Date: August 18, 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 ended June 30, 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 Un-Audited Financial Results (Standalone and Consolidated) for the quarter ended June 30, 2026 held on Thursday, August 13, 2026 at 02:30 p.m. (IST).

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

Kindly take the information on record.

Thanking You.
Yours faithfully,

For Diffusion Engineers Limited

Chanchal Rajesh Jaiswal
Digitally signed by Chanchal Rajesh Jaiswal
Date: 2026.08.18 16:56:51 +05'30'

Chanchal Jaiswal
Company Secretary and Compliance Officer
Membership no. A67136

“Diffusion Engineers Limited

Q1 FY27 Earnings Conference Call”

August 13, 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

Moderator: Ladies and gentlemen, good day and welcome to Diffusion Engineers Limited Q1 FY'27 Earnings Conference Call. 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 touch-tone phone. Please note that this conference is being recorded.

I would now like to 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 earnings conference call for the first quarter ended 30th June 2026. We are delighted to have you join us today. I'm joined by Mr. Abhishek Mehta, our CFO, Ms. Chanchal Jaiswal, Company Secretary and Compliance Officer and our investor 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. Let me begin with broader industry environment. We continue to see a favorable structural environment for the sectors we serve in.

India's core industry maintains strong momentum during Q1 FY'27. Provisional industrial data indicate finished steel production has increased by approximately 6% annually, and it has further grown to 8.3% during April to June 26 quarter. The cement sector also remains bullish. Industry expectations point towards approximately 7% to 8% volume growth in FY'27, supported by infrastructure spending, housing and urbanization.

These trends are relevant for us because cement, steel, power, mining and other process industries represent important end markets for our products. We are also seeing a continued emphasis on infrastructure manufacturing investment in India. The FY'27 Union Budget provides for substantial capital expenditure in the railways sector, with total railway expenditure including extra-budgetary resources of approximately INR2.9 lakh crores.

This broader investment cycle supports opportunities across engineering, wear protection, maintenance and specialized and precision manufacturing. At the same time, we remain mindful of global uncertainties, commodity price movements, freight costs and geopolitical developments. Steel, ferro-alloys and other specialty metals remain important components of our raw material basket.

Our approach is therefore to maintain pricing discipline, closely manage procurement and increasingly use contractual mechanisms that provide appropriate protection against raw material volatilities. Moving to our order position, we remain encouraged by the momentum we are seeing across all the core business areas.

As of 30th June 2026, our consolidated order book stands at INR209 crores compared with INR174 crores in March 2026, representing a sequential increase of approximately 20.4%. The order book is also becoming increasingly diversified. Our Heavy Engineering order book stands at INR159 crores, Wear Plates and Wear Parts at INR26.42 crores and Welding Consumables at INR24.22 crores.

This particularly strong increase in Welding Consumables order book is encouraging because it reflects healthy demand across our recurrent and maintenance-oriented customer base. We believe our order book provides good visibility for the coming quarters. Importantly, our business is not solely dependent on large project orders.

A significant portion of our business is linked to maintenance replacement and reconditioning requirements across the installed industrial base. During the period we secured multiple significant domestic orders across cement, defense and power sectors, including an order worth approximately INR9.88 crores for the supply of VRM and separator parts for the cement industry.

A INR8.16 crores order for the supply, maintenance of roller-press rolls for cement industry, a INR10.63 crores order for supply of roller assemblies and retrofitting of shafts for the cement industry, INR7.49 crores order for supply of Flux-Cored Wire for defense and INR26.31 crores order for the supply of RAPH rotor assembly for power industry.

These orders aggregating to approximately INR62.47 crores further strengthen the company's order pipeline and reinforces its presence across key industrial sectors. This creates a relatively resilient demand profile because customers need to maintain equipment availability and minimize unplanned breakdown, even when the broader capital expenditure cycle may moderate.

Our experience has also shown that customers are increasingly moving from purchasing individual welding consumables towards ready-to-fit parts, specialized engineering solutions and total solutions. This structural shift plays directly to our strengths because we have progressively moved up the value chain from consumables to wear plates, wear parts, reconditioning and heavy engineering.

One of the most important developments for us is to progress on our capacity expansion program. We are executing a roughly INR100 crores expansion program which is designed to materially increase our manufacturing capacity along across electrodes, wear plates and heavy engineering.

Our heavy engineering capacity is being expanded from 9000 metric ton to 18000 metric ton, while our electrode capacity is also being expanded, supported by a new strip slitting capability that will strengthen our backward integration. The expanded manufacturing infrastructure will allow us to cater to larger and more complex requirements across our customer sectors.

Our new manufacturing infrastructure at Nagpur is therefore not simply an incremental capacity addition. It is an important step in strengthening our integrated manufacturing model and increasing our ability to capture larger customer requirements. As these capacities ramp up, our focus will remain on a disciplined commissioning process, maintaining product quality and progressive improvement of capacity utilization.

We have historically delivered a strong growth trajectory even when operating at relatively high utilization levels. Our 5-year consolidated revenue CAGR has been approximately 21% and the new capacity gives us significantly greater headroom for the next phase of growth. Our strategic direction remains clear.

Our objective is to provide specialized wear protection and engineering solutions that help customers improve asset life, reduce downtime and enhance operational efficiency. This is why our forward integration from electrodes and flux-cored wires into wear plates, wear parts and heavy engineering is strategically important.

