



Date: May 22, 2026

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, 2026

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, 2026 held on Monday, May 18, 2026 at 02:00 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
ICSI Membership no. A67136



DIFFUSION ENGINEERS LIMITED

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“Diffusion Engineers Limited
Q4 FY26 Earnings Conference Call”
May 18, 2026



**MANAGEMENT: MR. PRASHANT GARG – CHAIRMAN AND MANAGING
DIRECTOR – 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 –
DIFFUSION ENGINEERS LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the Q4 FY26 Conference Call hosted by Diffusion Engineers Limited. This conference call may contain certain 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, certain 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 this conference call, please signal an operator by pressing star and then zero on your touchtone phone.

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:

Good afternoon, everyone and welcome to Diffusion Engineers Limited's earnings call for the fourth quarter and year-ended 31st March 2026. We are delighted to have you join us today. I'm joined by Mr. Abhishek Mehta, our CFO, Ms. Chanchal Jaiswal, our Company Secretary and Compliance Officer, and our Investors Relations Team from AdFactors PR.

The investor presentation and media release have been uploaded to the Stock Exchanges and are available on our website. I will share some key highlights, recent developments, and our outlook for the future before we open the floor for questions. FY26 has been an important year for Diffusion Engineers as we continue to strengthen our position across welding consumables, wear solutions, and heavy engineering products while simultaneously laying the foundation for the next phase of growth with significant capacity expansion and strategic investments.

Despite continued volatility in key raw material prices such as tungsten, nickel, cobalt, molybdenum, and chromium, the company delivered resilient operational performance supported by our integrated manufacturing facilities, diversified customer base, and strong execution across segments.

During the year, we witnessed healthy demand momentum from core industries including cement, steel, power, mining, and engineering. The ongoing industrial capex cycle, government-led infrastructure investments, and increasing focus on domestic manufacturing initiatives such as Make in India continue to create long-term opportunities for the company.

Our order book remains healthy at approximately INR200 crores as of 30th April 2026, providing strong visibility for the coming quarters. We continue to derive over 80% of our revenues from repeat customers, which reflects the trust placed in our product quality, engineering capabilities, and long-standing customer relationships. One of the major milestones during the year was the progress of our expansion projects funded through IPO proceeds.

We successfully commissioned a new 10-ton-per-day electrode plant, expanded wear plate capacity by approximately 25%, and installed an in-house strip-slitting line for manufacturing flux-cored wires. These initiatives will support both marginal improvement and better supply chain control over the medium term. In addition to our new wear plate manufacturing and heavy

engineering facility is progressing well and as planned and is expected to be commissioned by the end of Q1 2027.

This expansion significantly enhances our ability to cater to large and more complex engineering solutions and products, especially for steel, cement, and power sector. As these capacities stabilize and utilization improves over the next 24 to 36 months, we believe that the company is well-positioned to achieve a substantially higher revenue base while improving operational efficiencies. Our long-term inspiration remains to build a INR650 crores plus revenue platform with sustainable EBITDA margins in the range of 15% to 16%.

Coming to segmented developments, our heavy engineering business continues to perform strongly, particularly in roller-pressed rolls and other specialized applications. This segment has seen strong momentum driven by increased industrial capex and replacement demand, and we expect this business to continue growing in FY27 as well. On the railways front, we have achieved encouraging progress in developmental orders linked to Vande Bharat supply chain ecosystem.

We currently L1 in multiple contracts, and we have received some letter of intent in select projects and completed inspections through rides. While this business may initially carry lower margins due to developmental costs, we believe it is a strategically important and can open up long-term opportunities in the railway sector. Another important strategic initiative during the year was our investment in Tejorup Sunmay Systems Private Limited in the defense sector. Through this investment, Diffusion Engineers aim to participate in the manufacturing and integration of advanced VSHORADS systems subject to prototype approvals.

While this opportunity may have a slightly longer gestation period, we believe it provides strong strategic optionality and aligns with a broader indigenization opportunity in the Indian defense ecosystem. Internationally, our exports continue to remain stable with presence in more than 35 plus countries, including Southeast Asia, Middle East, and Africa. We remain focused on increasing the share of exports and high-value engineering products in our overall business mix.

From a financial perspective, we are pleased with a steady growth delivered during the year despite industry-wide cost pressures. Our focus remains on disciplined execution, working capital management, and maintaining a healthy balance sheet. The company continues to maintain a strong liquidity position, which provides us with the flexibility to future growth opportunities confidently.

