



Kennametal India Limited

CIN: L27109KA1964PLC001546

50th Annual Report

FY15



Industrial



Infrastructure



WIDIA 



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KENNAMETAL INDIA LIMITED

(CIN : L27109KA1964PLC001546)

Directors

Mr. Prakash M. Telang
Chairman
Mr. Bhagya Chandra Rao
Managing Director
Mr. B. Anjani Kumar
Mr. Vinayak K. Deshpande
Mr. John Henry Jacko Jr.
Ms. Michelle R. Keating
Mr. David Lee

Key Managerial Personnel

Mr. Bhagya Chandra Rao
Managing Director & CEO
Mr. D. Parameswara Reddy
Vice President & CFO
Mr. Kundan Kumar Lal
General Manager - Legal & Company Secretary

India Leadership Council (ILC)

Mr. Bhagya Chandra Rao
Mr. D. Parameswara Reddy
Mr. K. Chandrashekhar Sharma
Mr. Kumud Ranjan
Mr. M.T. Swamy
Mr. M.N. Bhaskara Rao
Mr. Manu Kidave

Registered Office and Factory

8/9th Mile, Tumkur Road
Bengaluru - 560 073
Karnataka, India
Phone : + 91 (80) 28394321
Fax : + 91 (80) 28397572
website : www.kennametal.com/kennametalindia

Auditors

Messrs. Price Waterhouse & Co Bangalore LLP
Chartered Accountants
5th Floor, Tower "D", The Millenia
1 & 2 Murphy Road, Ulsoor,
Bengaluru – 560008

Bankers

Bank of America
Corporation Bank Limited
HDFC Bank Limited
HSBC Limited
ICICI Bank Limited
State Bank of India

Registrar & Share Transfer Agent

Integrated Enterprises (India) Limited
30, 'Ramana Residency'
4th Cross, Sampige Road
Malleswaram, Bengaluru-560 003
Phone : + 91 (80) 23460815-818
Fax : + 91 (80) 23460819

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50th Annual General Meeting

Monday, November 09, 2015 at 12.30 P.M.
at the Registered Office of the Company at
8/9th Mile, Tumkur Road, Bengaluru - 560 073.

CHAIRMAN'S MESSAGE

Dear Shareholder,

On behalf of the Board of Directors, it is my pleasure to present the 50th Annual Report of Kennametal India Limited.

It has marked another milestone to Kennametal India's history completing 50 years of dedicated service in the Engineering Industry. Your continued trust, encouragement and support is what gives us energy, enthusiasm, confidence and motivation to strive for betterment.

We observe that the world economy is going through an uncertain phase, but we still remain optimistic about the future. Europe is still trying to resolve its economic challenges and now, we are not getting good news from Asia Pacific as well. India needs a boost of confidence and investor-friendly moves from the Government to restore the country to a faster growth trajectory.

In a world grappling with sluggish growth, India is steadily accelerating the pace of economic development, thanks to the new Government's growth-oriented policies. In the April-March period of FY 2014-15, the IIP grew by 2.8%, compared to the contraction of 0.1% during the same period of FY 2013-14. Cumulatively, the IIP registered a growth of 3.5 % during April to July, 2015-16 over corresponding period of previous year. Positive sentiments attracted FDI inflows of US\$ 35 billion into the economy, a 26% escalation in FY 2014-15.

The recent forecasts for below normal monsoon coupled with the slow pick-up in industrial activity, and gloomy global market could lead to challenging demand conditions in the domestic market. However, over the long term, your Company is confident of the growth prospects of the engineering industry, both in the domestic and the international markets. With this confidence, your Company has planned to increase capacities of certain production lines in your Company to meet future demand of domestic and international markets.

The steady growth in our economic environment has reflected in the overall performance of your company which registered an annual turnover growth of 4.6% and profitability growth before extra-ordinary items and tax of 34% over previous year primarily driven by efficient sourcing of raw materials and cost management projects executed during the year. Your Company received the land compensation amount of ₹ 591 Lakhs including interest after Tax deducted at source from the City Civil Court towards the acquisition of the part of land in Sy No. 11 by the Karnataka Industrial Areas Development Board (KIADB) for Bangalore Metro Rail Project.

The Government's "Make in India" initiative augurs well for the economy in general and the manufacturing sector in particular. This initiative aims to increase the sector's contribution to the GDP by removing the bottlenecks that had so far restricted growth. There is more focus on indigenous manufacturing of components or products, which hitherto were imported. Such a scenario will help the domestic engineering, automotive and allied sectors to perform encouragingly, going forward.

Since last year, the Boards' Report contained in the Annual Report which is made available to you, continues to be far more comprehensive and gives an in depth and detailed analysis of your Company's financial and operational performance.

During the year, the Ministry of Corporate Affairs (MCA) and Securities Exchange Board of India (SEBI) changed the governance landscape by notifying majority of the provisions of the Companies Act, 2013 and Rules thereunder and the SEBI Listing regulations. Some of the concepts like approval of related party transactions, evaluation of the performance of Directors and the Board, rotation of auditors, Code for Independent Directors, increased responsibility of the Nomination and Remuneration Committee

and the Audit Committee in order to ensure higher standards of transparency and accountability and seek to align the corporate governance practices in India with global best practices. Your Company's corporate governance standards have strengthened over the period of years and your Company will continue to follow good practices to enhance stakeholders' value.

Your Company has focused on its Corporate Social Responsibility agenda and undertook various initiatives to touch and improve lives by contributing to communities that your Company operates in. Your company focuses its giving in order to achieve a greater impact on those causes most aligned with Kennametal's corporate strategy. Three primary categories have been established for giving which includes the support of Secondary and Post-Secondary Educational opportunities with an emphasis on studies in the areas of technical engineering, machine skill training and materials and environmental sciences, Kennametal in the Community and Protecting Our Planet. In FY15, Your Company focused in the areas of education, Health and Water Management to create measurable and lasting value for neighboring communities. Your Company has adopted a project "Nisarga Gram" which is being executed by Sparsha Trust for building a home for underprivileged children more specifically girls.

Our employees are our biggest assets. On behalf of the Board of Directors and on your behalf, I profusely thank the employees for their aspiration, focus on customers, hard work, commitment and teamwork. I also place, on record, our deep appreciation of the customers, vendors, partners shareholders and bankers for their continued support.

I thank the members of the Board, for their continued guidance in making our organization successful in every sphere. As I complete a year of my tenure as the non-executive Chairman of your Company, I am grateful for the opportunity to guide your Company on its growth path. I wish the entire Kennametal team great success in their pursuit of excellence and in their journey for the growth of the Company.

Thank you,

Prakash M.Telang

Chairman

BOARD'S REPORT

Your Directors are pleased to present the 50th Annual Report and the Audited Financials for the year ended June 30, 2015 (FY15).

FINANCIAL RESULTS

(₹ in Lakhs)

Particulars	FY15 Year ended June 30, 2015	FY14 Year ended June 30, 2014
Total Revenue	57579	55071
Profit before Tax	3994	2978
Add/Less: Exceptional items Income/(Expense)	647	(1020)
Profit After Exceptional Items and Before Tax	4641	1958
Less: Provision for Tax		
Current Tax	1581	1010
Tax provision relating to earlier years	-	(277)
Deferred Tax (credit)/charge	(292)	(482)
Profit after Tax	3352	1707
Add: Balance brought forward from previous year	16249	14542
Total available for appropriation	19601	16249
Interim Dividend	(440)	
Dividend Distribution Tax	(89)	---
Balance transferred to Balance Sheet	19072	16249

DIVIDEND

An interim dividend of ₹ 2/- per equity share of ₹ 10/- each (20% on the paid up capital of the Company) was declared by the Board for the financial year ended June 30, 2015 and June 23, 2015 was fixed as Record Date for the said purpose. The said interim dividend was paid on June 26, 2015. The Board of Directors has decided to treat the same as final dividend and therefore, no additional dividend is recommended for the year ended June 30, 2015.

OPERATING RESULTS

Your Company continued to improve its operating results during FY15 with Sales and Other Income increasing by 4.6 % to ₹ 57579 Lakhs compared with ₹ 55071 Lakhs in the previous year. Profit before Tax before Exceptional items was ₹ 3994 Lakhs as compared to ₹ 2978 Lakhs in the previous year. The growth in Sales and Profit for the year was driven by improved demand for the products and various cost containment initiatives undertaken by the Company during the year under review.

Your Company does not have any subsidiaries.

MATERIAL CHANGES AND COMMITMENTS

There was a significant material change which occurred affecting the financial position of your Company between June 30, 2015 and the date of approval of this report, which is explained below:

The Company's part of land (3435.26 Sq. Mtrs. in Sy No. 11 Nagasandra) was acquired by Karnataka Industrial Areas Development Board (KIADB) for Bangalore Metro Rail project in the year 2010 and the claim of the Company was disputed by other third parties. On August 19, 2015 your Company received the land compensation amount after tax deduction at source (₹ 55.52 Lakhs) along with interest total amounting ₹ 5,91,80,773/- on August 19, 2015 vide cheque from the City Civil Court, Bengaluru. The total of the above is ₹ 647 Lakhs which is shown as an exceptional item in the Financial Results.

MANAGEMENT DISCUSSION AND ANALYSIS

A Management Discussion and Analysis (MD&A) report is annexed to this report as "Annexure I" as required under Clause 49 of the Listing Agreement with BSE Limited.

DIRECTORS

Mr. M. N. Bhagwat (DIN No. 00036692), Non-Executive Independent Director of the Company and Chairman of the Board since September 27, 2002 had expressed his unwillingness to be re-appointed as a Director at the 49th Annual General Meeting of the Company. The Board of Directors and the employees accorded a farewell to Mr. Bhagwat. The Board and the management appreciated Mr. Bhagwat's guidance and advice to the Company for over 12 years. Over the years, the Company had progressed a lot under his guidance. His dedication and devotion to the Company has been an inspiration for all the employees.

During the year, the Board of Directors appointed Mr. Prakash M. Telang, Non-Executive Independent Director as an Additional Director with effect from November 04, 2014, to hold office up to the date of ensuing Annual General Meeting. Mr. Telang was appointed as the Chairman of the Board on November 04, 2014. Being eligible, Mr. Telang offered himself to be appointed as an Independent Director of your Company. A notice has been received from a member along with the prescribed deposit of ₹ 1 Lakh proposing his appointment as a Non-Executive Independent Director at the ensuing Annual General Meeting of the Company.

As per the provisions of the Companies Act, 2013, Independent Directors are required to be appointed for a term of five consecutive years, but shall be eligible for reappointment on passing of a special resolution by the Company and shall not be liable to retire by rotation. The Independent Directors of your Company have given the Certificate of Independence stating that they meet the criteria of Independence as mentioned under Section 149 (6) of the Companies Act, 2013.

The details of training and familiarization programmes and Annual Board Evaluation process for Directors have been provided under the Corporate Governance Report.

The policy on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, Independence of Director, and also remuneration for Key Managerial Personnel and other employees forms part of the Corporate Governance Report of this Annual Report.

Mr. John H. Jacko Jr. (DIN:06945511) was appointed on August 12, 2014 as a Non-Executive Director due to a casual vacancy caused by the resignation of Mr. John Chang on the same day. He is eligible for appointment as Director liable to retire by rotation in the ensuing Annual General Meeting. Your Directors recommend the same for your approval. A notice has been received from a member along with the prescribed deposit of ₹ 1 Lakh proposing his appointment as a Director at the ensuing Annual General Meeting of the Company.

Mr. Gerald Goubau (DIN:06566705) resigned as Director with effect from May 05, 2015. Your Directors place on record their appreciation of the valuable contributions made by him to the Company during his tenure as Director.

The Board at its meeting held on May 05, 2015 approved the appointment of Mr. David Lee (DIN:07175442) filling the casual vacancy caused by Mr. Gerald Goubau's resignation.

Profile of Mr. David Lee

Mr. David Lee is currently the Sales Leader Asia, Kennametal Tooling at Kennametal Inc. He joined Kennametal Inc. in the year 2007 as Regional Sales and Marketing Director. He has served through different businesses in Kennametal over the span of seven years.

Prior to joining Kennametal Inc. he had served various organizations and handled various roles as Sales Engineer in Avery Dennison, Senior Sales Manager in ID Technologies and as Sales Manager in Brady Corporation. He has over 19 years of experience in the field of Sales, Marketing and Leadership.

He graduated as a Mechanical Engineer from Nanyang Technological University in the year 2001 and also holds a Master of Business Administration (MBA) from the University of Buffalo, USA.

Appropriate resolutions are being proposed at the ensuing Annual General Meeting seeking consent of the members for the aforesaid reappointments/appointments and your Directors recommend your approval.

A brief profile of the respective Directors being appointed/re-appointed as required under Clause 49 of the Listing Agreement is furnished along with the Notice convening the 50th Annual General Meeting.

DIRECTORS' INTEREST

No Director was materially interested in any contracts or arrangements existing during or end of the period in relation to the business of the Company. No Director holds any shares in the Company as on June 30, 2015 except Mr. B. Anjani Kumar, Non-Executive Independent Director, who holds 10 equity shares of Rs. 10/- each in the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 (3) (c) of the Companies Act, 2013, the Board of Directors report that:

- the applicable accounting standards have been followed in the preparation of the financial statements, along with proper explanations relating to material departures, if any;
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2015 and of the profit of the Company for the year ended on that date;

- that directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors have prepared the annual accounts on a going concern basis;
- the directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

FIXED DEPOSITS

During the year, your Company has not invited/ accepted any Fixed Deposits under Chapter V of the Companies Act, 2013.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year, the Company has not provided any Loans or Guarantees to any other company as per the provisions of Section 186 of the Companies Act, 2013 and the details of investments made are given in the notes to the Financial Statements.

EVALUATION OF THE BOARD'S PERFORMANCE

During the year, the Board adopted a formal mechanism for evaluating its performance and that of its Committees and Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the functioning of the Board and Committees such as their composition, experience & competencies, performance of specific duties & obligations, governance issues etc. A separate exercise was carried out to evaluate the performance of each individual director including the Board's Chairman who were evaluated on parameters such as contribution at the meetings, independent judgment, attendance and other relevant aspects. The Board was satisfied with the evaluation results, which reflected the overall engagement of the Board, Committees and the Directors of the Company.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance along with the certificate from Mr. Vijayakrishna K.T., a Company Secretary in Practice confirming compliance of Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement with the BSE Limited is set out in "Annexure II" to this report.

COMPLIANCE WITH THE CODE OF CONDUCT

A declaration signed by the Managing Director affirming compliance with the Company's Code of Conduct by your

Directors and Senior Management of your Company, for the year under review, as required under Clause 49 of the Listing Agreement with BSE Limited is annexed as "Annexure IIA" and forms part of this report.

The Kennametal Code of Business Ethics & Conduct is a major component of the Kennametal Value Business System (KVBS). The Code addresses the importance of fair dealing and compliance in all aspects of your Company's business and focuses on the concept of doing the right thing every day.

Your Company insists on its employees to embrace the Code of Business Ethics & Conduct to ensure maintenance of a strong ethical culture.

CEO/CFO CERTIFICATE

A certificate from the Chief Executive Officer (Managing Director) and the Chief Financial Officer dated August 21, 2015 on the financial statements and the cash flow statement of the Company for the financial year ended June 30, 2015 is annexed as "Annexure-IIB" and forms part of this report.

WHISTLE-BLOWER POLICY/VIGIL MECHANISM

Your Company was following a Whistle Blower policy/mechanism even prior to the requirements of the Companies Act 2013. However, pursuant to Section 177 of the Companies Act, 2013 your Company has taken on record the Vigil Mechanism (Whistle Blower Policy) of the Company subsequent to the approval of the Board of Directors at their meeting. The Whistle Blower policy provides avenues for employees to raise complaints and to receive feedback on action taken and seeks to reassure the employees that they will be protected against victimization and for any whistle blowing conducted by them in good faith.

THE KENNAMETAL ETHICS HELPLINE

Anyone can make a complaint about the violation of Code of Conduct of the Company. Reports made to the Helpline can be done via the phone or the web on a confidential and anonymous basis, where allowed by local law. The Helpline is administered by an independent third-party and is available 24 hours a day, 7 days a week.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE, ETC.

A report in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo, as required under Section 134(3)(m) of the Companies Act, 2013 read with the Rule 8(3) of The Companies (Accounts) Rules, 2014, is set out in "Annexure III" to this report.

AUDITORS & AUDITORS' REPORT

Messrs. Price Waterhouse & Co Bangalore LLP, Chartered Accountants (FRN: 007567S/S-200012) were appointed as Statutory Auditors at the Annual General Meeting held on

November 04, 2014 for a period of 3 (three) years from the conclusion of the Forty-ninth Annual General Meeting until the conclusion of the fifty second annual general meeting, subject to ratification at every annual general meeting of the Company. The Board recommends the ratification of their continuation as Auditors. The Company has received a confirmation from the Statutory Auditors to the effect that they would be eligible for such continuation.

The Auditors' Report to the Members on the Accounts of the Company for the year ended June 30, 2015 does not contain any qualification, reservation or adverse remarks. The notes on financial statement referred to in the Independent Auditor's Report are self-explanatory and do not call for any further comments.

SECRETARIAL AUDITOR

Mr. Vijayakrishna K.T., Company Secretary in practice (FCS 1788) carried out a Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2014-15 and submitted his report, which is annexed to this report as "**Annexure-IV**". The report does not contain any qualification.

COST AUDITORS

Pursuant to Section 148 of the Companies Act, 2013, the Board of Directors of the Company upon recommendation made by the Audit Committee has appointed Messrs. K.S. Kamalakara & Co., Cost Accountants (Firm Registration No: 0000296), as the Cost Auditors of the Company for the financial year 2015-16 and has recommended his remuneration to the shareholders for their ratification at the ensuing Annual General Meeting.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

Pursuant to Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the related party transactions that were entered into during the financial year were on arm's length basis and in the ordinary course of business. Further, there are no material related party transactions during the year under review with the Directors or Key Managerial Personnel. All related party transactions are placed before the Audit Committee and the Board for approval as applicable under Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The policy on related party transactions as approved by the Board is uploaded on the Company's website at the link <http://www.kennametal.com/content/dam/kennametal/kennametal/hil/About%20Us/Company%20Profile/KIL%20Related%20Party%20Transactions%20Policy%2005052015%20.pdf>

The Particulars on RPTs in AOC 2 is annexed to the Report as "**Annexure V**".

PARTICULARS OF DISCLOSURES AS REQUIRED UNDER SECTION 197 OF THE COMPANIES ACT, 2013

Pursuant to Section 197(12) of the Companies Act, 2013 read with Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 the ratio of the remuneration of each director to the median employee's remuneration for the financial year and such other details as prescribed are set out in the "**Annexure VI**". The statement showing details of employees of the Company employed throughout the year and employed for the part of the year, who were in receipt of remuneration of ₹ 60 Lakhs or more per annum / ₹ 5 Lakhs or more per month is annexed herewith as "**Annexure VII**".

Prevention of Sexual Harassment

There was no complaint lodged by any woman employee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, with the Company during the period under report.

RESEARCH & DEVELOPMENT (R & D)

The Research, Development and Engineering (RD& E), works on new Products and Process Developments with specific focus on materials, coatings and design.

RD&E, Bengaluru is a globally aligned matrix set-up and works for the Company's needs with a continued specific focus on up-gradation of products, processes and technology, which is also recognized by the Ministry of Science & Technology - Department of Scientific and Industrial Research - Government of India.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

Environmental, Health, and Safety (EHS) are fundamental to your Company's business and its ability to **Deliver The Promise** to all the stakeholders, including its employees, customers, shareholders, and the public. Everyday, employees are empowered to demonstrate Kennametal EHS commitment by striving for:

100% Safe-pursuing a goal of zero injuries, illnesses, and incidents by living the belief that all are preventable. Your Company is pursuing the goal of zero through senior leader ownership of safety, preventative actions and processes, and by establishing leadership roles for employees in safety.

Protecting Our Planet- providing sustainable solutions by reducing the total environmental impact of our products and operations. Your Company have been working towards protecting our planet by continuously improving the management of energy and natural resources, promoting recycling and recovery of materials, and preventing pollution. Among other things, the following EHS activities/improvements were undertaken during the year:

- A total 3,635 hours were spent on EHS training by employees of your Company.
- Annual medical examination of employees was conducted to maintain good health. Health awareness programme was also conducted to create awareness and improve good health of the employees of the Company.
- Your Company continued the Management Based Safety (MBS) programme, a standard global safety process that has been the cornerstone of great improvement in safety culture.
- A Risk Finder Tool and an improved Daily Safety Checklist are designed to strengthen every employee's ability to identify, document and eliminate hazards at their workplace.
- Your Company continued to monitor the hazardous and non-hazardous waste, according to waste stream and disposal route, with performance assessed on the basis of waste intensity.

To minimise risk and to improve the safe working environment through hazard identification and Risk assessment, the following EHS Improvements projects were completed in FY15.

