



Date: August 22, 2025

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

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

Dear Sir/Madam,

**Subject: Transcript of the Analysts/Institutional Investors Meeting / Call on Financial Results for the quarter ended June 30, 2025**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call on Un-Audited Financial Results (Standalone and Consolidated) for the quarter ended June 30, 2025 held on Tuesday, August 19, 2025 at 04:30 p.m. (IST).

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

Kindly take the information on record.

Thanking You.  
Yours faithfully,

For Diffusion Engineers Limited

Chanchal Jaiswal  
Company Secretary and Compliance Officer  
Membership no. A67136



**DIFFUSION ENGINEERS LIMITED**

Regd. Office : T-5 & 6, M.I.D.C., Hingna Industrial Area, **Nagpur** - 440 016, Maharashtra, INDIA

[t] 091-7104-232890, 234727, 236772, CIN : L99999MH2000PLC124154

[e] [info@diffusionengineers.com](mailto:info@diffusionengineers.com), [w] [www.diffusionengineers.com](http://www.diffusionengineers.com) **GSTIN : 27AAACD8008L1ZK**

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“Diffusion Engineers Limited  
Q1 FY26 Earnings Conference Call”  
August 19, 2025



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

**Moderator:**

Ladies and gentlemen, good day and welcome to Diffusion Engineers Limited Q1 FY26 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of the future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. 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 evening, everyone and welcome to Diffusion Engineers Limited Earnings Conference Call for the first quarter ended June 30th, 2025. We are delighted to have you join us today. I'm joined by Mr. Ramesh Kumar N, CEO, Mr. Abhishek Mehta, CFO, Ms. Chanchal Jaiswal, Company Secretary and Compliance Officer and our Investor Relations team from Adfactors PR.

The investor presentation and media release has been uploaded to the stock exchanges and are available on our website. Following the momentum we built in FY25, I'm pleased to say that we have made a strong start to FY26 with continued operational and financial progress as well as strategic milestones being executed as per plan. But before we dive into the quarterly performance and strategic development, let me briefly introduce our company for those of you who may be new to our story.

Diffusion Engineers Limited, founded in 1982 and headquartered in Nagpur, is a specialized engineering solutions provider focusing on delivering high-performance products and services to the steel, cement, mining, power, and infrastructure sectors. We specialize in manufacturing and offering a comprehensive portfolio that includes welding consumables, which are special welding electrodes, flux cored wires, wear-resistant components such as wear plates and wear parts.

Heavy engineering equipment and items, thermal spray powders and repair and refurbishment services through super conditioning and specialized surface treatments. Our manufacturing capabilities are spread across four strategically located units in Nagpur, with a growing international presence through our wholly owned subsidiaries in Singapore, Turkey and now in UAE.

In 2024 October, we were successfully listed on both NSE and BSE, reflecting our commitment to transparency, governance, and long-term value creation. At our 43rd AGM held on 22nd July 2025, our shareholders approved a final dividend of INR1.5 per share, which amounts to 15% for FY25. With a strong balance sheet and robust R&D capabilities and a clear strategic vision,

we continue to build on our legacy of engineering excellence and customer centricity.

Now coming to our strategic and operational updates. We secured a significant domestic order worth INR 48 crores for the supply of high-pressure grinding rollers to our leading cement company in India. This further reinforces our dominance in wear part solutions and wear parts and is expected to contribute meaningfully to our revenue in the coming quarters. We have also incorporated a wholly owned subsidiary diffusion wear solutions Middle East LLC in UAE during this quarter.

This expansion will bring us closer to Middle Eastern customers by offering local hard facing grinding and super conditioning services and wear parts supplies. Setting up of the manufacturing plant at Unit 5 is in advanced stages, with splitting line and electrode plants being ready at our supplier facility. Shortly they will be shipped and will be set up at these locations.

Both these plants, which are splitting lines and enhanced electrode manufacturing facility are expected to become operational by Q3 and this will enable us to expand our manufacturing of special purpose electrodes and flux cored wires. In parallel, expansion of our Unit 4, which is heavy engineering workshop at Khapri Uma is progressing at a good speed.

This phase of investment is critical for scaling up the production of wear plates and wear parts and heavy engineering components, as we witness increased demand from steel, cement, and power sectors. The HPGR roller business has picked up well and we have got significant orders and many cases in pipeline.

We have carved out the competitive edge to become a preferred supplier for the cement industry. Our outlook remains steadfast and strong and we are focusing on innovation, capacity building and market expansion. With rising domestic capex across core industries in India and a supportive quality environment, diffusion engineers are well positioned to deliver superior performance in FY26.

Our strategic priorities are number one to deliver the order book with quality and on time. Number two, to accelerate mixed improvement towards engineering products and services, thereby causing improvement in margins. Number three, strengthen export channels and key account management.