Looking ahead to FY27, we remain optimistic about the demand environment across key industry user base. We expect revenue to grow by more than 20%, supported by capacity additions and strong order inflows, and increased contribution from high-margin engineered products. We also expect gradual improvement in EBITDA margins, driven by operating leverage, backward integration benefits, and a richer product mix.

Overall, we believe Diffusion Engineers is entering a multi-year growth phase backed by expanding manufacturing capabilities, stronger industrial demand, healthy order visibility,

diversified customer relationships, increasing engineering complexity in products, and strategic entry into new opportunities such as defense and railways. With that, now I invite our CFO Abhishek Mehta to take you through Q4 and FY26 financial performance.

Abhishek Mehta:

Thank you, Prashant sir. I will now walk you through our standalone and consolidated financial performance for Q4 and FY26. Consolidated financial performance highlights quarter ended 31st March 2026. Revenue from operations was INR-1415.74 million in Q4 FY26, as against INR1025.28 million in Q4 FY25. YoY increase of 38.08%. EBITDA, excluding other income, was at INR206.89 million in Q4 FY26, as against INR147.81 million in Q4 FY25. Increase of 39.96%.

EBITDA margin, excluding other income, for the quarter stood at INR14.61%. Profit after tax stood at INR159.7 million in Q4 FY26, compared to INR130.1 million in Q4 FY25. YoY increase of 22.74%. Now consolidated performance highlights year ended 31st March 2026. Revenue from operations was INR4066.28 million in FY26, as against INR3352.76 million in FY25. YoY increase of 21.28%.

EBITDA, excluding other income, was at INR571.42 million in FY26, as against INR471.56 million in FY25. Increase of 21.18%. EBITDA margin, excluding other income, for FY26 stood at 14.05%. Profit after tax stood at INR504.1 million in FY26, compared to INR360.41 million in FY25. YoY increase of 39.87%.

Now coming to standalone performance highlights for quarter ended 31st March 2026. Revenue from operations was INR1132.7 million in Q4 FY26, as against INR1009.69 million in Q4 FY25. Increase of 12.18%. EBITDA, excluding other income, was at INR154.13 million in Q4 FY26, as against INR135.82 million in Q4 FY25. Increase of 13.49%. EBITDA margin, excluding other income, for the quarter stood at INR13.61%.

Profit after tax stood at INR116.72 million in Q4 FY26, compared to INR120.40 million in Q4 FY25. YoY decrease of 3.05%. Standalone performance highlights for the year ended 31st March 2026. Revenue from operations was INR3542.03 million in FY26, as against INR3160.87 million in FY25. YoY increase of 12.06%. EBITDA, excluding other income, was at INR469.29 million in FY26, as against INR409.62 million in FY25.

Increase of 14.57%. EBITDA margin, excluding other income, for the year ended stood at INR13.25%. Profit after tax stood at INR446.43 million in FY26, compared to INR337.53 million in FY25. YoY increase of 32.27%. With that, I now open the floor to any questions you may have. Thank you for your time and continued support.

Moderator:

Your first question comes from the line of Sucrit D. Patil from Eyesight FinTrade Pvt Ltd. Please go ahead.

Sucrit Patil:

Good afternoon to the team. I have two questions. My first question to Mr. Garg is, in your point of view, how is Diffusion Engineers preparing to capture future opportunities in the welding, consumable, wear-resistant products and industrial solutions while thoroughly addressing

challenges such as raw material volatility, global competition, and technological disruptions? What strategic levers are in place to help you sustain the growth and maintain your leadership position in the coming quarters? That is my first question. I will ask my second question after this? Thank you.

Prashant Garg:

So, you mentioned about challenges such as raw material price, volatility, technology disruption, and competition from global players. So, we have certain competitive advantages which we believe will help us keep growing in welding consumables and wear-resistant product category. One is that we are one of the most integrated manufacturers of these products and solutions. So, we make our own electrodes. We make our own flux-coated wires followed by wear plates and then wear parts. So, we do all of this in-house.

And we have most of the capabilities in-house which help us control cost as well as quality and delivery, which is the most important thing when it comes to serving customers in this sector. Because these are many times replacement items which have to be delivered on time because the customers have limited shutdown time to stop their plant, replace these spare parts. And then bring the plant back into operation. So, because we have these in-house capabilities, we are having this competitive advantage.

The second point is as far as technological development or disruptions which are happening. So, we are constantly developing new products to increase equipment lifetime based on continuous feedback from customers in terms of how much wear and tear they are facing and what sort of new challenges they are coming across and the kind of equipment availability that they need. So, some of the examples are roller press rolls that we supply in the market.

