 2024. This achievement marks a significant milestone in our company's journey, reflecting our commitment

to growth, transparency, and value creation for our shareholders. The listing on this but also strengthens our financial foundation, enabling us to further invest in our infrastructure, innovation, and expansion plans.

This is a momentous step as we continue to build our legacy and position ourselves for sustainable long-term growth. So, with this background and brief, I would like to hand it over to Mr. Abhishek Mehta, our CFO, to take us through the financial performance of the company. Thank you.

Abhishek Mehta:

Thank you, Mr. Prashant. Now, I shall take you through the consolidated financial performance of the quarter and year-ended March 2025. During the quarter, our revenue increased by 38.55% YoY to INR1,024.48 million from INR739.44 million in the previous corresponding period. This growth was mainly due to increased and timely execution of high-value orders supported by strong demand from core sectors like cement, steel, power, etc., which also enabled successful cross-selling of our service offerings.

The EBITDA, excluding other income, was INR147.01 million in Q4 '25, as against INR80.53 million in Q4-24, YoY growth of 82.55%. This is on account of improved product and customer mix with continued focus on cost efficiency and operational gain. The EBITDA margin for the quarter increased by 346 basis points to 14.35%. The profit after tax grew by nearly 41.75% to INR130.10 million in Q4 of FY25. This is mainly on account of reduction of direct expenses and impact of high-interest income.

Now, coming to our year-end financial performance. In the year-ended March '25, net revenue was INR3,351.96 million, as against INR2,781.45 million in FY24. YoY growth of 20.51%, again driven by higher demand in the core sectors as well as across key product segments, and also improved market penetration in existing geographies. The EBITDA, excluding other income, stood at INR470.76 million in FY25, as against INR388.69 million in FY24, YOY growth of 21.12%.

This was due to reduction in direct expenses and also impact of higher gross margins. EBITDA margin at 14.04%, YoY increase of 7 bps. The profit after tax at INR360.40 million in FY25, as against INR308.05 million in FY24, YoY growth of 17%. The PAT margin in FY25 stood at 10.75%.

Now, I am happy to open the floor for any questions you may have. Thank you for your attention.

Moderator:

Thank you very much. We will now begin the question and answer session. Our first question comes from the line of Mahesh Atal from Atal Investment. Please go ahead.

Mahesh Atal:

I would like you to give us an understanding on the EBITDA margins for your three business verticals, which are Heavy Engineering, Wear Plates and Wear Parts, and Welding Consumables. If you can throw some light individually on the EBITDA margins and all.

Ramesh Kumar N

Generally, we do not give a breakup of this, because these are all product mix, the way it all depends on the product mix and all. So, we do not declare the product-wise EBITDA margins.

- Mahesh Atal:** Okay. Now, what I understand from your financials is that, sir, your RM percentage cost as part of your percentage of your sale would be somewhere around 46 point some odd percent. And I fail to understand that why there has been increasing your manufacturing cost and your employee cost this year, particularly, which was, which has grown exponentially high. So, if you can brief us on that.
- Abhishek Mehta:** So, sir, we typically look into four things before, for our gross profit margin. Basically, it is RM cost, purchase of stock and trade, changes in inventory and manufacturing expenses taken all together. So, just looking at one number, you will not be able to get the overall picture in a correct way.
- Mahesh Atal:** Why the employee costs have gone up significantly this year?
- Abhishek Mehta:** So, basically, we are gearing up for our capex. And for this purpose, we have already started recruitments. So, this is the reason employee costs have gone up a bit.
- Mahesh Atal:** And what will be our numbers? What will be our numbers once this capacity comes in line? What would be the revenue potential? What will be the asset turnover of that particular facility?
- Abhishek Mehta:** So, basically, we are approximately doubling our capacity. So, it will happen by end of this year, this financial year. And within next two to three years, we will be able to achieve around 80-85% capacity. So, and then our asset turnover as of today is around three times and we expect it to remain in the same level as it is.
- Mahesh Atal:** And this would be the new plan would be for the heavy engineering part or the wearable, I mean, welding consumables part? Exactly.
- Prashant Garg:** So, we are expanding, we are doing the investment of the capex to increase our capabilities in all three parts of the business, heavy engineering, wear parts and wear plates manufacturing, as well as consumable manufacturing. As we are seeing growth in all three parts of the business.
- Mahesh Atal:** So, what would be the capex outlay for the next year, sir, FY26??
- Prashant Garg:** Total of INR100 crores is what we are doing.
- Mahesh Atal:** Okay. Alright. Thank you so much.
- Moderator:** Thank you. Our next question comes from the line of Ankur Gulati from Genuity Capital. Please go ahead.
- Ankur Gulati:** What is the current capacity utilization?
- Prashant Garg:** On an average of roughly around 85%.
- Ankur Gulati:** At present, right? On this 335?
- Prashant Garg:** Yes.

