



Ref://Sec/Sto/2019/10/-03

Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400001

by Web Upload

October 19, 2019

Dear Sirs,

Subject: 54th Annual General Meeting (AGM) of the Company – Completion of dispatch of Notice along with Annual Report 2018-19 to eligible members.

Reference: Disclosure under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
Kennametal India Limited, Scrip Code: 505890

In continuation to our letter dated October 19, 2019 on the 54th Annual General Meeting (AGM) of the Company and pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the Company has completed dispatching Notice of the 54th AGM along with Annual Report 2018-19 on October 18, 2019 to the eligible members as enclosed. The above documents are also available on our Company's website i.e., www.kennametal.com/kennametalindia and also on <https://www.evotingindia.com>.

Kindly take the same on record and oblige.

Thanking you,

Yours faithfully,

For **Kennametal India Limited**

Naveen Chandra P
General Manager – Legal & Company Secretary

Encl: As above



Kennametal India Limited

(CIN: L27109KA1964PLC001546)

| Regd. Office: 8/9th Mile, Tumkur Road, Bengaluru – 560 073

E-mail: in.investorrelation@kennametal.com

Website: www.kennametal.com/kennametalindia

NOTICE TO MEMBERS

NOTICE is hereby given that the Fifty Fourth (54th) Annual General Meeting of Kennametal India Limited will be held on Wednesday, November 13, 2019 at 12.00 Noon. at the Registered Office of the Company at 8/9 Mile, Tumkur Road, Bengaluru – 560 073, to transact the following businesses:

ORDINARY BUSINESSES:

1. To receive, consider and adopt the Audited Financial Statements as at June 30, 2019 and the Independent Auditor's Report thereon and the report of the Board of Directors.
2. To appoint a Director in place of Ms. Colleen Wood Cordova (DIN: 07568701), who retires by rotation and being eligible, offers herself for re-appointment.
3. To confirm the interim dividend of ₹ 2/- per Equity Share (20%) on 21,978,240 Equity Shares of ₹ 10/- each already paid for the financial year 2018-19 (year ended June 30, 2019).

SPECIAL BUSINESSES:

4. Ratification of remuneration of Cost Auditors:

To consider and if thought fit to pass the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, the remuneration decided to be paid by the Board of Directors to Messrs. K. S. Kamalakara & Co., Cost Auditors, Bengaluru (Firm Registration No:0000296), to conduct the audit of the cost records of the Company for the financial year ending June 30, 2020, viz., ₹ 2,00,000/- (Rupees Two Lakhs only), excluding taxes & out of pocket expenses, be and is hereby ratified and confirmed by the Shareholders.”

5. Approval of Material Related Party Transactions with Kennametal Inc., USA:

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant Section 188 of the Companies Act, 2013 and the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), consent of the members be and is hereby accorded for the following material related party transaction(s) between the Company and Kennametal Inc., USA which are on arm's length basis:

₹ in Millions

| Sl. No. | Nature of Transactions | Actual Transaction value for FY19 (July 01, 2018 to June 30, 2019) | Estimated Value of Transactions during FY20 (July 1, 2019 to June 30, 2020) |
|---------|--|--|---|
| 1 | Sales of products/components (receipts) | 438 | 550 |
| 2 | Cross Charge Revenue | 12 | 40 |
| 3 | Cross Charge- Debits expenses (Payable) | 15 | 40 |
| 4 | IT Cross charges (payment) | 170 | 200 |
| 5 | Professional Services- Expenses | 19 | 25 |
| 6 | Purchase of components/raw materials (payment) | 1303 | 1650 |
| 7 | Purchase- Capital Goods | 1 | 50 |
| 8 | Royalty (payment) | 16 | 25 |

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby severally authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution.”

6. Approval of Material Related Party Transactions with Kennametal Europe GmbH:

To consider and, if thought fit, to pass the following resolution
as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 188 of the Companies Act, 2013 and the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), consent of the members be and is hereby accorded for the following material related party transaction(s) between the Company and Kennametal Europe, GmbH which are on arm’s length basis:

₹ in Millions

| Sl. No. | Nature of Transactions | Actual Transaction value for FY19 (July 01, 2018 to June 30, 2019) | Estimated Value of Transactions during FY20 (July 1, 2019 to June 30, 2020) |
|---------|--|---|--|
| 1 | Sales of products/components (receipts) | 647 | 850 |
| 2 | Purchase of Components/raw materials (payment) | 1905 | 2500 |
| 3 | Cross Charge-Revenue | 0.1 | 10 |

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby severally authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution.”

Bengaluru
August 22, 2019

By Order of the Board of Directors
For **Kennametal India Limited**

Naveen Chandra P
General Manager – Legal &
Company Secretary (ACS – 30057)

NOTES

1. The Register of Members and the Share Transfer Books of the Company will remain closed from **Wednesday, November 06, 2019 to Wednesday, November 13, 2019** (both days inclusive) for the purpose of the Annual General Meeting (AGM).

2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights.

THE PROXY FORM SHOULD BE LODGED WITH THE COMPANY AT LEAST 48 HOURS BEFORE THE SCHEDULED COMMENCEMENT OF THE MEETING.

3. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of details relating to Special Businesses is annexed hereto.
4. 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, 2019 and May 27, 2019 was fixed as Record Date for the said purpose. The said interim dividend was paid on June 04, 2019.
5. Pursuant to Sections 124 and 125 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the amount of dividends remaining unclaimed for a period of seven years from the date of transferred to the Company's unpaid Dividend Account shall have to be transferred to Investor Education and Protection Fund. Accordingly, the dividend declared for the Financial Year ended June 30, 2012 has been transferred to Investor Education and Protection Fund. Further, shares on which dividends were unclaimed for seven consecutive years were transferred to IEPF Authority as per the requirements of the IEPF Rules.

Members who have not encashed the dividend warrants/ demand drafts for the financial year ended June 30, 2013 onwards are requested to write to the Company giving the necessary details.

Pursuant to The Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company provides/hosts the required details of unclaimed amounts referred to under Section 124 and 125 of the Companies Act, 2013 on its website page at

www.kennametal.com/kennametalindia and also on the Ministry of Corporate Affairs (MCA) website in the relevant form every year.

6. Electronic copy of the Notice of the 54th Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent to all the members whose email IDs are registered with the Company/RTA/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email IDs, physical copies of the Notice of the 54th Annual General Meeting along with Annual Report of the Company inter alia indicating the process and manner of e-voting along with Attendance Slip and Proxy Form is being sent in the permitted mode.

Members may also note that the Notice of the 54th Annual General Meeting and the Annual Report for 2018-19 will also be available on the Company's website page at www.kennametal.com/kennametalindia for download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Bengaluru for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon a request for the same, by post/courier free of cost. For any communication, the Members may also send requests to the Company's investor email id: in.investorrelation@kennametal.com.

7. The Securities and Exchange Board of India (SEBI) has vide Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, mandated updating of PAN and Bank Particulars in Register of Members. The Shareholders who have not updated their PAN and Bank Account Details are accordingly requested to furnish their PAN and Bank Account Details with our Registrar and Share Transfer Agents in the format shared through a letter sent by the Company to the shareholders.

Updating the Bank particulars will also enable the Company to credit the dividend declared directly to your bank account thereby reducing the risk of loss of dividend warrants.

SEBI has also mandated compulsory dematerialization of Physical Shares by mandating companies not to facilitate transfer/ transmission/ transposition of physical shares unless the said shares are dematerialized with a depository. Shareholders are therefore, requested to dematerialize their physical shareholding so as to ensure hassle free transfer/ Transmission/ transposition of shares.

8. Members may address all matters relating to shares, demat, remat, annual report, etc. to the Company's Registrar & Share Transfer Agent (RTA) at the following address:

Integrated Registry Management Services Private Limited
CIN No: U74900TN2015PTC101466
No.30, 'Ramana Residency',
4th Cross, Sampige Road, Malleswaram,
Bengaluru- 560003
Tel: +91-80-23460815 – 818, Fax: +91-80-23460819
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.
Phone: 080-28394321 and 080 22198345,
Fax: 080 28397572
E-mail: naveen.c@kennametal.com
E-mail: in.investorrelation@kennametal.com

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

Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number in all correspondence.

9. Remote E-Voting through electronic mode:

Pursuant to the provisions of Section 108 of the Companies Act, 2013 and Rule 20 & Rule 21 of Companies (Management and Administration) Rules, 2014, the Company is pleased to provide its members the electronic facility to exercise their right to vote at the Annual General Meeting (AGM). The business at the AGM may be transacted through e-voting services provided by Central Depository Services Limited (CDSL). It is hereby clarified that it is not mandatory for a member to vote using the e-voting facility, and a member may avail of the facility at his/her/it's discretion, subject to compliance with the instructions prescribed below:

The instructions for shareholders voting electronically are as under:

- The voting period begins on November 10, 2019 (09.00 A.M.) and ends on November 12, 2019 (05.00 P.M.). During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) i.e. November 5, 2019 may cast their vote electronically. The remote e-voting module shall be disabled by CDSL for voting thereafter.
- The shareholders should log on to the e-voting website www.evotingindia.com.
- Click on Shareholders.

- Now Enter your User ID
 - For CDSL:16 digits beneficiary ID,
 - For NSDL:8 Character DP ID followed by 8 Digits Client ID.
 - Members holding shares in Physical Form should enter Folio Number registered with the Company.
- Enter the Image Verification as displayed and Click on Login.
- If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- If you are a first-time user follow the steps given below:

| | For Members holding shares in Demat Form and Physical Form |
|-----------------------|---|
| PAN | <ul style="list-style-type: none"> Enter your 10-digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter Ra00000001 in the PAN field. |
| DOB | <ul style="list-style-type: none"> Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format. |
| Dividend Bank Details | <ul style="list-style-type: none"> Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio. Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv). |

- After entering these details appropriately, click on "SUBMIT" tab.

- ix. Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- x. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- xi. Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- xii. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- xiii. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- xiv. After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- xv. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- xvi. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- xvii. If Demat account holder has forgotten the same password, then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- xviii. Shareholders can also cast their vote CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- xix. Note for Non – Individual Shareholders and Custodians
 - o Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - o A scanned copy of the Registration Form bearing the stamp and signature of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - o After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - o The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - o A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- xx. Any person, who acquires equity shares of the Company and become Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. November 05, 2019 may follow the same instructions as mentioned above for e-Voting.
- xxi. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com
- xxii. The voting rights of the shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date i.e. November 05, 2019.
- xxiii. Mr. Vijayakrishna K T, Practicing Company Secretary has been appointed as Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- xxiv. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- xxv. The scrutinizer shall within a period of not exceeding Forty-Eight (48) hours from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in employment of the Company

and make a scrutinizer's report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company or the officials authorized by him.

The results of the e-voting along with the scrutinizer's report shall be placed on the Company's website www.kennametal.com/kennametalindia and on the website of CDSL: www.cdslindia.com within Forty Eight (48) hours from the conclusion of the AGM of the Company. The results will also be communicated to the stock exchange where the shares of the Company are listed.

10. **Corporate members intending to send their authorized representative(s) to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.**
11. In case of joint shareholders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
12. The Members, who have voted electronically, are not eligible to vote by ballot paper.
13. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
14. The brief resume of directors seeking appointment/ re-appointments as required under SEBI (LODR) Regulations, 2015 is set out at "Annexure A" to this notice.
15. Members / Proxy holders are requested to produce at the entrance of the venue the enclosed attendance slip duly signed.
16. Members are requested to bring their copies of the annual report to the AGM.
17. Every person holding equity shares of the Company and whose name is entered:
 - a. As a beneficial owner as at the end of business hours on November 05, 2019, as per the list to be furnished by NSDL/CDSL in respect of shares held in dematerialized form.
 - b. As members in the register of members of the Company after giving effect to valid share transfers lodged with the Company, on or before November 05, 2019 shall only be entitled to attend the AGM in person or through his/ her proxy.
18. The identity / signature of the members holding shares in demat form are liable for verification with the specimen signatures furnished by NSDL/CDSL. Such members are advised to bring the Depository Participant (DP ID), account number (Client ID) and the relevant identity card to the AGM for easier identification and recording of attendance at the AGM.
19. Pursuant to Section 72 of the Companies Act, 2013, members are entitled to make a nomination in respect of shares held by them. Members desirous of making a nomination are requested to send their requests in Form No. SH.13, pursuant to the Rule 19(1) of the Companies (Share Capital VCDXZ and Debentures) Rules, 2014 (which will be made available on request) to the RTA of the Company.
20. Members requiring information or clarification with regard to the audited accounts and operations of the Company are requested to write to the Company Secretary at the Registered Office of the Company at least five days before the date of the meeting to enable the Company to keep the information ready.

By Order of the Board of Directors
For **Kennametal India Limited**

Naveen Chandra P

General Manager – Legal &
Company Secretary (ACS – 30057)

Bengaluru
August 22, 2019

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 102 OF THE COMPANIES ACT, 2013 AND RULES MADE THEREUNDER

Item No. 4

The Board of Directors of the Company on the recommendation of the Audit Committee, approved the appointment and remuneration of Messrs. K. S. Kamalakara & Co., Cost Auditors, Bengaluru (FRN: 0000296), to conduct the audit of the cost records of the Company for the financial year ending June 30, 2020 and have in this regard approved payment of INR 2,00,000 (excluding taxes & out of pocket expenses) as cost audit fees for FY20. In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14 (a) (ii) of The Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor as approved by the Board of Directors is to be ratified by the Members of the Company. Accordingly, the Members are requested to ratify the remuneration payable to the Cost Auditors for the financial year 2020 as set out in the Resolution aforesaid.

None of the Directors, Key Managerial Personnel of the Company and their relatives, are in any way concerned or interested financially or otherwise in the said Resolution.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 4 of the Notice for approval by the Members.

Item No.s 5 & 6

As a part of its regular business, the Company purchases/sells raw materials, hard metal products, avails/renders services from/to Kennametal Inc. and Kennametal Europe GmbH, at arm's length basis. For the Financial Year 2019-20 ("on-going transaction") the Audit Committee has reviewed and approved the transactions as mentioned in the resolutions set out under Item No.s 5 & 6 of the Notice, at its meeting held on August 22, 2019.

Kennametal Inc. and Kennametal Europe GmbH are related to the Company as per Regulation 23 of SEBI (LODR) Regulations, 2015.

An analysis of all the related party transactions (RPT) entered into/by the Company during FY19 and the basis of charge was undertaken through a third-party professional firm. The Audit Committee upon review of such analysis is of the view that all related party transactions by the Company are at Arm's length basis.

In 53rd Annual General Meeting of the Company held on November 9, 2018, Shareholders approved all Material Related Party Transactions for a period of 3 years, However the Actual Value of Material Related Party transactions during FY19 and those expected during FY20 are likely to exceed the limits approved by the Shareholders hitherto.

The Board of Directors at its Meeting held on August 22, 2019, reviewed the actual value of transactions for FY19 and estimated value of the transactions on annual basis effective FY20 in detail, for recommending the same to the shareholders of the Company for their approval. The figures are articulated in the table which is made part of the resolution.

As per Regulation 23(1) SEBI (LODR) Regulations, 2015, the transactions with Kennametal Inc. and Kennametal Europe GmbH are material in nature as these transactions on cumulative basis are likely to exceed 10% of the annual turnover as per the last audited financial statements of the Company.

Therefore, in terms of Regulation 23(4) of Listing Regulations, the transactions with the said related parties require the approval of members of the Company by a resolution passed in the general meeting.

As per Listing Regulations, all entities falling under the definition of Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not and accordingly the promoters shall not vote on the resolutions set out at Item Nos. 5 & 6.

The following information is placed before the shareholders.

| Particulars | Information |
|--|---|
| Description of the Related Parties | Kennametal Inc. and Kennametal Europe GmbH |
| Nature of relationship | Holding Company and its group companies (e.g. subsidiaries, associate companies and joint venture companies) |
| Period for which the shareholders' approval is sought | July 1, 2019 to June 30, 2020 |
| Nature and Particulars of transactions with Kennametal Inc. USA, Kennametal Europe GmbH and other members of the Kennametal Group ("RPTs") | Payments: - Purchase of Components/raw materials, IT Cross charges, Royalty, Cross charge –expenses, Receipt: - Sales of products/components, Cross charge –expenses |

| Particulars | Information |
|--|---|
| Material terms of the RPTs | Terms and conditions are similar for both the related parties. Salient Terms are given in the Board's Report. |
| Duration of these RPTs have been continued from the past | These transactions have been undertaken by the Company from time to time depending on the needs of business. |
| Estimated Monetary value of such RPTs | Considering the business phenomenon being dynamic and the nature of industry / business in which the Company operates, the Company expects the level of transactions with Kennametal Inc. and Kennametal Europe GmbH to be above the materiality threshold as prescribed under the Listing Regulations. Therefore, the approval of the Members is sought for an aggregate value of transactions for FY20 for 5,940 Million (Kennametal Inc. 2,580 Million and Kennametal Europe GmbH 3360 Million). |
| Whether the transactions have been approved by the Audit Committee | Yes. The Audit Committee has granted omnibus approval as per the prevailing legal requirements. The proposed RPTs are in accordance with the RPT Policy of the Company. |
| Any other Information relevant or important for the Members to make a decision on the proposed transactions. | The details of Related Party Transactions are given in Note no. 35 (Standalone) & 37 (Consolidated) to the Notes to the Financial Statements for the year 2018-19. |

The proposed RPTs are in the ordinary and normal course of business and on arm's length basis and play a significant role in the Company's business operations and accordingly the Board recommends the Ordinary Resolution set forth in item No. 5 and 6 of the Notice for the approval of the Members in terms of Regulation 23 of the Listing Regulations.