We have pioneered and developed new solutions because of which customers are able to run their rolls as long as five or six years continuously without taking them out of the mill. So, we are continuously developing new solutions based on what's happening in the industry and industry requirements.

Sucrit Patil:

My second question is to Mrs. Jaiswal. How do you see governance and compliance evolving to support diffusion engineers' growth story? What initiatives are being taken to strengthen regulatory compliance, corporate disclosures, and stakeholders' confidence in line with global best practices? Thank you.

Chanchal Jaiswal:

Okay, sir. So, to keep the check on the compliances, firstly we prepared the checklist for the annual and the quarterly compliances. We have a team of practicing company secretaries who guide us through all these things on a regular interval. If you'll see our website, we are very much prominent about making all the disclosures as required under SEBI regulation and more particularly Regulation 46.

We are very prompt in disclosing all our corporate governance practices. If you'll see on our webpage, we have annual secretarial compliance report issued by the practicing company secretary.

Recently, we have uploaded it and it does not contain any adverse remark or qualification. So, we are very prompt in our corporate governance and compliance practices.

Sucrit Patil: Thank you and best wishes.

Chanchal Jaiswal: Yes, thank you so much.

Moderator: Thank you. Your next question comes from the line of Neil Bahal with Negen Capital. Please go ahead.

Neil Bahal: Hi, Prashant. Congratulations on a good set of numbers. I just wanted to check with you as to how is the current situation in the industry? We keep hearing this West Asia crisis is bubbling every day. Are you seeing currently any issues?

Prashant Garg: Thank you, Neil. See, the West Asia crisis has directly impacted us in terms of the volatility it has caused in raw materials because of disruption of supply chains and also energy costs going up across the world. So, that has sort of directly impacted us in terms of a supply chain. But in terms of demand from the industries, that is what you're referring to. We don't see any slowdown happening as of now. So, none of the projects have gone under hold.

There are major coal-based power plants coming up in India. So, we've got orders coming in from there. A lot of expansion happening in steel and cement sector. So, we haven't come across a single incident where any of these customers have said that, listen, you need to go slow or delay the deliveries of the projects ordered. So, so far so good. We don't see anything in the demand side changing as of now.

Neil Bahal: Okay. So, whatever there could be some volatility in raw materials, let's say, you're saying all of this should be temporary, provided things stabilize in the coming months or quarters?

Prashant Garg: Yes. Yes. Also, the volatility in the raw material prices, we are able to pass it on to the customers for all the subsequent contracts that we are executing for them.

So, there is, of course, some time lag between the volatility that we have to absorb and that we can transfer to the customers. But as the prices start increasing, our prices start changing for the customers, barring the contracts that we already have in hand. That is there.

Of course, we do a lot of sales related to existing installed base in the industry. So, even when the utilization levels of the existing industrial base remains high, there's a lot of replacement requirement coming in from the industry and that remains strong in spite of the war which is going on. So, therefore, our order book is still healthy and the demand for the production services are high in spite of the war going on.

Neil Bahal: Moderator, can I ask one more question?

Prashant Garg: Yes, please go ahead.

Neil Bahal: So, while your, I saw the numbers print, while your Q4 on a consolidated basis looked amazing. I think it's very robust. But when I see standalone, it seems as if we've had a kind of a flattish year.

So, is there any part of the business which last year was, you know, or any part of the industry which you thought performed lesser than your expectation and you think FY27 and FY28, these two normalizes?

Prashant Garg: Yes. So, if you remember, we've been saying that we are already at a capacity utilization of 85% percent in our, you know, manufacturing of wear plates, heavy engineering and wear parts. So, the predominant, so what has happened in this year is in our standalone basis, because we were already at max capacity utilization, the growth in terms of execution could have happened more if we had more capacity in wear plates, wear parts and heavy engineering, which we expect to get corrected after this new facility goes live.

So, as the expansion gets over and the new capacities go live from Q1 this year, we will start seeing more growth in terms of execution coming in for wear plates, wear parts and heavy engineering. And I think in this year, the standalone numbers will go up in consistency with the consolidated numbers also.

Neil Bahal: Perfect. Perfect. I'll go back in line in case anybody else has any other questions. I'll come back if I get a chance. Thanks so much. Thanks, Prashant.

Moderator: Thank you. Your next question comes from the line of Sunil Jain with Nirmal Bang Securities Pvt. Ltd. Please go ahead.