- Ankur Gulati:** So, unless the new capacity comes up, I guess the growth will be pretty stagnant, at least for the next three quarters. Is that fair?
- Prashant Garg:** So, it is not such a linear sort of assumption because it also depends on the product mix. So, of course, we do not expect it to be flattish. We expect the growth to continue. But of course, with the addition of the additional capacity, the growth will be much more significant. Because some of the orders that we have, have longer lead time, some orders are having shorter lead times. So, that is why it depends on the product mix.
- Ankur Gulati:** And Prashant, your percentage from wear plates has increased. And I am guessing the margin is increasing because of that. Is that a fair assumption that as percentage of wear plates increase, your margins will keep improving?
- Prashant Garg:** So, the margin increase has happened because of the volume growth. So, as the economies of scale kick in, our purchasing power increases and therefore we are able to sort of get better margins. Also, we are dealing in the business where the key raw materials are metals and alloys. And these are very much dependent on lot of macroeconomic events. So, previous years, specifically, the prices of metals and raw materials were quite low. So, that also helped in the margin increase.
- Ankur Gulati:** And just to confirm, you said the asset turn on new plant is three times, right?
- Prashant Garg:** Yes. Our historical asset turn has been around 3 to 3.25 times and we expect the same asset turn.
- Ankur Gulati:** And Prashant, just one more thing. If you can help us of the total revenue, how much is directly from, let's say, the end client and how much is still coming through the OEMs who are in then in turn dealing with the end clients?
- Prashant Garg:** Roughly around 23% to 25% is through OEs.
- Ankur Gulati:** OEs or the end client?
- Ramesh Kumar N:** Rest is the end client. This is 23% is from OEs. Out of the rest, there is some small portion of channel partners also.
- Ankur Gulati:** Understood. And what was this percentage of direct, let's say, in financial year '24?
- Prashant Garg:** That nature of the business has not changed much. We don't have the percentage ready with us. But the nature of the business in terms of sales through channel partners and direct end customers has not changed much.
- Ankur Gulati:** That's okay. And what is the export percentage in financial year '25?
- Prashant Garg:** Approximately 12% to 13% is overall international sales.
- Ankur Gulati:** And again, if you can help with the same percentage last year, please.
- Prashant Garg:** It was 13% to 14%.

- Ankur Gulati:** The same. Okay. And there is some share of loss of associate. What is that?
- Prashant Garg:** So, we have an investment in a UK-based entity where we own 21.5% of that entity. It is involved in the manufacturing of nickel and cobalt and iron-based powders. So, they have made a loss in the previous preceding year, which has been added in the consolidation of our financials. Our share of that loss is what is shown there.
- Ankur Gulati:** Got it. And last thing, any thoughts on bringing working capital down? I mean, we are still hovering around 95-90 odd days.
- Abhishek Mehta:** Working capital would remain in the same level because we are also into heavy equipments and other things. And the payment cycle is around 90-100 days. Working capital would remain in that period only. And also because the manufacturing time for heavy equipment is around 6-9 months, which increases my inventory period also.
- Ankur Gulati:** And just one more thing, post IPO, usually when you had quite a bit of capital in hand, which is also visible to some extent that your payable days have come down. So, is there any benefit in the EBITDA margin sitting because you guys were able to procure material on cash basis?
- Abhishek Mehta:** We have not used our I would say, IPO proceeds for any payments of all the vendors or debtors because the objects wanted reduction of working capital, which we did. So, there was some benefit of interest because this year interest cost had been very high compared to last year. So, there was some impact of interest, which we got and due to IPO...
- Moderator:** Our next question comes from the line of Shaurya Punyani with Arjav Partners.
- Shaurya Punyani:** Sir, a few questions. So, what is our current capacity in number?
- Prashant Garg:** So, we have three, we have four manufacturing plants and three aspects to our business. So, welding and anti-wear consumables, wear plates and wear parts and heavy engineering. So, we don't have a single capacity figure per se. There is capacity mentioned for all these different product lines and it was mentioned in our DRHP.
- So, you can have a look at that for all different divisions.
- Shaurya Punyani:** Okay, sure. And this new plant, which we are adding, that is a Nagpur plant, which is mentioned in ppt right?
- Prashant Garg:** Yes, that's right.
- Shaurya Punyani:** So, that is by November, it will come up.
- Prashant Garg:** So, it is already, the project is already underway and yes, our intention is to finish and start it in this financial year.
- Shaurya Punyani:** So, what is the overall expense for this plant, right? Which has been spent and which will be spent also combined.