Our own consumables and metallurgical capabilities are increasingly being used within our downstream products, allowing us to create an integrated value chain. We believe this model gives us several advantages: better customer engagement, higher value applications, greater customization and opportunities to participate in a larger portion of customer's maintenance and engineering requirements.

Our R&D capabilities are also an important part of the strategy. We have a DSIR approved R&D facility supported by testing and laboratory infrastructure, which enables us to undertake product development, process refinement and raw material analysis. Focus on margins and operational efficiency.

As we enter the next phase of capacity expansion, our focus will remain equally strong on profitability. The first priority is to improve utilization of the expanded facilities and absorb fixed cost over larger revenue base. The second is to increase backward integration, particularly in areas of raw material processing and strip processing.

The third is to improve our product mix by increasing the contribution from wear parts, heavy engineering and specialized consumables and engineering services. We see the potential for gradual margin improvement as capacity ramps up, provided that raw material conditions remain reasonably stable and we maintain execution discipline. International expansion remains another important pillar of our strategy.

We currently serve across 35 countries -- 35 plus countries with a presence across Middle East, Far East, South East Asia, Africa, Eastern Europe, Russia, North America. Our objective is to build international business not merely through product exports but increasingly through specialized engineering and service capabilities.

The UAE and Turkey initiatives provide us with an opportunity to build a stronger regional presence over time. We have also secured important approvals and strengthened our ability to participate in Middle Eastern industrial and oil and gas ecosystem. We see international markets as a meaningful medium-term growth opportunity, particularly where customers value specialized wear protection, engineering expertise and on-site service capabilities.

New growth opportunities. Beyond our traditional end markets, we are selectively building capabilities in sectors that can provide long-term growth opportunities. Railways is one such area. We're progressing through the development and qualification process for opportunities in the Vande Bharat ecosystem.

While we remain conscious that such programs have a longer gestation cycle, we believe that becoming an approved supplier can create meaningful opportunity over the medium term. Similarly, our participation in the defense ecosystem is a strategic initiative where our engineering and manufacturing capabilities can be leveraged.

These opportunities are not being pursued at the expense of our core business. Rather, we see them as extensions of our capabilities that we have developed over four decades. Looking ahead, I remain confident about the medium to long-term growth prospects of Diffusion Engineers. We have three important growth engines.

First, our core maintenance and wear plate and wear protection business, which provide recurring demand from a large installed industrial base. Second, the newly added manufacturing capacity, which provides us with the ability to execute larger orders and participate in more complex applications. And third, our new growth opportunities across international markets, railways and defense requiring our specialized engineering applications.

Our immediate priorities for FY'27 will be to execute the existing order book efficiently, ramp up new capacities and maintain our quality standards, deepen relationships with existing customers and expand our presence in new markets. We will remain disciplined in our approach to working capital, raw material procurement and capital allocation.

The broader opportunity is significant, but our approach will remain calibrated. We want to grow in areas where we have a clear technological manufacturing and customer relationship advantage. With now, I now invite our CFO Mr. Mehta to take you through Q1 FY'27 financial performance.

Abhishek Mehta: Thank you, Prashant sir. I will now walk you through our standalone and consolidated financial performance for Q1 FY'27. First, I'll start with consolidated performance highlights for quarter ended 30th June 2026. Revenue from operations was INR1101.08 million in Q1 FY'27 as against INR806.65 million in Q1 FY'26.

Y-o-Y increase of 36.5% on the back of strong demand across our core industrial segment, higher execution level and healthy order book. EBITDA excluding other income was at INR141.54 million in Q1 FY'27 as againstINR105.81 million in Q1 FY'26, increase of 33.76% Y-o-Y supported by Operating Leverage from higher volumes, improved execution efficiency and better absorption of fixed costs.

EBITDA margin excluding other income for the quarter at 12.85%. EBITDA margin moderated slightly to 12.85% from 13.12% primarily due to higher raw material and employee cost as a percentage of sales. Profit After Tax stood at INR166.77 million in Q1 FY'27 compared to INR122.64 million in Q1 FY'26, Y-o-Y increase of 35.98% reflecting stronger operating performance and higher share of profits from associates, despite the moderation in other income and margin pressure.

Now I will take you to standalone performance highlights for the quarter ended 30th June 2026. Revenue from operation was INR959.13 million in Q1 FY'27 as against INR733.72

million in Q1 FY'26, increase of 30.72% Y-o-Y due to healthy demand across core industrial segments, improved execution capabilities and strong order book.

EBITDA excluding other income was at INR121.54 million in Q1 FY'27 as against INR86.54 million in Q1 FY'26, increase of 40.44% Y-o-Y on account of higher operating volumes, better execution supported by Operating Leverage. EBITDA margin excluding other income stood at 12.67% driven by improved absorption of fixed costs and operating efficiency.

Profit After Tax stood at INR99.79 million in Q1 FY'27 compared to INR142.04 million in Q1 FY'26, primarily due to dividend from our subsidiary -- 100% wholly owned subsidiary of around INR5 crores in Q1 FY'26. With that, I now open the floor to any questions you may have. Thank you for the time and continued support.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Maheshwary from Ambit Investment Advisors. Please go ahead.

Rahul Maheshwary: Good afternoon. Congratulations Prashant and Abhishek for the excellent execution. A couple of questions. First, if it is possible, can you give what has driven the growth on the four segments, you know, in terms of consumables, wear parts, heavy engineering and trading? What is the growth for each segment that has happened?

And second, how much is the domestic versus the exports growth that has been taken place? And third question is on the product pipeline, any new product pipeline apart from the rotator separator or shredder has been added into the existing bucket?