Sunil Jain: Yes, thanks for taking my question and congratulations on good numbers. Prashant, first of all, I would like to know the status of the expansion of Unit 4, when we will start seeing good benefit or revenues from this particular expansion? Hello?

Prashant Garg: So, the Unit 4 expansion is in final stages right now. And basically, it's a plant which is close to 170,000, 180,000 square feet. So, from this month onward, some part of that floor area will start getting utilized already.

And we expect by Q1 this year, all of it will be, the plant and building will be ready and also new machines will start getting installed. So, this is the current status. And we think that starting from this month, slowly, the capacities will start going live.

And from the end of this quarter, most of it will be up and running. As far as, there was one more unit where we have done expansion. So, that is already up and running where we have set up a new electrode manufacturing plant and in-house slitting line. So, that went live from November, end of December, first week, '26.

- Sunil Jain:** Yes. So, you had guided for around 20% growth for the current year. Looking at the expansion and are you going a bit conservative on that or you're looking at the environment which is getting some uncertainty?
- Prashant Garg:** Sir, we believe in, you know, being, you know, being sort of prudent in terms of giving indication. Our intention is always to sort of, you know, over perform the commit, over the commitment that we are or the indication that we are giving.
- Sunil Jain:** Okay. And sir, last question related to your railway project development, wherein you got some initial orders. So, what will be the timeline when we will start getting a reasonable chunk of orders from the railway post these executions?
- Prashant Garg:** So, we expect the execution to take anywhere between, since they are developmental orders, we expect the execution to take anywhere between six to nine months. And post they are delivered, then we will become or we will come in the approved vendor list for those particular components. And by the end of the year, we can start seeing some substantial orders coming in for from these initiatives.
- Sunil Jain:** Okay. So, the revenue from these railway, we can expect next year?
- Prashant Garg:** Correct. Substantial revenue will come, significant revenue can start coming from next year.
- Sunil Jain:** Okay. And sir, one more question just related to total international revenue. If you can say how much is total international revenue, and in say next two to three years where we are likely to see that?
- Prashant Garg:** So, right now, we think as the revenues and as we are growing at 20% plus year on year, we expect the international revenue to go up to 15% in the next, in this year and the next year.
- Sunil Jain:** So, internationally, also, we are growing at 20%, you said. Hello?
- Prashant Garg:** Yes. We expect international sales to also grow at 20%, a little higher, because now our investments in Turkey have started getting more mature in terms of the time that we've been present there. We have increased our sales representatives outside of India, for example, in Saudi. So, we expect that, you know, sales will start percolating from these areas where right now, you know, these are all, you know, greenfield or new territories for us, which does not contribute much in sales.
- So, we expect that the international sales will grow at higher than 20% year on year basis. Also, we are increasing our presence in West Africa. We've just identified a new, you know, partner in West Africa.
- So, that sales will also start growing. And Singapore sales have increased significantly this year, which we expect to grow, or remain stable and grow steadily over the years.
- Sunil Jain:** Okay, sir. Thank you. Thank you for answering the question.

- Moderator:** Thank you. The next question comes from the line of Madhur Rathi from Countercyclical Investments. Please go ahead.
- Madhur Rathi:** So, Prashant wanted to understand if you could provide a rough breakup of our INR400 crores revenue in terms of different segments. So, that would be great.
- Prashant Garg:** So, we have always indicated that it's roughly 30% products, 30% wear plates and wear parts and 30% heavy engineering and 10% of services. So, this is how the breakup is.
- Madhur Rathi:** Understood. And this mix is expected to continue going forward?
- Prashant Garg:** We think that wear plates, wear parts and heavy engineering will slightly increase at a faster growth rate in comparison to welding consumables, purely because that is where the industry is headed. Customers want now ready to fit parts and complete components rather than buying consumables. Also, order sizes in these two areas are much bigger than consumable order values. So, percentage of heavy engineering and wear plates and wear parts will grow faster in comparison to welding consumables.
- Madhur Rathi:** Understood. And Prashant, this heavy engineering is basically what we are doing the fabrication ourselves or basically we are making the product and giving to third-party?
- Prashant Garg:** No, no. We have our in-house capabilities completely. We build the entire equipment from scratch, which involves assembly, which involves fabrication, assembly, machining, heat treatment and surface cladding. So, it's a combination of these operations, primarily to manufacture the entire industrial equipment, which gets put into these four sectors.
- Madhur Rathi:** Okay. And then how is it?
- Prashant Garg:** If you ask when outsourcing happens, that is also when there are specific or new operations, which we've not done before, only then outsourcing happens, but we believe in doing everything in-house.
- Madhur Rathi:** So, Prashant, how is this different from the service business that we are doing?
- Prashant Garg:** So, service business is when we go on site in the customer's premises and carry out repair and maintenance on site. And some of these services, the example of such services are breakdown services. So, if there is a large grinding mill or a rotary kiln or a crusher, which is installed in customer's premises, when they breakdown, if they crack or any breakdown happens, then we go on site and repair it. You can't bring those equipments in our workshop.
- So, this is one kind of service we do. Second is we do hot kiln alignment for rotary kilns and sponge iron and steel industry. So, these rotary kilns are basically rotating equipments, which go out of alignment in due course of time. So, while these kilns are in operation without taking a breakdown, we repair them, bring them back in alignment and we also carry out some specialized services with respect to this equipment.