Prashant Garg: So, we are setting up two plants. One is a heavy engineering unit or at a location called as Nimji. And there we are spending close to INR70 crores and another location is at B33 MIDC, there we are approximately spending INR30 crores.

Shaurya Punyani: So, INR100 crores. Okay. Yes. And we are expecting an asset turn of INR300 crores from this, right?

Prashant Garg: That's right. Yes.

Shaurya Punyani: And sir, any view on what should we expect the revenue for the next one, two years in terms of growth?

Ramesh Kumar N: Generally, we do not give forward looking numbers, but definitely our aim is to grow more than the market.

Shaurya Punyani: Okay, more than the market. And margins will also improve, right? You are saying?

Abhishek Mehta: Yes. Yes. We will try to improve our margins.

Moderator: Our next question comes from the line of Rohan Mehta, who is an Investor.

Rohan Mehta: Congratulations on a good set of numbers. Sir, if you could just help with a breakdown of our top line in terms of the product categories that we have or any key segments that would be helpful sir?

Abhishek Mehta: It's almost all our major items are heavy engineering, welding, consumables, wear plates and wear parts. Equal contributes equally to the top line.

Rohan Mehta: Okay. So, we do not look at any product baskets or any segments per se?

Prashant Garg: So, three product baskets are heavy engineering, welding and anti-wear consumables and wear plates and wear parts. And each of them sort of are almost equal in terms of the revenue contribution.

Rohan Mehta: I see, sir. And do these also fetch around the same level of EBITDA margins?

Prashant Garg: No. Different divisions have got different EBITDA margins. On qualitative terms, anti-wear and welding consumables offer higher margins in comparison to wear plates and wear parts and heavy engineering.

Rohan Mehta: I see. Okay, sir. So, this ratio of revenue, if we were to say one third each, would you see to remain the same in the coming fiscal year? Or do we have any sort of a plan to change this share of revenue, maybe increase the share of the higher margin parts? Or how do you see that, sir?

Prashant Garg: Yeah. So, see, what is happening in the industry is the customers are moving away from buying consumables themselves and doing the repair and welding activities themselves. They are looking to work with suppliers who can provide them ready-to-fit solutions and complete solutions.

And we are aligned with that change that is happening in the industry. So, we see that the heavy engineering and the wear parts business to grow faster than the consumable business. The consumable business will grow by eating market share from our competitors, but there's more organic growth available in heavy engineering and wear parts business.

Rohan Mehta: Okay. Understood, sir. Do you also look at revenue from maintenance separately and those from capital projects separately? Is there a share proportion over there also?

Prashant Garg: No, we don't track it separately because the end customer remains the same for us. Whenever he's setting up a new facility or a new plant, he reaches out to us and for his existing operational expenditure to keep for the upkeep of the plant, we are again in touch with them. So, we don't really sort of monitor that separately. But ballpark number is that typically all the OE business, 80% of the OE business is all new projects built and the rest is for the operational maintenance of the existing installed base.

Rohan Mehta: Okay. So, maintenance can serve in a way as a recurring revenue to certain extent?

Prashant Garg: 100%. Yes. So, even when the capital markets cycle is down we keep getting business from maintenance because the focus of the customer is to keep running their equipment or the plant at higher possible, highest possible capacity without spending more on new project build.

Rohan Mehta: Okay, sir. And just, sir, for my understanding, what is the typical life cycle of the product? I mean, in terms of when it would be need to be replaced?

Prashant Garg: So, typically for wear plates and wear parts, the cycle could be anywhere between 18 months to 24 months. And of course, from industry-to-industry, location-to-location, depending on the wear and tear, it can increase or decrease, but an average, a good average can be 18 to 24 months.

Rohan Mehta: Okay. Understood, sir. So, any capex plans in the foreseeable future?

Abhishek Mehta: Yeah, we just, we have just realized INR100 crores investment. We will be doing it. For that purpose only we have raised the funds from...

Rohan Mehta: Right, sir. And this would, our capacity would increase by how much, sir, by the end of this?

Abhishek Mehta: It would approximately get doubled. Doubled.

Rohan Mehta: Okay. And, sir, right now our utilization levels are at what percentage?

Abhishek Mehta: Around 80%, 85%.

Rohan Mehta: I see. Okay, sir. Just one last question, sir. You mentioned that exports have been in the range of 12% to 14% historically. Is that also likely to remain at that level in FY26 and onwards? Or do you wish to export more or anything like that? Some color on that.

Prashant Garg: So, you need to see that our revenue has been increasing steadily over the last five years. And therefore, it seems like export as a percentage has remained same. But actually, in absolute terms, exports are increasing. And definitely our focus is to increase exports. But of course,

there is growth happening in India. So it gets offset'ed in percentage terms.