- Fire Hydrant improvement - Updating of Firefighting and sprinkler system to minimise the fire risk.
- Installed flame detection on Carburizing furnaces (Six numbers) with alarm to alert the operator to take immediate action to minimize the fire risk
- 5 dust collectors for Bangalore Metallurgy Plant to improve safe working environment.
- In Production Unit No.2, installed dry dust collectors by removing wet type dust collector to improve efficiency of dust collection and also to improve safe working environment.
- Compact Heater to replace existing oil heating system to improve safe working and also to save energy.
- Ergonomics
 - Drums with materials are handled using a customised lift and tilt unit to eliminate scooping and to minimize the exposure to dust.
 - A pneumatically operated jib crane has been installed for lifting and lowering of milling drums from the Acetone bath to prevent finger injury and sprain to shoulder.
- **Employee Involvement and Recognition**
 - The 404 Find and Fix program was implemented in FY15, to involve employees in eliminating hazards and to recognize them for their contribution. This also helped in creating a safe working environment.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

As required under Section 134(3)(o) of the Companies Act, 2013, details about the policy developed and implemented by the Company on Corporate Social Responsibility initiatives during the year ended June 30, 2015 are given in “**Annexure VIII**” to this report.

LAND COMPENSATION MATTER

As reported in the previous annual reports, the Special Land Acquisition officer of Karnataka Industrial Area Development Board (KIADB) had passed an order dated March 05, 2012 to deposit the land compensation amount of ₹499.75 Lakhs after Tax Deduction at Source (TDS) in the City Civil Court, Bangalore, due to objections raised by the representatives of Ramlingeshwar Mutt, Harnahalli, Shivamogga, Karnataka on the title of the property. The Civil Court finally heard the matter and passed the verdict on June 10, 2014 in favor of your Company. The Court found an error in memo of the parties and corrected it in December, 2014. The order for release of compensation amount was passed on August 18, 2015 and your Company has received the land Compensation amount along with interest totally amounting to ₹ 647 Lakhs which is shown as an exceptional item in the Financial Results. After tax deduction at source, the net amount received from the court on August 19, 2015 was ₹5,91,80,773/-.

PERSONNEL / INDUSTRIAL RELATIONS

During the year under review, your Company maintained healthy, cordial and good industrial relations at all levels. The enthusiasm and unstinting efforts of the employees have enabled your Company to remain at the forefront of the industry. Your Directors record their appreciation for the hard work and efficiency.

DISCLOSURES UNDER THE COMPANIES ACT, 2013

Extract of the Annual Return

An extract of the annual return as per Form MGT - 9 is enclosed in “**Annexure IX**” to the Board's Report.

Number of Board Meetings

The Board of Directors met five times during FY15. The details of the Board meetings and the attendance of the Directors are provided in the Corporate Governance Report.

Committees of Board of Directors

Details of memberships and attendance of various committee meetings of the Company are given in the Corporate Governance Report.

FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Company has a structured familiarization programme for Independent Directors of the Company which is also extended to other Non-Executive Directors to ensure

that the Directors are familiarized with their role, rights, responsibilities and the nature/details of the Company's business.

The Board of Directors has complete access to the information within the Company. Presentations are regularly made to the Board of Directors and all Committees of the Board on various matters, where Directors get an opportunity to interact with Senior Management. Presentations, *inter alia*, cover the Company's strategy, business model, operations, markets, organization structure, product offerings, finance, risk management framework, quarterly and annual results, human resources, technology, EHS, quality and such other areas as may arise from time to time.

The Company also issues an appointment letter to Independent Directors which also incorporates their role, duties and responsibilities.

GREEN INITIATIVES

Electronic copies of the Annual Report and the notice of the fiftieth AGM are being sent to all such members whose e-mail addresses are registered with the Company/ its Registrar and Transfer Agent.

To the other members physical copies of the Annual Report and Notice of the fiftieth AGM are being sent through the permitted modes of dispatch. However, Members who have received the said documents in electronic mode but seek physical copies of the same, can send their requests to the Company Secretary. The remote e-voting facility is being provided to the members to enable them to cast their votes electronically on all resolutions set forth in the notice, pursuant to Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Amendment Rules, 2015. The instructions for the remote e-voting are provided in the notice.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support and assistance received from customers, investors, business associates, bankers, vendors, regulatory and governmental authorities. Your Directors place on record their gratitude to the Members for their continued trust and confidence and express their sincere appreciation to all employees for their teamwork and contributions during the year.

**For and on behalf of the Board of Directors of
Kennametal India Limited**

**Bengaluru
August 21, 2015**

**B. Anjani Kumar
Director**

**Bhagya Chandra Rao
Managing Director**

Annexure I to the Board's Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

I. Industry Structure and Developments / Opportunities and Threats

Your Company is engaged in providing innovative wear resistant solutions across diverse sectors like transportation, earthworks, energy, infrastructure and aerospace. Kennametal solutions are built around industry-essential technology platforms, including precision-engineered metalworking tools and components, surface technologies and earth cutting tools that are mission-critical to customer operations battling extreme conditions associated with wear fatigue, corrosion and high temperatures. The Company's reputation for material and industrial technology excellence, as well as expertise and innovation in development of custom solutions and services, contributes to its leading position in its primary industrial and infrastructure markets. End users of the Company's products include manufacturers, metalworking suppliers, machinery operators and processors engaged in a diverse array of industries.

Our product offering includes a wide selection of standard and customized technologies for metalworking, such as sophisticated metal cutting tools, tooling systems and services, as well as advanced, high-performance materials, such as cemented tungsten carbide products, super alloys, coatings and investment castings to address customer demands. The Company offers these products through a variety of channels to meet customer-specified needs.

Your Company specializes in developing and manufacturing metalworking tools and wear-resistant engineered components and coatings using a specialized type of powder metallurgy. Metalworking tools are made of cemented tungsten carbides, ceramics, cermets and super-hard materials. Your Company also manufactures and markets a complete line of tool holders, tool-holding systems and rotary-cutting tools by machining and fabricating steel bars and other metal alloys. In addition, your Company produces specialized compacts and metallurgical powders, as well as products made from tungsten carbide or other hard materials that are used for custom-engineered and challenging applications, including mining and highway construction, among others.

The Indian Economy continues to be challenging though various visible steps have been taken by the Central Government in order to improve the economic conditions in the country. The GDP grew at 7.3% in 2014-15 and was marginally better than the prior year growth of 6.9%. The IIP (Index for Industrial production) which is barometer for manufacturing activity in the country made a steady but limited recovery at around 2.8%. At this stage,

visible policy changes to drive up Manufacturing and Infrastructure sectors does give hope for growth in these sectors in coming years. Almost all industries ranging from Manufacturing, Mining, Electricity & basic goods grew marginally over prior year.

One of the industries which was badly affected in the prior year was the automobile industry, with which your Company is very closely associated. This industry again had limited growth in 2014-15 with passenger cars growing at 5% (2014-15) and commercial vehicles growing at 6.3% (during October 14 - March 15). Leading indicators such as the HSBC PMI however showed some positive sentiment with the same being above 50 levels for a large part of the financial year. One sector which did see a significant decline is the tractor industry which had a YOY (Year On Year) negative growth of 18 to 19% in 2014-15. Your Company also has a large dependence on Medium and Heavy commercial vehicles sector and has been benefitted by its limited recovery though the tractor industry did impact on the negative side. The unfriendly tax regime continues and the mood and direction at higher levels of the Government is yet to translate into ground reality. Net FII inflows during the 2014-15 fiscal year improved from \$34.4 Billion to \$45.7 Billion and this improvement shows positive investor sentiments. As a result, the Rupee (₹) was a little less volatile in FY15 but has thereafter weakened again to 65-67 levels.

While the Indian economy continues to be optimistic, there is a need to be realistic in terms of the Government's ability to quickly turnaround the economy. Key bills on GST and Land reforms struggle to get cleared through the upper house. The intent of the Government is clearly in the right direction with initiatives such as Make in India, agricultural and mining reforms, focus on power, railways and roads, though it will take another 12-14 months for a visible impact at the ground level.

As conveyed to the shareholders in our last annual report, your Company remained focused around specific initiatives to improve the financial performance and the same has resulted in delivery of good results during FY15. This approach of focusing around specific initiatives to improve the financial performance would continue in the Financial Year 2015-16 as we do not expect any significant support from the economy, especially in the sectors which are key to your Company's growth. In our view it will take at least another 12-14 months before the initiatives around manufacturing, infrastructure, roads, railways etc. start showing their beneficial impact at the ground level. Your Company continues to engage in moving up the value chain in the infrastructure side of the business by focusing

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on more value added products and phasing out commodity products with lower profitability. There has also been a strategic shift during the financial year to focus more on Exports to deliver the double benefit of natural currency hedge and business growth. Your Company will be making the required investments in this direction in coming years.

2. Operations

Your Company continues to consolidate and deliver better financial performance year over year despite the challenging economic scenario. Sales grew by 4.6% YOY and the operating profit (excluding Corporate Social Responsibility expenses and exceptional items) grew by 37%. To achieve this result your Company focused around initiatives to improve both the top line and the bottom line. Transportation and Aerospace sectors contributed to the growth of Hard metals business while the Machine Tools business focused around reduction of raw material costs besides improving the product mix. Your Company put in place a dual brand strategy (i.e Kennametal & WIDIA) in the cutting tool market a couple of years back and we continue to leverage the same strategy. We now have two strong brands competing in the market and gaining share. There was a significant amount of work around improving the distributor network and address the white space for gaining additional business. While we focus around retaining the existing market share we intend to deploy additional resources around, growing and newer markets such as energy, aerospace and auto components. Your Company continues to leverage the initiatives started during FY14 such as NOVO, Productivity optimization and component specific solutions. To retain consistency and gain expertise we consolidated these strategies further in FY15 to deliver productivity to customers. The Conforma Clad product portfolio had the best year so far delivering a top line of more than ₹ 1000 Lakhs, which is a YOY growth of more than 15%. The Stellaram product portfolio bridged the product gap in turbine blade machining applications and helped us to penetrate through to some of the big energy segment customers.

During the year your Company launched a few more initiatives in addition to the ones launched in the prior year to be competitive and consolidate in the market place. A few of them are worth noting:

Focus around Asia markets (Hard Metals):

Kennametal intends to leverage the low cost base of Bengaluru manufacturing to export to other countries across Asia. This initiative not only helps the Company to

address the markets outside India but helps us in currency risk mitigation. Your Company has committed resources in FY15 and intends to invest further in coming years aggressively. Kennametal India believes that the export market can grow at a much faster pace with support from the strong network of group companies across the world.

Leverage EcoGrind:

Ecogrind sales made a significant contribution to the Machine Tools business during FY15. The Ecogrind tool grinding machine is a CNC 5axis Tool and cutter grinding machine used for manufacturing and re-sharpening of tools such as Drills, End mills and Cutters. It is highly specialized machine capable of producing complex profiles of cutting tools. The machine can grind both Carbide and HSS tools. Your Company would leverage this product line further both within India and outside India.

Tool Boss Services:

Tool Boss is a tool vending machine and helps customers in secured storage of tools and supplies. These storage units can be used alone or together and offer secure inventory control, accountability of tools usage and flexibility in storage options. During FY15 the Tool Boss scheme gained significant traction and improved commitment from existing customers. This initiative is a shared reward program where the Tool Boss is provided to customers free upon commitment of certain volumes. The Company has so far installed 19 such "Tool Bosses" across India and the same has helped the Company in retention as well as gain share at these customers.

After Market Services in Machine Tools:

Services business has been one of the focus areas for your Company in FY15 in the Machine Tool segment. This initiative focusses around:

- Annual maintenance contracts with our key customers,
- Machine adaptations for new model / changes at customer end
- Services on machines supplied
- Spare parts sale

Branding continues to be an area of focus for Kennametal. Your Company participated in the IMTEX which is the largest machine tool exhibition in India during January 2015. The Company displayed all three brands i.e Kennametal, WIDIA and WIDMA and received a favorable response from the customers for all its range of new products and services exhibited. **Our ECOGRINDVX5 received the FIE award for being the most innovative indigenously designed and manufactured machine in India.**

Annexure I to the Board's Report

New products and innovations continue to be the DNA of the Company. During January, 2015, your Company launched a range of new products called "INNOVATIONS" for the Kennametal brand and "ADVANCES" for the WIDIA brand. The sales from new products introduced in the last 5 years continue to be greater than 40% in FY15 as well.

During the year, capacity utilization improved across the product lines. Wear products and Machine Tools operated at full capacity while the metal cutting product line did have some capacity to be utilized. Capital investments remained subdued in FY15 as well. The Company continues to do critical evaluation of new investments to ensure best returns in the most profitable segments/products. With the economic scenario looking up in the future, the need for investing into new capacities might arise in the near future.

3. Segment-wise performance / reporting

Your Company's business has been categorized into two broad segments in line with Accounting Standard 17 – Segment Reporting. The primary segments and secondary segments have been categorized based on the nature of the products and services offered by the Company and the business risks associated with the above products / services in markets served.

The primary segments for financial reporting continue to be:

- (i) Hard Metal Products
- (ii) Machine Tools / Machining Solution Group (MSG)

Apart from the primary business segments, the secondary segmental reporting is on the basis of the geographical locations of the customers viz. domestic and international. Common allocable costs are allotted to each segment to the extent of services utilized and activities involved.

4. Company's Outlook

For fiscal year 2015-16, the Company's outlook reflects ongoing market uncertainties as well as the limited visibility related to customer demand trends. We do not expect demand to grow beyond single digit levels in the coming year. Considering the fact that there is not much leverage from the economy, the management continues to focus around customer specific initiatives to drive growth. As in FY15, profitability improvement will be the key focus area for FY16 as well. In this direction your Company will continue to take decisions around products, markets and customers which will improve the mix to

enable us to grow the profitability. However, your Company could also see some pressure on profitability on account of wage increases in the upcoming periodic wage settlement with the unionized workforce.

At this stage, the time frame for buoyancy in the economy is uncertain and any improvement would only help the Company to better its performance in future.

5. Internal control systems and their adequacy

Elaborate and Clear processes have been put in place to ensure that your Company has appropriate and sufficient controls for efficient and effective conduct of business. The approach is broadly around three phases:

1. Identify and review the process universe
2. Assess each process's inherent risks
3. Define the frequency of evaluation and audit, keeping in view past findings and risks identified in step 2. While deriving the frequency the high risk processes are covered every year and every process at least once in three years.

The Companies Act, 2013 brings in an additional responsibility on the Board with respect to establishment of appropriate control systems in the Company. Section 134 of the Companies Act, 2013 requires the Board/Audit Committee to certify the design and operating effectiveness of the Internal Financial Control mechanism in the Company applicable w.e.f. FY15. Your Company did an exhaustive exercise with support from the Internal Auditors to understand the design and effectiveness of the controls in place during May, 2015. In total, 713 controls were identified across various processes and tested for their effectiveness. These results were presented to the Audit Committee of the Board for their inputs and review. The Management is happy to report that your Company's design and effectiveness of the controls has been of a high order with minimal gaps for which also a mitigation plan is in place.

6. Risks and Concerns

Your Company has put in place an elaborate Enterprise Risk Management process wherein the risks faced by the Company are identified under four categories i.e Strategic Risks, Operating Risks, Reporting Risks and Compliance Risks. The risks and the actions to mitigate these risks are presented to the Risk Committee of the Board for its review and guidance twice in a year.

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The following table contains the significant external risks identified during the risk analysis process, impact on the business, and action taken/planned to mitigate these risks:

Sl. No.	Risk	Impact on the business	Action Plan to Mitigate
1	Slow Economic Recovery	The topline under pressure due lack of demand	<ol style="list-style-type: none"> 1. Deployment of specific initiatives to grow the business 2. Focus around the export markets to generate more revenues
2	Aggressive pricing and Competition from Asian players	Pressure on top line and profitability	<ol style="list-style-type: none"> 1. Continue the localization efforts 2. Continue the cost control measures to maintain profitability
3	Rupee Depreciation	Cost of imports to go up resulting in profitability pressure	Use India as manufacturing location for requirements of Asia as well as rest of the world to provide a natural hedge. This is in addition to the hedging policy already in place.

7. Financial performance

Your Company has delivered a sale of ₹ 57025 Lakhs in FY15 which is YOY growth of 4.6%. Both the segments i.e Hard Metals and Machine Tools delivered single digit growth rates of 5.4% and 1% respectively. The Key highlight for FY15 has been the significant improvement of the profitability. Your Company delivered an Operating Profit (Earnings before Interest and Taxes before exceptional items) of ₹ 3994 Lakhs which is a growth of 34% compared to FY14. The sales growth has largely been driven by transportation and aerospace segments while the profitability has been achieved through the following actions:

1. Efficient sourcing of raw materials
2. Reduction in power cost through efficient usage of grid power (saving of ₹ 400 Lakhs)
3. Improvement in product Mix in Machine tools business. The Fixtures business did much better than the Special Purpose Machines (SPMs) and the service income more than doubled to ₹ 500 Lakhs. Fixtures

generally have lower content of raw material costs compared to special purpose machines.

4. Efficient cost control efforts during the year in areas like freight, travel etc.

Gross Margins have improved in the range of 100-200 bps in most of the businesses in the Hard Metals segment. However the margin improvements in Hard Metals segment has been offset partially by the IMTEX exhibition expenses which happens every alternate year. Your Company continues to aggressively pursue localization efforts not only to leverage the Indian market but other markets across the world.

During the year the Machine Tool business sales growth has been flat and it is largely on account of low capital spend by various customers. The Two wheeler industry which has a significant contribution to the Machine Tool Business top line was flat after 5-6 years of growth. Your Company will continue to further consolidate the strategy put in place for the Machine Tools business to sustain the profitability improvement delivered in FY15.

Annexure I to the Board's Report

As always your Company continues to maintain optimized working capital deployment into the business. The primary working capital as a % to sales came down significantly from 21% in FY14 to 17% in FY15. This has been largely possible due to excellent collections, very good control on inventory and improvement in payment terms with the vendors. DSO (Days of Sales Outstanding) has come down from 63 days in the prior year to 58 days in FY15. Inventory reduced by 2% YOY despite an increase in the topline by 4.6%. Your Company continues to have clean receivables and the provision for doubtful debts is minimal at 1% to the total value of receivables.

Return on Capital Employed (without cash and bank balances) has bounced back to 15% levels and has been on an improvement trajectory from the lows of FY13. Because of the significant reduction in primary working capital coupled with better profitability, the cash flow has been outstanding during the year. Net cash flow generated during the year was ₹ 3920 Lakhs (after dividend) compared to ₹290 Lakhs in FY14. As a result of this significant improvement in the cash flows, your Company has been able to reward the shareowners with a dividend of 20% and remain a debt free Company in FY15 as well. Your Company will strive to continue the prudence in financial management in forthcoming years as well.

8. Material Developments in Human Resources and Industrial Relations

Our ability to “Deliver the Promise” to our customers is highly dependent on the Competency and Motivation of our employees. Obviously, our employees are our most valued assets. All the Human Resource Processes are focused towards attracting, developing, and retaining talent so as to drive high levels of employee engagement and ensuring a Performance driven culture.

Highlights for FY 15:

- We continued with our Focus on acquiring the right talent at the right time in the right position. Our hiring strategy has been to ensure a Talent Pipeline which is available as and when we are in a need to hire fresh Talent. Also, ensuring that we have a robust Internal Job Posting process and working with very few external consultants, we have ensured that the Lead time to hire is well within the accepted time limits. This, with the end in mind of ensuring business continuity and customer satisfaction.
- The focus on driving a Performance Culture through the Performance Management System was enhanced and this was ensured through the Performance Planning & Management Process.
- Building a Strong Knowledge abled Sales force is part of our Growth Strategy. This includes the training and development of Kennametal as well as Distributor Engineers. On the Technical Training front, there were 32 events which were conducted throughout the year at various locations, including Onsite events at Ford & IMTMA. Apart from our Kennametal Sales Engineers, our Technical Training programs were attended by 718 participants from customer teams and about 122 Engineers were nominated by our Distributor teams.
- In addition to the Technical Programs, we also conducted Programs to strengthen the Leadership Capability among Kennametal mid and front line teams through the Supervisor Development Program and the Transforming Leaders Program. These programs are aimed at developing the innate ability of our employees to develop themselves better as an individual and as a professional, thereby enabling them to drive a performance driven culture in the Organization.
- Industrial Relations at Kennametal has been very peaceful through the year. A unique outbound workshop on Union Leadership Development was conducted during the year to signify the role of Union Leadership in a fast changing Business environment. Through the year, Management has ensured that the Union is well apprised of the Business through Monthly and Quarterly communication meetings.
- The Current Wage Agreement has expired on June 30, 2015. Both the Management and the Union are actively engaged in the negotiation process. The Negotiation process has been progressing at good pace with co-operation from all the teams.
- We continued our Focus on action plans on the Voice of Employee (VOE). During the year, your Company organized On Your Mind (OYM) sessions with various teams across locations to connect with the employees as well capture employee thoughts and ideas.
- The total number of persons employed in your Company as on June 30, 2015 was 815.

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Cautionary Statement

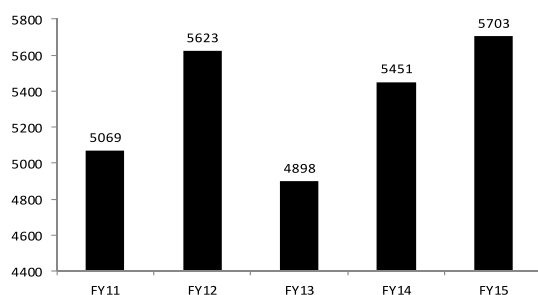
The information and opinion in this section consists of certain forward-looking statements, which the management believes to be true to the best of its knowledge at the time of its presentation based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company shall not be liable for any loss, which may arise as

a result of any action taken on the basis of the information contained herein. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.