Third is we also do a lot of bulk deposition. So, when grinding equipment, grinding mills wear out or their grinding rollers or grinding tables wear out, we go on site and repair them. So, these are the services that we are talking about when we basket them in industrial services.

Madhur Rathi: Understood. And Prashant, do we do overlay work?

Prashant Garg: Yes, that is our main business of cladding and overlaying. And we manufacture the consumables to do the overlay ourselves. And we also have our in-house service team comprising of around 50 to 60 welding technicians, who work on different sites at different -- at simultaneously depending upon customer requirements and orders, who go on site and carry out this overlay work.

Madhur Rathi: So, this overlay business comes under the welding electrode segment?

Prashant Garg: No. So, when the customer buys these consumables themselves and they just buy the electrode or the wire from us, it gets basketed into welding consumable business as you mentioned. But when the customer entrusts us with carrying out the complete overlay work, which includes the supply of consumables as well as carrying out the service, then it will come under services business.

Madhur Rathi: Understood. Prashant, how much of the welding consumable business is the conventional in which like the purely the, I mean, the traditional like what Ador and ESAB etcetera are doing and how much is the refurbishment part of the business?

Prashant Garg: So, Diffusion is identified with special electrodes, which are used in maintenance and repair and hard facing. Very small portion of our business is conventional. I would imagine less than 3% - 2%-3% is conventional business. We do not, our identity and our brand is associated with all special hard facing repair and maintenance activities only.

Madhur Rathi: So, Prashant, in each of these segments, could you give us some major peer just to further our understanding of the business?

Prashant Garg: So, Ador Fontech used to be a subsidiary of Ador Welding, which is got merged with Ador Welding, which was very similar to us in these product segments. EWAC Alloys used to be a subsidiary of L&T, which is now I think part of ESAB Group. So, they were also in a similar product base and offering had similar offering like us. So, as far as welding consumables for special applications are concerned, these two would be near peers to us.

Madhur Rathi: And what about the wear plates and what about heavy engineering and the services, which would be the competitors over there?

Prashant Garg: So, these two players, so ESAB -- EWAC and ESAB also manufactures wear plates. So, you can look at them as our peers. And in heavy engineering, of course, these players are not present. There you would have to look at companies such as ThyssenKrupp, ISGEC Engineering, Walchandnagar to name a few.

- Madhur Rathi:** Understood. And Prashant, what is the total capex that we are planning for the current and the next year?
- Prashant Garg:** So, total capex of the IPO we had mentioned our objects was close to INR100 crores, INR70 crores going in the facility where we have our wear part, wear plate and heavy engineering capabilities and INR30 crores in our facility where the B33 facility where we have the slitting line and electrode manufacturing capabilities.
- Madhur Rathi:** Understood. And lastly, Prashant, have we taken any price hike in the current year or are we planning to take some?
- Prashant Garg:** Yes, yes. Price hike is an ongoing activity depending upon raw material prices. The customers in the industry are also aware with the raw material situation. So, as and when our input cost increases, we are doing upward revision of prices. So, much so that in some items which have cobalt, nickel and tungsten, the validity of some of these items are very small because they are super volatile right now, these elements.
- Madhur Rathi:** Understood. Thanks a lot, Prashant. Best of luck.
- Prashant Garg:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Nishant Gupta from Minerva Capital Research Solutions. Please go ahead.
- Nishant Gupta:** Hello. Sir, am I audible?
- Prashant Garg:** Yes.
- Nishant Gupta:** Hello? Okay.
- Prashant Garg:** Yes, you are audible.
- Nishant Gupta:** Okay. Sir, this order book of INR200 crores which you have as on April, roughly what would be the execution time period of this order book?
- Prashant Garg:** I think most of it is in this financial year only, barring some staggered deliveries for power projects, for L&T power. But I would assume 80% -- 80% to 90% of this is in this financial year.
- Nishant Gupta:** Got it, sir. Got it. Sir, you mentioned at the start of the call that you are eyeing for a INR650 crores kind of a top line and 15%-16% EBITDA margin. So, this top line of INR650 crores, will this be like achieving 2.5 to 3-year going, let's say at a 20% yearly rate or will we see an inflection where this growth rate of 20% might just go to 25%-30%?
- Prashant Garg:** Sorry, I didn't understand the second part of your question.