Number four, maintaining pricing and cost discipline to protect margins amid raw material volatility. As always, our core values, such as engineering excellence, customer commitment and long term stakeholder value creation have guided our journey. With that, now I invite our CFO, Mr. Abhishek Mehta, to take you through the Q1 FY26 financial performance.

**Abhishek Mehta:**

Thank you, Prashant sir. I will now walk you through our financial performance for Q1 FY26. I will start with standalone performance highlights for quarter ended 30th June 2025. Revenue from operations in Q1 FY26 was INR733.72 million, as against INR672.61 million in Q1 FY25, Y-o-Y increase of 9.09%.

Due to strong market conditions, operational excellence and effective execution, alongside increased orders, improved capacity utilization and well-planned pricing measures, the

contribution was performance uplift. EBITDA margin, excluding other income was at INR86.54 million in Q1 FY26, as against INR79.36 million in Q1 FY25, increase of 9.05%.

This growth was primarily driven by increased revenue, prudent cost control and the advantages of operating leverage. EBITDA margins, excluding other income for quarter, stood at 11.79%. Profit after tax stood at INR 142.04 million in Q1 FY26, compared to INR 64.62 million in Q1 FY25, Y-o-Y increase of 119.81%, primarily due to increase in improved EBITDA, coupled with reduced finance costs and increase in other income.

Now, coming to consolidated performance highlights for quarter ended 30th June 2025. Revenue from operations in Q1 FY26 was INR 806.65 million, as against INR 710.82 million in Q1 FY25, Y-o-Y increase of 13.48%, due to strong performance fueled by solid growth across all three product segments, reinforced by substantial export gains and steady demand.

EBITDA, excluding other income was at INR 105.81 million in Q1 FY26 as against INR 92.21 million in Q1 FY25, increase of 14.75%. The improvement was primarily due to higher revenue, effective cost management and operating leverage. EBITDA margin, excluding other income for quarter increased by 15 basis points to 13.12%.

Profit after tax stood at INR 122.64 million in Q1 FY26, compared to INR 72.73 million in Q1 FY25, Y-o-Y increase of 68.62%. With that, I now open the floor to any questions you may have. Thank you for your time and continued support.

**Moderator:** Thank you very much. We will now begin with the question and answer session. The first question is from the line of Vikram, an individual investor. Please proceed.

**Vikram:** Thank you for the opportunity. Okay, great. Thank you. So, my first question is given the order book in the first quarter and some progress in the second quarter, what do you think is a sensible number from a FY26 perspective, from a revenue standpoint? Also, what do you think is an operating margin that we should look at from a modeling standpoint?

Also, a little bit on the capex and what does that mean for FY27? Are there any risks that the capex may be delayed, which may delay our ability to expand in FY27? And the third question is really around the export side, the fact that you're setting up all these subsidiaries. What does that mean for the next two, three years?

**Prashant Garg:** So, if I may just quickly repeat the questions. You asked about revenue for this FY26, operating margins, then capex and if we are going through the capex at the right speed and then exports sales.

**Vikram:** That's right.

**Ramesh Kumar N:** This quarter only FY26.

**Vikram:** FY26.

**Ramesh Kumar N:** So total, actually we don't give forward looking statement. Hello.

**Vikram:** Yes, I can hear you.

**Ramesh Kumar N:** So, we don't give the complete year revenue in the forward statements for the revenue for the year.

**Vikram:** But any sense of would you be happy with the 20% growth from last year 2025 can give a range. It doesn't have to be an absolute number, but just a guideline in terms of what you think, because we are pretty much halfway through the year?

**Ramesh Kumar N:** We will be growing at least, double digit, a little higher double digit I can say, more than in double digit.

**Vikram:** And on the margin side, do you think you will be able to better the first quarter margins because as you mentioned, you are working towards higher value added products, which would have higher margin. So, what is the margin number that we should look at from an operating standpoint?

**Ramesh Kumar N:** We should be able to sustain these margins throughout the year.

**Vikram:** Which is about 12%, 13%?

**Ramesh Kumar N:** Yes.

**Vikram:** Got it. And, and from a capex standpoint, do you think we are on track and any reason to believe there could be delays at this stage?

**Prashant Garg:** So the majority of the capex is happening in two plants. One is the heavy engineering unit in Uma Khapri. So that is progressing at a good speed. Almost the footing and the civil work is progressing well. We are expecting to start erection of the PEB building by September. So we are pretty much on track. Of course, rains are causing some delays, but we are hoping that we will not be too delayed behind our estimated sort of timelines.

And the second unit is unit five, where we are setting up the electrode manufacturing and clipping lines. So those machines are already ready at our supplier facility. So those will be functioning, functional very soon. So pretty much on track as far as capex is concerned. We've also placed an order for a rooftop solar plant. So that is also, will be functional soon.

**Vikram:** Got it. And so and will this start to account for some revenue in the fourth quarter of 26?

**Prashant Garg:** So already some machines will become operational. So some incremental revenue will come. But the entire sort of visibility or the addition that will happen will be properly visible in the next financial year, where we get full 12 months of supply.