None of the Directors or Key Managerial Personnel of the Company except Mr. Alexander Broetz, Mr. D. Parameswar Reddy and Ms. Colleen Wood Cordova (being Nominees of Kennametal Inc. on the Board of the Company) and their relatives may be deemed to be concerned or interested, directly or indirectly, in this Resolution.

The Members' approval is solicited for the resolutions at Item Nos. 5 and 6 of the accompanying Notice as Ordinary Resolutions.

This Explanatory Statement may also be regarded as a disclosure under SEBI (LODR) Regulations, 2015.

By Order of the Board of Directors
For **Kennametal India Limited**

Bengaluru
August 22, 2019

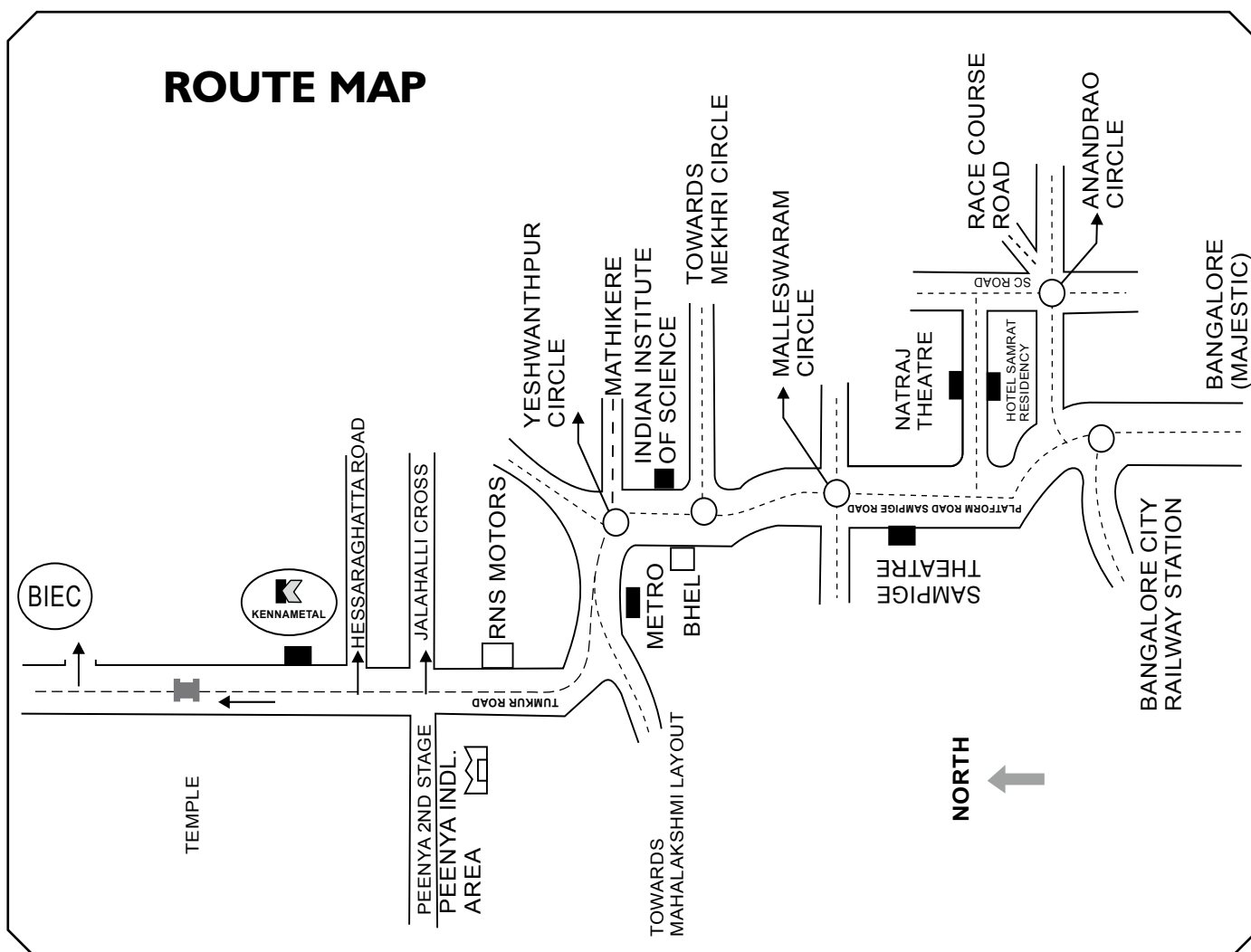
Naveen Chandra P
General Manager – Legal &
Company Secretary (ACS – 30057)

Annexure A

Brief Particulars of Directors seeking appointment/re-appointment

| | |
|-----------------------------|---|
| Name of the Director | Ms. Colleen Wood Cordova |
| Date of Birth | April 5, 1958 |
| Relationship with Directors | None |
| Experience | Current Position held: Vice President Global Heavy Industries, Industrial Business, Kennametal Inc. In the past years she has held various positions including Vice President and GM, North America Commercial Operations, Vice President of Global Product Management and Industrial Marketing, Vice President of Marketing EMEA and Vice President of Energy Infrastructure. She joined as a President of Conforma Clad, Division of Kennametal Inc. in the year 2006. |

| | |
|--|---|
| | <p>Prior to joining Kennametal Inc., she served with various organizations and handled various roles as Vice President- Marketing and GM of Toxicology in Gene Logic, as GM-Adsorbents in W.R. Grace and as Market Segment Leader in Allied Signal Inc. She has over 30 years of enriched experience in the fields of Sales and Marketing and General Management and makes time to mentor female employees in the Kennametal organization.</p> <p>She is also an Advisory Board Member on the Product Management Executive Board established by Sequent Learning Networks, United States and a recipient of the 2013 Woman in Manufacturing STEP Award presented by the Society of Manufacturing Engineers and the Manufacturing Institute.</p> |
| Expertise in specific functional area | Sales, Marketing and Leadership |
| Qualifications | Ms. Cordova holds a Master of Science in Chemical Engineering from Virginia Polytechnic Institute and State University and also holds a Master of Business Administration (MBA) in International Marketing from University of Richmond-Robins School of Business. |
| List of Directors and Memberships of Board Committees in India | None |
| No. of Shares held | NIL |



To the kind attention of the Members of the Company holding shares in physical form:

As you all aware, the shares of the Company are mandated by the Securities and Exchange Board of India (SEBI) for trading in dematerialized form by all Members.

We give below a brief overview of Depository, Depository Participants and Dematerialization (Demat) of Shares in order to encourage Members of the Company to convert their physical holdings to Demat form.

Depository/ Depository Participant:

A Depository can be compared to a bank. A Depository holds securities (like shares, debentures, bonds, Government Securities, units etc.) of Members in electronic form. Besides holding securities, a Depository also provides services related to transactions in securities. In India National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) are the 2 Depositories.

A Depository interfaces with the members through its agents called Depository Participants (DPs). If a member wants to avail the services offered by the Depository, the member has to open an account with a DP. This is similar to opening an account with any branch of a bank in order to utilize the bank's services. NSDL/ CDSL provides its services to members through its agents called Depository Participants (DPs).

These agents are appointed by NSDL/CDSL with the approval of SEBI. According to SEBI Regulations, amongst others, 3 categories of entities i.e. Banks, Financial Institutions and Members of Stock Exchanges [brokers] registered with SEBI can become DPs. You can get a list of DPs from NSDL's/CDSL's office or from their respective websites viz., at www.nsdl.co.in and www.cdslindia.com.

You can select your DP to open a Demat account just like you select a bank for opening a savings account. Some of the important factors for selection of a DP can be: Convenience - Proximity to your office/residence, business hours; Comfort - Reputation of the DP, past association with the organization, whether the DP is in a position to give the specific service you may need? ; Cost - The service charges levied by DP and the service standards.

You can approach any DP of your choice and fill up an account opening form. At the time of opening an account, you may have to sign an agreement with the DP in a NSDL/CDSL prescribed standard agreement, which details you and your DPs rights and duties. You will have to submit the documents relating to Proof of Identity, Proof of Address, Passport size photographs etc., with the prescribed account opening form.

Procedure and Benefits of Dematerialization (Demat) of shares are given below:

1. Demat is a process by which shares/securities held in physical form are cancelled and destroyed and the ownership thereof is retained in fungible form in a Depository by way of electronic balances.
2. The benefits of Demat are:
 - Elimination of bad deliveries;
 - Elimination of all risks associated with physical certificates;
 - No stamp duty on transfers;
 - Immediate transfer and trading of shares;
 - Faster disbursement of non-cash corporate benefits like rights, bonus etc.,
 - Periodic status reports and information available on internet;
 - Ease related to change of address of member;
 - Elimination of problems related to transmission of demat shares and ease in pledging the shares.
3. Procedure for getting demat shares in the name of legal heirs in the event of death of sole beneficial owner with nomination:
 - If the value of shares of the Company as on date of application is up to ₹ 5 Lakhs, the legal heirs should submit the following documents to the DP: Notarized copy of the death certificate; Transmission Request Form (TRF); Affidavit- to the effect of the claim of legal ownership to the shares; Deed of indemnity – Indemnifying the depository and DP; NOC from legal heirs, if applicable or family settlement deed duly executed by all legal heirs of the deceased beneficial owner.
 - If the value of the shares of the Company as on date of application is more than ₹ 5 Lakhs, the legal heirs should additionally submit one of the following documents to the DP: Surety Form; Succession certificate; Probated will and Letter of administration.

We sincerely hope that the above information is useful and helpful to our Members of the Company. Members holding shares in physical form are advised to dematerialize their shares to avoid the risks associated with the physical holding of such share certificates.

The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in physical form can submit their PAN details to the Company's Registrar and Transfer Agent (R&T).

By Order of the Board of Directors
For **Kennametal India Limited**

Naveen Chandra P

General Manager – Legal &

Company Secretary (ACS – 30057)

Bengaluru

August 22, 2019



CIN: L27109KA1964PLC001546
Registered Office: 8/9th Mile, Tumkur Road, Bengaluru – 560 073, Karnataka, India
Phone: +91 (80) 28394321 Fax : +91 (80) 28397572
e-mail: in.investorrelation@kennametal.com Website page: <http://www.kennametal.com/kennametalindia>

PROXY FORM

Name of the member(s):

Registered Address:

E-mail ID:

Folio No./Client ID:

DP ID

I / We being the member(s) of, Shares of the above named company hereby appoint

| | | |
|-------------------------|-------------------------|-------------------------|
| 1. Name: | 2. Name | 3. Name |
| Address | Address | Address |
| e-mail id: | e-mail id | e-mail id |
| Signature | Signature | Signature |
| Or failing him | Or failing him | Or failing him |

as my / our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 54th Annual General Meeting of the Company to be held on Wednesday, November 13, 2019 at 12.00 Noon. at the Registered Office: 8/9th Mile, Tumkur Road, Bengaluru – 560 073 and at any adjournment thereof in respect of such resolutions, as are indicated below.

| Resolution No. | Resolutions | Vote (Optional see Note 2) (Please mention no. of Shares) | | |
|-------------------|--|--|---------|---------|
| | | For | Against | Abstain |
| Ordinary business | | | | |
| 1 | To receive, consider and adopt the Audited Financial Statements as at June 30, 2019 and the Independent Auditor's Report thereon and the report of the Board of Directors. | | | |
| 2 | To appoint a Director in place of Ms. Colleen Wood Cordova (DIN: 07568713), who retires by rotation and being eligible, offers himself for re-appointment. | | | |
| 3 | To confirm the interim dividend of ₹ 2/- per equity share (20%) already paid for the financial year 2018-19. | | | |
| Special Business | | | | |
| 4 | Ratification of the remuneration payable to Messrs. K. S. Kamalakara & Co., Cost Auditors, Bengaluru (Firm Registration No: 0000296), as the Cost Auditor for the financial year ending June 30, 2020. | | | |
| 5 | Approval of Material Related Party Transactions with Kennametal Inc., USA, as per Regulation 23 of SEBI (LODR) Regulations, 2015. | | | |
| 6 | Approval of Material Related Party Transactions with Kennametal Europe GmbH, as per Regulation 23 of SEBI (LODR) Regulations, 2015. | | | |

Signed this _____ day of _____ 2019

Name: _____

Address: _____

Revenue
Stamp

Signature of the Shareholder

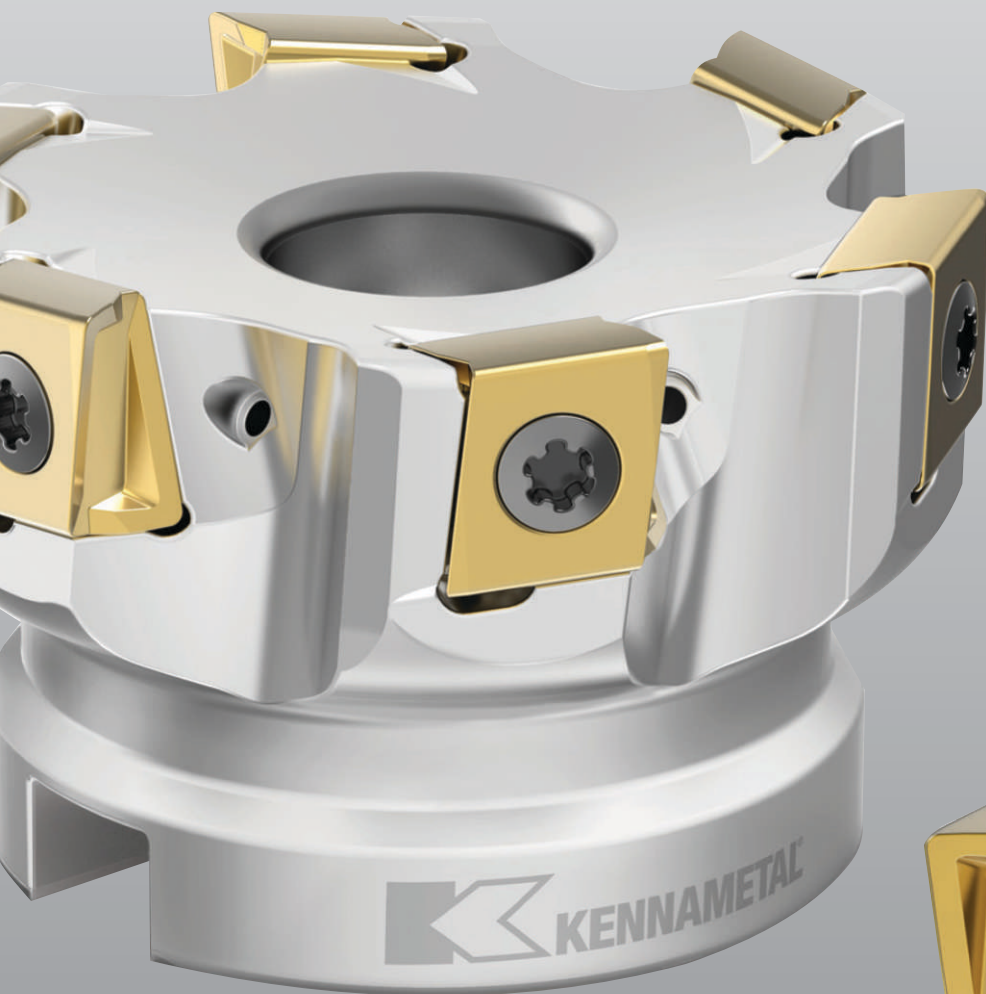
Signature of the Proxy

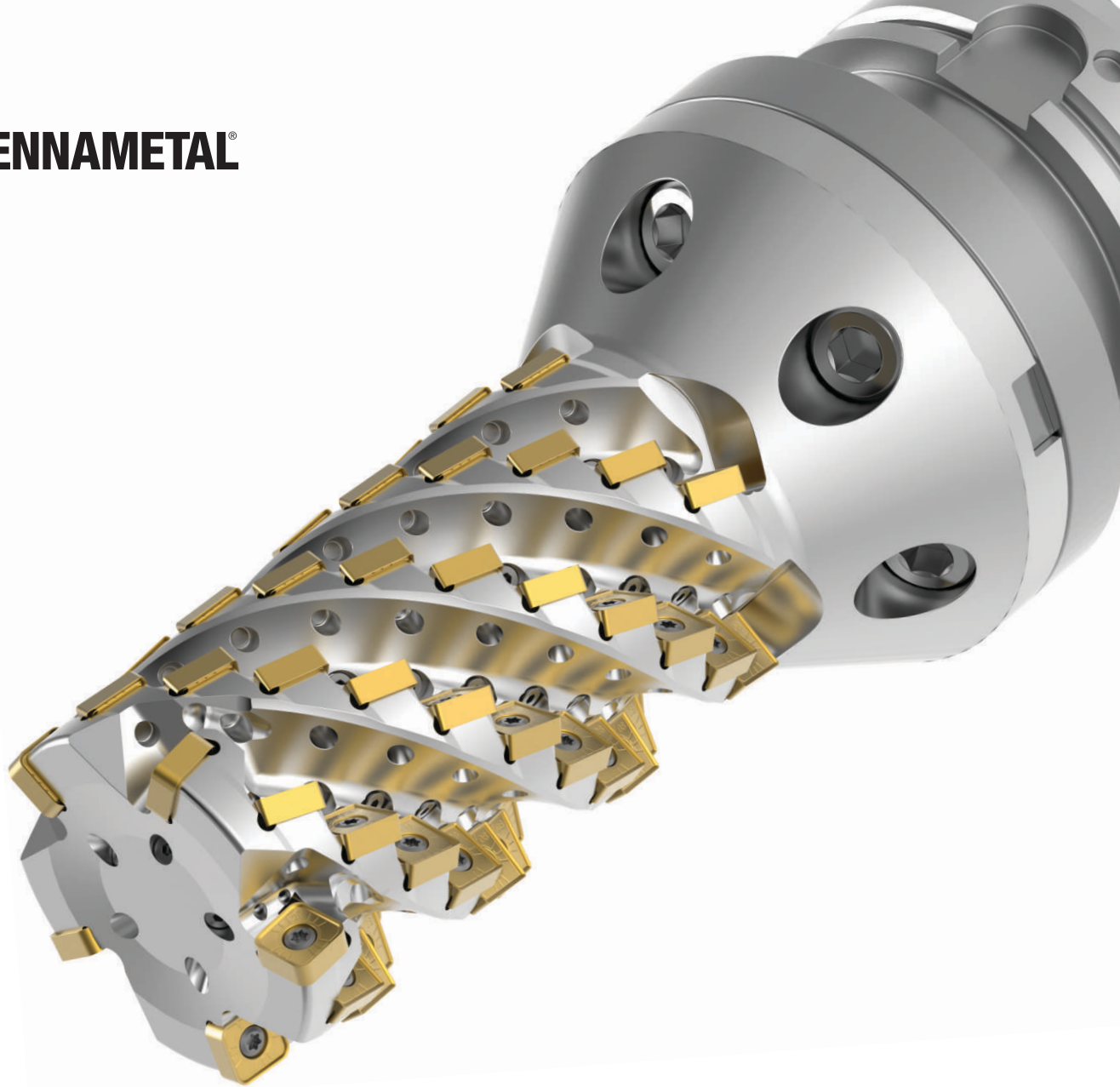
Notes:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting. The proxy need not be a Member of the Company.
- It is optional to indicate your preference. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she may deem appropriate.
- Please do not share your e-voting password with anyone.