Nishant Gupta: Sir, I'm just wanting to ask your growth rate, will it be like 20% year-on-year growth rate in a normalized manner or do we see inflection point coming, let's say next year onwards when this can probably go to 25%-30% and INR650 crores can be achieved a bit earlier?

Prashant Garg: So, we think that the growth rate should increase considering the fact that new facilities will start coming live. We expect to hit this number in less than 3 years, anywhere between 2 to 3 years in terms of annual run rate.

Nishant Gupta: Got it, sir. Got it. Sir, one final question. So, typically like Q4 is a bit on a heavier side when it comes to the revenue. I mean, typically a good chunk of revenue comes in Q4. So, do we see this trend continuing going forward or do we see a normalizing like maybe spread across the entire year? How do we see it going forward?

Prashant Garg: So, ideally we would like it to be spread across the year, but the trend is prevalent in the industry where Q4 typically tends to be much bigger in comparison to other quarters and I think the trend will continue. Of course, other quarters will also start contributing more as our order book remains higher across the quarters.

So, if you compare our order book of what it was on 31st March 2025, it was INR100 crores and now we have an order book of INR200 crores. So, of course, because we are starting the year with a good order book, we will see that the contribution of Q4 will be not as much in comparison to the other quarters. So, it will get slightly normalized but we expect Q4 still to be the biggest quarter in comparison to the preceding quarter.

Nishant Gupta: Got it. Sir, can I squeeze one more question or should I follow up in the queue?

Prashant Garg: No, please go ahead.

Nishant Gupta: Sir, on the EBITDA margins, there is volatility. In some of the quarters you clock around 13%, in some of the quarters you clock around 14.8%. So, is it because your raw material pricing impact gets passed down with a lag? Is that the reason or maybe your product segment has a different margin breakdown? If you can throw some light on this?

Prashant Garg: No, predominantly it's because of the volatility in the raw material and like we are having orders worth INR200 crores. So, we can't really go back to the customer and ask to increase. Only in those contracts we can ask them to increase the prices where we have price variation clauses built in and price variation clauses are typically built in in contracts which are long term.

For example, the power plant equipment that we make for power OEMs, we have staggered deliveries over the next 12 months. There we have price variation clauses built in and those portions of orders are not very big. I think that will be less than 10% of the total order book. So, the rest of the contracts, these are fixed price contracts.

Of course, if the prices go up, we take a margin hit in these contracts. But subsequently, whatever we are quoting for new contracts, the prices go up. So, what you said is absolutely right. There

is always a lag between the price hike of raw materials and what we are able to transfer to the customers. Because of that reason, the EBITDA margin fluctuates between 13% to 14%.

But you can also notice the fact that the expenses that we have below, our gross margin levels may vary, but the fixed expenses or the other operational expenses that we have, we have been able to consolidate them and as the revenue has increased, our net margins have improved in spite of the fact that gross margins have come down in the last quarter. And that has happened because of the scale of operation increasing and keeping our cost in control.

Nishant Gupta:

Got it. Thank you, sir, for answering my questions and all the best.

Moderator:

Thank you. The next question comes from the line of Suyash Barve with Wealth Guardian. Please go ahead.

Suyash Barve:

Am I audible?

Prashant Garg:

Yes.

Suyash Barve:

Yes, regarding our expansion at Unit 4, the heavy engineering equipment that will be started by Q1 end, do we have any specific or different committed orders for this or would it be used for our existing order book?

Prashant Garg:

We have -- so it will be used for the existing order book. And as the customers are visiting our plants in due course of normal business, they are seeing our new facilities are sort of almost getting ready. So we are also getting -- so the business is made in such a way or the plant is made in such a way that this expansion will enable us to execute the current order book faster.

And because the facilities coming live and our customers can see it, they are now starting to talk to us for more orders considering the expansion that will come live. So it will be both where our current order book will also get executed there faster. And we are beginning to get new orders considering the increase in capacity.