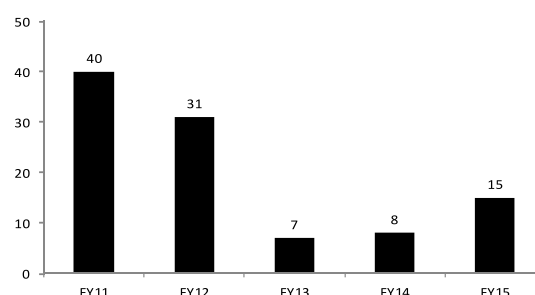
The information contained herein may not be disclosed, reproduced, or used in whole or in part for any purpose or furnished to any other person(s) without the express prior written permission of the Company.

FIVE YEAR CHARTS FOR KEY FINANCIAL INDICATORS

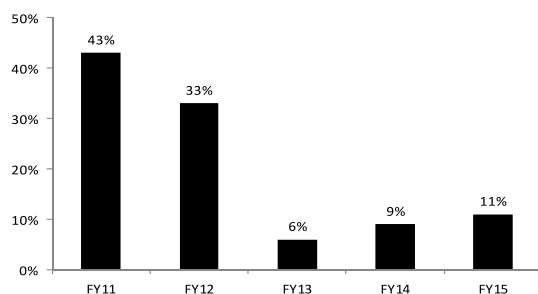
Net Sales (₹ In million)



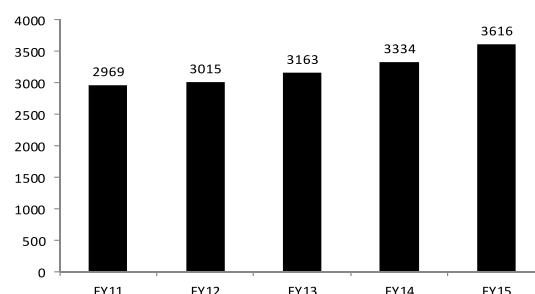
Earning Per Share (EPS) in ₹



Return On Capital Employed(ROCE) in percentage



Net worth (₹ In million)



Annexure II to the Board's Report

REPORT ON CORPORATE GOVERNANCE**Corporate governance philosophy and compliance**

Your Company's philosophy is based on a belief that good Corporate Governance helps to enhance Stakeholders' value by focusing on long-term Stakeholder value creation without compromising on integrity, social obligations and regulatory compliances. The Company's Management firmly believes that good Corporate Governance should be internally driven and not be looked upon just as an issue of compliance dictated by statutory requirements. Your Company has complied with the mandatory and non-mandatory requirements relating to Corporate Governance prescribed under Clause 49 of the Listing Agreement, as detailed below:

I. Composition of the Board

The Board of Directors has 7 members (as on June 30, 2015), including the Managing Director and 6 Non-Executive Directors who bring in a wide range of skills and experience to the Board. The Company has a Non-Executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. The Chairman is neither a Promoter of the Company nor he is related to any Promoter or person occupying Management positions at the Board level or at one level below the Boards as defined under Clause 49 of the Listing Agreement. Thus the composition of the Board is in conformity with Clause 49 of the Listing Agreement.

Table I: Particulars of directorships, membership of board committees and attendance at meetings

Name of the Director	Other Directorships held*	Board Committees+ (in other companies)		Attendance At	
		Chairman	Member	Board Meetings	Last AGM
<i>Non-Executive Independent Directors</i>					
Mr. M. N. Bhagwat ¹ Chairman	2	1	1	2	Yes
Mr. Prakash M. Telang Chairman ²	8	4	2	3	Not Applicable
Mr. Vinayak K. Deshpande	7	-	4	3	Yes
Mr. B. Anjani Kumar	1	-	-	5	Yes
<i>Managing Director</i>					
Mr. Bhagya Chandra Rao	1	-	-	4	Yes
<i>Non-Executive Directors</i>					
Mr. John Chang ³	-	-	-	-	Not applicable
Mr. John H. Jacko ⁴	-			3	Yes
Mr. Gerald Goubau ⁵	-	-	-	3	Yes
Mr. David Lee ⁶	-			1	Not Applicable
Ms. Michelle R. Keating	-	-	-	4	Yes

Mr. John H. Jacko, Ms. Michelle Keating and Mr. David Lee are the Nominees of Kennametal Inc., the Foreign Promoter. No sitting fees is paid to Non-executive Directors.

* Excluding office of Alternate Directors, non-profit associations, private & foreign companies.

+ Only the Audit and Shareholders Relationship Committee are considered.

¹ Ceased to be the Director with effect from November 04, 2014

² Appointed as an Additional Director and Chairman with effect from November 04, 2014

³ Ceased to be the Director with effect from August 12, 2014

⁴ Appointed as Director with effect from August 12, 2014

⁵ Ceased to be the Director with effect from May 05, 2015

⁶ Appointed as Director with effect from May 05, 2015

Annexure II to the Board's Report

None of the Directors of the Board serve as members of more than ten committees or they act as Chairman of more than five Committees across all companies. There is no relationship amongst Directors inter-se.

As per the provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement, the Company has issued a formal letter of appointment to all the Independent Directors of the Company. The terms of appointment has also been disclosed on the website of the Company http://www.kennametal.com/content/dam/kennametal/kennametal/hil/About%20Us/Company%20Profile/terms_conditions_appointment_indep_directors.pdf

The Independent Directors are familiarized with the Company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model etc. The familiarization document is also disclosed on the website of the Company at http://www.kennametal.com/content/dam/kennametal/kennametal/hil/About%20Us/Company%20Profile/Familiarization_Program_for_Independent_Directors_2015.pdf

As required, a brief profile and other particulars of the Directors seeking appointments/re-appointment are given in the Notice convening the 50th Annual General Meeting.

Number of Board Meetings held during the period along with the dates of the Meetings.

During the year under review, five meetings of the Board of Directors were held on the following dates:

August 12, 2014, November 04, 2014, January 30, 2015, May 05, 2015 and June 11, 2015.

During the year, a separate meeting of the Independent Directors was held on May 06, 2015 without the attendance of non-independent Directors and members of the management.

Compliance with the Code of Conduct and Ethics

The Company has adopted the "KIL Code of Conduct and Ethics for Board Members and its senior management" and has framed a Whistle Blower Policy aimed at better Corporate Governance and continued Vigil Mechanism which is available on the Company weblink <http://www.kennametal.com/hil/about-us/kil-financials.html> or www.kennametal.com/kennametalindia/

In accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has formulated the "KIL Code of Conduct for Regulating, Monitoring and Reporting of Trading in Securities by Employees and Other Connected Persons" which is available on the Company website www.kennametal.com/kennametalindia

2. Audit Committee

The Audit Committee has the powers, role and terms of reference as per Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013. The Company has setup a qualified and independent Audit Committee and the term and reference of the Audit Committee is set out below:

1. The Audit Committee shall have a minimum three directors as members. Two-thirds of the members of the Audit Committee shall be Independent Directors.
2. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
3. The Chairman of the Audit Committee shall be an independent director;
4. The Chairman of the Audit Committee shall be present at the Annual General Meeting to answer shareholder queries;
5. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The Chief Financial Officer (CFO), the Internal Auditors and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee;
6. The Company Secretary shall act as the secretary to the committee.
7. The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

Powers of the Audit Committee:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it is considered necessary.

Role of the Audit Committee

The role of the Audit Committee include the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by them;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

Annexure II to the Board's Report

- a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section (3) of section 134 of the Companies Act, 2013
- b. Changes, if any, in accounting policies and practices and reasons for the same
- c. Major accounting entries involving estimates based on the exercise of judgment by management
- d. Significant adjustments made in the financial statements arising out of audit findings
- e. Compliance with listing and other legal requirements relating to financial statements
- f. Disclosure of any related party transactions
- g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized, if any, for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take steps in this matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of the audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors, the adequacy of the internal control systems;
13. Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage, the internal audit plans and the frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is

suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults, if any, in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of the CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Composition and Details of Audit Committee Meetings during the financial year

Consequent upon the vacancy caused by the retirement of Mr. M. N. Bhagwat as Director with effect from November 04, 2014, his position as Chairman of the Audit Committee was vacated. The Board of Directors at its meeting held on November 04, 2014 co-opted Mr. Prakash M. Telang as member of the Committee and Mr. B. Anjani Kumar as Chairman of the Committee. As on June 30, 2015, the Audit Committee of the Company consists of three (3) Non-executive Independent Directors and all of them have financial and accounting knowledge. The members of the Committee are (i) Mr. B. Anjani Kumar, Chairman of the Committee (ii) Mr. Prakash M. Telang and (iii) Mr. Vinayak K. Deshpande.

Annexure II to the Board's Report

The particulars of the members and their attendance at the meetings during the year under review are provided in Table 2.

Table 2: Particulars of the Audit Committee of Directors and their attendance at meetings:

Name of the Director	Number of meetings attended
Mr. M.N. Bhagwat ¹ <i>Chairman, Non-Executive, Independent</i>	2
Mr. B. Anjani Kumar ² <i>Chairman, Non-Executive, Independent</i>	5
Mr. Vinayak K. Deshpande <i>Non-Executive, Independent</i>	3
Mr. Prakash M. Telang ³ <i>Non-Executive, Independent</i>	3

¹ Ceased to be the Chairman/Member of the Committee with effect from November 04, 2014

² Appointed as the Chairman/member of the Committee with effect from November 04, 2014

³ Appointed as a member of the Committee with effect from November 04, 2014

During the period under review, five meetings of the Audit Committee of Directors were held on the following dates: August 12, 2014, November 04, 2014, January 30, 2015, May 05, 2015 and June 11, 2015.

The Chief Financial Officer (CFO), Internal Auditors and the Statutory Auditors were invited to attend the meetings of the Audit Committee.

The Company Secretary is the Secretary to the Audit Committee.

3. Stakeholders' Relationship Committee

Stakeholders' Relationship Committee has powers to oversee and review all matters connected with the transfer of the Company's securities, monitor redressal of investors' / shareholders' / security holders' grievances, oversee the performance of the Company's Registrar and Transfer Agents, recommend methods to upgrade the standard of services to Investors and carry out any other function as is referred by the Board from time to time or enforced by any statutory notification / amendment or modification as may be applicable.

Consequent upon the vacancy caused by the retirement of Mr. M. N. Bhagwat as Director with effect from November 04, 2014, his position as the Chairman of the Committee was vacated. The Board of Directors at its meeting held on November 04, 2014 co-opted Mr. Prakash M. Telang as the Chairman of the Committee and reconstituted the Stakeholders' Relationship Committee to comprise (a) Mr. Prakash M. Telang and (b) Mr. Bhagya Chandra Rao.

The Committee met on August 12, 2014 during the year under review and the attendance of the members at the said meeting is provided in Table 3.

Table 3: Particulars of Stakeholders' Relationship Committee of Directors and their attendance at the meeting:

Name of the Member	Attendance
Mr. M. N. Bhagwat, Chairman ¹	Attended
Mr. Prakash M. Telang, Chairman ²	Not applicable
Mr. Bhagya Chandra Rao, Member	Attended

¹ Ceased to be the Chairman of the Committee with effect from November 04, 2014

² Appointed as the Chairman of the Committee with effect from November 04, 2014

During the year under review, the Company has not received any complaint.

4. Directors' remuneration

Remuneration paid to Directors for the year under review is provided in Table 4 and 5.

Table 4: Remuneration paid to Managing Director in respect of financial year 2014-2015.

Managing Director	Amount (₹ in Lakhs)*
Mr. Bhagya Chandra Rao	117.36

*includes salary, fixed allowance, housing, leave travel allowance medical reimbursement, contribution to retiral benefits, etc. The appointment is for a period of five years from September 17, 2012 to September 16, 2017 terminable with a notice period of three months or such notice as may be mutually determined as per the agreement dated September 17, 2012. Performance pay is based on the results achieved against the targets and certain performance criteria as set out by the Board. Mr. Bhagya Chandra Rao holds stock option of ₹ 4.39 Lakhs of Kennametal Inc.

Annexure II to the Board's Report

Table 5: Remuneration paid / payable to Non Whole-time Directors for the year under review:

Non-whole time Directors	Commission (₹in Lakhs) *	Sitting Fees (₹in Lakhs)
Mr. M. N. Bhagwat	5.30	1.30
Mr. Prakash M. Telang	8.80	1.25
Mr. Vinayak K. Deshpande	6.60	1.10
Mr. B. Anjani Kumar	8.40	2.50
Mr. John H. Jacko	NIL	NIL
Mr. John Chang	NIL	NIL
Mr. Gerald Goubau	NIL	NIL
Mr. David Lee	NIL	NIL
Ms. Michelle R. Keating	NIL	NIL

* Payable in FY16

The criteria for determination of commission to Non-Executive Independent Directors as approved by the Board, includes attendance at the meetings of the Board / Board Committees, Chairmanship of the Board / Committees of the Board, individual responsibilities and additional contribution to the Company.

The Company presently has no Employee Stock Option Plan.

5. Nomination and Remuneration Committee

The Nomination and Remuneration Committee has the following objectives:

- Identify persons who are qualified to become directors and who may be appointed in senior management roles in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.
- Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- Formulation of criteria for evaluation of Independent Directors and the Board.
- Devise a policy on Board diversity.
- Produce the Committee's report on the remuneration policy and evaluation criteria to be included in the Annual report of the Company.

Remuneration Policy**1. Policy relating to the Remuneration for the Whole-time Director, KMP, and Senior Management Personnel.****General:**

a) The remuneration / compensation / performance pay/ Variable pay etc. of the Managing/Whole-time Director, KMP and Senior Management Personnel will be recommended by the Committee to the Board for approval. The remuneration / compensation / commission etc. of directors shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required and with the limit permitted under the Companies Act, 2013 and rules made thereunder.

b) The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Remuneration should be:

- Market competitive
- Driven by the role played by the individual
- Reflective of the size of the Company, complexity of the industry in which it operates
- Consistent with recognized best practices
- Aligned to regulatory requirements, if any.

c) The Committee may recommend increments to the existing remuneration/ compensation structure to the Board which should be within the limit approved by the Shareholders in the case of the Managing Director.

d) Where any Director and officers liability (D&O) insurance is taken by the Company on behalf of its Directors, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

2. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

a) Annual Guaranteed Cash/Fixed Remuneration and Performance Pay:

The Managing Director/Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the Annual

Annexure II to the Board's Report

Guaranteed Cash comprising of Basic Salary, Housing Allowance, Special allowance, LTA, Medical allowance and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees and performance/Variable pay etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing/Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

Statutory requirements:

- Section 197(I) of the Companies Act, 2013 provides that the total managerial remuneration payable by the Company to its directors, including managing director and whole time director, and its manager in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act.
- The Company may with the approval of the shareholders authorise the payment of remuneration upto five percent of the net profits of the Company to its anyone Managing Director/Whole Time Director/ Manager and ten percent in case of more than one such official.

c) Provisions for excess remuneration:

If any Managing/Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

3. Remuneration to Non-Executive / Independent Director:

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the provision of the Companies Act, 2013 and rules made thereunder.

b) Sitting Fees:

An Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof as approved by the Board. Provided that the amount of such fees

shall not exceed the amount prescribed under the Companies Act, 2013 and rules/regulations/notification applicable thereunder.

c) Commission:

The Company may pay the Commission to Independent Directors within the limit approved by shareholders and subject to a limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

d) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company or its promoter's company.

e) In addition to the sitting fees and commission, the company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the director while performing his/her role as a director of the Company. This could include reasonable expenditure incurred by the director for attending Board/Board Committee meetings, general meetings, court convened meetings, site visits, induction and training (as permitted by the Companies Act, 2013 and the Listing Agreement) and obtaining professional advice from independent advisors in furtherance of his/her duties as Director.

Performance Evaluation

The Committee shall carry out evaluation of the performance of every Director, KMP and Senior Management Personnel at regular interval (yearly) as per the performance management system of the Company.

a) Consequent upon the resignation of Mr. John Chang as Director with effect from August 12, 2014 his position as Member of the Committee was also vacated. The Board of Directors at its meeting held on August 12, 2014 reconstituted the Nomination and Remuneration Committee to comprise (i) Mr. M. N. Bhagwat (ii) Mr. B. Anjani Kumar and (iii) Mr. Vinayak K. Deshpande.

b) Consequent upon the vacancy caused by the retirement of Mr. M. N. Bhagwat as Director with effect from November 04, 2014, his position as Chairman of the Committee was also vacated. The Board of Directors at its meeting held on November 04, 2014 co-opted Ms. Michelle R. Keating as a member and appointed Mr. Vinayak K. Deshpande as the Chairman of the Committee and reconstituted the Nomination and Remuneration Committee to comprise (i) Mr. Vinayak K. Deshpande (ii) Mr. B. Anjani Kumar and (iii) Ms. Michelle R. Keating.

The Committee met on August 12, 2014, September 11, 2014, November 04, 2014 and May 05, 2015 during the year under review and the attendance of the members at the said meetings is provided in Table 6.

Annexure II to the Board's Report

Table 6: Particulars of the Nomination and Remuneration Committee of Directors and their attendance at the meeting:

Name of the Member	Number of meetings attended
Mr. Vinayak K. Deshpande, Chairman ¹	3
Mr. B. Anjani Kumar, Member	4
Ms. Michelle R. Keating, Member	1
Mr. M. N. Bhagwat, Member ²	2
Mr. John Chang, Member ³	Nil

¹Elected as the Chairman of the Committee with effect from November 04, 2014.

²Ceased to be the Chairman of the Committee with effect from November 04, 2014

³Ceased to be the Member of the Committee with effect from August 12, 2014

As per Clause 49 of the Listing Agreement, Nomination and Remuneration policy, Performance Evaluation and Policy on Board Diversity are available on the website of the Company [weblinkhttp://www.kennametal.com/hi/about-us/kil-financials.html](http://www.kennametal.com/hi/about-us/kil-financials.html) or www.kennametal.com/kennametalindia

6. Corporate Social Responsibility Committee

The Board has constituted a Corporate Social Responsibility Committee which shall formulate and recommend to the Board, a Corporate Social Responsibility Policy in terms of Schedule VII of the Companies Act, 2013; recommend the amount of expenditure to be incurred on the CSR activities; review the Corporate Social Responsibility Policy of the Company from time to time; and act in terms of any consequent statutory modification(s)/ amendment(s)/ revision(s) to any of the provisions applicable to the said Committee.

- The Board of Directors at its meeting held on August 12, 2015 co-opted Ms. Michelle R. Keating as a member of the Committee and reconstituted the Corporate Social Responsibility Committee to comprise (i) Mr. M.N. Bhagwat (ii) Mr. B. Anjani Kumar (iii) Mr. Bhagya Chandra Rao and (iv) Ms. Michelle R. Keating.
- Consequent to the vacancy caused by the retirement of Mr. M. N. Bhagwat as Director with effect from November 04, 2014 his position as Chairman of the Committee was also vacated. The Board of Directors at its meeting held on November 04, 2014 reconstituted the Committee and co-opted Mr. John H. Jacko in place of Ms. Michelle Keating and Mr. Prakash M. Telang in place of Mr. M. N. Bhagwat as members and appointed Mr. Bhagya Chandra Rao as the Chairman of the Committee. As on June 30, 2015, the

Corporate Social Responsibility Committee was consisting of (i) Mr. Bhagya Chandra Rao, Chairman of the Committee (ii) Mr. Prakash M. Telang (iii) Mr. B. Anjani Kumar and (iv) Mr. John H. Jacko .

The Committee met on August 11, 2014, November 03, 2014 and May 06, 2015 during the year under review and the attendance of the members at the said meetings are provided in Table 7.

Table 7: Particulars of the Corporate Social Responsibility Committee of Directors

Name of the Member	Number of meetings attended
Mr. Bhagya Chandra Rao, Chairman	3
Mr. Prakash M. Telang, Member ¹	1
Mr. B. Anjani Kumar, Member	3
Mr. John H. Jacko, Member ²	NIL
Mr. M. N. Bhagwat, Member ³	1
Ms. Michelle R. Keating, Member ⁴	1

¹Appointed as the member of the Committee with effect from November 04, 2014.

²Appointed as the member of the Committee with effect from November 04, 2014.

³Ceased to be the Chairman of the Committee with effect from November 04, 2014

⁴Ceased to be the member of the Committee with effect from November 04, 2014

The Corporate Social Responsibility Policy is also disclosed on the website of the Company at http://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Comp any%20Profile/KMTIndia_corp_social_responsibility_policy.pdf

7. Risk Management Committee

The Committee was constituted on January 30, 2015 and met on May 06, 2015 during the year under review and the attendance of the members at the said meeting is provided in Table 8.