FY19

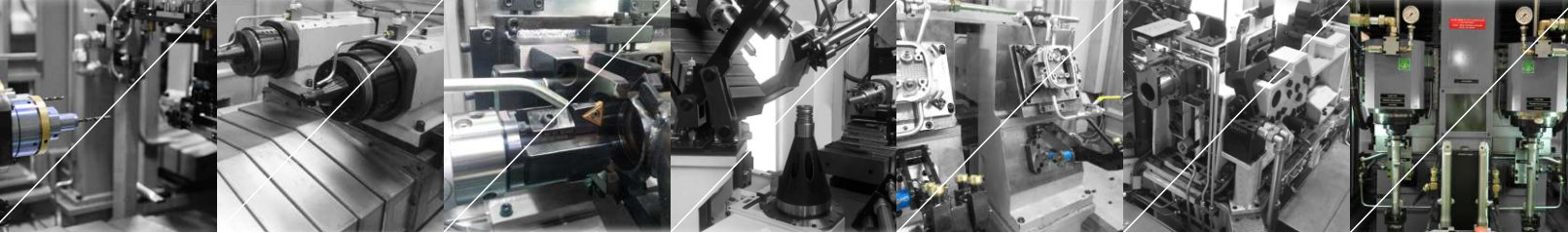
54th ANNUAL REPORT



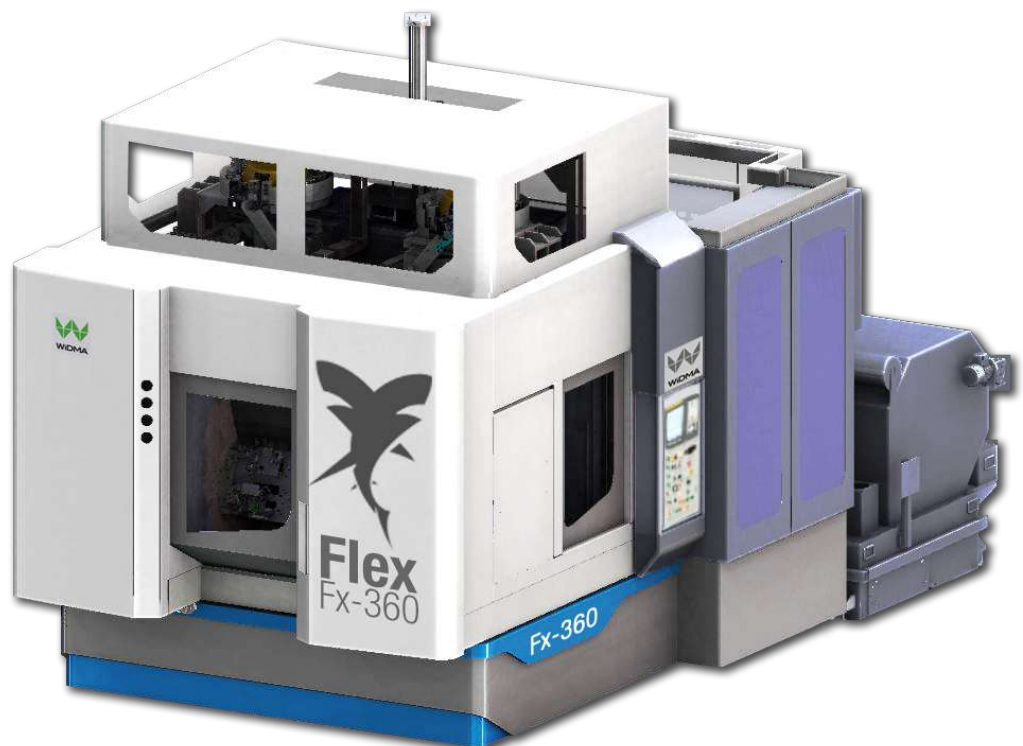
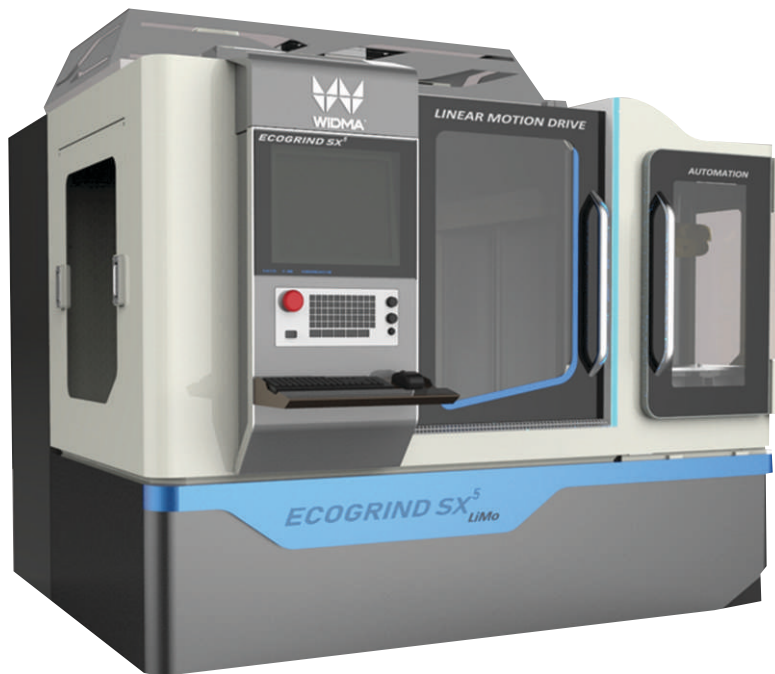




WIDIA 



 **WIDMA®**



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. Alexander Broetz

Ms. Colleen Wood Cordova

Mr. David Lee (*upto August 23, 2018*)Mr. D. Parameswar Reddy (*From August 23, 2018*)**Key Managerial Personnel**

Mr. Bhagya Chandra Rao

Managing Director

Mr. K.V. Suresh Reddy

*Chief Financial Officer*Mr. Thulsidass T V (*upto October 12, 2018*)*General Manager – Legal & Company Secretary*Mr. Naveen Chandra Prakash (*from November 19, 2018*)*General Manager – Legal & Company Secretary***India Leadership Council (ILC)**

Mr. Bhagya Chandra Rao

Mr. K. Chandrashekhar Sharma

Mr. M. N. Bhaskara Rao

Mr. M. T. Swamy

Mr. K.V. Suresh Reddy

Mr. Prashant Shetty

Mr. Manu Kidave

Mr. Naveen Chandra Prakash

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****Statutory Auditors**

Messrs Walker Chandio & Co. LLP

Chartered Accountants

Internal Auditors

Messrs. Ernst and Young LLP

Chartered Accountants

Cost Auditors

K. S. Kamalakara & Co.

Secretarial Auditor

Vijayakrishna K. T., Company Secretary

Bankers

Bank of America

HDFC Bank Limited

ICICI Bank Limited

State Bank of India

Mizuho Bank

Axis Bank

Registrar & Share Transfer Agent

Integrated Registry Management Services Private Limited

30, 'Ramana Residency'

4th Cross, Sampige Road

Malleswaram, Bengaluru – 560 003

Phone : + 91 (80) 23460815-818

Fax : + 91 (80) 23460819

e-mail: irg@integratedindia.in**54th Annual General Meeting**

Wednesday, November 13, 2019 at 12.00 noon at the
Registered Office of the Company at 8/9th Mile,
Tumkur Road, Bengaluru – 560 073

| Contents | Page No |
|--|---------|
| Chairman's Message | 3 |
| Board's Report | 5 |
| Management Discussion & Analysis Report (Annexure-I) | 11 |
| Report on Corporate Governance (Annexure-II) | 17 |
| Annexure III to IX to the Board's Report | 31 |
| Standalone Financial Statements and Notes | 49 |
| Consolidated Financial Statements and Notes | 101 |

CHAIRMAN'S MESSAGE

Dear Shareholder

I am pleased to present to you, on behalf of the Board, the 54th Annual Report of Kennametal India Limited for the financial year ended June 30, 2019.

International economic situation:

India continued to remain the fastest growing major economy in the world in 2018-19, despite a moderation in its GDP growth from 7.2% in 2017-18 to 6.8% in 2018-19. On the other hand, the world output growth declined from 3.8% in 2017 to 3.6% in 2018. The slowdown in the world economy and Emerging Market and Developing Economies (EMDEs) in 2018 followed the escalation of US - China trade tensions, tighter credit policies in China, and financial tightening alongside the normalization of monetary policy in the larger advanced economies. India's growth of real GDP has been high with average growth of 7.5% in the last 5 years (2014-15 onwards). The Indian economy grew at 6.8% in 2018-19, thereby experiencing moderation in growth when compared to the previous year. On the demand side, lower growth of GDP in 2018-19 was accounted for, by a decline in growth of government final consumption, change in stocks and contraction in valuables.

Indian manufacturing realm – an overview:

Admirable growth in the Indian manufacturing sector during beginning of 2018-19 did not sustain towards the end of FY19. Growth momentum tapered from 12.1% during April-June 2018 to 3.1% during Jan-March 2019. The de-growth momentum in the Indian manufacturing sector kept up during April-June 2019 with a growth of 0.6%.

Based on the growth in the production of cement and consumption of finished steel one may infer that the construction sector in India grew at 13.3% during 2018-19 as against 7.5% 2017-18.

Growth in the industry accelerated during 2018-19 on the strength of improving manufacturing and construction activity, which have more than offset the deceleration in the other two sub sectors, 'Mining & quarrying' and 'Electricity, gas, water supply & other utility services'. Manufacturing accounted for 16.4% in total Gross Value Add (GVA) in 2018-19, marginally higher than that of 'Agriculture & allied' sector.

The trend of growth of exports and imports was different in 2018-19 in rupee and US\$ terms. While growth of both export and import declined in US\$ terms, it increased in rupee terms (at current prices) in 2018-19 due to the depreciation of rupee vis-a vis US\$ in 2018-19.

Indian banking sector has been dealing with twin balance sheet problem, which refers to stressed, corporate and bank balance sheets. The increase in Non-Performing Assets (NPA) of banks led to stress on balance sheets of banks, with the Public Sector Banks (PSBs) taking in more stress.

The Automotive slowdown:

It is reported that glimpses of slowdown in auto industry was visible from July-Sep 2018 and eventually worsened during April-June 2019.

Although some experts view that the slowdown in Indian auto industry 'is cyclic' in nature, the July 2019 saw the steepest decline of last two decades. It is also reported that the slowdown was intensified by combination of regulatory & policy changes initiated by the government, all happening at the same time which pushed the prices of vehicles upwards.

The slue of measures being undertaken by the government to provide respite to auto segment including deferring the hike in vehicle registration cost, government buying vehicles, increased spending on infrastructure to boost liquidity in the market could have positive impact in the long run commencing the second half of FY20.

It is heartening to report that your Company was able to significantly improve its total revenue (Consolidated) in FY19 with a growth of 19.18% over the previous year. Earnings Before Tax (Consolidated) recorded a phenomenal increase of 74.25% despite the challenging business environment, especially slowdown in the auto market, higher manpower costs and fierce price competition from new and established Competitors. Despite the challenges, your Company has been successful in sustaining and growing market share across segments without sacrificing profitability on the back of the efforts of the last few years to strengthen the Company through the strategic emphasis on operational efficiency as well as placing renewed focus on both the Kennametal and WIDIA brand products to better leverage all possible opportunities for growth in the cutting tool market.

The Operating structure of your Company, involving dual brands in metal cutting tools business independently competing in the market has begun yielding positive results and is being driven more forcefully to make the Company more agile and competitive in the marketplace. As part of this effort your Company had last year initiated steps for incorporation of a Wholly owned subsidiary for sale of "WIDIA" brand products. I am overwhelmed to inform you all that on December 13, 2018 your company successfully incorporated a wholly owned subsidiary of the Company known by the name 'Widia India Tooling Private Limited' which will be exclusively selling WIDIA branded products. Your Company continues to localize tooling products and make capital investments to meet the quality standard and demand, both at domestic and international levels. Moving further towards achieving this goal, the Company has undertaken a significant expansion and modernization of its production facilities in India to address the growing needs of domestic and international markets.

For the future, it is encouraging to note that the green shoots of economic growth resulting from the many transformational actions of the Government are gradually beginning to yield results. Amendments to the Insolvency and Bankruptcy Code (IBC) marks a good beginning for FY 20 under which the major stressed companies are being referred for resolution while simultaneously implementing a major recapitalization package to strengthen the balance sheet of the major public-sector banks. The Monsoon has been good during FY20, with some parts of the country receiving more than adequate rainfall which along with the higher minimum support prices for farm produce announced by the Government

is expected to boost rural income and lead to good rural demand especially for tractors and transport equipment. This should augur well for your company since your Company's products are substantially used in agriculture & transportation, general engineering, aerospace & defense, energy, power generation equipment, earthworks, mining & construction sectors. Our expectation is that any revival of the investment and manufacturing activities in both the public and private sectors could yield some opportunities to sustain growth of your Company in FY20 and beyond.

The sustained economic recovery in the global markets is another positive development while the risk of high global oil prices and the protectionist trends sweeping through the leading economies has started casting a shadow on the prospects of sustaining the recovery in global trade. Along with the significant investments by the Government in infrastructure, the expectation of revival of the private sector investment cycle offers hope for an uptick in manufacturing activities, especially in infrastructure, defense and aerospace sectors under the Make in India initiative which would result in the overall growth of the economy. It is at this moment difficult to assess the positive/ negative aspects associated with the trade tensions between nations.

Your Company is continuously monitoring the market and pro-actively taking various steps to increase its market share through new and cost-effective products. We are also expanding the distribution channel network to cover all regions across the country for all the brands.

Corporate Governance:

Your Company places the highest value on good Corporate Governance practices, compliances and proactively enables proper Board oversight, management reporting and maximum shareholder involvement. Other essential values which define Kennametal are our commitment to Safety and Ethics as well as to ensuring sustainable development while integrating economic, health, safety and environmental aspects into each of the business decisions.

Corporate Social Responsibility:

The emphasis on Corporate Social Responsibility is increasing by the day and your Company's efforts in this area continue to be focused on the three primary categories that have been established for CSR activities with an emphasis on support for education, Kennametal in the Community and Protecting Our Planet.

During FY19, your Company focused on the areas of Education, Health and Environment to create measurable and lasting value for neighboring communities. Your Company sponsored the installation of Reverse Osmosis (R.O.) plant for drinking water for children in government schools, improved toilet facilities in nearby government schools, provided computer laboratories for government schools nearby, contributed to SOS, a NGO dedicated to the cause of orphan children, promotion of engineering education by granting scholarships to meritorious deserving candidates with preference to females (to promote higher education for females in India). Your Company has also expanded the coverage of the India Literacy Project aimed at improving the quality of education in Government Schools in the Company's neighborhood, to some more schools during the year under review.