Suyash Barve:

All right. And, sir, we are kind of seeding, I think two optionalities right now. One is our UAE plant. We had set up some new subsidiary last year in UAE. And we also invested in Tejorup in Q4, in February. What would be the update on that and how do you see those businesses going forward?

Prashant Garg:

So the UAE facility has been handed over to us. And we've already sort of set it up for doing service and service repairs and overlay work in UAE and the region, not just UAE. So that is up and running now. And so that will start contributing in revenue from this year onwards. As far as Tejorup is concerned, Tejorup is still in prototype development stage.

And Tejorup has a project sanction order from DRDO where post-prototype development, there is already a mention of a requirement of 200 launchers and 1,200 rockets. So right now our

energies are focused on achieving the prototype development ASAP so that we can get into the engineering and production of the sanction order, which is already mentioned in the PSO.

I don't think and I don't foresee any revenue coming in from Tejorup in this financial year. And also, I think, nothing significant coming in the next financial year. But, of course, as our prototype development and approval happens in the next financial year, it will open up gateways for us in the subsequent years from next financial year onwards.

Suyash Barve: All right, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: Hi, sir. Thank you for this opportunity. So firstly, I would like to understand what percentage of our contracts are fixed price contracts. Basically, I want to understand if our margin would be impacted by the current escalation in raw material costs?

Prashant Garg: So whatever needs immediate deliveries are fixed price contracts. And contracts which are staggered in terms of deliveries will have price friction clauses built into them. What we also do is typically in fixed price contracts, the moment we get in the order, we book our raw materials immediately so that we can cut down on the volatility.

And especially in extremely volatile raw materials such as tungsten, cobalt, nickel, in which the prices change on a daily basis, we submit offers with very small validity. And as soon as we get a confirmation from the customer that they are willing to buy, we immediately place back-to-back orders on our suppliers to come out of the problem of volatility.

Gunit Singh: Got it. So basically, we are mostly insulated for any price changes because fixed price contracts are booked upon purchase of raw materials. So the majority of the raw materials are purchased as soon as the fixed price contract order is booked. Is that a fair understanding?

Prashant Garg: That's right. To a large extent, we try to insulate ourselves from that volatility.

Gunit Singh: Got it. So currently our EBITDA margins are about 13%, 14%. So in case of an extreme scenario, like we saw in the war, so what kind of variation in EBITDA, downside variation in EBITDA margins can happen in extreme cases like this?

Prashant Garg: For this financial, we expect our EBITDA margins to go up by around 80, 100 basis points considering the increase in our operation size and considering the consolidation of our cost for a higher revenue. Our cost will not increase in the same way. Gross margins, of course, I think will be slightly under pressure because of volatility.

So extreme volatility, you cannot really estimate when prices go sometimes 200%, 300% overnight. But typically, we know what these materials are and we give very small validity so that we don't have to bear the brunt in such cases. So we think that EBITDA margins should go

up this year by 80 to 100 basis points even considering the volatility which is there in the market right now.

Gunit Singh:

Got it. So, my second question would be regarding the debtor days and the inventory days. Ador Fontech used to have debtor days about 50-53 and inventory days about 70 whereas our debtor days are about 113 and inventory days are about 123. So, can you help me understand what are we doing differently as compared to them or are we giving better credit terms to our clients to get orders?

Prashant Garg:

See what happens is in Q4, we have done a sale of close to 140 crores in comparison to the preceding quarter. So therefore, end of year debtor days is slightly higher because a major chunk of sales has happened in Q4. Some of these items, especially the heavy engineering items and the ware parts are substantial in terms of order values.

Two rollers which we sold, for example, or each roller that we sold, the single item would be around INR5 crores and in the month of March, we sold INR20 crores worth of rollers, probably higher. So, because of which the debtor days look higher in comparison to the average debtor days. So as per as the debtor days are right now, 98 days for FY26.

Inventory, we have worked hard. So, inventory, we've been able to keep it at 66 days which was the same as FY25. So, in spite of the fact that our revenue has increased, our inventory days have remained constant. And coming back to debtor days, we are working now prudently and bringing in our more focus and trying to get back to roughly around 80 to 85 debtor days which was there in FY25.

And we are hopeful that we will be able to bring it down to around anywhere between 80 to 90 days which was at the same levels of FY25. As the heavy engineering business increases, I don't think we will be able to bring it down further, at least in this year. Of course, ideally, we would want it to be lower but our indication would be anywhere between 80 to 90 days.

Gunit Singh:

Got it. So generally, what are the debtor days and payment terms, I mean, for heavy engineering and wear parts and welding?