Prashant Garg: So, we understood that there are three questions that you've asked. One is the growth in exports and domestic. Second, you've asked about any new product development pipeline. And the third question is regarding…

Rahul Maheshwary: The segment's growth if it is possible, it will be very helpful.

Prashant Garg: So, see, overall growth has been 30% plus and we have seen growth in all the three segments of the business which is consumables, wear plates and parts and heavy engineering. The reason why this growth has come is because we entered the quarter with a significantly higher order book. So, typically, historically, you know, at the end of the year the order book used to shrink because, you know, we used to have very high sales in Q4 of the preceding year.

But this year, in spite of having high sales in the Q4 of preceding year, our starting order book was also significant. So, therefore, our Q1 results have been much better than historical Q1 results and we have seen this growth coming across the three aspects of the business which is as I mentioned, consumables, wear plates and heavy engineering.

We have seen growth happening in domestic more than exports in Q1 specifically because last year Q1 for exports we had some larger orders which were executed in Q1, which did not replicate in this year but we are seeing ramp up of export sales happening in the subsequent quarters. So, a majority of this growth has come from domestic sales.

You have to bear in mind that the execution cycle follows the order intake cycle and also depends on the order mix because some orders are executed with short lead times and some orders need longer lead times. Now, regarding your third question on product pipeline development.

So, the product pipelines that we've been discussing takes few months to develop and after development it takes similar amount of time, probably, you know, few quarters to sort of promote in the market to explain to the customers our value proposition and then sell to the customers.

So, right now, we have worked on four or five new such products and they are right now in the process of -- we are in the process of, you know, promoting them in the end industry, end customer industry and we'll start seeing some results coming out of them in subsequent -- in this quarter and subsequent quarters.

Rahul Maheshwary: Prashant, just if I ask follow up, any Top 2-3 products where the prospects is too high and you can witness the same thing in FY'27 for the entire year, irrespective of timelines.

Prashant Garg: So, we are working on VRM rollers, that has got a very high mill population. We've already got some initial orders from end customers and we expect to replicate that. The steel mill roller business is ongoing. And so, what whatever rollers we had supplied before have completed their life cycles and we've had very good feedback from customers, so now our focus is to replicate that across industry, that's also a very high-volume business.

And, you know, there are further more such high-volume products and wear parts which are needed in the industry on which we are focusing, where, you know, they are constantly wearing out and they are used as consumables in the end customer industry.

Rahul Maheshwary: Prashant, that's very helpful and best wishes to the entire team. Thank you.

Moderator: Thank you. A reminder to all the participants, you may press star and one to ask a question. The next question is from the line of Kunal Mehta from Incred Equities. Please go ahead.

Kunal Mehta: Hi, sir. Very good afternoon and congrats on the good set of numbers.

Prahant Garg: Thanks.

Kunal Mehta: My first question is on the raw material price volatility. We saw that in Q4 and Q1 the gross margin had compressed because I think China controlled the price and, you know, the supply of Tungsten and other, you know, rare earth elements. So, are we seeing any kind of normalization in these price, some stability or still is it very volatile?

Prashant Garg: So, of course, because of the reason that you mentioned and also because of the war in Middle East, there was an immediate impact on the raw material prices and energy cost which was transferred to us and typically it takes some time for us to absorb it and then transfer it to our customers, especially for orders which we have already clocked in and which are in advance stages of execution, we can't go back to the customer and ask midway for price hikes.

So, that is why you've seen in Q4 last year and Q1 this year that there has been some gross margin contraction. But we've been able to absorb it primarily due to higher, you know, revenue and higher level of execution. So, the fixed costs have got spread over higher revenue base because of which the increase in -- or the reduction in gross margin is not so significant.

Now, regarding volatility, of course there has been some stabilization. The raw material prices remain high for some of these key raw materials and ferro-alloys, but at least one good thing that has happened is that the volatility is not to the same extent what we noticed in Q1. So, price levels remain high but, you know, there is some sort of stabilization and also there has been acceptance of higher price levels from the customer.

So, you know, it took us a lot of time to explain to the customer the situation that we are facing in terms of raw material pricing and now customer has accepted it and has started accounting for their cost also with higher price levels.

Kunal Mehta: Okay. Any percentage if you can give how much has been the impact of that, if you can, how much like maybe 20%-30% or has the price gone above still above that? The raw material price?

Prashant Garg: You know, so we can't give a generalized figure because, you know, we have a variety of raw material. So, for example, steel has gone up by roughly around 20 odd percent. You know, some of the ferro-alloys like Tungsten and all have gone up by few hundred percent. So, you know, it's a wide range. So, I can't give you a single figure for all raw materials.

Kunal Mehta: Okay.

Prashant Garg : But that is basically reflected in our gross margin contraction

Abhishek Mehta- Which is roughly around 1% and 1.5% in the gross margin's contraction.

Prashant Garg- Yes.

Kunal Mehta: Okay. Also, my second question would be out of the INR210 crores of order book currently outstanding, how much is executable in FY'27? If you can give a range.

Prashant Garg: So, I think it will be fair to say more than 80% of it is executable as we speak right now.

Kunal Mehta: Okay.

Prashant Garg: More than 80% of it is executable in in this year. And also, we are now seeing renewed sort of request from customers where they are asking us to prepone some deliveries. So, some of the items which were sort of scheduled for next year, we are getting request from customers that they want faster delivery. So, which is a good sign because they want to place orders for subsequent year. They are seeing increased demand especially in the power sector for subsequent year.