Abhishek Mehta: And we are not only looking at exports. Our exports, what we are talking about right now, increase international sales also by 6% to 13%.

Rohan Mehta: Right, right, sir. So, do we make a higher margin in our exports?

Abhishek Mehta: Generally, margins are a bit higher in the exports because of the other things associated with it. As compared to...

Prashant Garg: So, there is more competition in India in comparison to the geographies where we are exporting. So, margin realizations are better there.

Rohan Mehta: Right, right, sir. So, just speaking of competition, if I may ask one last question. I wanted to get your views on the competitive scenario and our sort of right to win these trends per se what differentiates us? And how do you see the competitive environment in India?

Prashant Garg: So, because we have done a lot of investments in our own facilities, and we have internalized our capabilities, we have an integrated supply chain for our customers. And that helps us to deliver faster and also do a lot of cost control. So, we are competitive because that's the main sort of advantage that we have in comparison to our competitors.

Rohan Mehta: Okay, so do we also do R&D in house?

Prashant Garg: Yes, we have our R&D labs that are DSIR certified. They are approved by the Department of Scientific and Industrial Research. We've got the certification for the second time now. And R&D is key to improving our product offerings to our customers because the production demands of our end-user industry is constantly increasing.

You see the average plant sizes have gone up and therefore any breakdown that happens in our customer plants causes greater loss for them. And therefore, there is more higher performance expected from our products and R&D is key for that.

Rohan Mehta: Right, right, sir. That's great. So, do we have any budget for R&D as a percent of sales?

Prashant Garg: We spend close to around 1% of our revenue as of now in R&D.

Moderator: Our next question comes from the line of Avadhoot Joshi from Bryanston Investments.

Avadhoot Joshi: Yeah, this is about the UK-based associate company. So, as you mentioned, it manufactures powders. So, how are you looking at integrating it with our business? What are the plans going further in that business? And at what level do you see becoming profitable? These are my questions.

Prashant Garg: So, we are the exclusive channel. Apart from being the shareholders in that company, we are the exclusive channel partners for selling the products manufactured in that company in Southeast Asia. So, that's a direct way of our involvement in that business. So, all the products which are getting sold in India, Vietnam, Indonesia, Philippines, we are responsible for that

sales.

As regards to profitability of that company, so it is based in UK and it works with metals which are very volatile in terms of the costing or pricing of these metals. So, they are basically 80% of their produced is nickel and nickel is traded on daily basis. And because of the Russia-Ukraine war which happened in 2022, there was a significant increase in nickel cost.

And last year, there was a reduction in the, there was a significant loss in that entity because in 2023, there was a significant correction in the nickel cost. So, the stock value of the nickel which or the raw material that they had got corrected. So, there was no cash loss, but there was correction in the stock value because of which there was loss. Going forward, we don't expect similar such losses in that entity.

Avadhoot Joshi: But initially when we invested in this company, what was our intention? Do we, were we looking for any technology transfer kind of thing and getting into that business sort of thing?

Prashant Garg: So, we are one of the founding shareholders of that company and the intention was to and as I mentioned in my earlier introduction, the products which are manufactured, there are high price, high performance products. So, it was sort of a good complementary addition to the products that we are supplying in India. So, the intention was to get involved in a manufacturing unit right from day one rather than just buying and selling it in the industry.

Avadhoot Joshi: Understood. So, eventually we, or in current situation also, we have fair enough idea about the manufacturing process and the procurement all part of it. Is that the correct understanding?

Prashant Garg: Yes. Sure. Sure.

Avadhoot Joshi: And the second part, part of my ignorance or the lack of knowledge, but if you look at the margin profile of our company and let's say AIA engineering, which is into grinding media and mill liners, if you compare the margins. Our margins look a bit lower or much lower as compared to that. So, is this because of the blended business, heavy engineering plus the other piece, which is welding, which is driving down the market margins in a way?

Prashant Garg: Yes, that's a good assumption.

Avadhoot Joshi: And so, in other assumption stands, then the wear parts we make a similar kind of margins?

Prashant Garg: So, see any place where there is entry barrier, an entry barrier can be in form of a more sophisticated or a more difficult to manufacture part or margins to be higher. So, you can't, we can't just generalize that where parts will have similar margins as that of AIA, but yeah, there are certain parts which are sort of more proprietary to us where we excel.

Where we make better margin in the other more usual parts, the margins are a little bit lower. Of course our initiative is to do more and more where we are earning more margins.

Moderator: Our next question comes from the line of Lakshminarayanan Ganapathi with Tunga Investments.