**Vikram:** Got it. And, and a little bit, if you can share a little bit of light on your foreign subsidiaries that you're setting up and what does that mean from a overall business standpoint for this year and the next couple of years? I mean, more in terms of the macro that you're looking at?

**Prashant Garg:** Yes. So what we've realized is that along with the products that we sell, the services and the

reconditioning activities and the final bit of value addition that happens in our industry, that is more profitable than just the products selling. And the countries where we're expanding, there are very few players who are doing these sort of value-added services.

So one good example that we have in our companies of Philippines, where our subsidiary is generating steadily growing and it's generating healthy bottom line. So we intend to replicate that success story in other geographies where there is significant presence of steel, cement and power sector and engineering sector. And that's where we have expanded to UAE to take care of the Middle Eastern market and Turkey to take care of the local Turkish market.

**Vikram:** And when you talk about these markets, what kind of investment? Is it mainly manpower or is it a combination of some amount of equipment tools or what is it like?

**Prashant Garg:** So we are not planning to do initial investments in the fixed assets like land and building and property. What we are investing is basically movable assets like our equipment, which are needed to carry out these services at site. And we have set up local subsidiaries there and employed experienced people to start getting into these markets. Only when the scale of operations get to a substantial level, we will think of doing investments in movable properties. So we are keeping an asset-light model in these countries.

**Vikram:** Fantastic. And in terms of 27, which is the next year when the subsidiaries will be up and running, how much of revenue as a percentage would you think these markets could potentially contribute to?

**Prashant Garg:** So I think the overall international sales is approximately 12% to 13% of our revenue. And bear in mind that our revenue has been doubled in the last four years. So even though the percentage of exports as a percentage of revenue has remained constant, but in absolute terms, exports have also doubled. With the addition of these subsidiaries, we will see further acceleration in the exports or the international sales percentage in our total revenue.

**Vikram:** Got it. Thank you very much. I'll join the queue. Appreciate it. All the best.

**Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please proceed.

**Sunil Jain:** Yes, good evening, sir, and congratulations on good set of numbers. So my question relates to order book. Order book has seen very good growth. So how is the pipeline and what is the execution timeline for these orders?

**Prashant Garg:** So order book pipeline remains strong. We are expecting similar sort of orders. In fact, after the last order of INR 48 crores which we had communicated to the exchange and to the investors, we were given another order of roughly INR 20 crore of similar equipment's, which is included in this order book.

And we have strong pipeline because of strong operational expenditure being done in the core industrial sector, as well as because of the strong capex, which has been done in these industries. So steel, cement, power, and we expect order book to get stronger only from here. And regarding

the second part of your question, so all these are live orders and they have to be executed in the next 11 to 12 months. There is no staggered delivery in this order book right now.

**Sunil Jain:** Yes. And second question, sir, related to the rollers, which we supply to cement industries. The life of those rollers are somewhere what you had said earlier, is around 12 to 15 months. It's more of a consistent process every year, every 15 months we will keep on getting those orders and every 15 months they will need similar type of equipment. Am I right?

**Prashant Garg:** No, sir. There is one correction. So typically, wear plates and wear parts have a life of roughly around 12 to 18 months, but rollers specifically last longer. They will have a lifetime of anywhere between 4 to 5 years, but they need regular maintenance for them to be able to run, to keep running properly and to keep sort of giving the productivity that they are designed to give.

So it's not 12 to 15 months for the rollers, but what is happening is that there are the number of mills in which these rollers are installed in the cement sector are increasing significantly in India. So the roller population is increasing and whatever is the total mill population, one fourth of that comes up for replacement every year.

So that is the sort of, if you're trying to assess the market size or the amount of business we can get from the roller business, just to put things in perspective, this is the mathematics. So total mill population divided by 4 is the number of rollers that we can get every year to supply in the market.

**Sunil Jain:** And second thing about, again on these rollers, if suppose any new mill is coming, so there also we can supply this roller?

**Prashant Garg:** Yes, we can supply rollers for new mills also.

**Sunil Jain:** And so second thing about the, as we expand our as we grow our business reach to a size, then definitely we should have some leverage and margins should see improvement from here?

**Prashant Garg:** Yes, we see a consolidation of margins happening. And if you see historically, since last 3 years, 4 years, our margins have been steadily improving as our scale has been increasing. And we expect the upward trend to continue.

**Sunil Jain:** Last question about this expansion at Unit 4. So now all approval, everything is in place and things are going on and we can expect a plan to start in Q4?

**Prashant Garg:** Yes, so approvals, all our majority approvals are in place and that some of them also still remain work in progress. So we are making sure that we are having the requisite compliances in place while we are expanding here. So for example, MPCB consent to establish, we have fire NOC we have received and so on and so forth.