Kunal Mehta: Okay. And do we see -- do we get any advances for this? How is the payment terms for the heavy engineering products?

Prashant Garg: So, the faster we execute, of course the faster we get paid. So, typically, the payment terms are the advances range anywhere between 10% to 20%, % depending on the advance then we'll get around 80% to 70% post-dispatch and then balance after some sort of warranty documentation.

So, the faster we execute, you know, the faster we'll get paid from the customer. Also, our capacities will open up for future requirements which the customer is now seeing a strong pipeline and he is asking us to execute faster and that's why they're requesting for preponement because they're seeing lot of orders coming in for the subsequent financial years.

Kunal Mehta: And when will the new capacity commission, in August itself or still some delay?

Prashant Garg: So, I'm happy to inform you that in a phase-wise manner we've started utilizing our new factory shop, shop floor area. We've already sort of, you know, started utilizing the new capacity, not in a 100% manner right now but in a phase-wise manner we have already started using the new constructed area that we have set up. And we will be -- we can say that the capacity -- the new facility sort of started coming live in a phase-wise manner.

Kunal Mehta: Okay. And in heavy engineering how much is the bought-out component, like how much percentage of components are bought out? For example, in a vertical roller machine or high-pressure grinding machine, how much is the percentage of bought-out components would be?

Prashant Garg: So, only the forgings and the castings are bought out.

Kunal Mehta: Okay.

Prashant Gargt: The rest of the fabricated parts we make ourselves.

Kunal Mehta: Okay.

Prashant Garg: So, any heavy engineering part in which there is -- there are some forgings and castings because we're not a forging or a casting or a foundry company. We're not a foundry or a forging company. So, those things are bought out. Rest all of the things are pretty much done in-house by us.

Kunal Mehta: So, the motor and everything is done by us only?

Prashant Garg: No. We don't supply motor and control panels because that is not our area of expertise and not our product offering.

Kunal Mehta: Okay.

Prashant Garg: We only supply the manufactured equipment or fabricated equipment.

Kunal Mehta: Okay. And I think in the first quarter we saw INR4.5 crores share of profit from associates or JV.

Management: Yes.

Kunal Mehta: Is this from LSN Diffusion or it's from…

Abhishek Mehta: It is from LSN Diffusion.

Kunal Mehta: But this is quite a huge. So, I mean is there this can be this considered as something like an anomaly or this is something that would be going ahead a steady state share of profits?

Prashant Garg: So, typically, if you refer historically our numbers the contribution used to be anywhere between INR1 crores to INR2 crores.

Kunal Mehta: Yes.

Prashant Garg: Of course, INR4.4 crores is a substantial increase that has come in for this particular quarter. I think INR1 crores to INR2 crores is what we can keep expecting. Four is sort of, you know, we can consider plus two to be an extra which has come in for this particular quarter.

Kunal Mehta: Okay. Any update on the UAE and the Turkey facility, how will we be ramping that up eventually?

Prashant Garg: So, Turkey is already up and running. Not the facility but the business is up and running. Our revenue from Turkey has started increasing. Also, you know, we are not in the red there because initial startup phase, of course costs are high and revenue is low. So, we've been able to come out of the red in Turkey.

UAE facility is already available to us now for manufacturing and, you know, carrying out services for and that is already been sort of set up and it's up and running. So, we will start seeing revenue coming in from Q2 onwards from UAE facility also.

Kunal Mehta: Okay. I have enough question, but I'll fall back into queue.

Prashant Garg: Okay.

Moderator: Thank you. A reminder to all the participants, you may press star and one to ask question. The next question is from the line of Rohan Mehta, an individual investor. Please go ahead.

Rohan Mehta: Yes. Good afternoon, and thank you for the opportunity. Sir, if you could just touch upon our R&D related initiatives, if, you know, there is a budget for R&D as a percent of revenue and the products that might be under development pipeline, if you could shed some light on that.

Prashant Garg: So, R&D, the kind of industry where we are in, we are always constantly developing new solutions to counter wear and tear in core industrial sector. And, you know, equipment sizes also have also, you know, significantly increased in all these end customer industries. For example, steel, cement. So, typically, you know, 10 years-15 years ago a typical cement plant used to be 5,000 tons-6,000 tons per day, you know, kind of capacity which is now become very normal to set up a new plant so normally typically 10,000 tons to 12,000 tons per day capacity.

So, when these equipment sort of break down, the production loss is even higher or more significant. And because these equipment are now much bigger in size, the wear conditions or the, you know, operating conditions even more severe, the stress loads, the, you know, working loads. So, it's a constant sort of feedback that we keep getting from the customers.

And we have a team of two very dedicated two very dedicated specialist, metallurgical engineers who've completed their doctorate, who are constantly taking this feedback and, you know, understanding the kind of problems that customers are facing and, you know, trying to develop new solutions. And we spend close to a percent of our revenue in R&D and, you know, this is done in through many avenues.

So, it's not just directly sort of only, you know, development of product but also through trying out new solutions for the customers, sending them at -- or sending them in the field for trials and subsequently there are costs that we incur when we try some new product and we do some new trials. If things don't work as per expectations and we have to again sort of re-condition them or, you know, repair those items to meet expected life times.

So, all put together, it's a constant sort of back and forth which keeps happening between us and the customers. The customers are also very demanding in terms of, you know, their expectations of equipment life times because of the reasons I just mentioned. So, it's a constant loop where we operate in and, you know, we are further re-strengthening our team with more analytical equipment so that we can develop our products and solutions faster. Does that answer your question?