Table 8: Particulars of the Risk Management Committee

Name of the Member	Number of meetings attended
Mr. Prakash M. Telang, ,Chairman	1
Mr. Bhagya Chandra Rao, Member	1
Mr. B. Anjani Kumar, Member	1
Mr. D. Parameswara Reddy	1
Mr. M. N. Bhaskara Rao	1

Annexure II to the Board's Report

8. General Meetings

Date & time	Location	Special Resolutions passed
47 th AGM November 08, 2012 10.30 AM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	Appointment of Mr. Bhagya Chandra Rao, as Managing Director and fixation of his remuneration.
48 th AGM November 05, 2013 11.30 AM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	Approval of the remuneration paid to erstwhile Managing Director Mr. Santanoo Medhi.
49 th AGM November 04, 2014 12.00 Noon	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	Approval of material Related Party Transaction as per Clause 49 (VII) of the revised Listing Agreement with Kennametal Inc. and Kennametal Europe GmbH

9. Disclosures

- The Company has adopted a Code of Internal Procedures and Conduct for Prevention of Insider Trading.
- The Company has in place a Code of Conduct applicable to the Board of Directors as well as the Senior Management. The Managing Director has confirmed and declared that all the members of the Board and Senior Management personnel have affirmed compliance with the Code of Conduct for the year 2014-2015.
- Mr. B. Anjani Kumar, Director holds 10 Equity Shares of Rs.10/- each in the Company. No other Director holds any shares in the Company.
- No penalties were imposed or strictures passed on the Company by BSE Limited, SEBI or any statutory authority on any matter relating to capital markets during the last three years
- All the Equity Shares of your Company are listed.
- The Company places the requisite information about related party transactions before the Audit Committee from time to time. Please refer to Notes on Accounts for materially significant related party transactions. None of the said transactions were potentially in conflict with the interest of the Company at large.
- There has been no accounting treatment different from that prescribed in the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) or as notified under the Companies Act.
- The Company being a part of Kennametal Group ("the group"), complies with the whistle blower policy of the group which is applicable to all employees of the group.
- The Senior Management personnel have declared to the Board of Directors that none of them or their relatives

had any material, financial, commercial transactions that were potentially in conflict with the interests of the Company.

- The Managing Director and Chief Financial Officer have certified to the Board in accordance with Clause 49(IX) of the listing agreement, for the year ended June 30, 2015.
- The Company does not have any subsidiaries.
- The Company has not made any capital issues during the year ended June 30, 2015.
- The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

Adoption of non-mandatory requirements

i) The Board

The Company reimbursed the expenses towards the maintenance of the office up to November 4, 2014 by its non-executive independent former Chairman Mr. M.N. Bhagwat.

ii) Shareholder Rights

The Company's quarterly and half-yearly financial results are published in the newspapers and the results were also uploaded in the Company's website. Therefore, no individual intimations were sent to the shareholders. However, based on the requests from shareholders, if any, the Company would provide them individually.

iii) Audit qualifications

There are no qualifications in the Auditors' Report on the Financial Statements of the Company for the year ended June 30, 2015.

Annexure II to the Board's Report

iv) Separate posts of Chairman and CEO

The Company has appointed separate persons to the post of the Chairman and the CEO.

v) Reporting of Internal Auditor

The Internal Auditor reports directly to the Audit Committee.

10. Means of Communication

- Quarterly / half-yearly / annual financial results of the Company were forwarded to the BSE Limited (where listed) immediately after the Board Meetings so as to enable hosting the same in their website and the results were also published in Financial Express (English) and Sanjevani (Kannada) newspapers within 48 hours from the conclusion of the Board Meetings.
- As per the latest amendment by SEBI the requisite details of the Company in terms of Clause 54 of the listing agreement are maintained in the website viz. www.kennametal.com/kennametalindia/ under the icon 'Company Profile' (Kennametal India Financials).

The link is as follows: <http://www.kennametal.com/hi/about-us/kil-financials.html>

- Management Discussion and Analysis Report is annexed to the Board's Report.

General shareholders' information

Annual General Meeting:

The 50th Annual General Meeting of the Company is scheduled to be held on November 09, 2015 at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bengaluru – 560073.

Book Closure:

The Register of Members and share transfer books will remain closed from November 03, 2015 to November 09, 2015 (both days inclusive).

Event	Month (tentative)
Un-audited results for the quarter ending September 30, 2015	November, 2015
Un-audited results for the quarter ending December 31, 2015	January / February, 2016
Un-audited results for the quarter ending March 31, 2016	April / May, 2016
Audited results for the year ending June 30, 2016	August, 2016

Stock Exchange :

The equity shares of the Company are listed with BSE Limited, Mumbai. (Scrip Code: 505890) and the listing fee has been paid for the year 2015-2016.

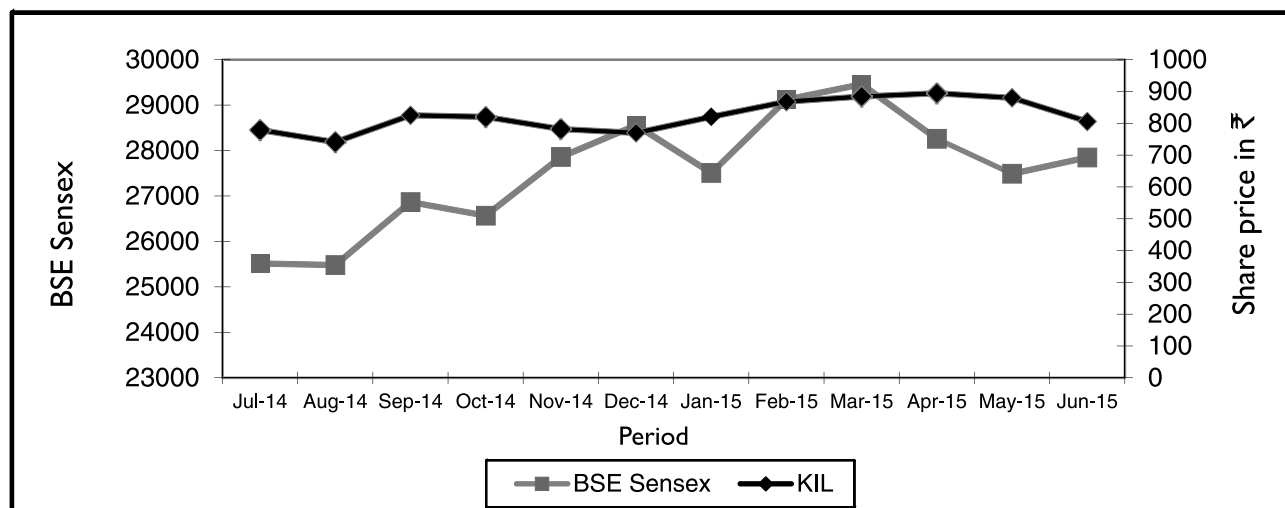
Table 10: Market Price Data - High/Low [closing price] on BSE, during each month of the period under review

Month & Year	High (Rs.)	Low (Rs.)
July, 2014	797.55	716.60
August, 2014	840.75	741.15
September, 2014	883.75	789.95
October, 2014	820.00	736.35
November, 2014	822.40	775.00
December, 2014	841.75	763.25
January, 2015	897.85	800.60
February, 2015	900.75	842.20
March, 2015	932.50	849.50
April, 2015	947.25	858.50
May, 2015	887.75	795.00
June, 2015	805.75	760.00

Source: Website of the BSE Limited - www.bseindia.com

Annexure II to the Board's Report

Table 10 : Share price performance in comparison with BSE Sensex*



* Based on BSE Sensex (close) / share price (close) on the first trading day of the month

Share Transfer Agents

Work related to both physical & demat shares is handled by Integrated Enterprises (India) Limited as common Share Transfer Agent. All correspondence relating to share transfers, change of address for shares held in physical form and dematerialisation of shares etc. are to be addressed to Integrated Enterprises (India) Limited, No.30, "Ramana Residency", 4th Cross, Sampige Road, Malleswaram, Bengaluru - 560003, Phone: 080 - 23460815 to 818. Fax: 080 - 23460819, E-mail: irg@integratedindia.in

Share transfer system

The authority relating to transfer of shares has been delegated to a Share Transfer Committee consisting of the Managing Director as its Chairman, Vice President & Chief Financial Officer and the Company Secretary as its members. The Committee meets fortnightly or as often as may be necessary to ensure that the transfer process is completed without delay.

Additionally, an Independent Practicing Company Secretary undertakes audit and scrutiny of the system quarterly and certifies accordingly.

Table 11 : Pattern of shareholding as on June 30, 2015.

Category	No. of shares	Percentage (%)
Promoters		
Meturit AG. - 11,208,840	16,483,680	75.00
Kennametal Inc. - 5,274,840		
Public		
Mutual Funds	3,264,086	14.85
Financial Institutions/Banks	1,040	0.005
Bodies Corporate	218,855	1.00
Individuals & others	2,010,579	9.15
Total	21,978,240	100.00

Annexure II to the Board's Report

Dematerialisation of shares

The Company's shares are admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL] and the ISIN allotted for the equity shares of the Company is INE717A01029, 99.96% of the equity shares of the Company are held in demat form.

There are no outstanding GDRs / ADRs / other convertible instruments.

Table 12 : Distribution of shares as on June 30, 2015

No. of shares	No. of shareholders	Shares held	% to Total
Upto 5000	5,793	1,295,359	5.89
5,001 to 10,000	42	297,547	1.35
10,001 to 20,000	22	302,857	1.38
20,001 to 30,000	3	77,680	0.35
30,001 to 40,000	0	0	0
40,001 to 50,000	1	42,593	0.19
51,001 to 100,000	4	307,838	1.40
100,001 and above	8	19,654,366	89.44
Total	5,873	21,978,240	100.00

Address for correspondence

For all matters relating to shares, demat, remat, annual report, etc.

Integrated Enterprises (India) Limited

Unit: Kennametal India Limited
No. 30, "Ramana Residency", 4th Cross,
Sampige Road, Malleswaram,
Bengaluru - 560 003
Phone : 080 - 23460815 to 818
Fax : 080 - 23460819.
e-mail: irg@integratedindia.in

For dividend queries and other general matters:

The Company Secretary Kennametal India Limited

8/9th Mile, Tumkur Road,
Bengaluru - 560 073.
Karnataka, India
Phone: 080-28394321 & 080-22198345
Fax: 080 28397572

e-mail: kundan.lal@kennametal.com

e-mail: in.investorrelation@kennametal.com

for the purpose of addressing investor complaints and also to take necessary follow-up action.

Annexure II to the Board's Report**CERTIFICATE****AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS.**

To
**The Members of
Kennametal India Limited**
Bengaluru.

I have examined the compliances of the conditions of Corporate Governance by Kennametal India Limited for the year ended June 30, 2015 as stipulated in Clause 49 of the Listing Agreement of the said Company with BSE Limited (BSE), Mumbai in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's Management.

My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I state that in respect of investors' grievances received during the year ended June 30, 2015, no investor grievances are pending against the Company as on June 30, 2015, as per the records maintained by the Company and as stated by the Registrar and Share Transfer Agent.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Bengaluru
August 21, 2015

Vijayakrishna K T
Practising Company Secretary
FCS-1788 CP-980

Annexure IIA to the Board's Report**MD CERTIFICATION**

To
The Members
Kennametal India Limited

Pursuant to Clause 49 of the listing agreement with BSE Limited, this is to confirm that all the Members of the Board and the Senior Management of the Company have confirmed compliance with the Code of Conduct of the Company for the year ended June 30, 2015.

Bengaluru
August 21, 2015

For Kennametal India Limited

Bhagya Chandra Rao
Managing Director

Annexure-IIB to the Board's Report

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

The Board of Directors,
Kennametal India Limited

This is to certify that, to the best of our knowledge and belief:

- (i) We have reviewed the financial statements and the cash flow statement for the year ended June 30, 2015 and that to the best of our knowledge and belief:
 - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (ii) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of Company's Code of Conduct (Kennametal code of business ethics and conduct)
- (iii) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify such deficiencies.
- (iv) We have indicated to the auditors and the Audit committee
 - (a) that there were no significant changes in internal control during the year other than those which have already been brought to the notice of the Audit Committee of Directors and the Statutory Auditors
 - (b) that there were no significant changes in accounting policies during the year and that the same, if any, have been disclosed in the notes to the financial statements; and
 - (c) that there were no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.
- (v) We declare that all the Board Members and Senior Management personnel have affirmed compliance with the code of conduct for the year ended June 30, 2015.

Bengaluru
August 21, 2015

Bhagya Chandra Rao
CEO & Managing Director

D. Parameswara Reddy
Vice President & CFO

Annexure III to the Board's Report

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

[Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014]

A] Conservation of Energy

Your Company continued to undertake various energy conservation initiatives during the year. Some of the energy conservation measures taken by the Company are given below:

a) Energy conservation measures taken during the year -

- Compressed Air Audit facilitated in reducing Compressed Air consumption by 8 % by arresting the leakages and incorporating improvements
- Energy Efficient LED Fixtures were installed in the Company. Replaced Air-conditioners with Energy Efficient star rated Air-conditioners
- Installed Occupancy Sensors in meeting rooms to ensure lights being switched off when the rooms are not occupied
- Installed Solar Lux controllers in street lighting system to reduce power consumption
- Energy Efficient Dust Collectors were installed in the Powder Preparation Area
- Upgraded Energy Monitoring Software to improve Energy Management Information System which helps in better scheduling of power loads
- During Holidays and Sundays Energy Audit was conducted to ensure optimum use of energy
- Specific Power Consumption in sintering furnace was reduced by 3.5 % by improved Furnace loading
- The Vacuum Pumps in Sintering Furnaces were incorporated with Variable Frequency Drive to reduce power consumption

In order to reduce the expenditure towards energy, Six Nos. of 400 KVA UPS systems were installed in distribution system with an investment of ₹ 260 Lakhs. This enabled the switching off of the 2 MW DG Set, which was operated for catering to critical loads, thus increasing the use of grid power from 36% to 99.8% resulting in reducing power cost by ₹ 400 Lakhs per annum.

b) Additional investment and proposals, being made to reduce energy consumption:

The following proposals with an investment of ₹ 80 Lakhs are being considered for implementation in FY 16 which in turn are expected to reduce energy consumption by 4.5%:

- a) Replacement of Chillers in cold water system to reduce power consumption.
- b) To Conduct Energy Audit of the Company by engaging Energy Experts.
- c) To evaluate the use of Solar Power in the Company

c) Impact of the measures taken above for reduction in energy consumption and consequent impact on the cost of production of goods:

- Due to the aforesaid energy conservation projects the Company saved approximately 11.2 Lakhs units in FY15 and the energy bills of the Company was reduced by ₹ 400 Lakhs.
- It helped in reducing the electricity load by 50 KW in the Company.
- The Project facilitated reducing furnace oil consumption by 2800 KL per annum thus reducing the Carbon Dioxide emission in the Company by 8000 Tons per annum.

B] Technology Absorption

a) Research & Development (R&D)

The Research, Development and Engineering (RD&E) of your Company continues in its endeavor to indigenize products and develop with specific focus on materials, coatings and designs in collaboration with the parent company, Kennametal Inc., to reduce cost, improve product efficiency, and enhance performance of its products.

The RD & E department of your Company has the following objectives:

- a) Development of new range of products contributing to better market penetration, conversion and retention.
- b) New Process Development & Improvement in Powder Manufacturing, Pressing, Sintering and Coating.
- c) Support to Manufacturing for improved quality and reduced cost of production for better customer experience.
- d) Support Marketing for developing custom solution products by leveraging the combination of Kennametal's strength in substrates, coatings and engineering.

Annexure III to the Board's Report

- e) Support Kennametal Knowledge Centre to train Customers and Sales Engineers on cutting tool materials.
- f) Rapid product development by conducting Benchmarking tests and simulating field machining conditions at Lab.
- g) Proposal of tooling solutions for projects at customers end.
- h) Exploring new technologies in processes, materials & automation.

I. Specific areas in which R&D is carried out

- i. Up-gradation of CVD grades for P, M & K applications through global offering & consolidation.
- ii. Up-gradation of P20-P30 coated grades for railway axle machining.
- iii. Custom solution P10 – P30 grades for steel turning.
- iv. Introduction of reclaimed powder for Infrastructure grades.
- v. Custom solutions to Metal Cutting and Metal Forming
- vi. Quality improvement of current processes through Lean Six-Sigma projects in the area of Powder Manufacturing, Sintering and Coating
 - a. Global standardization of Sintering & Coating recipes.
 - b. Powder standard cost reduction for Infra grades.
 - c. Sintering cycle time reduction for inserts.

2. Benefits derived

- Improvement of product quality, process lead time, cost reduction, new products and a good value proposition to customers by improvement in product performance & global standardization.

3. Future plan of action

- Focus on Cold Heading Pellet grade
- Performance up-gradation of Metal Forming grades
- Focus on Eco friendly and dry milling for Powder manufacturing

- Continued efforts towards quality enhancement, evolution of new products aligned with customer needs and with reduction in costs and lead time
- Global consolidation & standardization of Substrates & Coatings.

4. Expenditure on R & D

(₹ in Lakhs)

	2015	2014
a) Capital	105	2
b) Recurring	503	493
c) Total	608	495
d) Total R & D expenditure (as a percentage to turnover)	1.07%	0.90%

b) Technology absorption, adaptation and innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation
 - Establishment of global substrates and coatings
 - Modernization of analytical techniques in chemical lab
 - Global standardization of Sintering Recipe
2. Benefits derived as a result of the above efforts.
 - Up-gradation of Products performance and increased alignment with Global Process standardization
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be noted:

Annexure III to the Board's Report

Processes/Products	Technology From	Year	Status of Implementation/ Absorption
Chemical Vapour Deposition Coatings, Pre- and Post-Coat treatments	Kennametal Inc.	2011-12	Full
End Mills	Hanita Metal Works Limited	2011-12	Full
Grades and Products	Kennametal Inc.	2012-13	Full
New Pre- and Post-Coat Treatments	Kennametal Inc.	2012-13	Full
New CVD Coatings	Kennametal Inc.	2012-13	Full
New CVD Coatings	Kennametal Inc.	2013-14	Full
New CVD Coatings	Kennametal Inc.	2014-15	Full

C] Foreign Exchange earnings and outgo

i) Activities relating to exports –

Your Company primarily exports its products to Germany, USA and China. During the year, your Company made exports worth ₹ 4698 Lakhs almost flat compared to FY14.

ii) Initiatives taken to increase exports, Development of new export markets for products and services; Export Plans

- The Company is trying to establish EcoGrind machine in the Chinese market.
- localize various Hard Metal products to meet not only local requirements but also Asia Pacific regional requirements.
- Investing in production capacity for certain grades to be manufactured for global requirements.

iii) Total foreign exchange used and earned:

(₹ in Lakhs)

i) Foreign Exchange earned	4,698
ii) Foreign Exchange used	25,832

Annexure IV to the Board's Report

Form No. MR-3 SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 30.06.2015

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

The Members, Kennametal India Limited

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kennametal India Limited (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 30.06.2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Kennametal India Limited for the financial year ended on 30.06.2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buy back of Securities) Regulations, 1998;
- (vi) There are no other specific laws applicable to the Company.

Annexure IV to the Board's Report

I have further reviewed the systems and mechanism established by the Company for ensuring compliance under the other applicable Acts, Rules, Regulations and Guidelines prescribed under various laws which are applicable to the Company and are categorized under the following major heads/groups:

1. Factories Act, 1948;
2. Labour laws and other incidental laws related to labour and employees appointed by the Company including those on contractual basis as relating to wages, gratuity, prevention of sexual harassment, dispute resolution welfare, provident fund, insurance, compensation etc.;
3. Industrial (Development Regulation) Act, 1991;
4. Acts relating to consumer protection including the Competition Act, 2002;
5. Acts and Rules prescribed under prevention and control of pollution;
6. Acts and Rules relating to Environmental protection and energy conservation;
7. Acts and Rules relating to hazardous substances and chemicals;
8. Acts relating to Electricity, fire, petroleum, drugs, motor vehicles, explosives, Boilers, etc.;
9. Acts relating to protection of IPR;
10. Land revenue laws; and
11. Other local laws as applicable to various plants and offices.

I have also examined compliances with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India (came into effect from 1st July, 2015; hence not applicable for the financial year ended 30.06.2015).
- (ii) The Listing Agreements entered into, by the Company with the BSE Limited (BSE).

I further state that during the period under review and based on my verification of the records maintained by the Company and also on the review of compliance reports/statements by respective department heads/Chief Financial Officer/ Company Secretary taken on record by the Board of Directors of the Company, in my opinion, adequate systems and process and control mechanism exist in the Company to monitor and ensure compliance with applicable labour laws, environmental laws and other applicable laws as mentioned above. Certain non-material findings made during the course of the audit relating to Labour Laws were addressed suitably by the Management.

I further report that I have not reviewed the applicable financial laws, direct and indirect tax laws since the same have been subject to review and audit by the Statutory Auditors of the Company.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors which took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes as per the practice followed. However, during the period under report, there was no such case instance.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Annexure V to the Board's Report

FORM NO.AOC.2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis : NIL
2. Details of material contracts or arrangement or transactions at arm's length basis
 - (a) Name(s) of the related party and nature of relationship:
 1. KENNAMETAL INC., USA, Ultimate Holding (Parent) Company of the Company
 2. KENNAMETAL EUROPE GmbH, Switzerland
 - (b) Nature of Contracts/arrangements/transactions-

Sl. No.	Nature of Transactions
1	Purchase
2	Sales
3	IT
4	Royalty
5	Cross Charge-Debits
6	Cross Charge-Revenue

The above transactions are in the ordinary course of business and on arm's length basis.