On behalf of the Board of Directors, I would like to extend my special thanks to all Kennametal employees for their tireless efforts, relentless focus on customers, unwavering commitment and teamwork which brought the success of the previous years and seek their continuing commitment and hard work in reaching our goals in future.

I would remiss in my duty if I did not acknowledge the contribution of our loyal customers, distribution partners, vendors, shareholders and bankers in our growth and success.

I would like to record our special thanks to the unionized employees who have extended support to us in the various initiatives taken by the Company for meeting the safety, quality and delivery requirements.

Finally, I would like to convey my heartfelt gratitude to my esteemed colleagues on the Board for their valuable contributions in making our organization successful by providing timely advice and guidance. I step down as the Chairman of this Company from closing hours of November 3, 2019. Its been a great experience working with Kennametal group. I wish the entire Kennametal team and the new Chairman- Mr. Anjani Kumar, continued success in the years to come and seek the support of all stakeholders in our quest to make Kennametal an exceptional institution.

Thank you.

Prakash M. Telang
Chairman
DIN: 00012562

BOARD'S REPORT

Your Directors are pleased to present the 54th Annual Report along with Consolidated and Standalone Audited Financial Statements for the financial year ended June 30, 2019.

Financial Results

(₹ in Million)

| Particulars (In ₹ Mn) | Consolidated ** | | Standalone* |
|--|-----------------|--------------|--------------|
| | FY19 | FY19 | FY18 |
| Total Revenue | 9,452 | 9,269 | 7,931 |
| Profit before exceptional items and tax | 1,272 | 1,216 | 807 |
| Add/Less-Exceptional Items Income/(Expense) | - | - | (77) |
| Profit after exceptional items and before Tax | 1,272 | 1,216 | 730 |
| Less: provision for tax | 368 | 353 | 207 |
| Current tax | 394 | 376 | 204 |
| Tax adjustment relating to earlier years | (115) | (115) | (46) |
| Deferred tax (credit)/charge | 89 | 92 | 49 |
| Profit after Tax | 904 | 863 | 523 |
| Other comprehensive income for the year, net of tax | (10) | (10) | (21) |
| Total comprehensive income for the year | 894 | 853 | 502 |
| Add: balance brought forward from previous year | 4,168 | 4,168 | 3,719 |
| Total available for appropriation | 5,062 | 5,021 | 4,221 |
| Interim dividend | 44 | 44 | 44 |
| Dividend distribution tax | 9 | 9 | 9 |
| Share based compensation adjustment | (1) | (1) | 0 |
| Balance transferred to Balance Sheet | 5,010 | 4,969 | 4,168 |

* The previous period figures have been regrouped and/or reclassified wherever necessary to confirm with the current period presentation in compliance with Ind AS requirement.

** since the Wholly owned subsidiary was incorporated on December 13, 2018, consolidated Financial Results would be applicable only for FY19.

DIVIDEND AND RESERVES

An interim dividend of ₹ 2/- per Equity Share of ₹ 10/- each (20% on the Paid-up Share Capital of the Company) was declared by the Board for the financial year ended June 30, 2019 and May 27, 2019 was fixed as Record Date for the said purpose. The said Interim Dividend was paid on June 04, 2019. The Board of Directors has decided to treat the same as Final Dividend and therefore, no additional Dividend is recommended for the financial year ended June 30, 2019.

The Company has not transferred any amounts to reserves for the financial year ended June 30, 2019.

OPERATING RESULTS

Profit before Tax and before Exceptional items (Consolidated) was ₹ 1272/- Million as compared to ₹ 807/- Million in the previous financial year. The Company's performance for the year has shown substantial improvement in comparison with the previous year.

During the Financial Year the Company took your approval for incorporation of its a wholly owned subsidiary i.e., WIDIA India Tooling Private Limited and the same has been incorporated on December 13, 2018. WIDIA India Tooling Private Limited has commenced operations effective April 1, 2019.

CHANGES IN SHARE CAPITAL

There were no changes in the Share Capital of the Company during the financial year.

Capital Structure of the Company

The Authorized Share Capital of the Company as on date is ₹ 219782400 (Rupees Two Hundred and Nineteen Million, Seven Hundred and Eighty Two Thousand and Four Hundred only) divided into 21978240 (Twenty One Million, Nine Hundred and Seventy Eight Thousand, Two Hundred and Forty only) Equity Shares of ₹ 10/- (Rupees Ten only) each.

The Issued, Subscribed and Paid up Share Capital of the Company as on date is ₹ 219782400 (Rupees Two Hundred and Nineteen Million, Seven Hundred and Eighty Two Thousand and Four Hundred only) divided into 21978240 (Twenty One Million, Nine Hundred and Seventy Eight Thousand, Two Hundred and Forty only) Equity Shares of ₹ 10/- (Rupees Ten only) each.

Disclosure regarding Issue of Equity Shares with Differential Voting Rights

During the financial year under review, the Company has not issued Shares with Differential Voting Rights.

Disclosure regarding issue of Employee Stock Options

During the financial year under review, the Company has not issued Shares Employee Stock Options.

Disclosure regarding issue of Sweat Equity Shares

During the financial year under review, the Company has not issued Sweat Equity Shares.

MATERIAL CHANGES AND COMMITMENTS

There has been no material changes and commitments, affecting the financial performance of the Company which occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

During FY19, the total revenue (Consolidated) of the Company was ₹ 9452/- Million compared with ₹ 7931/- Million in the previous financial year.

A Management Discussion and Analysis (MD&A) Report is annexed to this report as "Annexure I" as required under Regulation 34 of SEBI [Listing Obligations and Disclosure Requirements (LODR)] Regulations, 2015 (Hereinafter referred as SEBI (LODR) Regulations 2015).

DIRECTORS AND KEY MANAGERIAL PERSONNEL**Directors Retiring by Rotation**

In accordance with the provisions of Section 152 of the Companies Act, 2013 and Articles of Association of the Company, Ms. Colleen Cordova, who has been longest in the office, is due to retire by rotation at the forthcoming Annual General Meeting ("AGM") and, being eligible, offers herself for re-appointment. The Board recommends her reappointment at the forthcoming AGM.

Declaration of Independence:

The Company has received declarations from all the Independent Directors of your Company confirming that they meet the criteria of Independence as mentioned under sub-section (6) of Section 149 of the Companies Act, 2013.

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 Corporate Governance Report of this Annual Report.

A brief profile of the Director being appointed / re-appointed as required under Regulation 36(3) of SEBI (LODR) Regulations, 2015 is furnished along with the Notice convening 54th Annual General Meeting.

DIRECTORS' INTEREST

No Director was materially interested in any contracts or arrangements existing during or at the end of the year in relation to the business of the Company. However, Mr. Alexander Broetz, Mr. D. Parameswar Reddy and Ms. Colleen Wood Cordova, being Nominees of Kennametal Inc. on the Board of the Company may be deemed to be interested in some of the contracts with Related Parties though not personally. No Director holds any shares in the Company as on June 30, 2019 except Mr. Prakash M. Telang, Chairman & Non-Executive Independent Director, who holds 2,000 Equity Shares of ₹ 10/- each, Mr. B. Anjani Kumar, Non-Executive Independent Director, who holds 10 Equity Shares of ₹ 10/- each and Mr. Bhagya Chandra Rao, Managing Director, who holds 320 Equity Shares of ₹ 10/- each in the Company.

Change in Designation:

The Board at its meeting held on August 22, 2019 has appointed Mr. B. Anjani Kumar as the Chairman of the Board effective November 4, 2019 in place of Mr. Prakash M. Telang who retires as the Chairman effective November 3, 2019.

Investor Education and Protection Fund (IEPF)

Pursuant to the applicable provisions of the Companies Act, 2013, read with the IEPF Authority Accounting, Audit, Transfer and Refund Rules, 2016 ("the IEPF Rules"), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF, established by the Government of India, after the completion of seven years. Further, according to the Rules, the shares on which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be transferred to the demat account of the IEPF Authority. During the year, the Company has transferred the unclaimed and unpaid dividends. Further, shares on which dividends were unclaimed for seven consecutive years were transferred as per the requirements of the IEPF rules. The details are provided in the Shareholder information section of this Annual Report and are also available on our website, at www.kennametal.com/kennametalindia.

DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the Statutory Auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee and Risk Management Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the FY19.

Accordingly, pursuant to the provisions of Section 134(3)(c) and Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of its knowledge and ability, 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;
- they 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, 2019 and of the profit of the Company for the year ended on that date;
- they 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;
- they have prepared the annual accounts on a going concern basis;
- they 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
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DEPOSITS

During the financial year, your Company has not invited/ accepted any Public Deposits pursuant to the provisions of Chapter V of the Companies Act, 2013.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The details of Loans and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to the

Financial Statements forming part of Annual Report. The Company has not provided any loans and guarantees during the Financial Year.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

During the financial year under review, there were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its future operations.

EVALUATION OF THE BOARD'S PERFORMANCE

Pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, the Board had adopted a formal mechanism for evaluating its performance and that of its Committees and Directors, including the Chairman of the Board. During the financial year, the evaluation 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.

FAMILIARIZATION PROGRAMME

The Company has a structured familiarization program for Independent Directors of the Company which is also extended to other Non-Executive Directors to ensure that Directors are familiarized with their function, role, rights, responsibilities and the nature of the 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 made by the Senior Management of the Company, 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, quality and such other areas as may arise from time to time.

During the financial year, the Management provided various documents, background notes, presentations etc. to have a better insight into the Company's operations. The Directors of the Company underwent a short online training, on prohibition of insider trading, initiated by Compliance Officer on behalf of the Kennametal Global Compliance Team.

The Company also issues appointment letters to the Independent Directors which incorporate their role, duties and responsibilities.

CORPORATE GOVERNANCE

Pursuant to Regulation 34 (3) read with Schedule V(C) of SEBI (LODR) Regulations, 2015, a report on Corporate Governance and the Certificate as required under Schedule V (E) of SEBI (LODR) Regulations, 2015 from Mr. Vijayakrishna K T, Practicing Company Secretary, regarding compliance of conditions of Corporate Governance is annexed as "Annexure II" which forms part of this report. Further, in compliance with the Listing Regulations, your Board has adhered to the Corporate Governance Code.

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 financial year under review, as required under SEBI (LODR) Regulations, 2015 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 strong ethical culture. The code of conduct is available on the website of the Company at: https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/code_of_conduct_director.pdf

CEO/CFO CERTIFICATE

A Certificate from the Chief Executive Officer and the Chief Financial Officer dated August 22, 2019 on the Financial Statements and the Cash Flow Statement of the Company for the financial year ended June 30, 2019 is annexed as Annexure-IIB and forms part of this report.

WHISTLE-BLOWER POLICY/VIGIL MECHANISM

Even before the promulgation of section 177 of the Companies Act, 2013 your Company had a Whistle Blower Policy/ mechanism. Pursuant to section 177 of Companies Act, 2013 and SEBI (LODR) Regulations, the Board of Directors have approved and adopted robust 'Vigil Mechanism' (Whistle Blower Policy). The Whistle Blower Policy provides the following avenues for employees to raise complaints freely:

- Audit Committee of Kennametal India Limited;
- Compliance Officer – Kennametal India Limited
- Ethics Alert Line (toll-free and anonymous): 000-117 +1-877-781-7319
- K-Corp Ethics Mailbox: k-corp.ethics@kennametal.com;
- Office of Ethics and Compliance: Fax: +1 724-539-3839 Telephone: +1 724-539-4031, Mailing Address: Office of Ethics and Compliance, 1600 Technology Way, Latrobe, Pennsylvania (USA) 15650

The Complainants duly receive feedback on action taken which makes sure that they are informed about the complaint having been looked into seriously by the personnel mentioned above. Kennametal follows non-retaliation policy which ensures that employees are protected against victimization for any "Whistle Blower" intimation made by them in good faith. Your Company affirms that no personnel have been denied access to the Audit Committee.

No complaints under Whistle Blower have been received during the financial year.

The Kennametal Ethics Helpline

Anyone can make a complaint about the violation of the 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 annexed as “Annexure III” to this report.

AUDITORS & REPORT OF STATUTORY AUDITORS

As per the provisions of Section 139 of the Companies Act, 2013 read with the Rules made there under, no Listed Company and such other Companies as prescribed under the Companies Act, 2013 can appoint or re-appoint and audit firm as Auditors for more than two terms of five consecutive years.

In view of the same, the Company has appointed Messrs. Walker Chandio & Co LLP, Chartered Accountants (FRN: 001076N/N500013) who were appointed as Statutory Auditors at the 52nd Annual General Meeting held on November 07, 2017 for a period of 5 (Five) years to hold the office until the conclusion of 57th Annual General Meeting.

As per the Companies (Audit and Auditors) Second Amendments Rules, 2018, with effect from May 7, 2018, the Central Government has notified the omission of the requirement related to ratification of appointment of Statutory Auditors by members at every Annual General Meeting. Accordingly, the resolution for ratification has not been placed before the members.

The Independent Auditors' Report to the Members on the Accounts of the Company for the financial year ended June 30, 2019 does not contain any qualification, reservation or adverse remarks. The notes on financial statements referred to in the Independent Auditors' Report are self-explanatory and do not call for any further comments.

REPORTING OF FRAUDS

There was no instance of fraud during the financial year under review, which required the Statutory Auditors to report to the Audit Committee and / or the Board, as required under Section 143(12) of the Act and Rules framed thereunder.

SECRETARIAL AUDITOR

Mr. Vijaykrishna K. T., Practicing Company Secretary (FCS 1788 & CP 980) carried out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2018-19 and submitted his report, which is annexed to this report as “Annexure IV”.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COST AUDITORS

Pursuant to the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors of the Company upon recommendation of 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 2019-20. As required under Section 148 of the Companies Act, 2013, the Shareholders' approval for the remuneration

payable to Messrs. K. S. Kamalakara & Co., Cost Auditors is being sought at the ensuing Annual General Meeting.

INTERNAL FINANCIAL CONTROL

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report which is annexed as part of this Report.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

Pursuant to the provisions of Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (LODR) Regulations, 2015, the Related Party Transactions (RPTs) that were entered into during the financial year 2018-19 were at arm's length basis and in the ordinary course of business. Further, there were no material related party transactions during the financial year under review with the Directors or Key Managerial Personnel. All related party transactions were placed before the Audit Committee and the Board for approval as applicable under Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (LODR) Regulations, 2015.

The Policy on RPTs as approved by the Board is uploaded on the Company's website at <https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Related%20Party%20Transaction%20Policy%20.pdf>

The Particulars of RPTs in Form 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 the 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”.

A statement showing details of employees of the Company throughout the financial year and employees employed for part of the year who were in receipt of remuneration of ₹ 102/- Lakhs or more per annum or ₹ 8.5/- Lakhs or more per month is annexed herewith as “Annexure VII”.

Prevention of Sexual Harassment

Your Company has an Internal Complaints Committee as required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

There was a complaint lodged by an women employee, to the Internal Complaint Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, during the Financial Year. The matter was duly disposed off during the first quarter of FY20. All requisite compliance and principles of natural justice were adhered while ensuring due disposal of the matter. The Complainant expressed her satisfaction over the disposal of the matter.

INSURANCE

Your Company has sufficient insurance coverage on all its assets which are renewed in time.

RESEARCH & DEVELOPMENT (R&D)

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

RD&E, Bangalore works on the market requirements in terms of new products, custom solutions, cost saving projects and basic research. It is also recognized by the Ministry of Science & Technology - Department of Scientific and Industrial Research - Government of India.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

A cleaner, healthier and safer environment is a value we demand of ourselves and others and is integrated into everything we do. Environmental, Health, and Safety (EHS) are fundamentals to your Company's business and its ability to Deliver the Promise of Safety to all the stakeholders, including its employees, customers, shareholders, and the public. EHS Vision is communicated to all and every day, employees are empowered to demonstrate Kennametal EHS commitment by striving for:

Protecting Our Planet - providing sustainable solutions by reducing the total environmental impact of our products and operations. Your Company has 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:

Green Initiatives

We are glad to inform you that your Company was awarded the GreenCo certification from CII- Sohrabji Godrej Green Business Centre at GOLD rating level for outstanding environmental, health & safety performance. Your Company is the first GreenCo rated organization among the IMTMA member companies in India.

In addition, as part of its efforts to reduce consumption of paper and thereby protect the environment, your Company has ensured that Electronic copies of the Annual Report and the notice of the Fifty-Fourth 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 Fifty- fourth AGM are being sent through the permitted modes of dispatch. However, Members who have received the said documents in electronic mode but desire to 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 the provisions of 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.

Safety Performance:

100% Safety - 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 incidents through senior leader ownership of safety, preventative actions and processes, and by establishing leadership roles for employees in safety.