Moderator: The participant left the queue. We'll move to the next.

Prashant Garg: Okay.

Moderator: The next question is from the line of Shravan Modi from Syndicate. Please go ahead.

Shravan Modi: Good afternoon, sir. Thanks so much for the opportunity. Sir, my question is which currently which overseas subsidiary or associates are currently contributing most to your profitability margin?

Prashant Garg: So, the maximum contribution is coming from Philippines right now and Singapore.

Shravan Modi: Right, sir. Sir, and also the standalone PAT has increased to 98 in FY'26. Can I just know what actually caused the rise in this standalone PAT? inaudible

Abhishek Mehta: Sorry, your voice cracked, so we are not able to hear you. If you can just repeat?

Shravan Modi: [Inaudible 32:17]

Moderator: Sir, you voice is not clear properly.

Shravan Modi: Yes. I’ll join the queue, I mean.

Moderator: Okay. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead. Yes, Mr. Sunil, go with the question please.

Sunil Jain: Yes. I was on mute. Sorry. I was on mute. My question related to -- Yes, first of all congratulations for such a good growth.

Management: Thank you.

Sunil Jain: So, my question relate to the order booking pipeline how you are looking at it and specifically Q2 is generally a strong quarter for you, so how you see maintenance work for from cement industry in this quarter?

Prashant Garg: So, order book as we speak is -- as we mentioned is around INR209 crores at the end of Q1. And we still see significant sort of traction and interest in our products and services. So, we expect the order book to only grow from here, in spite of the fact that, you know, our execution is also growing. So, we expect the order book to remain same or even get better as we move forward.

And Q2 is as you rightly said is typically stronger because this is a period where a lot of maintenance activities happen in the industry because of the rainy season. So, we're expecting, you know, continued growth in Q2 also based on increased maintenance activities in the industry and also a strong order book. We expect to maintain significant growth levels -- similar growth levels in Q2 also.

Sunil Jain: Yes. That's great. Sir, second question relate to we had seen Welding Consumable order booking has increased. So, any specific reason for that?

Prashant Garg: So, sir, what is happening is some of the customers are consolidating their requirements because of their increased activity and, you know, placing order on a sort of a yearly basis. So, there are some staggered deliveries where, you know, customers have consolidated their requirements and clubbed their requirements and given us a complete order.

So, that is why the order book in consumables have also gone up. This is one reason and second is, of course the sales are increasing in consumables because of which the order book has also gone up.

Sunil Jain: So, there is no one-off which may be getting because these are short cycle, so can get a revenue faster in Q2, nothing not like that.

Prashant Garg: No, there is no one-off case where, you know, we've had a rainfall sort of windfall order which cannot be repeated again. This is happening because of, you know, efforts of last few quarters where, you know, we are, our products are becoming part of their manufacturing value chain and they are becoming key raw materials or consumables for their manufacturing processes.

Sunil Jain: Sir, the last question relating to defence. So, we are supplying consumables to defence sector. Apart from that, any progress on any other product which we can get qualified in coming period?

Prashant Garg: So, apart from the consumables, we have not been able to break through yet but our efforts are on to get into sort of have a similar approach that we have used in steel, cement and other core industrial industries.

Sunil Jain: Hello. We can hear you, sir.

Prashant Garg: Hello. Can you hear us, sir?

Sunil Jain: Yes. We can. Hello?

Moderator: Yes, sir, we can hear you. What's the question?

Prashant Garg: So, I think there was some connection issue, I'll just repeat my answer. So, our approach is to continue having the same strategy where we do more and more for the same customer. We've, of course, been trying to get into -- to move up the value chain in defense sector in terms of manufacturing subassemblies and not just supply welding consumables. But, of course, that requires competitive bidding where we've not been successful yet.

But apart from this what we are doing in Tejorup, that is progressing well. Tejorup is a company in which we invested and took 10% stake and they're developing a prototype for VSHORADS which is Very Short Air Defense System. So, we expect that that is moving in the right direction, and hopefully, once the prototype is approved the manufacturing will bring in more revenue for us.

Sunil Jain: So, any percentage you can assign to defense revenue in the overall revenue or it's very small?

Prashant Garg: So, this is right now approximately anywhere between 1.5% to 2% as of now.

Sunil Jain: Great. Okay. Thank you very much, sir, and all the best for the coming quarter.

Management: Thank you.

Moderator: Thank you. The next question is from the line of Deeya Jain from Sapphire Capital. Please go ahead.

Deeya Jain: Hello, sir. Thank you for the opportunity. Hopefully, I am audible?

Management: Yes.

Deeya Jain: Sir, you said that you have started utilizing the new capacity already and with such a good order book, how do we look at FY'27 and '28 in terms of revenue and margins?

Abhishek Mehta: So, we are expecting to grow at around 20% in FY'27, '28 and continuously for next 3 years-4 years and we try to expect ourselves to double in next 3 years. That is one thing. And in terms of the margins, we expect EBITDA to grow by around 100-200 basis points in FY'27 and '28, by FY'27 and '28.

Deeya Jain: Okay, sir. And any investments that we are planning for?

Abhishek Mehta: Any investment in new capex is what you're talking about?

Deeya Jain: Yes, sir.

Abhishek Mehta: So, we may look for some investments or new capex, do some backward integration more, but still it's in pipeline. Nothing is finalised as of now.