**Sunil Jain:** Okay, that is all regular process what you are doing?

**Prashant Garg:** Yes, sir.

**Sunil Jain:** Okay, sir, thank you very much for answering my question.

**Prashant Garg:** Thank you, sir.

**Moderator:** Thank you. The next question is from the line of Sonal Minhas from Prescient Capital. Please proceed.

**Sonal Minhas:** My question is with regard to understanding how do you get these heavy engineering orders? This 48, let's take for instance the INR 48 crores order that you got. Have you been given this order by OEMs or by the cement company itself who has the AMC for these and sort of understand these dynamics a little bit here?

**Prashant Garg:** Yes, so we have received this order directly from a cement manufacturer, not from the OEM.

**Sonal Minhas:** Okay and is that typically how is it to be or this is unusual?

**Prashant Garg:** No. Heavy engineering involves selling to OEMs as well as to primary producers. So it's a mix of both.

**Sonal Minhas:** Understand that. And when let's say an OEM is choosing between you or an international player, what are the dynamics at play because you are a new upcoming player in this particular category. So what is it that is at play here? Is it better life you mentioned 4-5 years in the life of HPCR. Is it better serviceability? Is it better margins, just want to understand that?

**Prashant Garg:** So this order has come from primary producer, the cement manufacturer. So your question is when the OEM chooses us or the cement manufacturer?

**Sonal Minhas:** Both.

**Prashant Garg:** So I will explain you because the answers to both these people are little bit different. When the OEMs chooses us, they have several advantages with us over an international manufacturer of similar sort of capability. One is he is selling into the local industry in India. So we definitely being local, his cost with us will be in rupees. We are geographically locally closer to the end customers. Logistics cost will be lower.

And from the standpoint of executing the contracts, his control or his sort of checks and coordination with us will be much better and easier. So these are purely sort of commercial aspects. As far as technical aspects are concerned, we are very unique in what we offer to OEMs because we are a one-stop shop for them.

So we have precision manufacturing capabilities to manufacture large industrial equipment. So some of these items that we make can weigh up to 500 tons in assembly. So there are very few workshops who have this large manufacturing facility which can make large items. With that, we not only have fabrication, but we have machining, heat treatment and surface treatment capabilities.

Because of our welding consumable knowledge and because of the fact that we have been a metallurgical product company, we offer this unique combination to OEMs where we can give them surface treatment, life improvement and large industrial manufacturing capabilities. So this is as far as the OEMs are concerned. This is a technical aspect.

When the end customer chooses us, the advantage that he gets from us is that along with the supplier of the heavy engineering part or a wear part, we also come in with the capability of providing service. So we are different from OEMs or some other suppliers in the way that we can supply and maintain for the customer.

And bear in mind that these items are not fit and forget sort of items because wear and tear is omnipresent and you cannot completely eliminate wear. You can only slow it down. So these equipment and wear parts need continuous maintenance for which we have internal capabilities.

That is how the company actually started. We first started as a wear part or a wear maintenance company and then we got into this task. So with end customers, we provide this unique capability of being able to deliver both so that accountability rests with us.

**Sonal Minhas:** I understand that. Thanks a lot for explaining. I have a small question. Given the fact that your heavy engineering order book is roughly 2x of what it was in March, is a lower single digit growth kind of a conservative growth estimate for the top line?

**Prashant Garg:** Again, we cannot really give forward-looking statements, but all I can say is we will grow faster than what we have grown in the last few years.

**Sonal Minhas:** Got it. Thanks a lot. I will fall back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Khush Nahar from Electrum PMS. Please proceed.

**Khush Nahar:** Thank you for the opportunity. A couple of questions from my side. One, can you give up the revenue mix across I think three broad segments which is heavy engineering, consumables, and wear plates and parts. And I see that I think our heavy engineering business order book has increased drastically which has led to the overall order book growth.

So secondly, what would be our order execution across the three segments, the order execution cycle that is there? And apart from that, do we see a change in the revenue mix going ahead since we are focusing more on the heavy engineering and lastly, sir, if you could guide the capex numbers for the next three years that we will undergo?