- (c) Duration of the Contracts/arrangements/transactions: ongoing, will be continuous year after year
- (d) Salient terms of the Contracts or arrangements or transactions including the value, if any:

Sl. No.	Nature of Transactions	Salient terms
1	Purchase	Payment in respective country currency made within 30 days from date of receipt of material
2	Sales	Billing in country currency; Within 21 days from end of the month billing
3	IT	Payment in respective country currency made within 30 days of issue of debit note
4	Royalty	Payment in respective country currency made within 60 days of issue of credit note
5	Cross Charge-Debits	Payment in respective country currency made within 60 days of issue of debit note
6	Cross Charge-Revenue	Billing in country currency; Within 21 days from end of the month billing

Annexure V to the Board's Report

Particulars of Transactions with KENNAMETAL INC., USA

(₹ In Lakhs)

Sl. No.	Nature of Transactions	Transaction Value for the Financial Year 2014-15	Estimated Approved value of Transaction per annum for Financial Year 2014-15
1	Purchase	4692.92	5900.00
2	Sales	1557.30	1530.00
3	IT	1144.63	1500.00
4	Royalty	185.29	240.00
5	Cross Charge-Debits	31.87	20.00
6	Cross Charge-Revenue	8.94	35.00

2) Particulars of Transactions with KENNAMETAL EUROPE GMBH

(₹ In Lakhs)

Sl. No.	Nature of Transactions	Transaction Value for the Financial Year 2014-15	Estimated Value of Transaction per annum for Financial Year 2014-15
1	Purchase	13450.77	15250.00
2	Sales	1615.79	2050.00

(e) Date of approval by the Board, if any- August 12, 2014.

(f) Amounts paid as advances, if any: Nil

For and on behalf of the Board of Directors

 Bengaluru
August 21, 2015

 B.Anjani Kumar
Director

 Bhagya Chandra Rao
Managing Director

Annexure VI to the Board's Report

Annexure VI to the Board's Report

Statement Pursuant To Section 197(12) of the Companies Act, 2013 Read with Rule 5(1) of the Companies (Appointment And Remuneration of Managerial Personnel) Rules, 2014

1. The Board of Directors of the Company consists of 1 Managing Director, 3 Non-executive Directors nominated by Promoter and 3 Non-Executive Independent Directors.
2. The Non-executive Directors nominated by promoter were not paid any remuneration. The Independent directors were paid sitting fees and commission only. Details of the remuneration, Sitting fees and Commission paid to the Directors are provided under the Corporate Governance Report.
3. Disclosure as required under Rule 5(1) of the Companies (Appointment And Remuneration of Managerial Personnel) Rules, 2014:
 - (i) Ratio of the remuneration of the Managing Director to the median remuneration of the employees of the Company for the financial year 2014-15: 18.66
 - (ii) The percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary during the financial year 2014-15:
 - In the FY 15, there was an increase of 8% in the remuneration of the Managing Director/CEO and the CFO of the Company.
 - There was an increase of 26% in the remuneration of the General Manager-Legal & Company Secretary of the Company. The increase was due to necessary market adjustment and promotion from Dy. General Manager to the General Manager-Legal w.e.f. August 1, 2014.
 - (iii) The percentage increase in the median remuneration of employees in the financial year :

The median remuneration of employees of the Company during the Financial Year was ₹ 6,29,456.29. In the FY 15 and there was an increase of 8.64 %.
 - (iv) The number of permanent employees on the rolls of the Company: 815 as on June 30, 2015.
 - (v) Relationship between average increase in remuneration and Company performance:

The Profit before Tax before extra-ordinary items for the Financial Year ended June 30, 2015 increased by 34% whereas the increase in median remuneration of the employees was 8.64 %. The average increase in remuneration was in line with the market trend.
 - (vi) Comparison of remuneration of Key Managerial Personnel against the performance of the Company:

The Profit before Tax before exceptional items for the Financial Year ended June 30, 2015 increased by 34% whereas the increase in the remuneration of the Key Managerial Personnel was 8% except the market adjustment made in the remuneration of the Company Secretary.

Annexure VI to the Board's Report

(vii) Variations in the market capitalization of the Company: The market capitalization as on June 30, 2015 was ₹ 173737 Lakhs and ₹ 166265 Lakhs as on June 30, 2014.

- a) Price Earnings ratio of the Company was 51.83 as at June 30, 2015 against & 97.36 as at June 30, 2014.
- b) Percent increase over/ decrease in the market quotations of the shares of the Company as compared to the rate at which the Company came out with the last public offer in the year:

The Company had come out with initial public offer (IPO) in 1967. An amount of ₹ 100 invested in the said IPO would be worth ₹ 3.79 Lakhs as on June 30, 2015 indicating a Compounded Annual Growth Rate of 18.73%. This is excluding the dividend accrued thereon and benefit on account of shares received at the time of issue of bonus shares.

(viii) Average percentage increase made in the salaries of employees other than the Key Managerial Personnel in the financial year 2014-15 was 8%.

(ix) The remuneration paid to the Managing Director is ₹ 117.4 Lakhs as on June 30, 2015 whereas for 2013-14, the total remuneration was ₹ 111.2 Lakhs. Increase in the remuneration was 8% and the Company's net profit before exceptional items increased by 34% in the FY15.

(x) The key parameters for any variable component of remuneration availed by the Managing director is based on Company's and Parent Company's key performance metrics like Sales Growth, EBIT and EPS.

(xi) For the Financial Year under consideration, Mr. Bhagya Chandra Rao, Managing Director was paid the highest remuneration. No employees have received remuneration in excess of the Managing Director.

(xii) It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy for Directors, Key Managerial Personnel and other employees.

For and on behalf of the Board of Directors

Bengaluru
August 21, 2015

B. Anjani Kumar
Director

Bhagya Chandra Rao
Managing Director

Annexure VII to the Board's Report

Information as per Section 197(12) of the Companies Act, 2013, read with Rule 5 (2) & (3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the year ended June 30, 2015.

Name	Designation/ Nature of duties	Age (in year)	Qualifications	Experience (in years)	Date of Joining	Remuneration Received (₹ In Lakhs)	Particulars of last employment held
Bhagya Chandra Rao	Managing Director	59	B.E. Mechanical	34	14-09-2012	117.36	Sandvik Asia Private Limited
Chandrashekhar Sharma K	KMT Industrial Sales Leader-India	53	B.E., M.B.A.	31	16-09-1999	71.45	HMT Limited
Sarathy D*	Vice President Manufacturing	58	B.Tech	33	01-08-1981	37.67	Nil

Notes :-

- ✓ Asterisk (*) mark against a name indicates that the employee was in service only for a part of the year.
- ✓ Designation of the employee indicates the nature of his/ her duties.
- ✓ Other terms and conditions are as per rules of the Company.
- ✓ None of above employees hold more than 2% equity share of the Company.
- ✓ None of these employees is relative of any director of the Company

Annexure VIII to the Board's Report**ANNUAL REPORT ON CSR ACTIVITIES****Applicability of the Companies Act, 2013**

Pursuant to Section 135 of the Companies Act, 2013 and the rules made thereunder, your company has constituted Corporate Social Responsibility (CSR) Committee to effectively monitor CSR activities of the Company. Further, the Companies (Corporate Social Responsibility Policy) Rules, 2014 lays down the framework and approach for carrying out CSR activities which are specified in Schedule VII of the Act.

I. Brief Outline of Company's CSR Policy

Your Company's CSR policy is in line with CSR activities permitted by Companies Act, 2013 and Rules made thereunder.

Kennametal India Corporate Social Responsibility strategy is in line with the guidelines adopted by our ultimate holding Company Kennametal Inc. Kennametal has several policies and standards in place in line with our core values, covering business ethics and governance, the Code of Conduct, and policies such as Environment, Health, and Safety (EHS); Quality; Living Our Values, Protecting our Planet.

Your Company's Corporate Social Responsibility is focused on enhancing the lives of the local community in which it operates. This takes shape by way of providing new skills and in general, creating a better quality of life for the people in the communities in which the company operates. We strongly believe in contributing towards the betterment of society and endeavor to create a positive impact, while achieving our business goals.

Kennametal focuses on these areas:

- a) **TechEdNet towards promotion of education** - Includes the support of Secondary and Post-Secondary Educational opportunities with an emphasis on studies in the areas of technical engineering, machine skill training and materials and environmental sciences.
- b) **Kennametal in the Community:** We focus on the importance of our employees' volunteering in the communities where they live and work. We encourage and recognize volunteerism as a key component of our culture. The goal is to create a partnership in which a community organization may be supported monetarily by the Company when it offers a significant volunteer opportunity for our employees.
- c) **Protecting Our Planet** - providing sustainable solutions by reducing the total environmental impact of our products and operations. We will protect our planet by continuously improving our management of energy and natural resources, promoting recycling and recovery of materials, and preventing pollution across our global footprint.
- d) Kennametal Employees actively volunteer in the activities of Sparsha Trust. "NERALU" is an NGO which has brought new hope and opportunities for a bright future into the lives of around 500 underprivileged kids in the past 5 years. Kennametal has joined hands with this organization to attain the aims and objectives of:
 - Eradication of Child Labor
 - Helping poor children to get access to quality education
 - Empowerment of street children and women by providing them with education and skills-oriented training
 - Providing Medical support to poor families in the surrounding areas

Kennametal India support the project Nisarga Grama (A permanent shelter for minimum 500 underprivileged children) which is in a good progress. Sparsha trust received a State award as "Best NGO Award 2014" from Chief Minister on June 12, 2014.

The Company's detailed CSR policy can be accessed at:

http://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/KMT-India_corp_social_responsibility_policy.pdf or www.kennametal.com/kennametalindia/

Annexure VIII to the Board's Report

2. The Composition of the CSR Committee:

- i. Mr. Bhagya Chandra Rao, Chairman
- ii. Mr. Prakash M. Telang, Member
- iii. Mr. B. Anjani Kumar, Member and
- iv. Mr. John H. Jacko, Member

3. Average net profit of the company for last three financial years: ₹ 4,943 Lakhs

4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above): ₹ 98.86 Lakhs

5. Details of CSR spent during the financial year.

- a) Total amount to be spent for the financial year: ₹ 98.50 Lakhs
- b) Amount unspent: ₹ 0.36 Lakh
- c) Manner in which the amount spent during the financial year is detailed below.

Kennametal India Limited CSR Project and Expenses status as on June 30, 2015

(Amount in ₹)

Sl. No.	CSR project / activity identified	Sector in which the Project is covered	Projects / Programmes 1. Local area/others- 2. Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project/programs wise	Amount spent on the project /programs Subheads: 1. Direct expenditure on project, 2. Overheads	Cumulative spend up to the reporting period	Amount spent: Direct /through implementing agency*
1	In the Community programme (Support in arranging food for 120 disabled girls) (w.e.f. January 01, 2015 to June 30, 2015)	Social justice : rehabilitation of blind/disabled girls/women	"In the Community" programme 1. Local area - Goraguntepalya, Yeshwantpur 2. Bengaluru, Karnataka	₹ 1,80,000 /-	Direct expenditure on project	₹ 1,80,000 /-	Amount spent through Prerana Resource Centre, NGO, Bangalore
2	Contribution to Prime Minister's National Relief Fund	Prime Minister's National Relief Fund	Prime Ministers National Relief Fund	₹ 21,50,000/-	Direct expenditure on project	₹ 21,50,000/-	Direct
3	In the Community programme (Setting up homes and hostels for homeless/orphan /underprivileged girls)	Social justice : Support in Building home for homeless/orphan an/underprivileged girls	"Nisarga Grama" project Hessarghatta, Bengaluru	₹ 30,00,000/-	Direct expenditure on project	₹ 30,00,000/-	Amount spent through Sparsha Trust, NGO, Bengaluru

Annexure VIII to the Board's Report

(Amount in ₹)

Sl. No.	CSR project / activity identified	Sector in which the Project is covered	Projects /Programmes 1.Local area/others- 2.Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project/programs wise	Amount spent on the project /programs Subheads: 1.Direct expenditure on project, 2.Overheads	Cumulative spend up to the reporting period	Amount spent: Direct /through implementing agency*
4	Promoting education of the Children-providing healthy, nutritious and sumptuous food to the Children in nearby school	Eradicating hunger, poverty and malnutrition under "In the Community" programme	Local area - Govt High School, Bagalagunte (adjacent KIL)	₹ 5,43,000/- for one full year upto February 2016 - for around 750 students in Govt High School, Bagalagunte	Direct expenditure on project	₹ 5,43,000/-	Spent through Akshaya Patra Foundation
5	Education assistance to socially and economically weaker sections	"Promotion of education"	Spent for higher education of poor students - supported at NITK Suratkhal and PSG College of Technology, Coimbatore	Rs.9,31,875/-	Direct expenditure on project	₹ 9,31,875/-	Direct
6	Protect the Planet - Awareness session conducted followed by Inter school Quiz competitions, Essay writing and Drawing Competitions	"Protect the Planet" programme	Local area - Govt High School, Bagalakunte (near the Company facilities) around 150 students from various schools from Dasarahalli participated and prizes were given.	₹ 72,274/-	Direct expenditure on project	₹ 72,274/-	Direct
7	Rain Water harvesting in the Government High School, Bagalakunte (adjacent KIL)	"protect our planet" programme	Local area - Govt High School, Bagalagunte (adjacent KIL)	₹ 2,05,590/-	Direct expenditure on project	₹ 2,05,590/-	Direct

Annexure VIII to the Board's Report
(Amount in ₹)

Sl. No.	CSR project / activity identified	Sector in which the Project is covered	Projects /Programmes 1.Local area/others- 2.Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project/programs wise	Amount spent on the project /programs Subheads: 1.Direct expenditure on project, 2.Overheads	Cumulative spend up to the reporting period	Amount spent: Direct /through implementing agency*
8	Education assistance to Physically Disabled/Challenged through Enable India	"In the Community" programme: Supporting post training internship of 20 candidates with disability	Local area : Nearby Bengaluru through Enable India (An Organization which empowers people with disabilities)	₹ 6,00,000/-	Direct expenditure on project	₹ 6,00,000/-	Spent through Enable India, NGO, Bengaluru
9	In the Community: Development	Local infrastructure & development	Establish bus stop shelter for local commuters Local Area: near the Company facility, Bengaluru, Karnataka	₹ 2,04,503/-	Direct expenditure on project	₹ 2,04,503/-	Direct
10.	Promoting Health Care : Donated Ambulance to 'People Tree Foundation' for the help of Paediatric and neo-natal care	"In the Community" programme	Local Area: Goraguntepalya, Bengaluru, Karnataka	₹ 19,62, 758/-	Direct expenditure on project	₹ 19,62, 758/-	Direct and implanted through People Tree Foundation
					Total	₹ 98,50,000/-	

6. In case the Company has failed to spend the two per cent of the average net profit of the last 3 financial years or any part thereof, reasons for not spending the amount in its Board Report: The unspent amount was only ₹ 0.36 Lakh out of ₹ 98.50 Lakhs.

7. Responsibility statement of the CSR Committee:

CSR Committee confirmed that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

Bhagya Chandra Rao

B. Anjani Kumar

Bengaluru
August 20, 2015

Chairman-CSR Committee

Director/Member

Annexure IX to the Board's Report
FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN as on financial year ended on 30.06.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

i	CIN	L27109KA1964PLC001546
ii	Registration Date	SEPTEMBER 21, 1964
iii	Name of the Company	KENNAMETAL INDIA LIMITED
iv	Category/Sub-category of the Company	COMPANY LIMITED BY SHARES
v	Address of the Registered office & contact details	8/9 TH MILE, TUMKUR ROAD, BENGALURU - 560073
vi	Whether listed company	YES
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	INTEGRATED ENTERPRISES (INDIA) LIMITED, NO-30, RAMANA RESIDENCY, GR FLOOR, 4TH CROSS, SAMPIGE ROAD, MALLESWARAM, BANGALORE-560003

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
1	Hard Metal Products(Forging, pressing, stamping and roll-forming of metal; powder metallurgy)	2591	82%
2	Machine Tools (Manufacture of special-purpose machinery)	282	18%

III. PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

Sl. No	Name & Address of the Company	CIN/GLN	Holding/Subsidiary Company	% of Shares held	Applicable Section
1	Kennametal Inc 1600, Technology Way, Latrobe, PA 15650, USA	Foreign Company	Ultimate Holding	24%	2(46)
2	Meturit Ag. 6300, Zug, Switzerland	Foreign Company	Holding	51%	2(46)

Annexure IX to the Board's Report

IV. SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

i) Category-wise Share holding :

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
A. Promoters										
(1) Indian	-	-	-	-	-	-	-	-		-
a) Individual/HUF	-	-	-	-	-	-	-	-		-
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-		-
c) Bodies Corporates	-	-	-	-	-	-	-	-		-
d) Bank/Fl	-	-	-	-	-	-	-	-		-
e) Any other	-	-	-	-	-	-	-	-		-
SUB TOTAL: (A) (1)	-	-	-	-	-	-	-	-		-
(2) Foreign							-	-		-
a) NRI- Individuals	-	-	-	-	-	-	-	-		-
b) Other Individuals	-	-	-	-	-	-	-	-		-
c) Bodies Corp.	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
d) Banks/Fl	-	-	-	-	-	-	-	-		-
e) Any other...	-	-	-	-	-	-	-	-		-
SUB TOTAL (A) (2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
B. PUBLIC SHAREHOLDING										
(1) Institutions										
a) Mutual Funds	3171939	-	3171939	14.43	3264086	-	3264086	14.85		0.42
b) Banks/Fl	180	860	1040	0.01	180	860	1040	0.01		-
c) Central govt	-	-	-	-	-	-	-	-		-
d) State Govt.	-	-	-	-	-	-	-	-		-
e) Venture Capital Fund	-	-	-	-	-	-	-	-		-
f) Insurance Companies	-	-	-	-	-	-	-	-		-
g) FIIS	-	-	-	-	-	-	-	-		-

Annexure IX to the Board's Report

h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	3172119	860	3172979	14.44	3264266	860	3265126	14.86	0.42
(2) Non Institutions									
a) Bodies corporates									
i) Indian	220639	860	221499	1.01	217995	860	218855	1.00	-0.01
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakhs	1229250	242701	1471951	6.70	1222372	216121	1438493	6.55	-0.15
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs	503643	56560	560203	2.55	440852	56560	497412	2.26	-0.29
c) Others (specify)									
NRI	62093	150	62243	0.28	59244	150	59394	0.27	-0.01
Clearing Member	5685	-	5685	0.03	15280	-	15280	0.07	0.04
Trust	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(2):	2021310	300271	2321581	10.56	1955743	273691	2229434	10.14	-0.42
Total Public Shareholding (B)= (B)(1)+(B)(2)	5193429	301131	5494560	25.00	5220009	274551	5494560	25.00	-
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	21677109	301131	21978240	100.00	21703689	274551	21978240	100.00	-

Annexure IX to the Board's Report

ii) Shareholding of Promoters

SI No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Kennametal Inc	5274840	24.00	-	5274840	24.00	-	
2	Meturit Ag.	11208840	51.00	-	11208840	51.00	-	
	Total	16483680	75.00	-	16483680	75.00	-	-

iii) Change in Promoters' Shareholding (please specify if there is no change)

SI. No.	Shareholders Name	Share holding at the beginning of the Year		Date	Increase/ Decrease in Share Holding	Reason	Cumulative Share holding during the year		Reason
		No. of Shares	% of total shares of the company				No of shares	% of total shares of the company	
1	Kennametal Inc.	5274840	24.00	-	-	-	5274840	24.00	-
2	Meturit Ag.	11208840	51.00	-	-	-	11208840	51.00	-

iv) Shareholding pattern of Top Ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

SI. No.	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE YEAR - 01.07.2014		Date	Increase/ Decrease in Share Holding	Reason	CUMULATIVE SHAREHOLDING DURING THE YEAR - 30.06.2015	
		No. of Shares	% of Total Shares of the Company				No Of Shares	% of Total Shares of the Company
1	RELIANCE CAPITAL TRUSTEE CO. LTD A/C RELIANCEEQUITY OPPORTUNITIES FUND	1520450	6.92	01.07.2014	0		1520450	6.92
				18.07.2014	700	TRANSFER	1521150	6.92
				08.08.2014	4400	TRANSFER	1525550	6.94
				22.08.2014	2600	TRANSFER	1528150	6.95
				05.09.2014	4100	TRANSFER	1532250	6.97
				12.09.2014	2600	TRANSFER	1534850	6.98
				30.09.2014	2800	TRANSFER	1537650	7.00
				28.11.2014	520	TRANSFER	1538170	7.00
				05.12.2014	365	TRANSFER	1538535	7.00