Prashant Garg : So, we are in the process of finishing our earlier capex and, you know, our intention is that once we reach again close to 70%-80% utilization of the newer -- newly installed capacity, we will immediately start expanding again and not wait for longer duration because we -- historically, we've noticed that we should expand much faster and not wait for utilization levels to reach up to 85% and then expand. So, right now, it's still on the drawing board, nothing planned completely as of now.

Deeya Jain: Okay, sir. Understood. Thank you and all the best.

Prashant Garg: Thanks.

Moderator: Thank you. The next question is from the line of Ankur Tripathi, an individual investor. Please go ahead. Yes, Mr. Ankur, go with your question please. If there is no response from the participants, we will move to the next. The next question is from the line of Ram Singh, an individual investor. Please go ahead.

Ram Singh: Hello. Am I audible?

Management: Yes, sir.

Moderator: Yes, sir.

Ram Singh: Sir, what I see is that we had peak margins of 18% and from 18% now we are around 13% of margin. So, are we going to improve from here? How would the margin trajectory be from here? That would be my first question. Secondly, sir, we have grown by 33% and our guidance is of 20% growth. So, are we conservative in terms of revenue guidance? Are we going to have a beat? These are my two questions.

Abhishek Mehta: So, I'll just try to repeat your question. Question number one is we had an margin of 18% and why it has fallen to 13%, correct? Are you talking about standalone if I'm not wrong?

Ram Singh: Sir, my question is now we have come to 13% round, so how the margin trajectory would be from here onwards? Q1 was the bottom or not?

Abhishek Mehta: Sir, we last year in Q1 FY'26, we received a one-time dividend from our Singapore associate Singapore wholly owned subsidiary of around INR5 crores which increased our bottom line in the Standalone Financials. And if you look at our Consolidated Financials, our numbers have been improving.

Ram Singh: Okay.

Abhishek Mehta: And…

Management: Yes. Sorry.

Ram Singh: This quarter we had margins of 13% -- EBITDA margin of 13%.

Prashant Garg: So, EBITDA margins have shrunk slightly in this quarter because of the volatility of raw material prices and the raw material prices increase which has happened after the war. As we explained before that we've been able to pass on these increases to our customer and now prices are not so volatile. So, we expect the EBITDA margins to get back to previous Q1 levels and as we also indicated before we expect them to increase by 100 basis points to 200 basis points over the next year, year and a half.

Ram Singh: Noted, sir. Secondly, sir, we have been growing with a faster rate and our guidance of 20%. So, are we on a conservative side?

Prashant Garg: So, sir, we are -- we always believe in, you know, overperforming and undercommitting or being realistic. So, of course, we think there is more potential in the business but our -- you know, we always feel that, you know, we should manage expectations well and be prudent in terms of what we are indicating.

Ram Singh: Okay, sir. Noted, sir. Sir, you -- last time you mentioned that there are certain railway orders which were expected to come. So, how expected to come railway orders?

Prashant Garg: Sorry which orders are expected to come?

Ram Singh: Railway Orders

Prashant Garg: Yes. So, we are in the process of getting our workshops evaluated. And there is a constant sort of communication happening between us and the authorities in railways and they are visiting our workshop to approve our workshop so that we can start executing these developmental orders. And we've got some small orders, but not of significant values, but we're expecting some other tenders to also materialize post approval of our workshop after which we will start seeing increase in the revenue coming in from railways.

This is for new development items that we are doing for Vande Bharat items, for Vande Bharat trains and for locomotives. But our old business, our incumbent business in railways in terms of points and points and crossing repairs and also supplying wear liners for their ballast cleaning machine, all of that is growing and that continues to exist.

Ram Singh: Okay, sir. Sir, we were also L1 in certain orders. So, have those orders materialized in Q1 or are we also expecting some orders in Q2?

Prashant Garg: No. So, those orders where we had become L1 or L2, they -- railways inspection authorities are now evaluating our workshop facilities because these are completely new developmental orders which we have not done before, and only partial quantities will be awarded to us as developmental items, and post our workshop approval then these expression of interest -- or these opportunities will get converted into orders. So, right now, we've got I think one or two small orders, the rest are under evaluation.

Ram Singh: Any timeline, sir? If everything goes well and our workshop is approved, then by FY -- by end of FY'27 we'll be having those orders?

Prashant Garg: So, we expect all of this to get converted into revenue between 9 months to 12 months.

Ram Singh: Okay, sir. Thank you so much, and best wishes.

Prashant Garg: Thank you.

Moderator: Thank you. The next question is from the line of Praneet from MGA. Please go ahead.

Praneet: Hello. Am I audible?

Prashant Garg: Yes.

Praneet: Thank you so much for the opportunity. My question to the management is since the company has deployed a significant portion of the process towards capacity expansion, like, can you quantify how much of the IPO funded capacity is currently operational and how much revenue and EBITDA we are generating today and like, by when you expect that full earning contribution from this investment?

Abhishek Mehta: So, we are still spending from the IPO money. Recently just as Mr. Prashant said that our new capacity has just started in a phased manner. So, there is not much contribution in terms of EBITDA and margins from that capacity expansion, which will come in next to a next quarter, start contributing from next quarter but it will take around 2 years to 3 years' time to ramp up these capacities.

And similarly, the another capacity which we have implemented for electrodes, that is also just started in the last quarter of Q4 FY'26. It will also take around 2 years to 3 years to ramp up and start giving better EBITDA and operational margins.

Praneet: Okay. As of December 2025, a substantial portion of the IPO proceed like still remain unutilized and with the fund like largely placed in the fixed deposit.