- L Ganapathi:** Thank you...
- Moderator:** Sir, before you go ahead, sorry to interrupt you, sir. Sir, your audio is slightly muffled. May I request you to use your handset, please?
- L Ganapathi:** If I look at the businesses the consumer business which you have, that has not been growing at least in the last 2-3 years, at least from '24, '23 and '22. What has been the growth in that business this year?
- Prashant Garg:** It's not that it's not been growing in '22, '23, '24.
- L Ganapathi:** It has been growing, I think, relatively. Sorry, I think it's slower growth, I just want to understand, this year's growth, where has been the contribution from? Is it from welding and anti-wear consumables or is it from the which business contributed to the maximum growth this year?
- Abhishek Mehta:** So, there is a mix and mix of, from all the 3 divisions and specifically what is the gross margin generally in growth...
- L Ganapathi:** Sir, I am asking for growth sir.
- Prashant Garg:** So, that's what I'm saying, the growth. So, basically so, more growth has so, there's growth happening in all the 3 parts of the business. But of course, more growth has happened in wear plates and heavy engineering in comparison to the welding and anti-wear consumables.
- L Ganapathi:** If I just look at the wear plates business and the heavy engineering business, what is the, I mean, how many clients you have in the heavy engineering equipment business? And how many clients you cater to in the wear plate and wear part business? And how many are common?
- Prashant Garg:** So, these are again, qualitative analysis I can give you because I don't have numbers offhand ready. But so, the basic idea of the business is to do more and more for the same customer. So, we started with supplying welding electrodes, flux core wires and we got into wear plates and then wear parts and then heavy engineering.
- So, we are doing all the 3 product divisions that we have. We're supplying to the same customer. So, there's a lot of commonality. I would say all the heavy engineering equipment customers are also are consumable and wear parts customers. And to tell you the number of customers that we have in heavy engineering would be close to around 50-odd customers.
- And wear plates and wear parts would be in excess of, I think, close to 1000 customers. And this is just again numbers at the back of my head.
- L Ganapathi:** Got it. The wear plate and wear parts business. Yeah, yeah, that answers. And the wear plates and wear parts business, do you actually do the business on site? Or do you actually do the business in your place and then you go and assemble it there? What is the kind of business you do on...
- Prashant Garg:** So, majority of the business, wear plates and wear parts is done in our workshop. And of course,

there is sometimes a request from the customer where they would ask us to do some assemblies on site. But that's not a big part of the business.

L Ganapathi: And among the sectors, which sectors actually grow the business? Is it cement or steel or which sector we are headed the growth for this year?

Prashant Garg: So, majority of the biggest sector that contributes to our sale is cement, followed by steel, power and engineering. And we are seeing growth in all the sectors right now. Because there is a lot of capacity expansion and increase of utilization in all these sectors in the country right now.

L Ganapathi: In heavy engineering as the thing is very vast. And there are companies like L&T does it, there are companies like KCP also does this heavy engineering. Now, what is your edge and what do you differentiate? What is the specific lever where you have unmatched customer loyalty and product quality is the best? Can you just throw a little light on, because heavy engineering is a very vast thing...?

Prashant Garg: Because we are first a welding alloy design company or a welding consumable design company, we understand metallurgy very well. We understand materials very well. So, in comparison to a generic or just a heavy like a plain heavy engineering company, we have become this after we were first welding consumable suppliers or wear parts manufacturers.

So, I think that is our strength. Our strength is our composition, our chemistry that we develop through our welding consumables, which enable us to give complete solutions to the customer. Using our weld alloy design capabilities, our equipment that we manufacture can last longer, which is a very important equipment that will enable the customer to have higher equipment availability.

And this is important for any process plant, because equipment downtime means profit loss for them.

L Ganapathi: Got it. Okay. And when you say equipment, how many SKUs you manufacture or how many units of heavy engineering equipment you actually...?

Prashant Garg: So, these are made to order parts. It varies in size. It can be as small as a 10-ton equipment to 500-ton equipment. So, these are all tailor-made, made-to-order items. These are not standard off-the-shelf items that we sell to the customers. No. So, it is not to be measured that way, because as I mentioned...

L Ganapathi: No, just to get a sense of no, and I understand. I mean, even I understand you make these tandem wagon trippler, you make hammer crusher assembly and so on, various things, right? So, I just want to understand, I mean, whether it runs in 100s or runs in 200, just to get a sense of proportion.

Abhishek Mehta: So, to put it simply, it runs in 100s, but we do not measure it in that way. We measure it more in tons than the number.

Prashant Garg: We measure in terms of ton ages.