**Prashant Garg:** Sorry, can you repeat the last question?

**Khush Nahar:** The capex figures for the next three years that we are projecting to spend?

**Prashant Garg:** Capex figures for next two years.

**Khush Nahar:** Two to three years, yes?

**Prashant Garg:** So you asked about order mix, order execution cycle, capex figures for two to three years and...

**Khush Nahar:** Revenue mix.

**Prashant Garg:** Revenue mix.

- Abhishek Mehta:** Am I correct because of heavy engineering, you're asking for revenue mix change?
- Khush Nahar:** Yes and resulting in that change in revenue mix, would we see a change in EBITDA margins because I think across the segments there will be different EBITDA margins so according to?
- Ramesh Kumar N:** This revenue mix is actually we keep it. We don't publish in the public domain. So this is basically for our planning and execution and we will have a right mix so that we don't impact the EBITDA margins.
- Khush Nahar:** The execution cycle?
- Ramesh Kumar N:** So order execution cycle for the heavy engineering, as Mr. Prashant was saying, for example, the rollers it is about 10 to 12 months time. And the rest of the products, some products are within 30 days to 45 days. Some are at three to four months time.
- Prashant Garg:** For electrodes, our turnaround time is very quick. So that is within two weeks. So that is for consumables, electrodes and wires. And wear plates and wear parts is anywhere between four to six weeks. And heavy engineering, smaller items can be 3 to 4 months and larger items can be as long as 8 to 10 months.
- Regarding revenue mix change. So the order book, it first shows an increase in the order book of heavy engineering and that is also how the industry is sort of moving towards rather than buying just welding consumables, now people or the customers prefer to buy entire components or wear parts or critical heavy engineering items.
- Because skilled labor is getting difficult to be available at plant sites and it's a dying skill plus it involves a special metallurgical knowledge. So therefore, heavy engineering and wear parts business will grow faster in comparison to consumable business, but we are seeing growth happening in all these parts of the business.
- Of course, one is growing faster in comparison to the other. And that is why our investment in capex is happening more in the area of increasing wear plates, wear parts manufacturing and heavy engineering in comparison to consumable manufacturing, but we are expanding in all the three sectors of our business.
- Capex our immediate capex plan is to deploy around INR100 crores to increase capabilities or manufacturing capacity in electrodes, wires, wear plates, wear parts and heavy engineering. After we deploy the entire INR100 crores we will think about the capex in the next two to three years, but our current focus is basically to deploy this optimally and get the facilities up and running ASAP.
- Khush Nahar:** Thank you for the answer. Just a follow up, since you mentioned that heavy engineering and wear parts will lead to a faster growth, so does this structurally change our EBITDA margin profile or across three segments the profile is similar at 12% to 13%?
- Prashant Garg:** No, I think we are very conscious in terms of choosing the items especially in heavy engineering that we are manufacturing for our customers. So we think EBITDA margins should only

improve and it will not have any negative effect on the EBITDA margin. So we are choosing items to manufacture which very few manufacturers are present to Make in India and there are entry barriers to manufacture these items and therefore we will be able to preserve our margins or improve them.

**Khush Nahar:** Right. And so what would be a working capital cycle today, number of days and what are the targets for us as a company?

**Abhishek Mehta:** So our working capital cycle are more or less that of March. It has not improved much, but yes most probably in second quarter there will be some improvement in our working capital cycle. So it will remain somewhere around 90 days. So that's what we expect we want to bring it around between 80 to 90 days. That's our target.

**Khush Nahar:** Okay sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Sana from Shivay Advisory. Please proceed.

**Sana:** Good evening and thank you for the opportunity sir. So my first question is how do you manage and balance relationship between OEMs and direct end customers especially when both play a significant role in driving the growth?

**Prashant Garg:** So we are very mindful of our relationship and we are never crossing the sort of we are not overstepping on each other's businesses basically and we have created our own market and our own application base which was done without the sort of help of OEM and for OEMs so therefore there is no reason for them to complain.

And for OEMs we are very quick in terms of our delivery we come at a attractive price point and the fact that we are a one-stop shop for them makes us a preferred vendor for them. So, of course, sometimes it gets we need to be very careful, but we are very mindful of the fact that we are not stepping on each other's toes.

**Sana:** Okay noted. And sir one more question I have in the critical sectors like cement and steel while minimizing downtime is essential, how does your industrial service strategy support long-term contract wins and ensure steady stream of recurring revenues?

**Prashant Garg:** How does which approach industry?

**Sana:** Industrial service strategy support sir?

**Prashant Garg:** Industrial service strategy okay. So downtime is absolutely critical it's one of the KPIs main operational KPIs for the people managing these plants because bear in mind that these people are commodity manufacturers and if they are not producing they are losing revenue and therefore losing profit.

So therefore the upkeep and maintenance of equipment becomes as important as the sourcing of equipment whenever they are setting up new plants and there is a very disciplined and regular maintenance approach and maintenance philosophy which is followed by all these heavy industry customers or core industrial customers with our department of industrial services what

we have done is we not only supply consumables, but we also couple it with our service capabilities.

And provide them with a complete maintenance solution or a service solution for the customer wherein we take up service contracts based on the scope of work depending on the wear and tear of the equipment and offer warranties on the repair components. So we basically take away the headache of the customer and we enable the customer to outsource all these maintenance activities to specialists like us with objective results, wherein we tell them exactly how much will it cost and how much life we can give when they spend that much money and that is the nature where the industry is moving towards.

**Sana:** Okay, understood sir. Thank you. That was from my side. Thank you so much and once again congratulations.

**Moderator:** Thank you. The next question is from the line of Maitri Shah from Sapphire Capital. Please proceed.

**Maitri Shah:** Yes, most of the questions have been answered. I just have a few follow-ups on that. So firstly on the margins, could you give us a split between your margins and consumables and then the wear parts, heavy engineering and also the services side of the business?