Abhishek Mehta: Yes.

Praneet: So, are those like timeline have been changed from whatever as per the original IPO schedule? And like how much is the unutilized balance as of now?

Abhishek Mehta: So, as of now somewhere around INR67 crores is still unutilized and we expect that these proceeds will be fully utilized by this year end. But most of the capacity which we wanted to be ready is already done and only some portion of it is pending which will be done in next quarter. So, we will have some savings from the IPO proceed, which will utilize for some other purpose with the approval of the shareholders and other compliance requirement.

Praneet: Okay. Got it. Thank you so much, sir. Thank you.

Moderator: Thank you. The next follow up question is from the line of Kunal Mehta from Incred Equities. Please go ahead.

Kunal Mehta: Hi, sir. My question is on the broader accessible market; I think in the presentation we have mentioned that the welding consumables industry in India is about INR1.6 billion. From this what is the addressable market for Diffusion, you know, in the specialized welding segment? And even in heavy engineering we have mentioned INR180 billion in India but I think we are just maybe focused to certain industries.

So, what is the actual, you know, market that we can service because currently we are pretty small? So, you know, what is the actual serviceable market that we can see in this as well as the new segments that we are going for, for instance the railway. How much would be the maybe the potential quantum of orders that we can get from Vande Bharat or for VSHORADS under Tejorup?

Prashant Garg: So, as far as consumables are concerned, the entire market is addressable because we manufacture all the consumables in our range -- welding consumables but, of course, every company has its own strength and, you know, brand recognition. Our brand is recognized with specialty hard-face and MNR consumables. So, you know, addressable market is out there. It depends as a strategy what we are trying to address and which part of the market are we trying to address.

In terms of heavy engineering, of course this is a very, very big market and sky is the limit here. I think market is not a problem in heavy engineering. It depends on how fast we are able to develop capabilities and profitably grow in the sectors where we operate in. So, we're not really looking at it from market sizing point of view, but we're looking at it from our competitive advantage and strength point of view in terms of which are the areas where we think we can earn higher margins for the same amount of effort that we put in while manufacturing a large industrial component or a large industrial equipment.

So, that would be my very sort of simple answer to your, you know, question. And I think in heavy engineering, getting business is predominantly dependent on the capabilities that we develop because anyways there's an entry barrier in terms of very few players who can manufacture such large, precise manufactured items and with the IPO proceeds we are now, you know, further investing in our machining capabilities.

So, there are very few companies who can do large machine components with precision -- which requires precision manufacturing. So, it then will boil down to which projects do we want to choose which can be replicated faster and which can give us higher margin contribution rather than just, you know, focusing on what is the market size and then how do we address this market size.

Kunal Mehta: In heavy engineering, Yes, I think it answers. But just wanted to understand we have predominantly been a welding consumable and wear part player, which is, you know, which kind of once the customer procures, you know, wear plates or a welding consumable for us, every 12 months to 24 months, they will keep on buying from us and the stickiness is very high. But in case of heavy engineering do we see that same kind of customer behavior or that stickiness, or is it a little different ball game?

Prashant Garg: No. We say so, of course, 70% of the heavy engineering comes for new project build, 30% comes for spare parts for existing installed base. So, of course, it is dependent on new brownfield and greenfield expansion happening in the industry. But stickiness in heavy engineering is also very high because we then become the factories and the manufacturing arms of some of these engineering companies who depend on manufacturers like us, you know, to execute their orders.

And bear in mind that these most of these companies are, you know, European or, you know, Japanese OEMs, who expect very high level of quality and execution discipline in terms of timely deliveries. So, once they -- once we execute certain projects with them, they get a lot of comfort with our team, our quality levels, our execution discipline and we become their sort of de facto manufacturing arm.

So, they then just try to replicate more and more orders with us and they go forward more aggressively, get more orders from the industry and then in turn, you know, offload these orders for us. So, there's a very high amount of stickiness that is there in heavy engineering. Sometimes in consumable business or wear parts business we still have to sort of competitively bid across against our competitors to win these contracts, but in heavy engineering if we are delivering good quality and doing timely delivery, the stickiness is quite high.

Kunal Mehta: Because over the last four years from around INR75 odd crores our welding business has grown to about INR110 odd crores. Whereas heavy engineering we have grown from around INR55 to upwards of INR125 -- INR130. So, I mean we are growing much faster in heavy engineering department and I think, are you trying to imply that this will be the larger share of our revenue going ahead and welding consumables will remain a smaller part of the revenue mix?

Prashant Garg: So, clearly heavy engineering, the nature of orders in terms of order sizing and also, you know, in terms of the market as we see, as you yourself mentioned the market for consumables is INR1.6 billion and market for heavy engineering is INR180 billion. You know, the -- so the scope available in heavy engineering is very, very big. And, you know, we are not just focusing on manufacturing equipment of fabrication and selling equipment.

We always have an metallurgical angle and a angle of lifetime improvement in the equipment that we manufacture. So, we're combining those capabilities and selling these equipment. So, clearly, we are moving up the value chain. And I'll give you an example. So, previously, we would supply only electrodes or wires to carry out repair on grinding rollers in a cement plant.

Now, when I start getting into the business of supplying the complete roller, my order size, my order contribution of a roller will be anytime many -- always be many times over the electrode or the wire that I supply for repair and maintenance because of the sheer volume of the order, right? So, obviously, the contribution coming from heavy engineering side in terms of revenue is much higher in comparison to the consumable side. But having said that the industry is also moving in that direction.