Annexure IX to the Board's Report

				19.12.2014	10000	TRANSFER	1548535	7.05
				31.12.2014	9625	TRANSFER	1558160	7.09
				23.01.2015	10000	TRANSFER	1568160	7.14
				06.03.2015	-15000	TRANSFER	1553160	7.07
				27.03.2015	5600	TRANSFER	1558760	7.09
				31.03.2015	1930	TRANSFER	1560690	7.10
				01.05.2015	1700	TRANSFER	1562390	7.11
				30.06.2015	0		1562390	7.11
2	RELIANCE CAPITAL TRUSTEE CO. LTD. - A/C RELIANCE TAX SAVER (ELSS) FUND	503387	2.29	01.07.2014	0		503387	2.29
				18.07.2014	2300	TRANSFER	505687	2.30
				06.03.2015	-25000	TRANSFER	480687	2.19
				30.06.2015	0		480687	2.19
3	SBI MAGNUM GLOBAL FUND	494288	2.25	01.07.2014	0		494288	2.25
				16.01.2015	-255000	TRANSFER	239288	1.09
				20.02.2015	-74288	TRANSFER	165000	0.75
				06.03.2015	-75000	TRANSFER	90000	0.41
				30.06.2015			90000	0.41
4	SBI TAX ADVANTAGE FUND SERIES I	250556	1.14	01.07.2014	0		250556	1.14
				13.02.2015	-1719	TRANSFER	248837	1.13
				20.02.2015	-53837	TRANSFER	195000	0.89
				06.03.2015	-75000	TRANSFER	120000	0.55
				30.06.2015	0		120000	0.55
5	DSP BLACKROCK MICRO CAP FUND	238725	1.09	01.07.2014	0		238725	1.09
				04.07.2014	2112	TRANSFER	240837	1.10
				08.08.2014	713	TRANSFER	241550	1.10
				22.08.2014	2131	TRANSFER	243681	1.11
				29.08.2014	3097	TRANSFER	246778	1.12
				14.11.2014	120	TRANSFER	246898	1.12
				21.11.2014	8414	TRANSFER	255312	1.16
				05.12.2014	308	TRANSFER	255620	1.16
				09.01.2015	1527	TRANSFER	257147	1.17
				16.01.2015	102037	TRANSFER	359184	1.63
				30.06.2015	0		359184	1.63

Annexure IX to the Board's Report

6	SBI MAGNUM BALANCED FUND	110000	0.50	01.07.2014	0		110000	0.50
				08.08.2014	-110000	TRANSFER	0	0.00
				30.06.2015	0		0	0.00
7	SAFINA TOWERS PRIVATE LIMITED	77336	0.35	01.07.2014	0		77336	0.35
				22.05.2015	7527	TRANSFER	84863	0.39
				30.06.2015	0		84863	0.39
8	HAJEE ABDUL SATTAR SAIT	70675	0.32	01.07.2014	0		70675	0.32
				01.08.2014	10	TRANSFER	70685	0.32
				22.08.2014	-10	TRANSFER	70675	0.32
				27.02.2015	-1000	TRANSFER	69675	0.32
				30.06.2015			69675	0.32
9	NALINKANT CHATURBHUI ASHER	63300	0.29	01.07.2014	NO MOVEMENT DURING THE YEAR			
				30.06.2015			63300	0.29
10	NANDI CYLINDERS PVT LTD	42593	0.19	01.07.2014	NO MOVEMENT DURING THE YEAR			
				30.06.2015			42593	0.19
11	IDFC PREMIER EQUITY FUND	0	0.00	01.07.2014	0		0	0.00
				27.02.2015	149925	TRANSFER	149925	0.68
				06.03.2015	100000	TRANSFER	249925	1.14
				13.03.2015	108500	TRANSFER	358425	1.63
				31.03.2015	30000	TRANSFER	388425	1.77
				30.06.2015			388425	1.77
12	SBI INFRASTRUCTURE FUND	0	0.00	01.07.2014	0		0	0.00
				08.08.2014	100000	TRANSFER	100000	0.45
				14.08.2014	10000	TRANSFER	110000	0.50
				16.01.2015	150000	TRANSFER	260000	1.18
				30.06.2015			260000	1.18

v) Shareholding of Directors and Key Managerial Personnel

Sl. No		Shareholding at the beginning of the year		Date	Increase/Decrease in Share Holding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No of shares	% of total shares of the company
1	B. Anjani Kumar	10			-		10	
2	D Parameswara Reddy	01					01	

Annexure IX to the Board's Report
V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to **Managing Director**, Whole-time Directors and/or Manager.

(₹ In Lakhs)

Sl. No.	Particulars of Remuneration	Mr. Bhagya Chandra Rao	Total Amount
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	116.02 1.34 NIL	116.02 1.34 NIL
2.	Stock Option	NIL	NIL
3.	Sweat Equity	NIL	NIL
4.	Commission - as % of profit - others, specify	NIL	NIL
5.	Others, please specify	NIL	NIL
	Total (A)	117.36	117.36
	Ceiling as per the Act (Section 197) (@5% of Profit calculated under Section 198 of the Companies Act, 2013)		208.60

Annexure IX to the Board's Report

B. Remuneration to other directors:

(₹ In Lakhs)

Sl. No	Particulars of Remuneration	Name of Directors				Total Amount
		Mr. M.N. Bhagwat	Mr. Prakash M.Telang	Mr. Vinayak .K Deshpande	Mr. B. Anjani Kumar	
1	Independent Directors	1.30	1.25	1.10	2.50	6.15
	-Fee for attending Board/committee meetings	5.30	8.80	6.60	8.40	29.10
	-Commission					
	- Others, please specify					
	Total(1)	6.60	10.05	7.70	10.90	35.25
2	Other Non-Executive Directors	NIL	NIL	NIL	NIL	NIL
	-Fee for attending Board/committee meetings					
	-Commission					
	- Others, please specify					
	Total(2)	NIL	NIL	NIL	NIL	NIL
	Total (B)=(1+2)	6.60	10.05	7.70	10.90	35.25
	Overall Ceiling as per the Act (Section 197) (@1% of Profit calculated under Section 198 of the Companies Act, 2013)					41.72

Annexure IX to the Board's Report
C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

(₹ In Lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		CFO	Company Secretary	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	48.96	29.04	78.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Option	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL
4.	Commission			
	- as % of profit	NIL	NIL	NIL
	- others, specify			
5.	Others, please specify	NIL	NIL	NIL
	Total	48.96	29.04	78.00

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

INDEPENDENT AUDITORS' REPORT

To the Members of Kennametal India Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Kennametal India Limited ("the Company"), which comprise the Balance Sheet as at June 30, 2015, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the Accounting Standards and matters, which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at June 30, 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2015', issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on June 30, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at June 30, 2015 on its financial position in its financial statements – Refer Note 26.
 - ii. The Company has long-term contracts as at June 30, 2015 for which there were no material foreseeable losses. There are no long-term derivative contracts.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended June 30, 2015.

For **Price Waterhouse & Co Bangalore LLP**
Firm Registration Number (FRN): 007567S/S-200012
Chartered Accountants
(Formerly, Price Waterhouse & Co., Bangalore,
FRN: 007567S)

Place: Bangalore
Date: August 21, 2015

Shivakumar Hegde
Partner
Membership Number: 204627

Annexure to Independent Auditors' Report

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Kennametal India Limited on the financial statements as of and for the year ended June 30, 2015

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- ii. (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a) and (iii)(b) of the Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
- vi. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been specified under sub-section (1) of Section 148 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of duty of customs and wealth tax, which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, service tax and duty of excise, as at June 30, 2015, which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty/ Service tax	52,450	January 1998 to September 2011	The Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Bangalore
		851,264	February 1992 to August 1993	The Supreme Court of India
		4,610,113 (*1)	April 2006 to June 2013	CESTAT , Bangalore
The Finance Act, 1994	Service tax	576,157 (*2)	April 2007 to March 2008	CESTAT , Bangalore
		237,458	September 2005 to November 2009	CESTAT , Bangalore
The Andhra Pradesh General Sales Tax Act, 1957	Sales tax	5,872,886 (*3)	April 2003 to March 2004	The Sales Tax Appellate Tribunal, Hyderabad
The Delhi Sales Tax Act, 1975	Sales tax	78,550 (*4)	April 2004 to March 2005	The Joint Commissioner (Appeals), Delhi
The Central Sales Tax Act, 1956	Sales tax	5,711,151	April 2006 to March 2010	The High Court of Karnataka
The Karnataka Value Added Tax Act, 2003	Sales tax	820,124	April 2005 to March 2010	The High Court of Karnataka
The Karnataka Tax on Entry of Goods Act, 1979	Entry tax	Nil (*5)	April 2010 to June 2014	The Commissioner of Commercial Taxes, Bangalore
The Uttar Pradesh Value Added Tax Act, 2008	Sales tax	Nil (*6)	May 2011	The Joint Commissioner of Appeals, Sonabhadra, Uttar Pradesh
The Karnataka Value Added Tax Act, 2003	Sales Tax	Nil (*7)	April 2005 to March 2006	The Joint Commissioner of Commercial taxes (Appeals), Bangalore
	Sales Tax	Nil (*8)	April 2011 to March 2012	The Joint Commissioner of Commercial taxes (Appeals), Bangalore
	Sales Tax	Nil (*9)	April 2012 to March 2013	The Joint Commissioner of Commercial taxes (Appeals), Bangalore
	Sales Tax	50,535,366 (*10)	April 2013 to March 2014	The Joint Commissioner of Commercial taxes (Appeals), Bangalore

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where the dispute is pending
The Income Tax Act, 1961	Income tax	2,198,066 (*11)	April 1993 to March 1994; and April 1999 to March 2001	The Supreme Court of India
		Nil (*12)	April 1999 to March 2001	The Commissioner of Income Tax (Appeals), Bangalore
		Nil (*13)	April 2006 to March 2007	The Income Tax Appellate Tribunal, Bangalore
		Nil (*14)	April 2007 to March 2008	The Commissioner of Income Tax (Appeals) LTU, Bangalore
		Nil (*15)	April 2008 to March 2009	The Commissioner of Income Tax (Appeals) LTU, Bangalore
		Nil (*16)	April 2009 to March 2010	The Commissioner of Income Tax (Appeals) LTU, Bangalore
		50,842,950	April 2010 to March 2011	The Commissioner of Income Tax (Appeals) LTU, Bangalore
		Nil (*17)	April 2012 to March 2013	The Commissioner of Income Tax (Appeals) LTU, Bangalore

(*1) Net of Rs.5,094,915 paid "under protest".

(*2) Net of Rs.576,227 paid "under protest".

(*3) Net of Rs.5,872,886 paid "under protest".

(*4) Net of Rs.78,550 paid "under protest".

(*5) Net of Rs.7,529,692 paid "under protest".

(*6) Net of Rs.404,400 paid "under protest".

(*7) Net of Rs.370,607 paid "under protest".

(*8) Net of Rs.2,141,073 paid "under protest".

(*9) Net of Rs.5,345,294 paid "under protest".

(*10) Net of Rs.5,000,000 paid "under protest".

(*11) Net of Rs.750,375 paid "under protest".

(*12) Net of Rs.27,667,829 paid "under protest".

(*13) Net of Rs.69,776,571 paid "under protest".

(*14) Net of Rs.54,009,650 paid "under protest".

(*15) Net of Rs.50,365,440 paid "under protest".

(*16) Net of Rs.53,038,036 paid "under protest".

(*17) Net of Rs.215,466 paid "under protest".

- c) There are no amounts required to be transferred by the Company to the Investor Education and Protection Fund in accordance with the provisions of the Companies Act, 1956 and the rules made thereunder.
- viii. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- ix. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 3(x) of the Order are not applicable to the Company.
- xi. The Company has not raised any term loans. Accordingly, the provisions of Clause 3(xi) of the Order are not applicable to the Company.
- xii. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For **Price Waterhouse & Co Bangalore LLP**
Firm Registration Number (FRN): 007567S/S-200012
Chartered Accountants
(Formerly, Price Waterhouse & Co., Bangalore,
FRN: 007567S)

Place: Bangalore
Date: August 21, 2015

Shivakumar Hegde
Partner
Membership Number: 204627

BALANCE SHEET

(All amounts in ₹ Lakhs unless otherwise stated)

	Notes	As at June 30, 2015	As at June 30, 2014
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	3	2198	2198
Reserves and Surplus	4	33965	31142
NON CURRENT LIABILITIES			
Long-term Provisions	5	1146	888
CURRENT LIABILITIES			
Trade Payables	6		
Other Current Liabilities	7	6173	4532
Short-term Provisions	8	3786	3626
		567	573
		47835	42959
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets	9		
Tangible Assets	(A)	10133	11387
Intangible Assets	(B)	5	33
Capital Work-in-Progress		586	522
Deferred Tax Assets (Net)	10	936	644
Long-term Loans and Advances	11	3677	3117
Other Non-Current Assets	12	185	59
CURRENT ASSETS			
Inventories	13	9440	9563
Trade Receivables	14	11085	10783
Cash and Bank Balances	15	9479	5660
Short-term Loans and Advances	16	1532	1146
Other Current Assets	17	777	45
		47835	42959

The notes are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date

For **Price Waterhouse & Co Bangalore LLP**

Chartered Accountants

Firm Registration Number (FRN): 007567S/S-200012

(Formerly, Price Waterhouse & Co., Bangalore,
FRN: 007567S)

Shivakumar Hegde
Partner
Membership Number: 204627

Bangalore
August 21, 2015

For and on behalf of Board of Directors

Bhagya Chandra Rao
Managing Director
DIN - 00211127

Parameswara Reddy D
Vice President & CFO

B. Anjani Kumar
Director
DIN - 00022417

Kundan Kumar Lal
Company Secretary

STATEMENT OF PROFIT AND LOSS

(All amounts in ₹ Lakhs unless otherwise stated)

	Notes	Year ended June 30, 2015	Year ended June 30, 2014
REVENUE			
Revenue from operations (Gross)	18	61267	58565
(Less): Excise Duty		(4242)	(4052)
Revenue from operations (Net)		57025	54513
Other Income	19	554	558
TOTAL REVENUE		57579	55071
EXPENSES			
Cost of Materials consumed	20	16603	17240
Purchase of Stock in trade	21	12963	11902
Changes in Inventories of Finished goods, Work in progress and Stock in trade	22	116	(6)
Employee benefits expense	23	10161	9787
Depreciation and amortisation expense	9	2565	2659
Other Expenses	24	11177	10511
TOTAL EXPENSES		53585	52093
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX		3994	2978
Less: Exceptional items (Income)/ Expense	43	647	(1020)
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE TAX		4641	1958
TAX EXPENSE			
Current Tax		1581	1010
Tax Adjustments relating to earlier years		-	(277)
Deferred Tax charge/(credit)		(292)	(482)
PROFIT FOR THE YEAR		3352	1707
Earnings per Equity Share [Nominal Value per share ₹ 10 (2014: ₹ 10)]			
- Basic		15.25	7.77
- Diluted		15.25	7.77

The notes are an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date

For **Price Waterhouse & Co Bangalore LLP**

Chartered Accountants

Firm Registration Number (FRN): 007567S/S-200012

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Company Secretary

CASH FLOW STATEMENT

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2015	Year ended June 30, 2014
I CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	3994	2978
Adjustments for:		
Depreciation and amortisation expense	2565	2659
Liabilities no longer required written back	-	(97)
Provision doubtful debts and deposits written back	(2)	-
Provision for product support	308	312
Bad debts written off	27	-
Provision made for doubtful debts	-	8
Fixed assets written off	14	8
Loss/ (Profit) on sale of tangible assets (net)	(16)	(3)
Interest Income	(5)	(7)
Unrealised Foreign Exchange (Gain)/ Loss	9	(120)
Operating profit before working capital changes	6894	5738
Adjustment for working capital changes		
Decrease/ (Increase) in Inventories	123	(61)
Decrease/ (Increase) in Trade and Other Receivables	(722)	(1886)
(Decrease)/ Increase in Liabilities and Provisions	1742	(851)
Cash generated from Operations	8037	2940
Income Taxes paid, net of refunds	(1967)	(841)
Net cash generated from operations before exceptional Items	6070	2099
Exceptional items Income/ (Expense)		
Voluntary retirement and separation schemes compensation paid	-	(1020)
Net Cash from / (used in) Operating activities	6070	1079
2 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(1743)	(794)
Sale proceeds of Fixed assets	16	4
Interest received	5	7
Net Cash from / (used in) Investing activities	(1722)	(783)
3 CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid inclusive of tax during the year	(529)	-
Unclaimed dividend paid	-	(7)
Net Cash from / (used in) Financing activities	(529)	(7)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	3819	289
OPENING CASH EQUIVALENTS	5660	5371
CLOSING CASH EQUIVALENTS	9479	5660

CASH FLOW STATEMENT

(All amounts in ₹ Lakhs unless otherwise stated)

Notes:

- 1 The Cash Flow Statement has been compiled from and is based on the Balance Sheet as at June 30, 2015 and the related Statement of Profit and Loss for the year ended on that date.
- 2 The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 on "Cash Flow Statement" and the reallocation required for this purpose are as made by the company
- 3 Cash equivalents at the end of the year :

	June 30, 2015	June 30, 2014
Cash and Bank balances [including ₹ 3 (2014: ₹ 3) in dividend accounts]	1077	1057
Short term highly liquid Investments in Mutual Funds (*)	8402	4603
	9479	5660

(*) Current Investments in debt based Mutual Funds that are readily convertible into cash and having insignificant risk of change of value have been included in Cash and Cash Equivalents.

- 4 Prior year's figures have been reclassified / regrouped, wherever necessary.

This is the Cash Flow Statement referred to in our report of even date

For **Price Waterhouse & Co Bangalore LLP**

Chartered Accountants

Firm Registration Number (FRN): 007567S/S-200012

(Formerly, Price Waterhouse & Co., Bangalore,
FRN: 007567S)

Shivakumar Hegde

Partner

Membership Number: 204627

Bangalore

August 21, 2015

For and on behalf of Board of Directors

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Managing Director

DIN - 00211127

B. Anjani Kumar

Director

DIN - 00022417

Parameswara Reddy D

Vice President & CFO

Kundan Kumar Lal

Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kennametal India Limited ("the Company") incorporated under The Companies Act, 1956, is in the business of manufacturing and trading of hard metal products and machine tools. The Company has its registered office and manufacturing facility at Bangalore and sells its products and services through sales and support offices. The Company is a public limited company listed on the Bombay Stock Exchange (BSE).

2. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on an accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current – non current classification of assets and liabilities.

b) Fixed Assets

i) Tangible assets:

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment loss, if any.

Own manufactured assets are capitalised at cost. Cost comprises of purchase price, including import duties and other non-refundable taxes or levies and directly attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset are added to book value only if they increase the future benefit from existing asset beyond its previously assessed standard of performance.

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful life of the assets, which are different from useful life indicated in Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets. The estimates of useful life of the assets, based on a technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013.

NOTES TO FINANCIAL STATEMENTS

a. Own assets

Asset	Estimate useful life (in years)
Buildings	25-33
Plant and Machinery :	
Data Processing equipment	3-5
Others	5-10
Office Equipment	5
Furniture and Fixtures	5

Leasehold improvements are depreciated over the useful life of the asset or primary lease period, whichever is lower. Machinery spares of irregular usage are amortised over the estimated useful life of the respective Plant and Machinery. Individual assets costing up to ₹ 5,000 is fully depreciated in the year of acquisition.

b. Leased assets

Assets taken on finance lease are depreciated over its estimated useful life or the lease term, whichever is lower.

ii) Intangible assets:

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised over their estimated useful life.

Operating software is capitalised along with related tangible asset. Application software is expensed off on purchase, except in case of major application software having unit value exceeding rupees ten lakhs or forming part of an overall project, which is amortised over its estimated useful life or project life not exceeding three years.

The amortisation period used for intangible assets are reviewed at each financial year end.

c) Impairment of Assets

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds recoverable amount.

d) Investments

Investments that are readily realisable and are intended to be held for not more than one year, from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long term investments are carried at cost. However, provision of diminution is made to recognise a decline, other than temporary, in the value of investments, such reduction being determined and made for each investment individually.

NOTES TO FINANCIAL STATEMENTS

e) Inventories

Inventories are stated at the lower of cost and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, whenever considered necessary. The cost of raw materials, stores and spares, work in progress and traded goods are ascertained on a weighted average basis, whereas manufactured goods are ascertained on a first in first out method.

Manufactured goods and work in progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

f) Foreign Currency Transactions:

Transactions in foreign currency are recognised at the rate of exchange ruling on the date of the transaction.

Liabilities/ Assets in foreign currencies are recognised in the accounts as per the following principles:

Foreign currency liabilities contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the Statement of Profit and Loss.

All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains/ losses arising therefrom are adjusted to the Statement of Profit and Loss.

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Premium or discount arising at the inception of a forward exchange contract entered into to hedge an existing asset/ liability is amortised as expense or income over the life of the contract. Exchange differences on forward contracts are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

Forward exchange contracts outstanding as at the year end on account of firm commitment/ highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

g) Research and Development

Expenditure incurred in research phase is expensed as incurred. Development expenditure is capitalised as an internally generated intangible asset only if it meets the recognition criteria under Accounting Standard 26 on Intangible Assets, which inter-alia includes demonstration of technical feasibility, generation of future economic benefits etc. Expenditure that cannot be distinguished between research phase and development phase is expensed as and when incurred.

NOTES TO FINANCIAL STATEMENTS

h) Revenue Recognition

Revenue from sale of products is recognised when risk of loss, title and insurable risk have transferred to the customer, which in most cases coincides with shipment of the related products. Revenue from sale of special purpose machines is recognised upon customer acceptance and despatch. Sales are recognised net of sales returns, trade discount, sales tax and service tax but gross of excise duty, wherever applicable.