- L Ganapathi:** Okay. And from a working capital point of view, is heavy engineering equipment, what is the kind of turnaround time or the inventory days or working capital is there in heavy engineering equipment?
- Abhishek Mehta:** For heavy engineering, generally the turnaround time from PO to payment is, PO to delivery is around 3 months to 9 months, and additional 90 to 100 days for payment.
- Moderator:** Thank you. Mr. Lakshmi Narayanan, may we request that you return to the question queue for follow-up questions, as there are several participants waiting for their turn. Thank you. Our next question comes from the line of Mahesh Atal from Atal Investment. Please go ahead.
- Mahesh Atal:** Sir, just on this part of capital that we have raised. So, what I understand is that, that has been placed with mutual funds. So, these are like equity funds or you are placed it, you know...
- Abhishek Mehta:** No, we have not placed any capex money with mutual funds, because the SEBI LODR also does not allow that. The entire amount is invested in fixed deposits with Schedule Commercial Bank...
- Mahesh Atal:** And you do have...
- Abhishek Mehta:** Yeah. The mutual fund investment, which you are seeing, is from our own free cash flow, which we have done.
- Mahesh Atal:** Is it on the equity side or it is on the...
- Abhishek Mehta:** Mostly on the equity side. Mostly on the equity side.
- Mahesh Atal:** So, are you taking a professional help or is it just internally we are doing it?
- Abhishek Mehta:** No, we are taking a professional help.
- Mahesh Atal:** All right. And secondly, my question would be, in your media release you have given this, someone giving you an order of flux core wire. So, if I may ask, how big this could be, the order value?
- Abhishek Mehta:** Right now, we have just received a small amount of orders, but we are expecting it to be going good once we start working on that sector.
- Mahesh Atal:** And if I may ask you, what is the run rate for our cold repair compounds business?
- Prashant Garg:** When you say run rate, you mean to say how much revenue we do out of it?
- Mahesh Atal:** Yeah, yeah, yeah, yeah.
- Prashant Garg:** It is roughly around 3% of our turnover, total turnover.
- Mahesh Atal:** And what about cold reflux?
- Prashant Garg:** 2% to 3% of our total turnover. Sorry, I did not get the second part of the question. Flux core

wire is roughly around 10%. Sorry, it is roughly around 7%.

Mahesh Atal: And special electrodes?

Ramesh Kumar N In such detail, we do not give the market access.

Mahesh Atal: All right. All right. Thank you.

Moderator: Thank you. Our next question comes from the line of Divesh Tated with Finterest Capital. Please go ahead.

Divesh Tated: Yeah, hello. Am I audible, sir?

Moderator: Yes, sir. Please go ahead.

Divesh Tated: Yeah, sir. I wanted to know about that you earlier said that we will grow by more than the market. So, if I may say that market grows by 12% to 13% CAGR, we are almost doubling our capacities. So, if you just could give the capacity utilization for the next year, broad guidance, any ballpark number. So that would be good for us.

Abhishek Mehta: Basically, our new capacity will come up by the end of the year. And our new capacity will start getting utilized. We can't do the exact ballpark numbers, but numbers would be better than what it has today. It will take about 2 to 3 years to reach the new capacity also at the same level of present capacity utilization.

Divesh Tated: Okay, sir. My second question would be around the products. Earlier, you said that we are using synergies of welding and heavy engineering. So, I just wanted to know, are there any scope of adding new products in this heavy engineering equipment because it is a very vast segment? So, are we exhausted or we can add more products in this product portfolio?

Prashant Garg: No, no, we are not at all exhausted. I think we are just starting here. With the capex that we are going to do in this year, we are adding to our machining capability. And that will enable us to make larger and more precise parts, which in India, there are very few suppliers who can do this. Secondly, we are also getting into newer sectors. So, typically, we've been strong in engineering, steel, cement power. But we are looking at newer sectors where the margin utilization will be better and will require more sophisticated manufacturing capabilities. So, there's a lot of scope of improvement and increase in the heavy engineering sector.

Divesh Tated: Okay, okay. And my last question would be on the order front. So, I can see your order book is around INR120 crores, I guess, INR100 crores. So, are these orders on a recurring basis or this is the final order book?

Prashant Garg: No, no. As we speak, the order book keeps increasing. These are same, you know, a lot of our customers are existing customers and they keep ordering to us on a regular basis, on daily basis.

Divesh Tated: Okay, okay. Thank you. Thank you, sir.

Moderator: Thank you. Our next question comes from the line of Ishpreet Kaur from Relax Capital. Please

go ahead.