**Abhishek Mehta:** Maitri basically we don't disclose the margins according to our welding consumables and engineering because it's a secret for us. So we would not be able to disclose the margins.

**Maitri Shah:** Yes, that makes sense.

**Abhishek Mehta:** As we are adding to the margins, we will not be able to disclose that, but yes, the numbers are good and we expect it to be good.

**Maitri Shah:** Okay. As we are adding two subsidiaries to UAE and Turkey, so we are expecting our service revenue to grow I feel from FY27, so can we expect a significant margin uptick happening post those subsidiaries going live?

**Abhishek Mehta:** Yes, see basically UAE is just setting up. So UAE may not give that uptick in this financial year, but yes we can expect something, some good order books and numbers in 27 from UAE. Turkey, we expect that they will start giving us the numbers from 27 onwards.

**Maitri Shah:** So post FY26 we expect margin upticks?

**Abhishek Mehta:** So we don't expect much in FY26 on both Turkey and UAE right now.

**Maitri Shah:** That does make sense. Currently our margins are at 13.5, so throughout the year do we expect them sequentially to go up or are they going to remain in this range of 13% to 14%?

**Prashant Garg:** We expect the margins to improve because with the increasing scale our fixed costs are not increasing in the same extent. And because the raw material prices are not that volatile barring rare earth metals which because of the geopolitical issues has been a bit of a problem, but the majority of the raw material prices are more or less sort of stable. We expect the margins to

grow up and that is also sort of indicated in our historical performance over the last few couple of years and quarters, 8 quarters or 10 quarters.

**Maitri Shah:** That's great. And does our business have any sort of seasonality happening? Is the Q1 first half a bit slower than the second half?

**Prashant Garg:** Yes, typically Q2 and Q4 are stronger for us in comparison to Q1 and Q3. And the reason for this is Q2 is typically the major shutdown times for all these four industrial sectors like cement, sugar, and steel. So their annual shutdowns, so they have regular maintenance happening and then they have one large annual shutdown.

So Q2 during the rainy season when the uptake for steel and cement is there, that's the period when the industry takes their annual shutdown. So therefore Q2 has been always stronger than Q1. And Q4 also because of the last quarter when it is the first quarter of the calendar year is also high growth typically has been historically has been always a strong quarter for us. So there is this seasonality aspect in this business right now.

**Maitri Shah:** Okay. Just one last question. So the unit 5 we are putting up is the consumable side of the business. Could you get the capacities that you are putting up for the two flux cored and the other product?

**Prashant Garg:** Yes. So we are doubling our capacity. We are putting up a machine which can manufacture 10 tons of electrodes every day. That machine is already ready, that plant is already ready not just the machine. And the second equipment that we are adding there is a stripping line which is a free equipment needed as a raw material for feeding our flux cored wires manufacturing. The strip is the starting point for flux cored wires and we are finding it difficult to source the strips from the market. So we are internalizing that capability and doing backward integration.

**Maitri Shah:** Okay. That is it from my side. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Nimesh Pandya an Investor. Please proceed.

**Nimesh Pandya:** Thank you for giving me this opportunity and first of all congratulations to everyone. So my question is regarding like what are the particular segment or the we can say product line that has contributed most sequentially as well as Y-o-Y to the revenue group?

**Prashant Garg:** So all three aspects of the business are growing every year. So the consumables, wear plates and wear parts and heavy engineering. We're seeing growth happening in all the three areas and therefore we're expanding also in all the three areas.

**Nimesh Pandya:** Okay. Got it. So my second question goes like I just wanted to know the reason behind the rise of EBITDA like on yearly basis, but as you can see that yes sequentially it has dropped down to 28%. I guess so. So could you please answer that?

**Prashant Garg:** Our EBITDA has in FY25 was 14.04%. In FY24 was 13.97. FY23 was 10.94. FY22 was 10.99. So in the last four years it's come up from 10.99% to 14.04%. This is without other income. This is operationally EBITDA. I think with other income it would have increased even further.