As part of continual initiatives in raising the bar of safety performance, your Company has during FY19 brought about considerable improvements in the safety performance:

- ❖ *Safety performance in FY19 showed significant improvement. Total Recordable Incident rate (TRIR) for FY19 was 0.14 in contrast to 0.35 that was recorded in FY18.*
- ❖ *Zero DART in FY19.*
- ❖ *Recordable incidents reduced from 5 in FY18 to 2 in FY19 marking a 60% reduction.*

Other safety initiatives undertaken during FY19:

- ❖ **Competence, Training and Awareness:** A total 3,363 hours were spent on EHS training by employees of your Company.
- ❖ Wellness Awareness program was conducted covering 207 man-hours to create awareness and improve good health of the employees of the Company.
- ❖ More proactive engagement of the employees in safety initiatives during FY 19. There were 702 'Find and Fix' completed by employees compared to 606 "Find and Fix" in FY18 which recorded **16% Increase in the number of "Find and Fix" in FY19 compared to FY18.** This shows employee involvement which helped in eliminating hazards and creating a safe working environment.
 - Annual medical examination of employees was conducted to assess the health status and suggest methods to sustain/ improve good health conditions of all employees.
 - 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.
 - Your Company continued the Management Based Safety (MBS) program, 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 were designed to strengthen every employee's ability to identify, document and eliminate hazards at their workplace.
 - "STOP WORK AUTHORITY" process was implemented during FY19.
 - Considerable improvements in EHS were achieved in the Coating plant in line with Global Standard.
 - Arc Flash Analysis was conducted to improve Electrical Safety.

Improvements:

- ❖ Your Company is certified to ISO 14001 and OHSAS 18001 standards in December 2018;
- ❖ To minimize risk and further improve safe working environment through the Hazard identification and Risk assessment tool, the following EHS Improvements were completed in FY19:
 - Negative Ventilation system installed in Coating plant to ensure safe working environment in case of Toxic gas release.
 - Gases cylinders Safety Improvement - HCL, CH₄, H₂S, Co, Co₂ are stored in Gas cabinet to eliminate gas leakage and protect the environment.
 - Thermography survey conducted for electrical system by an external agency and corrective actions are taken to minimize the electrical fire incidents.
 - Installed Gas detection system in Gas Storage room to improve emergency preparedness any time.
 - Existing Electrical power distribution board were replaced with Block set panels conforming to Internal arc protection as per IEC TR 64641 to protect against electrical hazard.

- 100% Regulatory compliance resulted in no notices alleging violations from any authority during the FY19.
- ❖ To prevent Occupational Health Hazard - Industrial Hygiene assessment was conducted to find the exposure levels to chemicals, noise, Indoor Air quality.
- ❖ **Regulatory Compliance** - All cranes, pressure vessels, ovens & presses were inspected by Competent person and certified to ensure compliance and safe working.
- ❖ Installed Two New SCBA in CVD area to protect employees in case of any emergency.

Recognition to employees:

- ❖ In the **State Level Safety and Health Quiz-2019** competition your Company's employee-Mr. Nidhi Kumar P won First place and has been selected to Final round from Bangalore North Zone.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pursuant to the provisions of Section 134(3)(o) of the Companies Act, 2013 and rules made thereunder, the Corporate Social Responsibility Policy of the Company and initiatives undertaken by the Company on CSR activities during the financial year ended June 30, 2019 are set out in "**Annexure VIII**" to this report in the format prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014.

PERSONNEL / INDUSTRIAL RELATIONS

During the financial year under review, your Company maintained cordial industrial relations at all levels. Your Directors record their appreciation for employees' contribution.

RISK MANAGEMENT

Enterprise Risk Management (ERM) at the Company is driven by the Risk Management Committee and Board of Directors through its routine oversight responsibilities. The Management team plays a primary role in identification, monitoring and minimizing risks as also to identify business opportunities and threats. As a process, the risk associated with the business is identified and prioritized based on severity, occurrence and effectiveness of detection. The Risks are being reviewed by the Management team periodically and reported to the Risk Management Committee bi-annually for their review. The department leaders have the responsibility to monitor and implement the ERM framework approved by the Risk Management Committee.

The Company has formulated a Risk Management Charter and a mechanism to inform the Risk Management Committee of the Board about the risk assessment activity performed from time to time. The detailed Risk Management mechanism is provided in the Management Discussion and Analysis (MD&A) Report.

The Risk Management Committee is constituted with the Directors and senior executives as its members. The Chairman of the Board, Mr. Prakash M. Telang, is also the Chairman of the Committee.

As an established practice, the Board of Directors are being updated on risks identification and steps taken to mitigate the same. Risk Management Charter is uploaded on the Company's website at <https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Risk%20management%20committee%20charter.pdf>

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 Six (6) times during the financial year 2018-19. The details of the Board meetings and the attendance of the Directors are provided in the Corporate Governance Report.

The Agenda of the Meeting is circulated to the Directors in advance. Minutes of the Meetings of the Board of Directors are circulated amongst the Members of the Board for their perusal.

COMMITTEES OF BOARD OF DIRECTORS

Details of memberships and attendance of various Committee Meetings of the Company are given in Corporate Governance Report.

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 also wish to place on record their gratitude to the Members for their continued trust, confidence and express its sincere appreciation to all employees for their teamwork and contributions during the financial year.

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127

Bengaluru
August 22, 2019

B. Anjani Kumar
Independent Director
DIN: 00022417

Annexure I to the Board's Report

MANAGEMENT DISCUSSION & ANALYSIS REPORT**1. Industry Structure and Developments, Opportunities and Threats**Economic Trends – an Overview:

The financial year under review has generally been one of good growth for the Indian and global economies. According to the International Monetary Fund (IMF) the average growth of the global economy was 3.6% in 2018 and is estimated to be 4.1% in 2019. The percentage growth is expected to reach 4.7% in 2020.

Among emerging market and developing economies, first half of the FY19 GDP in China was stronger than forecasted, but the second half of FY 19 indicated weakening of activity. Elsewhere in emerging Asia, as well as in Latin America, activity was not very encouraging.

In contrast, India continued to be a strong destination despite rising economic protectionism during FY19. However, based on the data available for the first half of the financial year, the Indian economy is, expected to witness subdued growth during FY20.

India experienced a moderation in its GDP growth from 7.2% in 2017-18 to 6.8% in 2018-19. On the other hand, the world output growth declined from 3.8% in 2017 to 3.6% in 2018. The slowdown in the world economy and Emerging Market and Developing Economies (EMDEs) in 2018 followed the escalation of US China trade tensions, tighter credit policies in China, and financial tightening alongside the normalization of monetary policy in the larger advanced economies. India's growth of real GDP has been high with average growth of 7.5% in the last 5 years (2014-15 onwards). The Indian economy grew at 6.8% in 2018-19, thereby experiencing moderation in growth when compared to the previous year. Acreage in 2018-19 for the rabi crop was marginally lower than last year, which affected agricultural performance. The contraction in food prices may have contributed to inducing farmers to produce less. On the demand side, lower growth of GDP in 2018-19 was accounted for, by a decline in growth of government final consumption, change in stocks and contraction in valuables.

Compliance issues and Non-Performing Assets (NPAs) in the Indian banking, regime have resulted in conservative approach by the bankers forcing tepid credit flows to businesses (especially small businesses). This added impetus to the slowdown and deepening contraction of intermediate goods, and weakness in both investment and consumption activities which is showcased by fragile industrial activities during beginning of FY20. The increase in NPAs of banks led to stress on balance sheets of banks, with the Public Sector Banks (PSBs) taking in more stress.

Recently, the government announced a raft of measures, including rollback of enhanced super-rich tax on foreign and domestic equity investors, exemption of start-ups from 'angel tax', a package to address distress in the automobile sector and upfront infusion of Rs 70,000 crore to public sector banks, in efforts to boost economic growth from a five-year low. Recent changes initiated by the Government including slash in effective tax rates for corporates to 25.17% (for all corporates) & 17.01% for new manufacturing corporates followed by measures to support lending by bankers, are expected to provide respite to companies.

To bolster consumption, the government also said that banks have decided to cut interest rates, a move that would lead to lower equated-monthly instalments for home, automobile and other loans.

Indian manufacturing sector

The growth in the manufacturing sector in Q1 2020 (April-June 2019) almost came to a standstill at 0.6%. The growth in manufacturing sector picked up in 2018-19, although the momentum slowed down towards the end of the financial year with a growth of 3.1% in fourth quarter (Jan to March 2019) of the year, as compared to 12.1%, 6.9% and 6.4% in first, second and third quarter respectively. The growth rate in Q1 of 2019-20 (April-June 2019) moderated considerably to as low as 0.6 %. This could be majorly because of lower NBFC lending, which aids auto sales.

Construction sector growth is estimated using growth of production of cement and consumption of finished steel. Production of cement and consumption of finished steel grew at 13.3% and 7.5% respectively in 2018-19, higher than their growth rates in 2017-18.

Growth in the industry accelerated during 2018-19 on the strength of improving manufacturing and construction activity, which have more than offset the decline in the other two sub sectors, 'Mining & quarrying' and 'Electricity, gas, water supply & other utility services'. Manufacturing accounted for 16.4% in total GVA in 2018-19, marginally higher than that of 'Agriculture & allied' sector.

The trend of growth of exports and imports was different in 2018-19 in rupee and US\$ terms. While growth of both export and import declined in US\$ terms, it increased in rupee terms (at current prices) in 2018-19. This happened due to the depreciation of rupee vis-a vis US\$ in 2018-19. Mobilizing and deploying a large pool of capital will be a key aspect of the manufacturing growth model. Rapid expansion of the financial and banking system is expected to aid the deployment of large pool of capital by corporates.

Index of Industrial Production (IIP) – [base year 2011-12]

The growth of IIP was 3.1% in May 2019, as compared to 3.8% recorded in May 2018 IIP registered a growth of 3.7% in April-May 2019, as compared to 4.1% during the April-May 2018.

IIP of manufacturing sector grew by 2.5% in May 2019, as compared to a growth of 3.6% in May 2018. The manufacturing sector's growth during April-May 2019 was 3.2%, lower as compared to 4.2% during the corresponding period of previous year.

The growth of Gross Value Added (GVA) at constant basic prices for the year 2018-19 is estimated at 6.6%, as compared to 6.9% in 2017-18. The growth rate of agriculture, industry and services sectors are at 2.9%, 6.9% and 7.5% respectively in 2018-19.

Industry Structure and Developments

Your Company's expertise in developing and manufacturing sophisticated hard material cutting and wear protection solutions ranging from

specialized cutting tools, indexable inserts and carbide rods to new types of carbide wear-resistant engineered components and coatings using a specialized type of powder metallurgy is well established and has given it a well-deserved global reputation for providing innovative wear resistant solutions across diverse sectors like transportation, earthworks, energy, infrastructure and aerospace. Cemented tungsten carbides, ceramics, cermets and super-hard materials are used in the manufacture of Metalworking tools by the Company. In addition, 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. Your Company specializes in the manufacture of compacts, metallurgical powders, and 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.

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. We offer these products through a variety of channels to meet customer specified needs.

Your Company also provides end-to-end solutions in design and manufacture of high precision Special Purpose Machines to meet the needs of end users in automotive, defense, railways, infrastructure and General engineering segments.

Opportunities and Threats:

Your Company's products are used in almost all manufacturing industries, with the automotive, aerospace, infrastructure and machinery manufacturers being major users. The major user industry is the automotive and Transportation sector at present and therefore the developments in this sector will have a direct impact on the demand for metal cutting tools market.

The automotive industry has been witnessing a slow down during the later part of FY19 and few months of FY20. The slow down could be 'cyclical' and could be attributable to a combination of things, all coming together within a short span of time, listed below:

- Regulations by central government
- Sharp rise in insurance cost due to judicial intervention
- Liquidity issues from Banks and NBFCs
 - Drastic fall (near to 1/3rd) in auto financing capabilities
 - Increase in collateral demand by financial institutions from dealers; thereby impacting negatively on inventory holding ability of dealers
 - Higher interest rates

- Multifold increase in road tax by number of state governments
- Mandatory safety regulations such as Airbag, ABS etc.
- BSVI transition and general slowdown in consumer consumption across industries.

Passenger Vehicle sales dropped by 31% in July 2019, compared to similar period in the previous year. July 2019 was the ninth straight month witnessing the decline in auto sales. Experts view that the glimpses of slowdown in auto industry started in about July-Sep 2018 and started worsening during Q1-FY20 (April-June 2019).

Many of the above factors led to sharp increase in vehicle prices. It is reported that around 7% to 8% increase in customer buying price is primarily due to government regulations and other initiatives. The deferred implementation of such governmental initiatives would probably have had reduced the severity of slowdown. The Indian Auto industry is demanding a rate cut in GST, a similar action which was done in slowdown of 2009 and 2014. Another key areas that may revive the situation is reducing the finance cost. The OEMs, on their front, are currently offering the all-time high discounts to customers. Industry experts opine that the situation revival is likely to kick in soon may be by Q3 or Q4 of FY 20 viz., October 2019 or January 2020.

However, the recent rally in the global crude oil prices which have led to higher prices of petrol and diesel, plus the depreciation in the value of the Indian Rupee against the US Dollar are a twin challenge to the economy in view of the potential to stoke inflation and drive down demand for automobiles generally and this could have a direct impact on demand for your company's products as well. The stable government in India at the center is likely to withstand the global trade tensions on a short term basis. Additionally, developments in alternative technologies like additive manufacturing and the pace of adoption of electric vehicles will continue to have a significant influence in shaping the future of the cutting tool business industry. The Government's efforts at bringing about FAME (Faster Adoption & Manufacturing of Hybrid and Electric Vehicles) is another potential area of concern since this would impact the conventional automotive segment and by extension, the demand for your company's products as well.

In a bid to address slowdown in the auto sector, the government has announced a slew of measures. The key measures announced include the promise that there will be efforts to reduce interest rates for auto and home loans. There is also a clear assurance that BS4 vehicles that can be purchased by consumer's right up till the deadline - will have the complete run of their registration period. This means that all BS4 cars and bikes can be used and operated right up to the end of the tenure of their respective registration.

The standard passenger vehicles registration has a 15 year duration (for diesel vehicles that stands at 10 years, but only in the National Capital Region or NCR). This also means that vehicles purchased on March 31 2020 - would be allowed to complete their registration, even though the BS6 deadline would have set in from the following day. Typically registration can take anywhere from 24 to 48 hours depending on what part of the country the vehicle has been bought in.

A big worry for auto industry players was a proposal the government was considering for a hike in the registration charges themselves. The decision on revision of registration fees has put off till June 2020. There is another incentive which sees an additional 15% depreciation to be allowed on all

vehicles acquired until March 31 2020, raising it to 30%. And finally the government has also lifted the ban on its own departments to be able to replace their old vehicles. This could lead to large orders which will provide a significant sales boost to the sector.

Several reforms undertaken by the government including liberalizing the FDI norms furthermore, the amendments to the Insolvency Bankruptcy Code, increased focus on spending by the Government in infrastructure, railways, defense road projects are expected to bring in respite in the industry. The government's proposal in respect of replacement of commercial vehicles which are over 20 years old, if implemented, is also expected to spur huge demand for new commercial vehicles and would provide good opportunities for the Company's tooling and machine solutions. The demand from the infrastructure space is another growth area for the Company while a good beginning has been made in meeting the growing needs of the Aerospace and Defense equipment manufacturing segments which are lately seeing good investments and growth in India.

The infrastructure, defense and aerospace sectors are still in the nascent stages of growth in India with significant potential for exponential growth going forward and hence there is optimism regarding greater growth in demand for products in these realms and you Company is focusing on these sectors as well.

2. Operations

Your Company recorded a commendable revenue growth (Consolidated) of 19.18% over the previous financial year despite a challenging business environment. Your Company continued to make significant gains in market share against severe competition and maintained its position as one of the fastest growing companies in the metalworking industry in India with double digit growth. The operating profit (consolidated) (before exceptional items) increased by 57.6%. Hard metals business grew by 17.08% year over year whereas the Machining solutions business has grown by 30.68% year over year. Your Company is building further on the strategy of having two strong brands (i.e. Kennametal & Widia) in the cutting tool market. With the incorporation of WIDIA India Tooling Private Limited (WITPL), as a wholly owned subsidiary of Kennametal India Limited, the focus has been to build and capitalize the two brands separately with proper market segmentation. WIDIA will continue to address all segments of the cutting tool market including railways, defense, general engineering, automotive and aerospace alongside the Kennametal brand. Several products have been re-launched by WIDIA all of which are expected to bring great value addition to WIDIA brand business in India.

Your Company is focused on offering solutions leveraging its superior products and technology to address the requirements of the existing and emerging industries. Initiatives started in earlier years such as NOVO, Productivity optimization, Component specific solutions and D2C (direct delivery to customers) are being developed further.

To grow in this competitive market, your Company is continuously focused on development of new products and initiatives to bring operational effectiveness as well as cost optimization and become competitive in the market place. A few of them are worth noting:

- **Power purchase from Solar Power Producers**

Your Company has entered into an agreement with an Independent Solar Power Producer to benefit from lower tariff for purchase of electricity from renewable energy sources and through this initiative during the year, the Company has saved 4 Million in Electricity costs.

In addition, this is a significant green initiative on the part of your Company.

- **Investments in augmentation of Capacity & Productivity**

Your Company has augmented the production capacity in business areas which are growing currently and also positioned itself to meet the market demand in near term by investing about ₹ 1119 Million in Plant & Machinery and other productivity linked Equipment / Instruments, during the year.

- **Optimum utilization of manufacturing capacities**

During the financial year, the Company continued to augment manufacturing capacity to meet the increase in domestic demand. The thrust of these capacity enhancements is to build capacity primarily meant to address the demand from the domestic market and utilize any surplus capacity for export. Your company also continues with its efforts to identify and implement any feasible options to locally manufacture some of the product groups being imported. These efforts are expected to result in cost benefit and improved margins in the long term.