- Ishpreet Kaur:** Hi. In the heavy engineering space, how much is the in-house use of materials that we make, say, from the welding parts and plates and the welding consumables and you do machining also in-house or maybe adding the capability. So, how much of it would be made in-house?
- Prashant Garg:** So, it's approximately, so again, depends on order to order, but on average, I can say roughly around 20% to 30%, average, we can say, it can go up to as high as 50% and go as low as, say, 15%. So, the ballpark range will be 15% to 50%.
- Ishpreet Kaur:** Okay.
- Prashant Garg:** This is without machining. This is just pure usage of our own consumables and wear plates and wear parts.
- Ishpreet Kaur:** Own products and machining would add to it.
- Prashant Garg:** Yes, machining and sometimes even services would get added.
- Ishpreet Kaur:** And typically, these all the equipment's are outright sales or is it also rental?
- Prashant Garg:** So, majority of it is outright sales. Rental model is something that we have just recently started wherein there's a specific kind of a wear part where we are specializing in, which we are offering to the customer on rental basis and the monthly rental that we charge to the customer, it includes the cost of supply as well as maintenance.
- This is new part of the business. It's still sort of, as it is new, the turnover contribution is still quite small in comparison to the heavy engineering business.
- Ishpreet Kaur:** Okay. And would there be any capital commitment towards this rental part of the business? How much would that be?
- Abhishek Mehta** There is no per se capital commitment to the rental part of the business.
- Prashant Garg:** In fact, the current two contracts which are ongoing have already been paid for completely. So, there is no capital commitment in the books right now for this.
- Ishpreet Kaur:** Okay. In just one clarification, like you said, margins can improve from here, but you also mentioned that welding consumables have higher margin and the growth in the heavy engineering and wear parts should be higher. So, the margin improvement is likely to come from where?
- Prashant Garg:** So, as I mentioned, with the addition of our capabilities in heavy engineering and wear parts and also with export sales increasing, although a percentage of welding and anti-wear consumables as a total business may come down, but even that is growing. And on top of that, with export sales and manufacturing more sophisticated wear parts and heavy engineering equipments, we are expecting a margin to grow going forward.

In addition to this, we are also, you know, we didn't talk about this earlier, but we are also in industrial services where we are providing a critical breakdown and repair services for the customers on site and also are into kiln alignment and kiln services which are adding to our margin, which is adding to the contribution of the company.

Ishpreet Kaur: So, this would be the service revenue?

Prashant Garg: Yes.

Abhishek Mehta It is a mix of both.

Ishpreet Kaur: And how much would that be as of now?

Prashant Garg: Just one second.

Abhishek Mehta: It would be around 1% to 2% of our current numbers.

Ishpreet Kaur: And if there are higher sales of heavy engineering products, do you foresee that this could also be a substantial part of the revenue going forward?

Prashant Garg: Foresee what to be substantial part of the revenue, sorry?

Ishpreet Kaur: The service part of the business? Service revenue?

Prashant Garg: No, so service revenue doesn't depend on heavy engineering business. The service revenue, the services that we are providing is for the current, already installed base in the industry. It has got, tomorrow if the heavy engineering business becomes zero, it will not affect the service business.

Ishpreet Kaur: Okay, so it's linked to the consumables and the wear parts?

Prashant Garg: Yes, and also, yes.

Ishpreet Kaur: Okay. And do you foresee this to become a little larger part of the revenue going forward?

Prashant Garg: Yes, 100%. We have started critical services wherein, you know, which are very important for the running of the plants of our customer. And this is also a very good sort of door opener with our customers where when we enter with such services, service offerings to our customers, it helps us get related business or business for other divisions in the company.

Ishpreet Kaur: Okay, sure. Thank you so much.

Prashant Garg: Thank you.

Moderator: Thank you. Our next question comes from the line of Sagar Shah, who is an investor. Please go ahead. Sagar Shah, your line has been unmuted. Please go ahead with your question.

Sagar Shah: Hello. Am I audible?

Moderator: Yes, sir.

Sagar Shah: Yeah. So, just one question on the return number. So, you mentioned in the ppt that your return on capital employed is 15% and going down the line 3 years from year onwards. So, what do you expect your aspirational return on capital employed number will be?

Abhishek Mehta: We will either the pre-IPO numbers or we will better the pre-IPO numbers.

Sagar Shah: Okay, great. And one question on this order book process. So, you mentioned that you have an order book of around INR103 crores. So, can you bifurcate between how much this order book is from the new customers or from the repeated customers, like 50%, 60% from the repeated only or other from the new customers?

Ramesh Kumar N: Yeah, it is much more excess than the 50% is the repeated customers.

Sagar Shah: Okay. And one question on this specialized energy solutions. So, could you give the revenue contribution from this part of your business?

Abhishek Mehta: Again, I said we have not discussed the revenue part on the separately.