- Nimesh Pandya:** Yes. Thank you. That's it from my side. Thanks a lot.
- Prashant Garg:** Thank you.
- Moderator:** Thank you. The next question is from the line of Khush Nahar from Electrum PMS. Please proceed.
- Khush Nahar:** Thank you for the follow up opportunity. A couple of questions again. So one I think we have an associate company in the UK doing the thermal spray powder segment. So are we expecting any tech transfer I think we have spoken previously about it. Do we intend to get that technology in India and then start production in India?
- Second, about the Abu Dhabi plant if you could elaborate more on the capex that we have done and is it more of a service center or a manufacturing capacity building that we're doing over there. Thirdly, just to get some clarity, so what would be a percentage cost of our products in an entire plant setup or machine setup that happens at the customer's end?
- Prashant Garg:** So, LSN Diffusion is an associate company in the UK where we manufacture these thermal spray powders and technology sharing is always a constant thing that keeps happening between us. We have developed some very unique and interesting technologies which have good commercial application in India as well.
- For example, they have developed disc brake coating. There are Euro 7 norms which are expected to come in Europe for vehicular emission and which requires that the disc brakes which are there in ICE engine vehicles as well as EV vehicles, they have to be coated by a special alloy to prevent the emission of the dust which can cause Alzheimer's or cancer.
- For that application, their product has been approved by leading auto component manufacturers in Europe and we hope that and we expect that application to trickle down in India as well. So we are now in talks to them to figure out how to sell these powders in India and probably get into the coating of the display classes.
- So this is one example of such new application and the technology development that keeps happening in UK and we are constantly in touch with them and sharing knowledge and seeing how we can deploy some of those products here in India. As far as manufacturing of powders are concerned, we are evaluating that make versus buy decisions whether it is cheaper to manufacture it here because it needs to be at a certain scale to justify the economics.
- As regards UAE it is like a light fabrication and engineering shop which will primarily focus on services, but also have manufacturing capability to manufacture smaller size to medium size wear parts. But as I mentioned before when you start selling a product, you are competing with Chinese, European and local manufacturers because product selling is not you know, it can be sourced from any part of the world and competition increases.
- But when you get into applications like cladding, reconditioning, super conditioning and critical repair, and maintenance, that's when the number of players reduce. So our intention is to focus on more comfortable part of the business and that's how we are setting up the workshop there.

The last bit of the question was what percentage of the entire expansion that a big industry takes place, how much of that translates into revenue for us? Have I understood your question correctly?

**Khush Nahar:**

Correct sir. Exactly that.

**Prashant Garg:**

So I think it's a very small percentage because a typical cement plant for 10,000 tons per day runs into INR2,000 crores. There is still a massive upside available for us to increase the heavy engineering equipment that we are supplying in these sectors, not just in cement, but even in steel or, for that matter, even in power.

I don't have a percentage ready in my head, but it's a very small percentage right now and there is a massive upside available for us to increase the number of equipment that we can supply into these industries. It's very scalable and the manufacturing capability is needed in and the majority of it remains the same barring some few specialized services or specialized capabilities that we would need to act if we need to do more and more equipment for these industries.

**Khush Nahar:**

Some follow-up on that. So I think the UK business that you said if I understand it correctly, we're evaluating whether to bring that manufacturing in India and if there is a market over here, right? The market is very much there?

**Prashant Garg:**

The market is very much there. It's a make-versus-buy decision. Also, there's a quality aspect to it to be able to supply at that quality and for that much volume, is it better to just buy from there or to manufacture it locally? There's a know-how aspect involved because it's a very high-end product. So all those factors come into play. It's not purely a commercial decision is what I'm trying to say.

**Khush Nahar:**

I think as far as I know, I think in FY25 associated with the loss making associates, so have things improved in terms of financial position over there?

**Prashant Garg:**

Yes. In FY25, it made a substantial loss and that was not so much of a cash loss, but it was basically stock valuation correction that happened because if you remember, in FY23, the prices of nickel had gone up significantly after the Russia-Ukraine war because of which for same quantity of nickel which was lying with them because the majority of the raw material that they use is nickel.

The value of that nickel was very high in their books and that correction happened in FY25 in 24. So for the same amount of stock, the value of the stock came down significantly and therefore it resulted in losses there. Now, as the raw material prices are more or less stable and this sort of volatility is not expected which happened in 23 because of the Russia-Ukraine war. The earnings there are more sustainable and shown good earnings in the first six months. We expect similar sort of earnings or even better in the balance six months of the year.

**Khush Nahar:**

So just last question so for us as the India business, do we have to import any RMs in terms of alloys or everything they locally source for us?

**Prashant Garg:**

Do we have to import any RMs in terms of sorry?