- **Launch of new product range**

During the year, your Company continued to launch new products under the "INNOVATIONS" range for the Kennametal brand and "ADVANCES" for Widia Brand.

Some of the major products for the Kennametal Brand are Tangential Milling Platform Mill 4 12 KT, Pre-Tuned Long Reach Boring Bars, Harvi Ultra 8X, DS and LP Chip Breakers for KSEM Plus, Beyond Evolution Expansions, Duo-Lock Expansions and ER Solid Collets

Some of the major products for the Widia Brand are New Modular Drilling Platform TDMX, New High feed Milling Cutter -VXF-07 and VXF-12, Unique 8-edged Shoulder Mill VSM 890, new Grooving, cut-off and profiling platform with through coolant WGC, High performance roughing endmills for aerospace applications 4U50 and 4U80, Victory X-Feed 70 NS for high-feed milling in stainless steel and Titanium and new chip breaker- V38 for Indexable Drill Top Cut 4.

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:

- Hard Metal Products
- Machining Solution Group (MSG)

Apart from the primary business segments, the secondary segmental reporting is based on 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 2020 the Company's outlook is extremely challenging during the first half but the second half is expected to be moderately

positive to stable growth with increased government expenditure in railways, defense, infrastructure which is expected to give impetus to growth during the second half. The transition to BSVI emission standards, the government stance over the transition to Electric Vehicles has in a way impacted adversely the CAPEX investments by auto makers. The commercial vehicles sales are expected to witness a slowdown compared to FY19.

The general slow down in the overall consumption pattern in the Indian economy prevalent during the first few months of FY20 is expected to turn positive during the second half. Stable government in India should withstand the global geo-political tensions between China-US on a short term. There is optimism regarding continuance of the present situation of strong demand for cutting tools especially from the Transportation Segment. Good monsoons are expected to boost the agricultural sector and transportation. Aerospace segment continues to be promising on both passenger aircraft market and also defense. The raising footfall in the airports with growing number of passengers coupled with government's focus on strengthening the defense is expected to yield positive impact for the cutting tool industry.

However, the intensity of competition is expected to continue with almost all global players making India a manufacturing location for production of tools. Despite these headwinds, the management continues to focus on the various growth initiatives and development of new products as key drivers to continue to maintain profitable growth. Profitability improvement with high focus on diversification and cost cutting will remain a key priority areas for FY20 as well.

Your Company will continue to drive growth through efforts at offering the best service and differentiated products to its customers.

5. Internal control systems and their adequacy

Your Company has established adequate internal control procedures, commensurate with the nature of its business and size of its operations. These controls have been designed to provide a reasonable assurance regarding maintaining of proper accounting controls for ensuring orderly and efficient conduct of its business, monitoring of operations, reliability of financial reporting, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, protecting assets from unauthorized use or losses, prevention and detection of frauds and errors, and compliances with regulations. The Company has in place a robust internal audit process, which is designed to provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements. Internal controls are evaluated by the Internal Audit department and reviewed by Management and the Audit Committee. All audit observations and follow up actions thereon are tracked for resolution by the Internal Control function and reported to the Audit and Risk Management Committee. In addition, employees across the organization are required to undergo quarterly and annual refresher training on the Kennametal Code of Conduct which includes within its scope transparency in financial reports, ethical conduct, and regulatory compliance, conflicts of interests review and reporting of concerns. The Company also has an active Anti-Bribery and Whistle Blower policy and procedure in place.

Through an Enterprise Risk Management program, the Company's business units and corporate functions evaluate the risks faced by it under four categories i.e., Strategic Risks, operating risks, Reporting risks and Compliance risks. The Risk Management mechanism covers strategy to identify, assess, monitor and manage risks as applicable to the Company

across each function. The results of the risk assessment and actions to mitigate these risks are presented to the Risk Management Committee of the Board for its review and guidance twice in a year.

In addition, the Company has policies and directions based on internationally accepted standards or best practices and wherever applicable, are in line with Kennametal Inc., (ultimate holding Company) global policies and practices. These are periodically updated to be in line with changing developments and global best practices. In addition, a system of Quarterly Reporting and Certification by all Functional Heads, along with secretarial, quality and environmental compliance audits by independent third parties serves to ensure timely compliance of all Statutory and other applicable Laws in addition to enabling early identification and mitigation of financial and non-financial risks.

6. Risks and Concerns

With the slowdown in the automotive market and general slowdown in consumption during the last few months of year ending FY19 and beginning of FY20, has posed challenges to the Company due to the Company being dependent on automotive market. The expansion and modernization initiatives of the Company are likely to yield good returns in the long term. The excess capacity utilization concern is a short-term phenomena. Price competition amongst the Asian players continue to be a concern to all manufacturers of premier quality cutting tools like Kennametal. The weakening of the Indian Rupee will also have an impact on price of the raw materials, all of which is imported. However, the Company is making all out efforts to sustain its strong performance based on superior product quality and strong brand together with a sustained focus on providing Customers with innovative solutions to stay ahead of competition.

The Company is actively looking at diversification into other sectors like general engineering, railways, aerospace & defense to obviate any risks associated with being auto heavy.

Significant risks such as changes in the economic situation due to governance changes remain while aggressive pricing and competition from Asian players are mitigated through continued focus on export Markets, localization efforts and other cost control measures.

7. Financial performance

Your Company has recorded sales (Consolidated) of ₹ 9452/- Million in FY19 with a growth of over 19.18% when compared to the previous year.

The Earnings before Exceptional items and Tax of ₹ 1272 Million recorded healthy growth of over 57.6% year over year. The Growth was driven by favorable end-market conditions in Automotive and Core Sectors as well as implementation of identified growth initiatives on productivity and export markets.

In order to meet Customer expectations of faster delivery of the products, your Company has invested in working capital for stocking of additional inventory of fast-moving imported products (First Choice - Kennametal, Allstar-WIDIA).

The Company continued its strong focus and monitoring of Receivables during the last year. Your Company continues to have clean receivables and no incremental provisions for doubtful debts was made during the year. Return on Capital Employed improved during the year from 16% in FY18 to 24% in FY19. Net operational cash flow generated during the year increased from ₹ 629 Million in FY18 to ₹ 708 Million in FY19.

Your Company has initiated steps to recover some of the inflationary cost increases by way of productivity improvement and enhanced market realizations for its products.

Your Company has been able to reward the shareowners with a dividend of 20% in FY19 in addition to funding its capital investment requirements through internal accruals. However, the Company would go for funding through Bank Loans to support its Capital expenditure investments in the short term. Your Company will continue to exercise prudence in financial management in forthcoming years as well.

Key Financial Ratios

| Key financial ratios | Consolidated FY19 | Standalone | | Consolidated FY 19 Vs FY18* |
|-------------------------------|-------------------|------------|--------|-----------------------------|
| | | FY19 | FY18 | |
| • Operating Profit Margin (%) | 13.51% | 13.17% | 10.18% | 32.8% |
| • PBT Margin (%) | 13.46% | 13.12% | 9.20% | 46.2% |
| • Return on Net Worth (%) | 17.28% | 16.63% | 11.92% | 45.0% |

* FY18 Standalone numbers are considered for comparison with consolidated figures for current year since there were no components of the company during the previous year.

Positive movement in the above mentioned three ratios are driven by higher profitability on account of increased sales volume leverage, better recovery of fixed cost and growth from export segments.

8. Material Developments in Human Resources and Industrial Relations

Your Company has continued with major transformation by leveraging technology in the Human Resource function. This year we moved the Performance Management module on Success Factors (SF One Team). With this, we have now all the critical modules including Employee Information, Compensation, Talent Review and Separation processes available on One Team. These initiatives have helped our Leaders take informed decisions related to Business, and Talent Development plans for their key team members. To ensure that we have support from the employees on this change journey, we have continuous engagement, communication and training to all employees and Managers to adapt and adopt these new tools.

Highlights for FY 19:

In continuing with our journey on the HR Functional Excellence, we keep reviewing our people policies to align with market practices. With appropriate communication and training to Managers, we have stabilized the new processes in the shortest possible time. The focus on Talent Management and building Talent pipeline has ensured that we continue to fill critical positions with internal talent within the Organization. Human Resource team continues to leverage on the newer tools and technology to ensure that Business Leaders always have all talent-related information available to them.

As you are aware, your company is in the midst of transformation, with investment in modernization and simplification in our manufacturing plant. This will also mean newer ways of working for our Managers, both on the people and technology front. In this environment of continuous change, your company endeavored to support employees and managers with the necessary tools to help them succeed in their roles, by partnering with a Global Training Organization to deliver relevant training programs for our employees. There were different workshops for managers and team

members on Change management. While the Managers went through "Communicating for Leadership Success" and "Driving Change", the front-line team members had workshops on "Communicating with Impact" and "Embracing Change" workshops. We will be doing more workshops in the coming year, which will focus on performance and execution, apart from Communication and Change, which we continue to drive. Further, we are supporting our Managers to learn through on-line / e-learning platforms, with programs that are designed to help them lead and manage their teams. We believe that these programs will help our Managers in leading change and driving performance in their teams. We will cascade these trainings and reach out to more employees in the coming year.

Further, considering all the investment on the manufacturing side, your company is cognizant of the support and guidance that we need to give to our colleagues on the manufacturing side. This includes both, our line managers as well as our employees on the shop-floor. Earlier, your Company had undertaken a workshop on Change Management covering all shop floor employees and the Line Managers were also taken through a workshop on essential skills that they would require to Lead and Drive Change in their area of work. We continued with that series this year with a module for our Line Managers and Union Leaders too.

Your Company also has a strong focus on building Technical skills and inculcating Engineering knowledge to our employees. The knowledge and skills of our teams help us connect better with our customers. Our Knowledge Center (KC) team supported our Sales, Customer and Distributor teams on the technical front. KC conducted 27 programs across the country, covering 806 participants, of which more than 92% were our end-customers and distributors. Through the year, KC team completed 3 comprehensive 5 Day MCAE Training course, 4 Sales & Distributor Training, 15 Regional On-site training. The feedback on these programs have been very positive.

Your Company places a lot of importance on employees understanding the nuances of finance and building strong business acumen. Our endeavor is to ensure each employee appreciates how they contribute to the company's financial success. For example, this year we customized the program for different groups (e.g. manufacturing), to help them appreciate the impact of manufacturing variances and productivity.

The above initiatives are an endeavor to support the Organization compete and perform at much higher levels.

The total number of persons employed in your Company as on June 30, 2019 was 783.

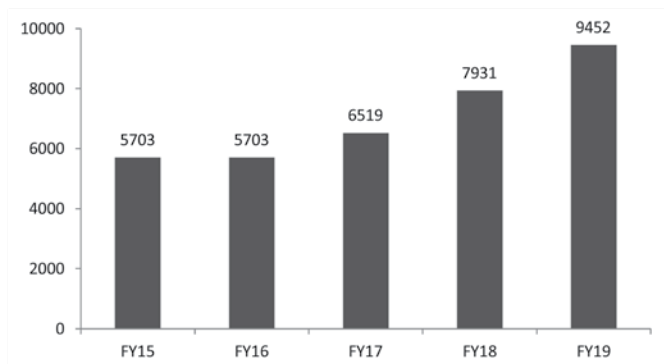
Cautionary Statement

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.

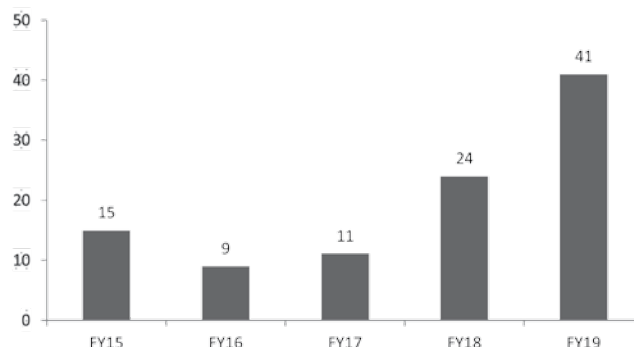
The information contained herein may not be disclosed, reproduced, or used in whole or in part for any purpose or furnished to any other person(s) without the express prior written permission of the Company.

FIVE YEAR CHARTS FOR KEY FINANCIAL INDICATORS (CONSOLIDATED)

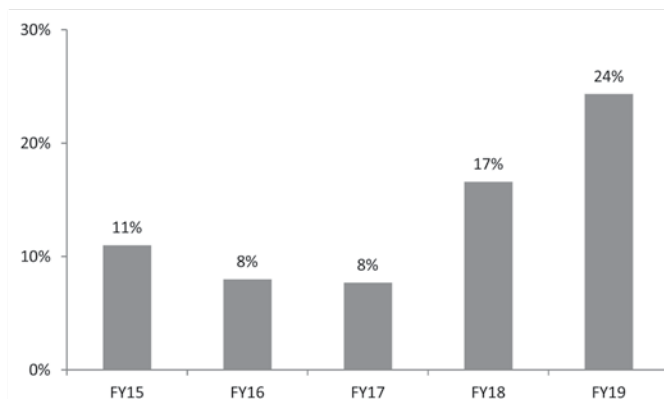
Net Sales (Rs. in Mn)



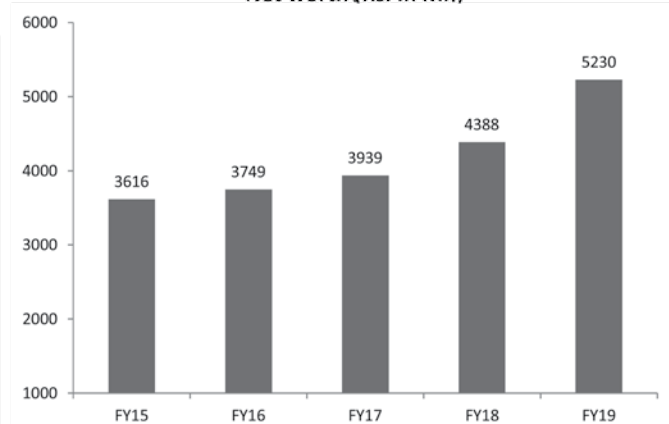
Earning Per Share (EPS) in Rs.



Return On Capital Employed(ROCE) in percentage



Net worth (Rs. In Mn)



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

Bhagya Chandra Rao
Managing Director
DIN: 00211127

B. Anjani Kumar
Independent Director
DIN: 00022417

Bengaluru
August 22, 2019

Annexure II to the Board's Report

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

Good Corporate Governance is at the core of your Company's belief system and is at the heart of our business practices globally. Kennametal Group continuous to enjoy its coveted position as being one among the most ethical Companies in the World for many years. Governance means adherence beyond the requirement of law. In other words, raising the excellence bar beyond adherence to the pith and substance of law. In its constant drive for raising the standards, the Company has rededicated its efforts by focusing on long-term Stakeholder value creation with its continued focus on 'zero level' compromise on integrity, social obligations, transparency and regulatory compliances.

On May 9, 2018, the Securities Exchange Board of India ('SEBI') released the SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018 to adopt and give effect to several recommendations that were proposed in a report given by the Kotak Committee. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

as amended up to SEBI (LODR) (Amendment) Regulations, 2018 is collectively referred to hereinafter as 'SEBI (LODR) Regulations, 2015'.

1. Composition of the Board of Directors

The Board of Directors has Seven (7) members (as on June 30, 2019), including the Managing Director and Six (6) Non-Executive Directors which includes a Woman Director, all of whom bring in wide range of skills and experience to the Board. The Company has a Non-Executive Independent Director as its Chairman and the three Independent Directors constitute more than one-third of the total number of Directors on Board. Chairman is neither a Promoter of the Company nor is he related to any Promoter or person occupying Management positions at the Board level or at one level below the Board as defined under Regulation 17(1) (b) of SEBI (LODR) Regulations, 2015. Thus, the composition of the Board is in conformity with the provisions of the Companies Act, 2013 and SEBI [Listing Obligations and Disclosure Requirements (LODR)] Regulations, 2015.

Tenure of Directors:

| Sl. No. | Name | Original date of Appointment | Date of re-appointment | Due date of current term | Total tenure (in years) as on June 30, 2019 (apprx.) |
|---------|--------------------------|------------------------------|------------------------|--------------------------|--|
| 1 | Prakash M. Telang | 04/11/2014 | First Tenure | 03/11/2019 | 4 |
| 2 | Mr. Bhagya Chandra Rao | 17/09/2012 | 16/11/2016 | 16/09/2020 | 7 |
| 3 | B. Anjani Kumar | 02/04/2010 | 12/08/2019 | 03/11/2024 | 9 |
| 4 | Vinayak K. Deshpande | 06/09/2010 | 12/08/2019 | 03/11/2024 | 9 |
| 5 | Mr. Alexander Broetz | 09/08/2016 | 09/11/2018 | NA* | 3 |
| 6 | Ms. Colleen Wood Cordova | 09/08/2016 | First Tenure | NA* | 3 |
| 7 | Mr. David Lee** | 05/05/2015 | 14/11/2016 | NA* | 4 |
| 8 | Mr. D. Parameswar Reddy | 23/08/2018 | First Tenure | NA* | 1 |

NA* - Liable to retire by rotation

** - Resigned with effect from August 23, 2018.

Chairman of the Board and his responsibilities:

The Chairman of the Board Mr. Prakash Telang comes with 40+ years of rich experience in the automotive segment. Mr. Prakash Telang retired in 2012 as the Managing Director of Tata Motors Limited. He is also the chairman of Tata Hitachi Construction Machinery Company & TEMA India and is a Board member with Cummins India, SKF India, Tata Advanced Systems, Tata Lockheed Martin Aerostructures and Tata Aerospace Systems.