Sagar Shah: Okay, down the line, next 1, 3 years, would you expect the revenue contribution from this segment will increase significantly?

Prashant Garg: Which segment is it?

Sagar Shah: Heavy engineering solutions, like you are focusing on this segment.

Abhishek Mehta: It is heavy engineering and...

Sagar Shah: Specialized energy solution.

Prashant Garg: Energy solutions, we are not able to get into it. Are you talking about welding consumables?

Sagar Shah: No, sir.

Prashant Garg: We are not able to understand your question. Sorry. So, which segment are you referring to, sir?

Moderator: So, Mr. Shah has dropped from the queue. I will move to the next question. It comes from Mr. Ankur Gulati from Genuity Capital. Please go ahead. Mr. Ankur Gulati, your line has been unmuted. Please go ahead with your question.

Ankur Gulati: Just directionally, I mean, some of your businesses are higher margin. So, do you think, at least in the new unit, you will allocate more capacity or area to higher margin? Or how do you see the overall space allocation?

Abhishek Mehta: So, basically, we are expecting that all the three divisions which we are having will grow in an equal proportion. So, doing a separate allocation in a separate thing is not what we are discussing. We are doing , we are exceeding our capacity for welding consumables also, for heavy engineering also, and also for wear parts.

Ramesh Kumar N: And the product mix is there. So, it all depends. It is not necessarily that exactly we can allocate

the space and keep changing the place depending on the number of products, except for the consumables which we have machines which we manufacture.

Ankur Gulati: Got it. And going back to the rental business, just from a balance sheet perspective, will that, if that vertical grows, will that do you guys have to keep more inventory on the books?

Prashant Garg: So, we have already explored tie-ups with NBFCs, where they are ready to take these assets on their balance sheets, lease it to us and then we can sublease it to the customer. And so, it will not have any balance sheet effect for us, suppose tomorrow we get 10 such or 20 such contracts also.

Ankur Gulati: And Prashant, have you guys done any sales on this or is this still an exploratory stage?

Prashant Garg: No, we are already getting some sales from this initiative.

Ankur Gulati: And are you guys in a position to discuss economics of this model as yet or is it too early?

Prashant Garg: Sorry, Mr. Ankur, your voice is not...

Ankur Gulati: Are you guys can you guys give more details on how the economics of this model will work or is it too early for you to share details?

Prashant Garg: We can't give these details over here because we have just started and there are two projects which are running. So, at this stage we are not ready.

Ankur Gulati: Just bookkeeping question. There is another income of INR5 crores in second half, is this largely a interest on IPO proceeds?

Abhishek Mehta: It is largely due to interest on IPO proceeds.

Ankur Gulati: And so, then the follow up is if I knock it off, then at least the revenue hasn't grown any specific reason, sorry, profitability has not grown, so any specific reason?

Abhishek Mehta: Even if you see our EBITDA has grown as compared to last year, without other income also you can see my EBITDA has grown significantly.

Ankur Gulati: Just one second, sir. On an year-on-year.

Prashant Garg: So, our EBITDA margins have grown to INR470 million in FY '25 as against INR388 million FY '24 without other income.

Abhishek Mehta: There is 21% growth.

Ankur Gulati: All right, I can take it offline. Thanks.

Moderator: Thank you. Our next question comes from the line of Sana, who is an investor. Please go ahead.

Sana: Congratulations and thank you for the opportunity, sir. Sir, I would like to understand what initiative is the company taking on the sustainability forefront and like energy efficiency or

waste reduction and how these efforts will support our revenue and profitability outlook?

Ramesh Kumar N: With respect to environment, we started monitoring all the energy consumption, as well as the fuel consumption and we started putting our trees to substantiate this. And we also have the solar energy generation, but it is not equivalent to that energy, but going forward we will be working on it.

Abhishek Mehta: Also, in our IPO, one of our objects in our IPO was solar generation, rooftop solar. So, that we will be doing it.

Sana: Okay, sir.

Prashant Garg: So, just to add to that, we are planning to set up a 1.1 megawatt captive rooftop solar plant in a heavy- engineering, on the Nimji unit. And in the other plant also we are planning to add that. So, that was one of the objects of our IPO.

Sana: Okay. Thank you so much, sir. That was all from my side.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Prashant Garg, Chairman and Managing Director from Diffusion Engineers Limited for closing comments.

Prashant Garg: I would like to thank all of you for taking your time out and attending this call. I am thankful to each member of our company, Diffusion Engineers, as well as our clients, creditors, banks, financial institutions, and all other stakeholders. For any other further queries or information, please get in touch with our investor relations team. Thank you so much.

Moderator: Thank you. On behalf of Diffusion Engineers, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.