- Khush Nahar:** Yes. In terms of a business?
- Prashant Garg:** Yes. So we use a lot of strategic materials in our alloy development or electrode and wire manufacturing. For example, metals such as cobalt, tungsten, volapanum, nickel, apart from chromium and other ferroalloys. So most of these items are not mined in India. So even if sometimes you are not importing them directly, if you are buying them from sources in India, they are importing it internally or themselves. So depending on the raw material that we are buying, if it is not available in India than we have to import them.
- Khush Nahar:** So sir any percentage if you can give and if any time have we faced any supply chain disruptions due to the previously ongoing geopolitical situation?
- Prashant Garg:** So, of course, COVID and Russia-Ukraine war taught us that we cannot be dependent on one part of the world for our raw material supplies. So we have diversified especially for those materials for which we have to depend on international suppliers and over the period of time, we have diversified the supply chain and made sure that we mitigate that risk.
- So even now, for example, after the tariffs was started with the US, China had banned the export of tungsten and tungsten related items, but we are still able to supply to our customers and there has not been any major disruption in terms of raw material supply. Also, we are able to pass on the cost to our customers. Of course, with the ongoing order book, we cannot ask our customers to change the prices.
- But because our lead time or order execution times are not too long, especially in the consumable side and the wear part side. If there is a change in the raw material prices, we are able to pass it on to the customers both ways.
- Khush Nahar:** Sir just a last question in terms of new sectors, do we see us entering borrowing since we are already even with some exotic alloys Do we intend to enter new sectors in terms of defense, aerospace, such segments, and any other new products in our existing sectors that we are developing as of now?
- Prashant Garg:** So, Defence, actually, we are already present in the T90 tank. Our welding wires are used for armoring applications. So, some of these bulletproof or armored vehicles which are manufactured in the Defence industry or these factories. They are buying consumables on a regular basis.
- So, we intend to also get into making parts and not just supply consumables to our customers for the Defence sector. So, we are constantly pitching and participating in competitive bids where we can get into the manufacturing of parts rather than just supplying the consumables. So, hopefully, we will be able to convert some opportunities and our revenue from Defence will increase.
- In terms of aerospace, we have supplied parts to private space tech companies. So, the capex that we are doing in our heavy engineering we are adding some precise machining and manufacturing machines which will enable us to supply critical components for these sectors also.

Apart from this, we are increasing our presence in the engineering sector and also in the railways. So railways we have ongoing contracts where we are selling our consumables and wear parts and we are looking at newer applications there to further increase our revenue from railways. We are also working to increase our presence in petrochemical and oil and gas industries.

**Khush Nahar:** Right sir. Sir apart from that, what would you say according to you is the competitive advantage that we have against the competitors and who are we competing with globally and domestically if you could guide us?

**Prashant Garg:** So, our competitive advantage is the fact that we have integrated manufacturing facilities. So we make our own consumables and we make our own wear plates, wear parts and now we also do heavy manufacturing. On top of this we also then provide after sale service or maintenance services or industrial services with a broader scope.

So, we are sort of the wide spectrum of the products and services that we supply makes us unique in comparison to some of our competitors to service these customers in the core industrial sector. That is our biggest competitive strength. Apart from that, our internal capabilities.

So we have internalized these capacities and we don't believe in outsourcing or depending on a partner because that increases cost and also increases lead time and we cannot control quality if we are depending on an external partner. So this is our second advantage. What was the second part of your question?

**Khush Nahar:** Competitors?

**Prashant Garg:** So, on the consumable side, we compete, of course, with the welding companies who are out there like EWAC alloys, Ador Fontech, Ador Welding, ESAB and on wear parts and wear plates side or rather heavy engineering side we would compete with some of the other engineering companies like ISGEC and in wear parts we would compete we would be similar. We will not compete to someone like an AIA engineering like local players and outside of India, we would compete with companies like welding alloys, Eutectic Castolin etc.

**Khush Nahar:** Thank you so much for the answer.

**Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please proceed.

**Sunil Jain:** Yes. Thanks for the follow up. Sir, I would like to understand more about your international strategy like Philippine, you're doing well now you're entering Turkey and then again in Middle East, Middle East you're investing some money also. Over a period of say 4 years to 5 years, where would you like to see how many countries and where all other countries where you have an opportunity where you would like to expand and how do you see that part of the business?

**Prashant Garg:** So we want to play on our strengths and our strength lies in servicing the cement, steel, power, and engineering sector. So, countries where there are significant presence of these industries will be our focus area. We are already exporting to 30 plus countries. We would want us to

export to at least double the number of what we are doing right now in the next two to three years.

Of course, the geopolitical situation is changing very quickly everywhere. There are tariffs coming up and NPAs coming up. So I think that will give us opportunities and the fact that India still remains a strong domestic market for us, we can wait and watch as to where in which direction we want to move we want to move. We also have presence in East Africa. So our endeavor is also to increase our presence in other parts of Africa. We have just started doing business in West Africa and we are actively now looking for partners across the globe Central Asia as well.

We did some business in Russia, but of course, we are facing competition in Russia, from China, the Chinese manufacturers are very low cost and that's why just selling products are not enough. I'm happy to inform you that we are participating in the international welding and cutting show it's in Germany. This is a flagship welding and cutting fair which happens once every four years.

This time it's happening after two years because in COVID one around of essence was lost. So this is the first time that we will be participating there and I think this will help us find new partners and distributors in the areas of the world where we are not currently operating in. So, we think there is strong domestic growth happening, but there are a lot of opportunities outside of India as well and we want to focus on both the areas.

**Moderator:** Thank you. Due to time constraints, that was the last question. I now hand the conference over to Mr. Prashant Garg, Chairman and Managing Director. Over to you, sir.

**Prashant Garg:** Thank you all for your participation and insightful questions. As we move to FY26 we remained focused on 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 connect with our investor relations team. Thank you and have a great evening ahead.

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