The Chairman of your Company leads the Board and is responsible for fostering integrity & governance on the Board while encouraging active participation of all Board members on all matters.

The Chairman presides over the meetings of the Board and of the shareholders of the Company and takes a lead role in managing the Board and facilitating effective communication among Directors. He is responsible for overseeing matters pertaining to governance, including the organization, composition and effectiveness of the Board and its committees and the performance of individual Directors towards fulfilling their responsibilities. The Chairman provides independent leadership to

the Board and oversees the management of the Board's administrative activities, such as meetings, schedules, agenda, communication and documentation. The Chairman is also responsible for the overall strategy of the Company. Chairman of the Board works actively with the Nomination & Remuneration Committee members and its Chairman to plan the composition of the Board and its Committees. The Chairman ensures that there is optimal combination of experts from varied realms at all points in time and the Board is 'well balanced'. Chairman also actively participates in charting out attributes expected from new Directors, interviewing the new Directors, Board succession planning and meeting auditors/ individual Directors to receive/ provide constructive feedback from time to time.

Managing Director and his responsibilities:

Mr. Bhagya Chandra Rao is the Managing Director of the Company.

The Managing Director is responsible for executing achieving annual and long-term business targets, maintaining awareness of both the external and internal competitive landscape, opportunities for expansion, customers, markets, new product developments and standards and implementing the

organization's corporate strategies. Managing Director is the link between the management and the Board.

Lead Independent Director

The Chairman of the Board acts as the Lead Independent Director. Role of the Lead Independent Director is to hear the ideas, opinions and concerns (if any) of the Independent Directors from time to time and ensure implementation of some of the observations of the Independent Directors wherever suitable. The Lead Independent Director also ensures Board's effectiveness through effective participation of the Independent Directors and fostering leadership.

Role of the Board of Directors

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. As trustees, the Board has fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth. The Board exercises its duties with care, skill and diligence and exercises independent judgment. It sets strategic goals and seeks accountability for their fulfillment. It also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfills stakeholders' aspirations and societal expectations.

Board membership criteria

The Members are expected to possess the required qualifications, integrity, expertise and experience for their positions. They are also required to possess deep expertise and insights in sectors/ areas relevant to the Company and ability to contribute to the Company's growth. From time to time the the Nomination & remuneration Committee advises the attributes expected of Directors.

The age limit for Independent Directors is 73 (seventy-three) and for Managing Director it is 70.

Based on the disclosures received from all the Independent Directors and also in the opinion of the Board, the Independent Directors are independent of the management and do fulfill the conditions specified in the Companies Act, 2013 and the SEBI (LODR) Regulation 2015.

Key Board qualifications, expertise and attributes

Kennametal India Limited Board comprises qualified members who bring in the required skills, competence and expertise that allow them to make effective contributions to the Board and its committees. The Board members are committed to ensuring highest standards of corporate governance.

Kennametal follows the following parameters as 'Key Board Qualifications' to ensure 'Balanced Board' viz., representation of experts from various realms at all times:

- Financial
- Diversity (gender, ethnicity, nationality and others)
- Engineering & Technology
- Leadership
- Board Service and governance
- Business experience (Manufacturing operations/ marketing background)

As required under Part C, Clause 10(k) of Schedule V of SEBI (LODR) Regulations, 2015, the details of fees paid by your Company and its subsidiaries, on a consolidated basis, to the statutory auditors and entities in the network firm/network entity of which the statutory auditors is a part, are provided in the Notes to Financial Statements forming part of this Report.

Selection of new Directors

The Nomination and Remuneration Committee is responsible for screening and selection of new Directors to the Board. Based on defined criteria elucidated above and taking into account the need of experts from various realms, the Nomination & Remuneration Committee decides on the qualifications and experience expected of the new Director and accordingly puts up its recommendation to the Board for approval.

Succession planning:

The Nomination and Remuneration Committee works with the Board on the leadership succession planning to ensure orderly succession in appointments to the Board and the senior management. The Company strives to maintain appropriate balance of skills and experience within the organization and the Board in an endeavor to introduce new perspectives while maintaining experience and continuity.

Following are the particulars of Directorships, Memberships of Board Committees and attendance at Meetings:

| Name of the Director | No. of Directorships held* | Board Committees + (in other companies) | | Attendance | |
|---|----------------------------|---|--------|----------------|----------|
| | | Chairman | Member | Board Meetings | Last AGM |
| Mr. Prakash M. Telang, Chairman | 4 | 1 | 3 | 6 | Yes |
| Mr. Bhagya Chandra Rao, Managing Director | 2 | 0 | 1 | 6 | Yes |
| Mr. B. Anjani Kumar, Independent Director | 5 | 1 | 1 | 6 | Yes |
| Mr. Vinayak K. Deshpande, Independent Director | 6 | 1 | 2 | 5 | Yes |
| Mr. Alexander Broetz, Non-Executive and Non-Independent Director | 0 | 0 | 0 | 4 | Yes |
| Ms. Colleen Wood Cordova, Non-Executive and Non-Independent Director | 0 | 0 | 0 | 5 | No |
| Mr. David Lee**, Non-Executive Director and Non-Independent | 0 | 0 | 0 | 1 | No |
| Mr. D. Parameswar Reddy**, Non-Executive and Non-Independent Director | 0 | 0 | 0 | 3 | Yes |

Mr. Alexander Broetz, Ms. Colleen Wood Cordova and Mr. D. Parameswar Reddy are the Nominees of Kennametal Inc., the Foreign Promoter. No sitting fee is paid to Non-Executive and Non-Independent Directors.

* Excluding office of Alternate Directors, non-profit associations & foreign companies and Kennametal India Limited.

+ Only the Audit and Stakeholders Relationship Committees are considered other than Kennametal India Limited.

** Mr. David Lee resigned as Director on August 23, 2018 and Mr. D. Parameswar Reddy has been appointed as Director in place of Mr. David Lee on the same date.

None of the Directors is a Director in more than eight (8) Listed Companies or ten (10) Public Limited Companies or acts as an Independent Director in more than seven (7) Listed Companies. Further, none of the Directors of the Board serve as a member of more than ten (10) committees or act as Chairman of more than five (5) Committees across all Public Limited Companies. There is no relationship amongst Directors inter-se. The Board of Directors confirms that all the Independent Directors of the Company fulfill the conditions specified under SEBI (LODR) Regulations, 2015 and are Independent of the Management of the Company.

As per the provisions of Companies Act, 2013 and SEBI [Listing Obligations and Disclosure Requirements (LODR)] Regulations, 2015, the Company had 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 at: <https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Terms%20and%20Conditions%20of%20Independent%20Directors.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 https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Familiarization_Program_for_Independent_Directors_2015.pdf

As required, a brief profile and other particulars of the Director seeking appointment/re-appointment are given in the Notice convening the 54th Annual General Meeting.

The composition of the Board, and directorships held, as on June 30, 2019 are as follows:

Mr. Prakash M. Telang, Chairman & Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|--------------------|---|
| 1. | Cummins India Limited | Independent Director | 1,400 | January 31, 2013 |
| 2. | Persistent Systems Limited | Independent Director | 14,500 | August 19, 2010 |
| 3. | TEMA India Limited | Chairman & Nominee Director | 13,333 | November 01, 2013 |
| 4. | Kennametal India Limited | Chairman & Independent Director | 2,000 | November 04, 2014 |
| 5. | Lokmanya Hospitals Private Limited | Director | Nil | March 18, 2014 |

Mr. Bhagya Chandra Rao, Managing Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|--------------------|---|
| 1. | Indian Machine Tool Manufacturers Association | Director | Nil | September 06, 2013 |
| 2. | Kennametal India Limited | Managing Director | 320 | September 17, 2012 |
| 3. | Indian Cutting Tool Manufacturers' Association | Director | Nil | April 19, 2013 |
| 4. | Extrude Hone India Private Limited | Director | Nil | March 01, 2018 |
| 5. | WIDIA India Tooling Private Limited | Director | Nil | December 13, 2018 |

Mr. B. Anjani Kumar, Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|-------------------------|---|
| 1. | Kennametal India Limited | Director | 10 shares of ₹10/- each | April 02, 2010 |
| 2. | Premium Transmission Private Limited | Director | Nil | July 31, 2015 |

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

During the financial year under review, six (6) Meetings of the Board of Directors were held on the following dates:

July 13, 2018, August 23, 2018, November 09, 2018, November 16, 2018, January 31, 2019 and May 14, 2019.

During the year, a separate Meeting of the Independent Directors was held on May 13, 2019 without the attendance of non-independent Directors and members of the Management.

Memberships in other boards

An executive director may, with the prior consent of the Chairman of the Board, serve on the Board of two other business entities, provided that such business entities are not in direct competition with our operations and the appointment shall be subject to the restrictions laid down under the Listing Regulations. Executive directors are also allowed to serve on the boards of corporate or government bodies whose interests are germane to the future of the similar industry or the key economic institutions of the nation, or whose prime objective is to benefit society.

Independent directors are not expected to serve on the boards of competing companies. There are no other limitations except those imposed by law and good corporate governance practices.

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|--------------------|---|
| 3. | The HI-Tech Gears Limited | Director | Nil | November 03, 2015 |
| 4. | Mikrotek Machines Limited | Director | Nil | June 16, 2017 |
| 5. | Ampere Vehicles Private Limited | Director | Nil | October 09, 2018 |
| 6. | WIDIA India Tooling Private Limited | Director | Nil | December 13, 2018 |

Mr. Vinayak K. Deshpande, Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|--------------------|---|
| 1. | TPL-TQA Quality Services South Africa (Proprietary) Ltd. | Director | Nil | January 28, 2012 |
| 2. | TPL-TQA Quality Services (Mauritius) Pty Ltd. | Director | Nil | January 28, 2012 |
| 3. | Industrial Quality Services LLC Oman | Director | Nil | December 15, 2015 |
| 4. | Artson Engineering Limited | Director | Nil | February 01, 2012 |
| 5. | Voltas Limited | Director | Nil | February 14, 2012 |
| 6. | Tata Projects Limited | Managing Director | Nil | July 01, 2011 |
| 7. | Signify Innovation India Limited | Director | Nil | December 20, 2016 |
| 8. | Kennametal India Limited | Independent Director | Nil | September 06, 2010 |
| 9. | TRF Limited | Director | Nil | July 27, 2018 |
| 10. | Pune IT City Metro Limited | Director | Nil | June 05, 2019 |

Mr. Alexander Broetz, Non-executive and Non-Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|--------------------|---|
| 01. | Kennametal India Limited | Director | NIL | August 09, 2016 |

Ms. Colleen Wood Cordova, Non-executive and Non-Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|--------------------|---|
| 01. | Kennametal India Limited | Director | NIL | August 09, 2016 |

Mr . David Lee, Non-executive and Non-Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|--------------------|---|
| 01. | Kennametal India Limited | Director | NIL | August 23, 2018 |

Mr. D. Parameswar Reddy, Non-executive and Non-Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | No. of Shares held | Date on which interest or concern arose / changed |
|---------|--|---|--------------------|---|
| 01. | Kennametal India Limited | Director | NIL | August 23, 2018 |

Notes:

- There are no *inter-se* relationships between our Board members. The Company doesn't have any pecuniary relationship with any of the non-executive directors.
- Directorship in companies around the world (listed, unlisted and private limited companies).

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 which is available on the Company website at https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/code_of_conduct_director.pdf

All stakeholders have been provided access to the Audit Committee amongst other options permitted to them under the Whistle Blower Policy viz., Kennametal Helpline is available 24X7 to lodge any grievance/concern at any point in time.

In accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has formulated the "Policy governing inquiry in case of leak of Unpublished Price Sensitive Information", "Code of Practices and Procedures for fair disclosure of Unpublished Price Sensitive Information" and "Code of conduct for sharing of UPSI with Insiders and Connected Persons" which are available on the Company's website at www.kennametal.com/kennametalindia

Trainings were imparted to all Directors and Designated Persons, during the year, on Prohibition of Insider Trading.

2. Audit Committee

The Audit Committee has the powers, role and terms of reference as per SEBI (LODR) Regulations, 2015 read with the provisions of Section 177 of the Companies Act, 2013. The Company has setup a qualified and independent Audit Committee and the terms of reference of the Audit Committee are set out below:

1. The Audit Committee shall have minimum three Directors as members. Two-thirds of the members of the Audit Committee shall be Independent Directors.
2. All members of 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 Auditors 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 120 days 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 Directors 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 considers necessary.

Role of Audit Committee

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are 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 the Statutory Auditors;
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:
 - 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 for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Reviewing and monitoring the Auditor's Independence, performance and effectiveness of 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 and adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and 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 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 Chief Financial Officer 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 the 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.
6. Statement of deviation:
 - a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to Stock Exchange(s) in terms of Regulation 32(1).
 - b) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

Composition and details of the Audit Committee Meetings during the financial year

As on June 30, 2019, the Audit Committee 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.

The particulars of the members and their attendance at the Meetings held during the year are as below:

| Name of the Committee Members | Number of Meetings held | Number of Meetings attended |
|--|-------------------------|-----------------------------|
| Mr. B. Anjani Kumar Chairman, Independent Director | 4 | 4 |
| Mr. Vinayak K. Deshpande Independent Director | 4 | 4 |
| Mr. Prakash M. Telang Independent Director | 4 | 3 |

During the year under review, four (4) Meetings of the Audit Committee of Directors were held on the following dates: August 23, 2018, November 09, 2018, January 31, 2019 and May 14, 2019.

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. Nomination and Remuneration Committee

In compliance with the provisions of Section 178 of the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015, the terms of reference of the Committee inter alia, the following:

1. The Committee shall comprise of at least three Directors;
2. All Members of the Committee shall be Non-Executive Directors and at least fifty percent of the Members shall be Independent Directors
3. The Chairman of the Committee shall be an Independent Director as may be elected by the members of the Committee.

The Nomination and Remuneration Committee has the following roles:

- i. Formulation of 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.
- ii. Formulation of criteria for evaluation of Independent Directors and the Board.
- iii. Devising a Policy on Board diversity.
- iv. Identifying 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.
- v. Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of independent Directors.

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 within 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 the 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 Managing Director.

d) Where any Director and officer's 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 Guaranteed Cash comprising of Basic Salary, Housing Allowance, Special allowance, LTA, Medical allowance and quantum of perquisites including, employer's contribution to PF, 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 Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

Statutory requirements:

- Section 197(1) of the Companies Act, 2013 provides for 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 authorize the payment of remuneration up to five percent of the net profits of the Company to its any one of its 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 provisions of the Companies Act, 2013 and rules made thereunder.

b) Sitting Fees:

The Independent/Non-Executive Directors may receive remuneration by way of fees for attending meetings of the 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 Commission to Independent Directors within the limit approved by shareholders and subject to the 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 SEBI (LODR) Regulations, 2015) and obtaining professional advice from independent advisors in furtherance of his/her duties as Director.

Performance Evaluation

The Nomination & Remuneration Committee carries out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals (yearly) as per the performance management system of the Company.

Performance Evaluation Criteria

1. The NRC Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
2. A person should possess adequate qualifications, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether the qualifications, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a Special Resolution by the Company and disclosure of such appointment in the Board's Report.
4. 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 role played by the individual

- Reflective of size of the Company, complexity of the industry in which it operates
- Consistent with recognized best practices
- Aligned to the regulatory requirements, if any.

Board Diversity:

The Company believes that a diverse board will enhance the decision-making ability of the Board by utilizing the different skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of services, and other distinguishing qualities of the members of the Board. Diversity will be considered in determining the optimum composition of the Board, and all appointments will be based on merit, having due regard to the overall effectiveness of the Board.

The Committee is responsible for reviewing and assessing the composition of the Board and will make recommendations to the Board on the appointment of new Directors. The Committee will also review the structure, size and diversity of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's objectives and strategy.

The Nomination and Remuneration Policy, Performance Evaluation and Policy on Board Diversity are available on the website of the Company at <https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Nomination%20and%20Remuneration%20Committee%20Policy.pdf>

Composition and details of the Nomination and Remuneration Committee Meetings during the financial year:

As on June 30, 2019, the Nomination and Remuneration Committee of the Company consists of Five (5) Non-executive Directors. The members of the Committee are (i) Mr. Vinayak K. Deshpande, Chairman of the Committee (ii) Mr. B. Anjani Kumar (iii) Prakash M. Telang (iv) Ms. Colleen Wood Cordova and (v) Mr. Alexander Broetz.

The Committee met four (4) times on July 13, 2018 August 22, 2018, November 16, 2018, and May 13, 2019 respectively during the year under review and the attendance of the members at the said Meetings are given below:

| Name of the Committee Members | Number of Meetings held | Number of Meetings attended |
|--|-------------------------|-----------------------------|
| Mr. Vinayak K. Deshpande Chairman, Independent Director | 4 | 4 |
| Mr. B. Anjani Kumar Independent Director | 4 | 4 |
| Mr. Prakash M. Telang Independent Director | 4 | 4 |
| Mr. Alexander Broetz Non-Executive Director | 4 | 3 |
| Ms. Colleen Wood Cordova Non-Executive Director | 4 | 3 |

4. Directors' Remuneration

Remuneration paid to Directors for the year under review is provided in Table I and II.