Income from services is recognised as the services are rendered based on agreements/ arrangements with customers. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Dividend income is accounted for in the year in which the right to receive the same is established.

i) Employee Benefits

i) Short term Employee Benefits:

All employee benefits falling due wholly within twelve months of rendering the services are classified as short term employee benefits, which includes benefits like salaries, wages, short term compensated absences and variable performance pay and are recognised in the period in which the employee renders related services.

ii) Gratuity:

The Company has an obligation towards gratuity, a defined benefit post-employment plan covering eligible employees. The Company has an Employees Gratuity Fund managed by Life Insurance Corporation of India (LIC) and HDFC Life Insurance Company Limited (HDFC). The Company accounts for the liability of Gratuity benefit payable in future based on an independent actuarial valuation (using the projected unit credit method) at the Balance Sheet date.

iii) Provident Fund:

Contributions in respect of Provident Fund are made to a Trust administered by the Company. Interest rate payable to members of the Trust cannot be less than statutory rate of interest declared by the Central Government under The Employees Provident Funds & Miscellaneous Provisions Act, 1952. The Company's liability is determined based on an independent actuarial valuation (using the projected unit credit method) at the end of the year and any short fall in the fund size maintained by the Trust set up by the Company is additionally provided for.

iv) Leave Encashment/ Compensated Absences:

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment/ availment. The liability is provided based on the number of days of unutilised leave at each balance sheet date on the basis of an independent actuarial valuation (using the projected unit credit method) determined at the end of the year.

v) Actuarial gains or losses comprise experience adjustments and the effect of changes in the actuarial assumption, which are recognised immediately in the Statement of Profit and Loss as income or expense.

NOTES TO FINANCIAL STATEMENTS

- vi) Termination benefits are recognised only when the Company is demonstrably committed either to terminate the employment of an employee or a group of employees before the normal retirement age. In the case of an offer made to encourage voluntary redundancy, a liability and an expense is recognised if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

j) Current and Deferred Tax

Taxes on income for the current year are determined on the basis of provisions of the Income Tax Act, 1961.

Tax expense for the year, comprising current year tax and deferred tax, are included in the determination of the net profit or loss for the year. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the prevailing taxation laws.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty or virtual certainty, as may be applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

k) Provisions and Contingent Liabilities

Provisions:

Provisions are recognised when the Company has a present obligation as a result of past obligating events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date and are not discounted to present value.

When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

Contingent Liabilities:

Contingent liability is disclosed when there is a possible obligation, arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

NOTES TO FINANCIAL STATEMENTS

l) Leases

Finance Leases:

Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Operating Leases:

Assets acquired on lease where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged to the Statement of Profit and Loss on a straight line basis over the lease term.

m) Segment Reporting

Segment accounting policies are generally in line with the accounting policies of the Company. Further, the following specific accounting policies have been followed for segment reporting:

- i) Segment revenue includes sales and other income directly identifiable with or allocable on a reasonable basis to the segment. Inter-segment transactions are not included in segment revenue and are accounted for at cost.
- ii) Expenses that are directly identifiable with or allocable to segments on a reasonable basis are considered for determining segment results. The expenses, which relate to the Company as a whole and not allocable to segments, are included under “Unallocable Corporate Expenses”.
- iii) Income that relates to the Company as a whole and not allocable to segments is included in “Unallocable Corporate Income”.
- iv) Segment assets and liabilities include those directly identifiable with respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment.

n) Cash and Cash Equivalents

In the Cash Flow Statement, cash and cash equivalents include cash on hand, demand deposits with banks, and other short term highly liquid investments with original maturities of three months or less.

o) Earnings Per Share

Earnings (basic and diluted) per equity share is arrived at based on Profit/ (Loss) after taxation to the weighted average (basic and diluted) number of equity shares.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

		As at June 30, 2015	As at June 30, 2014		
3. SHARE CAPITAL					
AUTHORISED SHARE CAPITAL					
21,978,240 (2014: 21,978,240) Equity Shares of Rs.10 each		2198	2198		
ISSUED, SUBSCRIBED AND PAID -UP CAPITAL					
21,978,240 (2014: 21,978,240) Equity Shares of Rs.10 each		2198	2198		
		2198	2198		
(a) Reconciliation of number of shares outstanding:					
		As at June 30, 2015		As at June 30, 2014	
<u>Equity Shares</u>		No. of Shares	Amount	No. of Shares	Amount
Shares outstanding at the beginning of the year		21978240	2198	21978240	2198
Shares outstanding at the end of the year		21978240	2198	21978240	2198
(b) Rights, preferences and restrictions attached to shares					
The Company has only one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held.The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any, in proportion to their shareholding.					
(c) Shares held by ultimate holding company and holding company					
		As at June 30, 2015		As at June 30, 2014	
		No. of Shares	Amount	No. of Shares	Amount
Kennametal Inc. USA, the ultimate holding company		5274840	527	5274840	527
Meturit AG., Zug, Switzerland, the holding company		11208840	1121	11208840	1121
(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company					
		No. of Shares	%	No. of Shares	%
Kennametal Inc. USA, the ultimate holding company		5274840	24.00%	5274840	24.00%
Meturit AG., Zug, Switzerland, the holding company		11208840	51.00%	11208840	51.00%
Reliance Capital Trustee Company Limited [Note (i) below]		2043077	9.30%	2023837	9.21%
Note: 1,562,390 (2014: 1,520,450) shares are held by Reliance Equity Opportunity Fund comprising 7.11% (2014: 6.92%) of the shareholding and 480,687 (2014: 503,387) shares are held by Reliance Tax Saver (ELSS) Fund comprising 2.19% (2014: 2.29%) of the shareholding.					

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2015	As at June 30, 2014
4. RESERVES AND SURPLUS		
i) Securities Premium Account		
Balance as at the beginning of the year	9	9
Balance as at the end of the year	9	9
ii) General Reserves		
Balance as at the beginning of the year	14884	14884
Balance as at the end of the year	14884	14884
iii) Surplus in Statement of Profit & Loss		
Balance as at the beginning of the year	16249	14542
Add: Profit for the year	3352	1707
(Less): Appropriations		
Interim dividend on equity shares	(440)	-
Dividend distribution tax on interim dividend	(89)	-
Balance as at the end of the year	19072	16249
	33965	31142
5. LONG TERM PROVISIONS		
Provision for Employee benefits:		
Gratuity	345	203
Leave Encashment/ Compensated Absences	578	553
Provision for Product support	72	-
Provision for disputed taxes and duties	151	132
	1146	888
6. TRADE PAYABLES		
Dues to Micro Enterprises and Small Enterprises	52	69
Others	6121	4463
	6173	4532
7. OTHER CURRENT LIABILITIES		
Advances/ Deposits from customers	924	1098
Unclaimed dividends *	3	3
Other liabilities:		
Employee benefits payable	1070	913
Statutory dues (including provident fund and tax deducted at source)	1631	1368
Others	158	244
	3786	3626
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.		
8. SHORT TERM PROVISIONS		
Provision for Employee benefits:		
Gratuity	34	20
Leave Encashment/ Compensated Absences	245	224
Provision for Product support	288	329
	567	573

NOTES TO FINANCIAL STATEMENTS

9. FIXED ASSETS (All amounts in ₹ Lakhs unless otherwise stated)

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION/ AMORTISATION				Net Block	
	July 1, 2014	Additions	Deletions	June 30, 2015	July 1, 2014	Additions	Deletions	June 30, 2015	June 30, 2014
Tangible Assets :									
<u>Own Assets:</u>									
Land	6	-	*	6	-	-	-	6	6
Buildings	1405	-	-	1405	643	64	-	698	762
Plant and Machinery:									
Data Processing Equipment	1121	17	37	1101	787	160	37	191	334
Others	30453	1130	114	31469	20543	2181	100	8845	9910
Furniture and Fixtures	503	32	17	518	403	40	17	92	100
Leasehold Improvements	57	-	-	57	54	3	-	-	3
Office Equipment	586	112	1	697	347	79	1	272	239
<u>Leased Assets:</u>									
Buildings	49	-	-	49	16	4	-	29	33
TOTAL (A)	34180	1291	169	35302	22793	2531	155	10133	111387
Intangible Assets:									
Software	492	6	-	498	459	34	-	5	33
TOTAL (B)	492	6	-	498	459	34	-	5	33
GRAND TOTAL (A+B)	34672	1297	169	35800	23252	2565	155	10138	11420

* Amount is below the rounding of norm adopted by the Company and this relates to land acquired by Bangalore Metro Rail Corporation Limited (BMRL) (Refer Note 43).

NOTES TO FINANCIAL STATEMENTS

9. FIXED ASSETS (All amounts in ₹ Lakhs unless otherwise stated)

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION/ AMORTISATION			Net Block	
	July 1, 2013	Additions	Deletions	June 30, 2014	July 1, 2013	Additions	Deletions	June 30, 2014
Tangible Assets :								
<u>Own Assets:</u>								
Land	6	-	-	6	-	-	-	6
Buildings	1198	207	-	1405	580	63	-	762
Plant and Machinery:								
Data Processing Equipment	1053	146	78	1121	667	197	77	334
Others	30080	1032	659	30453	18975	2224	656	9910
Furniture and Fixtures	488	15	-	503	359	44	-	100
Leasehold Improvements	57	-	-	57	51	3	-	3
Office Equipment	470	133	17	586	298	61	12	239
<u>Leased Assets:</u>								
Buildings	49	-	-	49	12	4	-	33
TOTAL (A)	33401	1533	754	34180	20942	2596	745	11387
Intangible Assets:								
Software	492	-	-	492	396	63	-	33
TOTAL (B)	492	-	-	492	396	63	-	33
GRAND TOTAL (A+B)	33893	1533	754	34672	21338	2659	745	11420
								12555

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

10. DEFERRED TAX ASSETS (NET)

The major components of Deferred Tax assets and liabilities arising on account of timing difference are as follows:

	ASSET		(LIABILITY)	
	As at June 30, 2015	As at June 30, 2014	As at June 30, 2015	As at June 30, 2014
Provision for Gratuity and Leave encashment	416	340		
Provision for product support	125	106		
Provision for doubtful debts	49	49		
Provision for non moving and obsolete inventory	282	265		
Voluntary Retirement Scheme	129	169		
Others	53	52		
Depreciation			(118)	(337)
	1054	981	(118)	(337)
Net Deferred Tax Asset/ (Liability)	936	644		
Net Deferred Tax (Credit)/ Charge for the year	(292)	(482)		

11. LONG TERM LOANS AND ADVANCES

(Unsecured, considered good unless stated otherwise)

Advance tax [net of provision ₹19840 (2014: ₹18259)]

Balance with Statutory / Government Authorities

Capital Advances

Advances to employees

Prepaid Expenses

As at June 30, 2015	As at June 30, 2014
3114	2728
105	307
436	55
18	23
4	4
3677	3117

12. OTHER NON CURRENT ASSETS

(Unsecured, considered good unless stated otherwise)

Long term deposits with banks with maturity period more than twelve months (Note)

Deposits

104	-
81	59
185	59

Note: Held as lien by bank against guarantees (₹ 4) (2014: ₹NIL) and forward contracts (₹100) (2014: ₹NIL)

13. INVENTORIES

Raw materials [Including in-transit ₹405 (2014: ₹ 250)]

Stores and spares

Work-in-progress

Finished goods

Traded goods [Including in-transit ₹ 66 (2014: ₹ Nil)]

1562	1730
160	100
4166	4598
2962	2663
590	472
9440	9563

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2015		As at June 30, 2014
14. TRADE RECEIVABLES			
(Unsecured, unless stated otherwise)			
Considered good			
Exceeding six months from the date they are due for payment	400		253
Others	10685		10530
Considered doubtful			
Exceeding six months from the date they are due for payment	141	141	
Others	-	1	142
(Less): Provision for doubtful debts	(141)		(142)
	11085		10783
15. CASH AND BANK BALANCES			
Cash and Cash Equivalents			
Cash on hand	3		2
Cheques on hand	100		162
Bank Balances			
Current accounts	971		890
Short term highly liquid investments (Mutual Funds)	8402		4603
Other Bank balances			
Unpaid Dividend Account	3		3
	9479		5660
16. SHORT TERM LOANS AND ADVANCES			
(Unsecured, considered good unless stated otherwise)			
Considered good			
Advances to employees	71		75
Other Loans and Advances :			
Advance to supplier	56		103
Balance with Statutory / Government Authorities	1248		839
Prepaid Expenses	157		129
	1532		1146
17. OTHER CURRENT ASSETS			
(Unsecured, considered good unless stated otherwise)			
Interest accrued	4		-
Forward contract Receivable [net of forward contract payable: ₹ Nil (2014: ₹1192)]	-		2
Other receivables [including due from related parties ₹ 70 (2014: ₹ 26) and compensation receivable ₹647 (2014: ₹ Nil) on sale of free-hold land - Refer Note 43]	757		40
Other deposits [including ₹ Nil (2014: ₹1) considered doubtful]	16	4	
(Less): Provision for doubtful deposits	-	(1)	3
	777		45

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2015	Year ended June 30, 2014
18. REVENUE FROM OPERATIONS		
SALE OF PRODUCTS		
Manufactured goods	40946	39870
Traded goods	19373	18066
OTHER OPERATING REVENUE		
Service Income	925	591
Sale of scrap	23	38
	61267	58565
Details of Sales (Manufactured goods)		
Hard Metal Products	29771	28754
Machine Tools and Accessories	11175	11116
	40946	39870
Details of Sales (Traded goods)		
Hard Metal Products	19373	18066
	19373	18066
19. OTHER INCOME		
Dividend Income	317	236
Interest from Bank	5	3
Interest from Others	-	4
Liabilities no longer required written back *	-	97
Provision doubtful debts and deposits written back	2	-
Profit on sale of fixed assets (net)	16	3
Exchange gain (net)	-	3
Lease rentals	113	114
Miscellaneous income	101	98
	554	558
* Expense accruals no longer required and reversed have been netted off against the respective expenses (2014: ₹ 80 classified under other income).		
20. COST OF MATERIALS CONSUMED		
Opening Inventory	1730	1569
Add: Purchases	16435	17401
(Less:) Closing Inventory	(1562)	(1730)
Cost of Raw materials and components consumed	16603	17240
21. PURCHASE OF STOCK IN TRADE		
Stock-in-Trade (Traded Goods)	12963	11902
	12963	11902

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2015		Year ended June 30, 2014
22. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK- IN- PROGRESS AND STOCK IN TRADE			
Opening stock:			
Work-in-progress	4598	4277	
Finished goods	2663	2634	
Traded goods	472	809	
	7733	7720	
Closing stock:			
Work-in-progress	4166	4598	
Finished goods	2962	2663	
Traded goods	590	472	
	7718	7733	
(Increase)/ Decrease in stocks	15		(13)
Excise duty on opening stock of finished goods	(503)	(496)	
Excise duty on closing stock of finished goods	604	503	
Increase/ (Decrease) in excise duty	101		7
	116		(6)
23. EMPLOYEE BENEFITS EXPENSE			
Salaries, wages and bonus (Refer note below)	8664		8521
Contribution to provident and other funds	793		652
Staff welfare	704		614
	10161		9787
Note: Includes employees separation cost ₹ 98 (2014: ₹ Nil).			

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2015		Year ended June 30, 2014
24. OTHER EXPENSES			
Power and fuel	957		1265
Stores and spares consumed (Net of insurance claim received ₹ Nil (2014: ₹ 245))	1414		1243
Subcontracting charges	1297		1214
Repairs and maintenance:			
Buildings	10	34	
Plant and machinery [includes stores and spares consumed ₹ 607 (2014: ₹ 332)]	1039	748	782
Rent	63		48
Rates and taxes	147		125
Insurance	298		298
Travelling and conveyance	968		1037
Legal and professional [Refer Note (a) below]	381		341
Communication	138		137
Directors' Sitting Fee	6		6
Expenditure towards Corporate Social Responsibility	99		-
Excise duty on samples, free issues and others	226		192
Forwarding and freight	898		800
Provision for product support (net)	308		312
Royalty	266		307
Printing and stationery	53		75
Advertisement and sales promotion [Refer Note (b) below]	379		55
Provision doubtful debts and deposits (Net)	-		8
Bad debts written off	27		-
Commission on sales	172		173
Fixed assets written off	14		8
Information Technology services	1145		1319
Exchange loss (net)	38		-
Miscellaneous	834		766
	11177		10511
(a) Payments to Auditors (excluding service tax) included under Legal and Professional above:			
Statutory Audit	20		20
Audit of Tax Accounts and Tax Audit	6		4
Limited reviews	6		6
Other Audit related Services	32		32
Audit fee relating to prior year	4		-
Certification	3		3
Out of pocket expenses	4		4
(b) Includes ₹ 322 (2014: ₹ Nil) relating to trade shows and exhibitions (incurred once every two years).			

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

25. CAPITAL AND OTHER COMMITMENTS:

Capital Commitments (net of advances) ₹1005 (2014: ₹ 263)

26. CONTINGENT LIABILITIES

Nature of Contingent Liability	2015	2014
Income Tax matters [Note (a)]	2804	2294
Excise Duty/ Service Tax matters under dispute	101	101
Sales Tax matters under dispute [Note (b)]	65	65

Notes:

- Mainly relates to transfer pricing adjustments made by the Income Tax Department for the tax assessment years 2008-09, 2009-10, 2010-11 and 2011-12, which is disputed by the Company and the matter is lying under appeal with The Income Tax Appellate Tribunal, Bangalore/ The Commissioner of Income Tax, (Appeals), Bangalore. The Company has paid "under protest" an aggregate of ₹ 2271 (2014: ₹ 1774) to the Income Tax Department in this regard.
- There are certain non-quantifiable disputes pending before labour tribunal/ court under labour laws.
- Considering the very nature of the above contingent liabilities, the estimate/ timing of cash outflow, if any, is not readily ascertainable.

27. PARTICULARS OF MATERIALS AND STORES AND SPARES:

	2015		2014	
Raw Materials and Components consumed	%	Value	%	Value
-Imported	61	10107	58	9933
-Indigenous	39	6496	42	7307
Total	100	16603	100	17240

Stores and Spares consumed

-Imported	22	454	32	586
-Indigenous	78	1567	68	1234
Total	100	2021	100	1820

28. VALUE OF IMPORTS ON C.I.F. BASIS:

	2015	2014
Raw materials	11856	12207
Stores and spares	1544	1990
Capital goods	155	399

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

29. EXPENDITURE IN FOREIGN CURRENCY:

	2015	2014
Travelling and conveyance	158	130
Information Technology Services	1145	1319
Royalty	266	307
Others	227	220

30. EARNINGS IN FOREIGN CURRENCY:

	2015	2014
Export of goods calculated on F.O.B. basis	4698	4663

Note: The above excludes reimbursement of expenses from related parties ₹ 359 (2014: ₹ 140)

31. PARTICULARS OF RESEARCH AND DEVELOPMENT (R&D) EXPENDITURE (Note):

a) Revenue expenditure

	2015	2014
Revenue expenditure debited to various heads of account:		
Material Consumed	36	43
Employment Cost	387	367
Other Expenses	80	83
Total	503	493

b) Capital expenditure

Description	Manufacturing	R&D	Total
As at June 30, 2014	33647	1025	34672
Additions during the year	1192	105	1297
Deletions during the year	167	2	169
As at June 30, 2015	34672	1128	35800

Note: The above disclosure is based on requirements stipulated by the Department of Scientific & Industrial Research (DSIR), Ministry of Science and Technology, Government of India .

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

32. DISCLOSURE OF DUES / PAYMENTS TO MICRO, SMALL AND MEDIUM ENTERPRISES TO THE EXTENT SUCH ENTERPRISES ARE IDENTIFIED BY THE COMPANY

	2015	2014
a) The principal amount remaining unpaid as at June 30, 2015	52	69
Interest due thereon remaining unpaid on June 30, 2015	*	*
b) The amount of interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
(i) Delayed payments of principal beyond the appointed date during the entire accounting year	-	-
(ii) Interest actually paid under Section 16 of MSMED	-	-
c) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED	-	-
d) The amount of interest accrued and remaining unpaid on June 30, 2015 in respect of principal amount settled during the year	*	*
e) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED	-	-

* Amount is below the rounding of norm adopted by the Company.

Note: The information has been given in respect of such suppliers to the extent they could be identified as "Micro" or "Small" enterprises on the basis of information available with the Company.