Now, industry wants players who are not just, you know, available for carrying out repair and maintenance, they want someone who can supply the equipment or the spare part and then also maintain it over its life cycle. And we are sort of developing this industry and also sort of developing solutions for this requirement of the industry together.

Kunal Mehta: Sir, are you trying to imply that the heavy engineering equipment also has some captive consumption of welding and wear parts also, the revenue in heavy engineering?

Prashant Garg: So, yes, absolutely. So, a large part we these our first preference is to manufacture those heavy engineering items or equipment where there is a significant or even at least, if not significant then there is substantial portion of wear parts or consumables needed to manufacture those items or special sort of cladding needed to manufacture those items because that's where our sweet spot is.

You know, we can be far more competitive than any of the other heavy engineering manufacturers because we have those capabilities in-house. So, that's our sweet spot. Of course, we don't restrict ourselves with that. We also do other items where they may not be a wear part, but our first preference is to focus on such parts. And that drives the sales of our consumable as well as wear parts.

Kunal Mehta: Okay. And on the leasing of heavy equipment model that we have mentioned in our prospectus, what is the current, you know, situation of that segment?

Prashant Garg: We have not been able to sort of breakthrough for newer orders in leasing because, you know, we had started this in cement sector with two contracts in a leading cement producer. But right now, they are saying that we are in such aggressive expansion mode and our cost of capital is very low. So, we would rather pay upfront and buy and give you a maintenance contract for the leasing period.

So, we are doing the majority upfront payment and then fixing the maintenance contract for the life cycle period rather than, you know, leasing it out where they pay us an equal installment over the life cycle of the equipment.

Kunal Mehta: Okay. And what is the Top 10 customer concentration in our revenue?

Abhishek Mehta: In terms of Top 10, you would like to know the industry basically?

Kunal Mehta: No. I mean, overall, in our revenue of INR400 crores, how much the Top 10 customers or maybe in heavy engineering if you can give me an idea on that.

Prashant Garg: Honestly, we don't have that answer ready, maybe we can check from our ERP and send you a separate reply for that.

Kunal Mehta: In the RHP, it was almost 70%.

Prashant Garg: We -- I think the nature of the business hasn't changed much.

Kunal Mehta: Okay.

Prashant Garg: And that sort of sounds about right. You know…

Kunal Mehta: Okay.

Prashant Garg: Anywhere between 60% to 70% is what we expect it to be, but to be able to give you an accurate answer we would rather check the data and share it with you.

Kunal Mehta: And also, if you all can share the current capacity of, you know, the Unit 1 because I think after the RHP there is not much mention of how much capacity is there in Unit 1, 2 and 3. Or is it same, have we done any upgrades in Unit 1, 2 and 3?

Abhishek Mehta: Unit 1, 2 and 3 there is no change in the capacity, whatever expansion has happened, it's in Unit 4 and Unit 5 only right now.

Kunal Mehta: Okay.

Abhishek Mehta: Unit 1, 2 and 3, there is no change in the capacity.

Kunal Mehta: So, are we operating at optimal utilization in all three units and that was kind of the constraint?

Abhishek Mehta: So, we are operating at optimal in Unit 1 and Unit 3.

Kunal Mehta: Okay.

Abhishek Mehta: Unit 1 and Unit 2, Unit 3 we are not operating at optimal level because if you'll see the utilization is around 2% or 3%.

Kunal Mehta: Correct. Yes.

Abhishek Mehta: So, it will it's still in that level only right now.

Kunal Mehta: Okay.

Abhishek Mehta: Because of the use of the product in our industry.

Kunal Mehta: Okay. And in Unit 4 what is the capacity of flux-cored wires?

Prashant Garg: So, that is mainly for in-house consumption which is used for making wear parts for heavy engineering items.

Kunal Mehta: Okay.

(Prashant Garg: So, that is not used for selling to end customers.

Kunal Mehta: So, when you say 9000 metric ton capacity augmentation in heavy engineering, that doesn't include this flux-cored wires, this is separate.

Abhishek Mehta: It includes all, it includes heavy engineering, wear plate and wear parts -- sorry, heavy engineering, wear plates and flux-cored wires,

Prashant Garg- which are used in heavy engineering items.

Kunal Mehta: Okay.

Prashant Garg: So, just to clarify, the customer if he places an order for a large classifier or a separator from us, that will include the steel fabrication, machining, precision manufacturing and also these wear parts and consumables which are needed to use these parts. We are saying that from 9000 tons, we will be able to manufacture up to 18,000 tons which includes these wear parts and consumable which are needed to manufacture these large industrial items.

Kunal Mehta: Okay. Thank you so much, and all the best.

Abhishek Mehta: Thank you.

Abhishek Mehta: Thank you very much.

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

Prashant Garg: To conclude, I believe Q1 FY'27 has provided a strong foundation for the year ahead. The combination of healthy revenue growth, resilient profitability and a INR209 crores order book, expanding manufacturing capacity and a diversified opportunity pipeline gives us the confidence in our ability to sustain the growth momentum.

At the same time, we remain conscious of the external environment and will focus on execution, operational efficiency and prudent financial management. Our vision is to continue evolving Diffusion Engineers from a specialized welding and wear protection company into a broader integrated engineering solutions provider, serving India's and the world's critical industrial sector.

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. We remain focused on delivering sustainable and profitable growth and creating long-term value for our stakeholders.

For any further information, please feel free to connect with 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 for joining us and you may now disconnect your lines. Thank you.