Prashant Garg:

So welding consumables are cash and carry. Typically, that can be payments made on delivery or to some big distributors. You can have some credit terms depending on their credit worthiness. But for wear plates, wear parts, and heavy engineering, typically, the debtor days are 60. But some of these items are quite big in size.

So, sometimes they are few days involved in shipment of these goods and by the time the customers make their GRNs and process their payments, typically, they end up paying anywhere between 75 to 90 days. In the industry, typically, 60 days gets extended to 75 to 90 days very easily. But we are bringing in systems in place where we will keep a tighter control and bring it down to, you know, less than 90 days in this year.

Gunit Singh: Got it. So basically, for next year, our target would be about 60 to 80 debtor days and around 60 inventory days.

Prashant Garg: No, our target would be anywhere between 80 to 90. We are targeting 80 to 85, actually, and inventory days of 60 to 65.

Gunit Singh: Got it. Because one third of the business is cash and carry and the rest is saying it's 60 to 90 days. So, I was assuming that, it would be more closer to 60. Okay, my next question would be regarding the current capacity utilization and the revenue potential for our new capex that we are completing in the following months.

Prashant Garg: So, as I mentioned, we have already installed a new electrode plant of 10 tons per day capacity. So, we have significant capacity available for now electrodes manufacturing. Our new wire line should be delivered in the month of July. So that will add capacity until then right now.

For wires, we have close to 88%, close to 85%-90% capacity utilization. For wear plates, heavy engineering, we are -- as we speak, close to 85%-90% utilization. So, of course, as soon as these new shop floors get ready and available for manufacturing, these capacities will -- utilization will drop to around 50% to 60%. And therefore, revenue will start getting, the revenue increase from these divisions will start happening, which did not happen so much in the last year.

Gunit Singh: Got it. So, the INR650 crores guidance for the coming -- medium term guidance, do, would we require any additional capex apart from the new facility that's coming up?

Prashant Garg: No, we don't expect any additional capex, not just for up to INR650 crores, but even up to higher. I think that the capex that we are doing, the INR100 crores capex that we have indicated should be enough to propel us to INR800 crores to INR900 crores in the coming years.

Gunit Singh: Got it. Thank you very much. I wish you all the best. Thank you.

Moderator: Our next question comes from the line of Sunil Jain from Nirmal Bang Securities Private Limited. Please go ahead.

Sunil Jain: Yes, thanks for this follow up. More of a question related to -- you have a roller which is contributing handsomely in the revenue. So apart from roller, any other product like this, you are pursuing two, three products. So, any development on that?

Prashant Garg: So steel mill rollers are another such application where we've been able to get substantial inroads. Of course, we are participating in tenders from state-owned steel plants, which are sale units, where it gets into a price war. But now we are focusing on private steel players also.

So, I think that is one area where we did good revenue last year. Last to last year, did not have much contribution in this year. But again, I think this year we will have a significant revenue coming in. We've got active cases. Then apart from this, we also have vertical roll mill rollers. We've recently backed an order from a leading cement manufacturer for supply of grinding

rollers in a vertical roller mill, which is another kind of grinding equipment, which is used very commonly in the cement and power sector.

In fact, the mill population of VRMs are much higher than roller press rolls in these sectors. So, we've got our first breakthrough order and we think that there's a lot of much higher potential of these rollers in comparison to the roller press rolls. This will start reflecting in our revenues. Apart from this, there are shredders which are used for alternate fuels processing, in which basically the organic and the municipal waste is collected from major cities or settlements.

Then they are shredded to the right size and fed into the rotary kilns or furnaces, and it is used as a fuel. These shredders are facing a lot of wear and tear because of the nature of the waste product that they are handling. So, we are now developing spare parts for these shredders, which will help us replicate the success story of roller press rolls in the industry.

Sunil Jain: So, anything which you can indicate like the product like roller mill, steel roller, sorry, cement roller mill, like that product, the contribution in revenue is how much and how much it can increase in the next three to four years.

Prashant Garg: Sir, we can connect offline if needed because this is confidential data and it's sensitive to our business. So, I won't be able to mention it specifically.

Sunil Jain: Okay, no problem, sir. Thank you. Thank you very much. Thank you.

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

Prashant Garg: Thank you all for your participation and insightful questions. As we move from FY2026, we remain focused in execution, innovation and scaling sustainably. I would also like to express my gratitude to our dedicated team members, valued clients, suppliers, bankers, and all our stakeholders who continue to place their trust in us. For any further information, please feel free to contact our Investor Relations team. Thank you and have a great evening ahead.

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