33. SHORT TERM HIGHLY LIQUID INVESTMENTS

The details of short term highly liquid investments comprising of debt based mutual funds are as below:

Name of the fund	2015		2014	
	Units	Amount	Units	Amount
Franklin India Treasury Management Account - Super Institutional Plan- Daily Dividend Reinvestment	149940	1501	125033	1251
Birla Sun Life Cash Plus - Daily Dividend - Regular Plan	1796990	1801	1498397	1501
IDFC Cash Fund - Daily Dividend- (Regular Plan)	149977	1500	119998	1201
Reliance Liquid Fund - Treasury Plan - Daily Dividend Option- LFID	98151	1500	-	-
ICICI Prudential Liquid - Regular Plan - Daily Dividend	2099012	2100	-	-
DSP BR Liquidity Fund - Inst – DD	-	-	64991	650
Total		8402		4603

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

34. EMPLOYEE BENEFITS

- a) The Company operates defined benefit plans in the nature of post-employment gratuity, which is funded, and in the nature of post retirement provident fund (which is managed by a Trust set up by the Company) where interest shortfall, if any, is met by the Company. The disclosure as per AS-15 "Employee Benefits" is given below:

		Gratuity (Funded)		Provident Fund (Trust set up by employer)	
I	Present Value of Defined Benefit Obligation	2015	2014	2015	2014
a.	Obligation as at the beginning of the year	1494	1694	6329	5842
b.	Current Service Cost	314	147	943	1064
c.	Interest Cost	115	125	502	467
d.	Actuarial (Gain)/Loss	45	67	(36)	11
e.	Benefits Paid	(170)	(539)	(399)	(1055)
f.	Obligation as at the end of the year	1798	1494	7339	6329
II	Fair Value of Planned Assets				
a.	Fair Value of Plan Assets as at the beginning of the year	1271	1387	6814	6613
b.	Expected return on Plan Assets	106	112	446	446
c.	Actuarial Gain/(Loss)	8	1	225	1
d.	Contributions	204	310	790	809
e.	Benefits Paid	(170)	(539)	(399)	(1055)
f.	Fair Value of Plan Assets as at the end of the year	1419	1271	7876	6814
III	Assets and Liabilities recognised as liability				
a.	Present Value of Obligation as at the end of the year	1798	1494	7339	6329
b.	Fair value of Plan Assets as at the end of the year	(1419)	(1271)	(7876)	(6814)
c.	Amount recognised in the Balance Sheet	379	223	-	-
Recognised under:					
	Long term Provision	345	203		
	Short term provision	34	20		
	Total	379	223		
IV	Expense recognised in the Statement of Profit and Loss	Gratuity		PF Cost *	PF Cost *
a.	Current Service Cost	314	147	943	1064
b.	Interest Cost	115	125	502	467
c.	Expected return on Plan Assets	(106)	(112)	(446)	(446)
d.	Actuarial (Gain)/Loss	37	66	(261)	10
e.	Expense recognised during the year	360	226	738	1095

*The Provident Fund expense other than contribution is not recognised in Statement of Profit and Loss as the Fair Value of Plan Assets exceeds the Present Value of Obligation.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

V. Major Category of Planned Assets as % of total plan assets		2015	2014	2015	2014
	Government Securities (Central & State)	-	-	52%	51%
	Corporate Bonds	-	-	48%	49%
	Contributed to Fund managed by insurance companies	100%	100%	-	-
VI. Actuarial Assumptions					
a.	Discount Rate (per annum)	8.20%	8.78%	8.20%	8.78%
b.	Estimated Rate of return on Plan Assets (per annum)	8.20%	8.78%	8.20%	8.78%
c.	Rate of Escalation in Salary (per annum)	1% & 5%	1% & 5%	1% & 5%	1% & 5%

VII. Amount recognised in current year and previous four years		Gratuity (Funded)				
Gratuity		2015	2014	2013	2012	2011
a.	Defined Benefit Obligation	1798	1494	1694	1377	1271
b.	Plan Assets	1419	1271	1387	1065	950
c.	(Surplus)/ Deficit	379	223	307	312	321
d.	Experience Gain / (Loss) adjustments on plan liabilities	45	67	97	72	(5)
e.	Experience Gain / (Loss) adjustments on plan assets	8	1	15	3	-

VIII. Provident Fund (Trust set up by employer)		2015	2014	2013	2012	2011
a.	Defined Benefit Obligation	7339	6329	5842	4936	*
b.	Plan Assets	7876	6814	6613	5265	
c.	(Surplus)/ Deficit	(537)	(485)	(771)	(329)	
d.	Experience Gain / (Loss) adjustments on plan liabilities	(36)	11	(32)	(12)	
e.	Experience Gain / (Loss) adjustments on plan assets	225	1	123	13	
f.	Actuarial Gain / (Loss) due to change in assumptions	-	-	60	-	

* The Guidance Note on implementation of AS 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India states that Provident Fund set up by employers that guarantee a specified rate of return and which require interest shortfall to be met by employer would be a defined benefit plan in accordance with the requirements of para (26b) of AS 15. Pursuant to the Guidance Note, during the year, the liability in respect of the shortfall of interest earned by the Fund is determined on the basis of actuarial valuation carried out as at June 30, 2015 is ₹ Nil (2014: ₹ Nil).

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

IX. Expected contribution to the funds in the next year

Particulars	Year ended	
	2015	2014
Gratuity	304	286
Provident Fund	329	351

- i) The discount rate is based on the prevailing market yield on Government securities as at the balance sheet date for the estimated term of obligation.
- ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risk of asset management, historical results of the return on plan assets, and the Company's policy for plan asset management.
- iii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.
- b) The Company has recognised in the Statement of Profit and Loss for the year ended June 30, 2015 an amount of ₹ 412 (2014: ₹ 410) relating to defined contribution plans is as follows :

	2015	2014
Provident Fund	295	346
Employees' Pension Scheme	111	59
Employees' State Insurance Scheme	6	5
Total	412	410

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

35. SEGMENT REPORTING

The Company is in the business of manufacturing and trading of hard metal products and machine tools, which have been identified as separate business segments, for primary segment reporting as envisaged in AS 17 "Segment Reporting". The Company's products are sold in the domestic and export markets, which have been identified as geographic segments for secondary segment reporting.

A. Primary Segment Reporting

Business Segment	Machine Tools		Hard Metal Products		Total	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenue						
Revenue from operations (Gross)	11437	11202	49830	47363	61267	58565
(Less:) Excise Duty	1121	1018	3121	3034	4242	4052
Revenue from operations (Net)	10316	10184	46709	44329	57025	54513
Other Income	6	37	59	156	65	193
Total Revenue	10322	10221	46768	44485	57090	54706
Result						
Segment Result	1974	1369	4137	3971	6111	5340
Unallocated Corporate Expenses (Net of unallocable other Income)					2122	2369
Operating Profit/(Loss)					3989	2971
Exceptional items (Income)/ Expense					647	(1020)
Interest Income					5	7
Income Tax - Deferred					(292)	(482)
Income Tax - Current					1581	733
Net Profit / (Loss)					3352	1707
Segment Assets	4143	3394	28048	29246	32191	32640
Unallocated Corporate Assets					15644	10319
Total Assets	4143	3394	28048	29246	47835	42959
Segment Liabilities	3294	2313	7937	6988	11231	9301
Unallocated Corporate Liabilities					441	318
Total Liabilities	3294	2313	7937	6988	11672	9619
Capital Expenditure	242	104	1487	585	1729	689
Unallocated Capital Expenditure					14	102
Total Capital Expenditure	242	104	1487	585	1743	791
Depreciation	151	151	2330	2391	2481	2542
Unallocated Depreciation					84	117
Total Depreciation	151	151	2330	2391	2565	2659

B. Secondary Segment Reporting

Secondary segment disclosures are based on geographical location of customers, which includes the domestic market (India), Europe (comprising Germany), USA and Rest of the World.

Geographical Segment	Revenue		Assets	
	2015	2014	2015	2014
India	52327	49850	47835	42959
Europe	1616	1628	-	-
USA	1557	1225	-	-
Rest of the world	1525	1810	-	-
Total	57025	54513	47835	42959

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

36. EARNINGS PER EQUITY SHARE

Particulars	2015	2014
Profit attributable to equity shareholders	3352	1707
Weighted average number of equity shares outstanding during the year (Nos.)	21978240	21978240
Nominal value of Equity share (₹)	10	10
Basic and diluted earnings per share (₹)	15.25	7.77

37. Disclosure for leases in accordance with AS 19 is as follows:**Operating Leases:**

The Company has operating leases for premises, motor vehicles and office facilities. These lease arrangements range for a period between eleven months and five years, which include both cancellable and non-cancellable leases. Non-cancellable lease arrangements are up to a period of 36 months. Cancellable leases are generally with options of renewal against increased rent and premature termination of agreement through notice period of 1 to 3 months.

Particulars	2015	2014
Lease payments recognised in Statement of Profit and Loss during the year (including minimum lease payments: ₹ 22 (2014: ₹12))	74	60

With respect to non-cancellable operating leases, the future minimum lease payments are as follows:

Particulars	2015	2014
Future minimum lease payments:		
Not later than one year	34	12
Later than one year but not later than five years	44	7
Later than five years	-	-

NOTES TO FINANCIAL STATEMENTS

38. RELATED PARTY DISCLOSURES

A) Names of related parties and description of relationship:

a) Parties where control exists:

- | | |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) Ultimate holding company | Kennametal Inc, USA |
| (ii) Intermediate holding companies | Kennametal Widia GmbH Co. KG, Germany
Kennametal Holding GmbH, Germany
Kennametal Europe GmbH, Switzerland
Kennametal Luxembourg Holding S.A.R.L
Kennametal Holdings , LLC, Luxembourg S.C.S
Kennametal Holdings Europe Inc, USA |
| (iii) Immediate holding company | Meturit A.G. Zug, Switzerland |

b) Parties under common control with whom transactions have taken place during the year:

- | | |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fellow Subsidiaries | Kennametal Australia Pty Ltd, Australia
Kennametal Produktions GmbH & Co. KG, Germany
Kennametal Ltd., Canada
Kennametal (Baotou) Co. Ltd, China
Kennametal Widia Produktions GmbH & Co. KG,
Germany
Kennametal (Singapore) Pte. Ltd., Singapore
Kennametal Korea Ltd., Korea
Kennametal Japan Ltd., Japan
Kennametal South Africa (Proprietary) Ltd.,
South Africa
Kennametal (Thailand) Co., Ltd., Thailand
Kennametal Do Brasil LTDA, Brazil
Kennametal Hard Point (Shanghai) Co. Ltd., China
Kennametal Distribution Services Asia Pte. Ltd.,
Singapore
Kennametal Shared Services Pvt Ltd., India
Kennametal (China) Co Ltd., China
Hanita Metal Works Ltd. (P), Israel
Kennametal Shared Services GmbH, Germany
Kennametal Extrude Hone Corporation, USA
Kennametal Extrude Hone Ltd., England
Extrude Hone Shanghai Co. Ltd., China
Kennametal (Xuzhou) Company Ltd., China
Kennametal Stellram SARL, Italy
Kennametal Stellite GmbH, Germany
Kennametal Stellite India Pvt. Ltd., India |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

c) Key Management Personnel: Managing Directors

Bhagya Chandra Rao
Santanoo Medhi (upto September 17, 2012)

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

B) Summary of the transactions with related parties is as follows

	PARTIES WHERE CONTROL EXIST [A(a)]		FELLOW SUBSIDIARIES [A(b)]		KEY MANAGEMENT PERSONNEL [A(c)]		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
SALES - TOTAL	3173	2853	1433	1788			4606	4641
In excess of 10%								
Kennametal Europe GmbH, Switzerland	1616	1628					1616	1628
Kennametal Inc., USA	1557	1225					1557	1225
Kennametal Distribution Services Asia Pte. Ltd., Singapore			571	984			571	984
SERVICES RENDERED- OTHERS	-	-	104	92			104	92
Services Rendered Others - in excess of 10%								
Kennametal Shared Services Pvt Ltd, India			104	92			104	92
REIMBURSEMENT OF EXPENSES (Credit)	9	54	406	144			415	198
Reimbursement of Expenses - in excess of 10%								
Kennametal Inc., USA	9	27					9	27
Kennametal Europe GmbH, Switzerland	-	27					-	27
Kennametal Shared Services Private Limited, India			74	58			74	58
Kennametal Distribution Services Asia Pte. Ltd., Singapore			233	10			233	10
Kennametal Extrude Hone Ltd., England			59	50			59	50
DIVIDEND PAID	330	-	-	-			330	-
INTERIM DIVIDEND PAID								
Merurit A.G. Zug, Switzerland	224	-					224	-
Kennametal Inc., USA	106	-					106	-
MANAGERIAL REMUNERATION- TOTAL					117	141	117	141
Santanoo Medhi					-	30	-	30
Bhagya Chandra Rao					117	111	117	111
PURCHASES - TOTAL	18144	16908	516	587			18660	17495
PURCHASE OF GOODS- OTHERS	18144	16908	516	587			18660	17495
Purchase of Goods- Others in excess of 10 %								
Kennametal Europe GmbH, Switzerland	13451	12203					13451	12203
Kennametal Inc., USA	4693	4705					4693	4705

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	PARTIES WHERE CONTROL EXIST [A(a)]		FELLOW SUBSIDIARIES [A(b)]		KEY MANAGEMENT PERSONNEL [A(c)]		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
SERVICES RECEIVED / RECHARGE OF EXPENSES - TOTAL	1362	1527	99	146			1461	1673
<u>SERVICES RECEIVED - INFORMATION TECHNOLOGY SERVICES</u>	1145	1319	-	-			1145	1319
In excess of 10%								
Kennametal Inc., USA	1145	1319					1145	1319
<u>ROYALTY PAYMENTS</u>	185	195	80	112			265	307
In excess of 10%								
Kennametal Inc., USA	185	195					185	195
Hanita Metal Works Ltd., Israel								
<u>RECHARGE OF EXPENSES - TOTAL</u>	32	13	80	112			80	112
In excess of 10%								
Kennametal Inc., USA	32	13	19	34			51	47
Kennametal Shared Services Pvt Ltd., India								
Kennametal Extrude Hone GmbH, Germany			5	17			32	13
Kennametal Extrude Hone Corporation, USA			-	6			5	17
Kennametal Shared Services GmbH, Germany			7	-			-	6
			4	4			7	-
							4	4
<u>OUTSTANDING RECEIVABLES - TRADE + OTHERS</u>	433	302	227	221			660	523
<u>TRADE RECEIVABLES</u>	433	302	193	195			626	497
Trade Receivables in excess of 10%								
Kennametal Europe GmbH, Switzerland	128	230					128	230
Kennametal Inc., USA	305	72					305	72
Kennametal Distribution Services Asia Pte. Ltd., Singapore			65	50			65	50
Kennametal Hardpoint (Shanghai) Co. Ltd, China			61	43			61	43
<u>OUTSTANDING RECEIVABLES - OTHERS</u>	-	-	34	26			34	26
Other Receivables in excess of 10%								
Kennametal Distribution Services Asia Pte. Ltd., Singapore			18	-			18	-
Kennametal Extrude Hone Ltd., England			2	5			2	5
Kennametal Widia Produktions GmbH & Co. KG, Germany			-	18			-	18
Kennametal Shared Services Private Limited, India			11	2			11	2
<u>OUTSTANDING PAYABLES - TRADE</u>	1818	1509	72	126			1890	1635
<u>TRADE PAYABLES</u>	1818	1509	72	126			1890	1635
Trade Payables in excess of 10%								
Kennametal Inc., USA	448	324					448	324
Kennametal Europe GmbH, Switzerland	1370	1185					1370	1185

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

Notes:

- i) The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.
- ii) The above does not include related party transactions with retiral funds, as management personnel of the Company who are trustees of funds cannot individually exercise significant influence on the retiral funds transactions.

39. In accordance with AS 29 on “Provisions, Contingent Liabilities and Contingent Assets”, the disclosure with respect to certain classes of provisions are as under:

Particulars	As at June 30, 2014	Addition	Utilisation	Reversal	As at June 30, 2015
Product Support [Note (a)]	329 (258)	308 (312)	277 (241)	- (-)	360 (329)
Disputed Taxes and Duties [Note(b)]	132 (132)	19 -	- -	- -	151 (132)

Notes:

- a) The Company sets up and maintains provisions for trade and other demands when a reasonable estimate can be made. These provisions are made based on estimates made by the management that are reviewed annually. These matters involve settlements not exceeding a period of two to three years in most cases.
- b) Relates to provision toward disputed taxes and duties. Considering the very nature of such disputes, the timing/ uncertainties of cash outflow is not readily ascertainable.
- c) Addition and utilisation is shown at gross as against net in the prior year. Figures in brackets relate to prior year.

40. Remittance in foreign currency during the year on account of dividends to non-resident shareholders:

	Year ended June 30, 2015	Year ended June 30, 2014
Interim dividend paid during the year	330	-
Number of non-resident shareholders	2	-
Number of equity shares held by such non-resident shareholders	16483680	-
Year to which the dividend relate to	2014-15	-

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

41. a) Particulars of outstanding forward contracts:

Particulars	Purpose	As at June 30, 2015			As at June 30, 2014		
		Foreign Currency		Amount	Foreign Currency		Amount
Forward contracts to buy	Hedge of trade payables	USD	-	-	USD	2	143
		EUR	-	-	EUR	-	31
				-			174
Forward contracts to buy	Hedge of firm commitment	USD	3	192	USD	11	676
				192			676
Forward contracts to sell	Hedge of trade receivables	USD	-	-	USD	2	133
		EUR	-	-	EUR	3	201
				-			334
Total				192			1184

b) Particulars of unhedged foreign currency exposures:

Particulars	As at June 30, 2015			As at June 30, 2014		
	Foreign Currency		Amount	Foreign Currency		Amount
Trade receivables	USD	8	484	USD	-	17
	EUR	2	128	EUR	1	48
	BRL	1	14	BRL	3	75
	Others	-	46	Others	-	49
			672			189
Trade payables	USD	2	136	USD	1	67
	EUR	4	292	EUR	1	48
	CHF	1	45	CHF	1	64
	JPY	203	104	JPY	88	51
	Others	-	23	Others	-	8
			600			238

c) Mark-to-Market losses

Particulars	As at June 30, 2015	As at June 30, 2014
Mark-to-Market losses provided for	1	-

In accordance with the Institute of Chartered Accountants of India announcement dated March 28, 2008 on 'Accounting for Derivatives' the Company has accounted for mark-to-market losses on forward contracts taken on firm commitments.

42. The Company does not have a scheme for grant of stock options either to the Executive Directors or employees for the shares issued in India. However, the Managing Director and certain senior management employees of the Company are granted stock options in a share based compensation plan of Kennametal Inc. USA, the ultimate holding company. These plans are assessed, managed and administered by the ultimate holding company and no cross charges/ debits have been made on the Company. Accordingly, disclosures as envisaged in the Guidance Note on Accounting for Employee Share Based Payments issued by Institute of Chartered Accountants of India is not applicable.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

43. Exceptional items credited/ (debited) to the Statement of Profit and Loss comprises of:

	Year ended June 30, 2015	Year ended June 30, 2014
(i) The Company announced a voluntary retirement scheme (VRS) for its workmen. Several workmen opted for the VRS and the aggregate expenditure incurred in this regard has been fully charged to the Statement of Profit and Loss in accordance with AS-15 "Employee Benefits"	-	(947)
(ii) The Company also launched a severance/ separation scheme for certain employees in the officers category, and aggregate compensation paid in accordance with the said scheme has been fully charged to the Statement of Profit and Loss	-	(73)
(iii) A small portion of the Company's land has been acquired for metro rail project by Bangalore Metro Rail Corporation Limited (BMRCL) (a Government of India Undertaking) based on notification issued by Karnataka Industrial Area Development Board (KIADB). However, KIADB vide its order dated March 5, 2012 referred the matter to Bangalore City Civil Court as certain third parties raised objection on awarding of compensation and ownership to land. The Bangalore City Civil Court passed a judgement in June 2014 accepting the claim of the Company over the compensation amount it is entitled to in respect of the said land. Subsequently, the Company filed an application for release of the land compensation amount and submitted the indemnity bond and bank guarantee as required by the Bangalore City Civil Court with a validity period of one year. The Company received the compensation amount on August 19, 2015 from the Bangalore City Civil Court (net of withholding tax of ₹ 56)	555	-
(iv) With respect to (iii) above, interest on delay in disbursement of compensation amount has also been received subsequent to the year end	92	-
Total	647	(1020)

NOTES TO FINANCIAL STATEMENTS

44. Prior year's figures have been reclassified/ regrouped, wherever necessary.

For **Price Waterhouse & Co Bangalore LLP**
Chartered Accountants
Firm Registration Number: 007567S/S-200012
(Formerly, Price Waterhouse & Co., Bangalore,
FRN:007567S)

For and on behalf of Board of Directors

Shivakumar Hegde
Partner
Membership Number: 204627

Bhagya Chandra Rao
Managing Director
DIN – 00211127

B. Anjani Kumar
Director
DIN – 00022417

Bangalore
August 21, 2015

Parameswara Reddy D
Vice President & CFO

Kundan Kumar Lal
Company Secretary

CSR ACTIVITIES



Donated to Sparsha Trust a Bengaluru based NGO in India



Donated a multi care featured Ambulance to People Tree Foundation, Bengaluru



Contributed to Prime Minister's National Relief Fund

ACCOLADE



Machining Solutions Group (MSG) won FIE Foundation award at IMTEX 2015



Kennametal India Limited

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FORM A

Format of covering letter of the annual audit report to be filed with the Stock Exchange

	Name of the company	Kennametal India Limited
	Annual financial statements for the year ended	June 30,2015
	Type of Audit observation	Un-qualified
	Frequency of observation	NIL
	To be signed by-	 Bhagya Chandra Rao Managing Director
		 D. Parameswara Reddy Chief Financial Officer
		 Shivakumar Hegde For Price Waterhouse & Co Bangalore LLP Chartered Accountants
		 B. Anjani Kumar Audit Committee Chairman