Table I: Remuneration paid to Managing Director in respect of financial year 2018-19.

| Managing Director | Amount (₹ in Millions) * |
|------------------------|--------------------------|
| Mr. Bhagya Chandra Rao | 22.1 |

*includes salary, fixed allowance, housing, leave travel allowance, contribution to retiral benefits, performance pay, etc. It also includes Stock options of ₹ 5.2 Million granted by Kennametal Inc., (the ultimate holding company). Performance pay is based on the results achieved against the targets and criteria as set out by the Board. The Board of directors re-appointed Mr. Rao at its meeting held on November 14, 2016, after considering the recommendation of Nomination & Remuneration Committee, for a period of three years from September 17, 2017 to September 16, 2020 terminable with a notice period of three months or such notice as may be mutually determined as per the agreement dated November 14, 2016, subject to approval of shareholders.

Table II: Remuneration paid / payable to Non-Executive Directors for the year under review:

| Non-Executive Directors | Commission (₹ in Mn)* | Sitting Fees (₹ in Mn) |
|--------------------------|-----------------------|------------------------|
| Mr. Prakash M. Telang | 1.82 | 0.58 |
| Mr. B. Anjani Kumar | 1.28 | 0.60 |
| Mr. Vinayak K. Deshpande | 0.90 | 0.43 |
| Mr. Alexander Broetz | NIL | NIL |
| Ms. Colleen W. Cordova | NIL | NIL |
| Mr. David Lee | NIL | NIL |
| Mr. Parameswar Reddy | NIL | NIL |

* Payable in FY20

The criteria for determination of commission to Non-Executive Independent and Non-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. Stakeholders' Relationship Committee

In compliance with the provisions of Section 178(5) of the Companies Act, 2013 and the provisions of the Listing Regulations, 2015 the Board had formed the "Stakeholders' Relationship Committee".

The terms of Reference/Role/Powers of the Committee are as under:

1. To look into matters connected with the redressal of grievances of shareholders, debenture holders and other security holders including complaints related to transfer of shares, non-receipt of Annual Report and non-receipt of declared dividends.
2. To oversee the performance of the Company's Registrar and Transfer Agents, recommend methods to upgrade the standard of services to Investors
3. To 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.

Composition and details of the Stakeholders Relationship Committee Meeting during the financial year

The Stakeholders' Relationship Committee to comprise (a) Mr. B. Anjani Kumar, Chairman (b) Mr. Bhagya Chandra Rao and (c) Mr. Prakash M. Telang.

Mr. Naveen Chandra P, Company Secretary is the Compliance Officer of the Company.

During the year under review, Three (3) Meetings of the Committee were held on August 23, 2018, January 31, 2019 and May 14, 2019 respectively. The particulars of the members and their attendance at the Meetings are provided herein the below Table:

| Name of the Committee Members | Number of Meetings held | Number of Meetings attended |
|---|-------------------------|-----------------------------|
| Mr. B. Anjani Kumar Chairman, Independent Director | 3 | 3 |
| Mr. Bhagya Chandra Rao Managing Director | 3 | 3 |
| Mr. Prakash M. Telang Independent Director | 3 | 2 |

During the year under review, the Company has received complaints and all the Complaints are resolved well within the time.

Share Transfer Committee

The Share Transfer Committee deals with matters relating to transfers/ transmissions/ transposition/ consolidation/deletion of name/issue of Share Certificates in exchange for sub - divided/ consolidated/defaced share certificates/issue of duplicate Share Certificates, re-materialization of Shares, etc.

The Share Transfer Committee comprises of (a) Mr. Bhagya Chandra Rao, Chairman (b) Mr. B. Anjani Kumar (c) Mr. K. V. Suresh Reddy and (d) Mr. Naveen Chandra P. During the year, four (4) Meetings of the said Committee were held on, November 23, 2018, December 20, 2018, January 1, 2019 and January 31, 2019. The share transfer/ transmission and issue of duplicate share certificates were also tabled before the Stakeholders Relationship Committee meeting for approvals.

The Minutes of the Share Transfer Committee Meetings were tabled and noted at the following Board Meetings.

6. Corporate Social Responsibility Committee

The Board has constituted a Corporate Social Responsibility (CSR) 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 to act in terms of any consequent statutory modification(s)/amendment(s)/revision(s) to any of the applicable provisions to the said Committee.

The Committee comprises of (a) Mr. Bhagya Chandra Rao, Chairman (b) Mr. Prakash M. Telang (c) Mr. B. Anjani Kumar (d) Mr. Alexander Broetz and (e) Ms. Colleen Wood Cordova. During the year, two (2) Meetings of the said Committee were held. The Minutes of the Corporate Social Responsibility Committee Meetings were tabled and noted at the Board Meetings.

The Committee met on August 22, 2018 and May 13, 2019 during the year under review and the attendance of the members at the said Meetings is provided in the below table as follows:

| Name of the Committee Members | Number of Meetings held | Number of Meetings attended |
|---|-------------------------|-----------------------------|
| Mr. Bhagya Chandra Rao Chairman, Managing Director | 2 | 2 |

| Name of the Committee Members | Number of Meetings held | Number of Meetings attended |
|--|-------------------------|-----------------------------|
| Mr. Prakash M. Telang Independent Director | 2 | 1 |
| Mr. B. Anjani Kumar Independent Director | 2 | 1 |
| Mr. Alexander Broetz Non-Executive Director | 2 | 2 |
| Ms. Colleen Wood Cordova Non-Executive Director | 2 | 2 |

The Corporate Social Responsibility Policy is also disclosed on the website of the Company at [https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Corporate%20Social%20Responsibility%20\(CSR\)%20Policy.pdf](https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Corporate%20Social%20Responsibility%20(CSR)%20Policy.pdf)

7. Risk Management Committee

The Committee comprises of (a) Mr. Prakash M. Telang, Chairman of the Committee (b) Mr. Bhagya Chandra Rao (c) Mr. B. Anjani Kumar (d) Mr. K. V. Suresh Reddy and (d) Bhaskara Rao M. N.

The Committee met on May 13, 2019, during the financial year under review and the attendance of the members at the said Meetings is provided in the below table as follows:

| Name of the Committee Members | Number of Meetings held | Number of Meetings attended |
|---|-------------------------|-----------------------------|
| Mr. Prakash M. Telang Chairman, Independent Director | 1 | 1 |
| Mr. Bhagya Chandra Rao Managing Director | 1 | 1 |
| Mr. B. Anjani Kumar Independent Director | 1 | 1 |
| Mr. K. V. Suresh Reddy Member | 1 | 1 |
| Mr. Bhaskara Rao M. N. Member | 1 | 1 |

8. General Meetings

| Date and Time | Location | Special Resolutions passed |
|--|---|---|
| 50 th AGM, November 09, 2015 12.30 p.m. | Registered Office at 8/9 th Mile, Tumkur Road, Bangalore – 560 073 | None |
| 51 st AGM, November 14, 2016 12.30 p.m. | Registered Office at 8/9 th Mile, Tumkur Road, Bangalore – 560 073 | None |
| 52 nd AGM, November 7, 2017 12.30 p.m. | Registered Office at 8/9 th Mile, Tumkur Road, Bangalore – 560 073 | As per the provisions Companies Act, 2013: <ul style="list-style-type: none"> Alteration of Articles of Association of the Company Alteration of Memorandum of Association of the Company |
| 53 rd AGM, November 09, 2018 12.30 p.m. | Registered Office at 8/9 th Mile, Tumkur Road, Bangalore – 560 073 | None |

9. Postal Ballot:

The Company approached the shareholders through postal ballot Notice dated 12th July 2019. The details of the postal ballot are as follows:

Type: Special Resolution

1. Re-appointment of Mr. B. Anjani Kumar (DIN – 00022417) as an Independent Director for a second term of five (5) years &
2. Re-appointment of - Mr. Vinayak K Deshpande (DIN - 00036827) as an Independent Director for a second term of five (5) years.

Voting period: July 13, 2019 to August 12, 2019

Date of declaration of result: August 13, 2019

Date of approval: August 12, 2019

9. Disclosures

- The Company has adopted a Policy for determination of materiality for disclosure of Events or Information and a policy for preservation of documents and archival in accordance with SEBI (LODR) Regulations, 2015.
- 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 financial year 2019.
- Following Directors hold the Shares of the Company:

| Sl. No. | Name of the Directors | No. of Shares held as on June 30, 2019 |
|---------|------------------------|--|
| 1 | Mr. B. Anjani Kumar | 10 |
| 2 | Mr. Prakash M. Telang | 2000 |
| 3 | Mr. Bhagya Chandra Rao | 320 |

No other Director holds any Shares in the Company except above mentioned.

- 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 Regulation 17(8) of SEBI (LODR) Regulations, 2015, for the year ended June 30, 2019.
- The Company does not have any subsidiaries.
- The Company has not made any capital issues during the financial

year ended June 30, 2019.

- The Company has complied with all the mandatory requirements of the Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

10. Adoption of non-mandatory requirements

i) Shareholder Rights

The Company's quarterly and half-yearly financial results including summary of the significant events are published in the newspapers and the results were also uploaded on 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.

ii) Audit qualifications

There are no qualifications/ unmodified audit opinion in the Auditors' Report on the Accounts for the year ended June 30, 2019.

iii) Separate posts of the Chairman and the CEO

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

iv) Reporting of Internal Auditor

The Internal Auditor / Audit Firm report directly to the Audit Committee.

11. Means of Communication

- a. Quarterly / half-yearly / annual financial results of the Company are uploaded on the BSE Listing Centre Immediately after the Board Meetings so as to enable hosting the same on its 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.

During the financial year the Company had Analyst meet with SBI Mutual Fund on August 31, 2018, Mr. Sandeep Tulsian from JM Financial Institutional Securities Ltd. & Mr. Bhavin Vithani from SBI Funds Management Pvt. Ltd on February 4, 2019 & Mr. Ravi Purohit on behalf of Mr. Viraj Kacharia of Securities Investment Management Pvt. Ltd to discuss published financials of the Company. However, the Company has not made any presentations to the Institutional Investors or to the Analysts and no future statements were made during the conversations. All disclosures and compliance have been observed in this regard.

- b. As per SEBI (LODR) Regulations, 2015, the requisite details of the Company in terms of Regulation 46 are maintained on the website viz. www.kennametal.com/kennametalindia
- c. Management Discussion and Analysis Report is annexed to the Board's Report.

General Shareholders information

Annual General Meeting:

The 54th Annual General Meeting of the Company is scheduled to be held on November 13, 2019 at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bengaluru – 560 073.

Book Closure:

The Register of Members and share transfer books will remain closed from Wednesday, November 06, 2019 to Wednesday, November 13, 2019 (both days inclusive).

Financial calendar for the financial year 2019-20 is as follows:

| Event | Month (tentative) |
|--|--------------------------|
| Un-audited results for the quarter ending September 30, 2019 | November, 2019 |
| Un-audited results for the quarter ending December 31, 2019 | January / February, 2020 |
| Un-audited results for the quarter ending March 31, 2020 | April / May, 2020 |
| Audited results for the year ending June 30, 2020 | July / August, 2020 |

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 financial year 2019-20.

Annual Custody / Issuer Charges:

The Company has paid the Annual Custody / Issuer charges for the financial year 2018-19 to NSDL and CDSL.

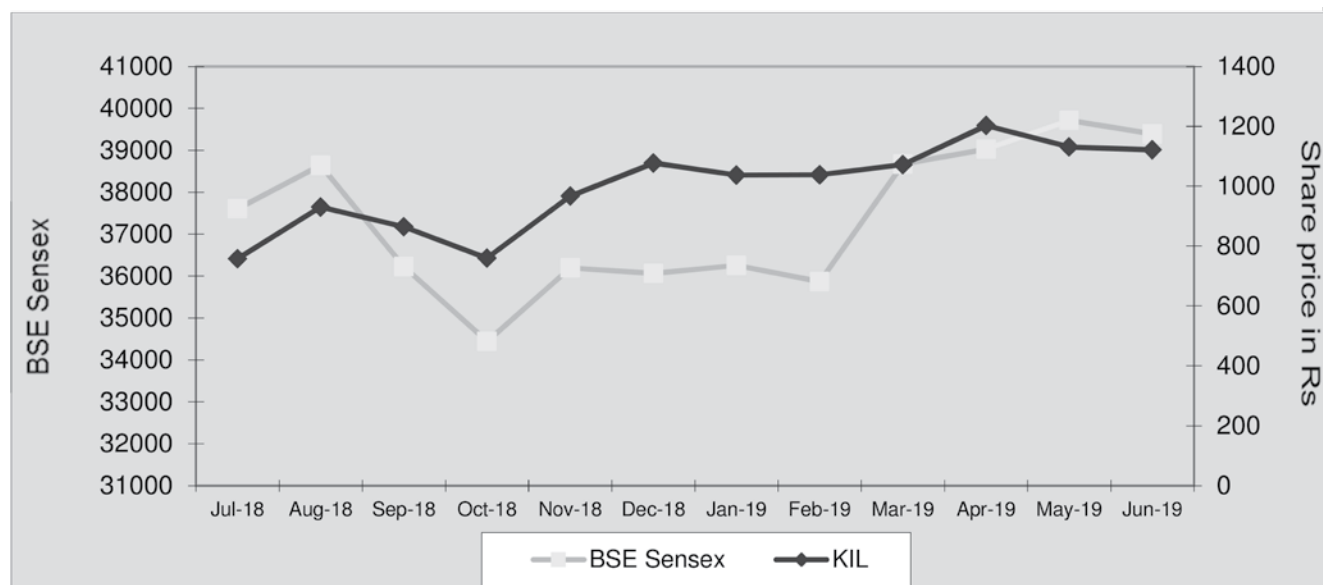
Stock Price Data for the financial year 2018-19:

Market Price Data – High & Low on BSE Limited and Number of shares traded from July 01, 2018 to June 30, 2019, under review as follows:

| Month & Year | Open Price | High Price | Low Price | Close Price | No. of Shares | No. of Trades |
|--------------|------------|------------|-----------|-------------|---------------|---------------|
| Jul-18 | 749 | 827 | 712 | 758 | 119993 | 3298 |
| Aug-18 | 760 | 970 | 740 | 931 | 388704 | 13274 |
| Sep-18 | 944 | 1111 | 851 | 865 | 208774 | 10545 |
| Oct-18 | 880 | 924 | 750 | 760 | 126074 | 5731 |
| Nov-18 | 772 | 995 | 750 | 967 | 711674 | 15075 |
| Dec-18 | 960 | 1110 | 910 | 1077 | 263904 | 11552 |
| Jan-19 | 1080 | 1163 | 971 | 1037 | 223314 | 17405 |
| Feb-19 | 1120 | 1177 | 961 | 1038 | 185312 | 9211 |
| Mar-19 | 1033 | 1117 | 1033 | 1072 | 99714 | 4351 |
| Apr-19 | 1080 | 1275 | 1065 | 1203 | 112865 | 6904 |
| May-19 | 1196 | 1240 | 1012 | 1132 | 145851 | 7828 |
| Jun-19 | 1140 | 1175 | 1100 | 1122 | 42842 | 2695 |

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

Share price performance in comparison with BSE Sensex*



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

Share Transfer Agents

Works related to both physical / demat shares are handled by Integrated Registry Management Services Private Limited as common Share Transfer Agent. All correspondence relating to share transfer, change of the address for Shares held in physical form and dematerialization of shares etc. are to be addressed to Integrated Registry Management Services Private 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

Share transfer system

The authority relating to transfer/transmission/dematerialization of Shares has been delegated to a Share Transfer Committee. The Committee meets fortnightly or as often as may be necessary to ensure that the transfer process is completed without any delay.

Additionally, an Independent Practicing Company Secretary undertakes audit and scrutiny of the system quarterly and furnishes requisite Reports / Certificates which are submitted to the Stock Exchange subsequently.

Pattern of shareholding as on June 30, 2019 is as follows:

| Category | No. of Shares | Percentage (%) |
|--------------------------------------|-------------------|----------------|
| A. Promoters (Foreign) | 16,483,680 | 75.00 |
| • Meturit AG. – 11,208,840 | | |
| • Kennametal Inc. – 5274840 | | |
| B. Public (Institutions) | | |
| • Mutual Funds | 2650830 | 12.06 |
| • Foreign Portfolio Investors | 281728 | 1.28 |
| • Financial Institutions/Banks | 960 | 0.00 |
| • Bodies Corporate | 17335 | 0.08 |
| C. Public (Non- Institutions) | 2543707 | 11.57 |
| Total (A+B+C) | 21,978,240 | 100.00 |

Dematerialization 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, 99.11% of the equity shares of the Company are held in demat form as on 30-06-2019.

There are no outstanding GDRs / ADRs / Warrants or any other convertible instruments.

Distribution of Shares as on June 30, 2019 is as follows:

| No. of Shares | No. of Shareholders | Shares held | % to Total |
|------------------|---------------------|-----------------|---------------|
| Upto 5000 | 7532 | 1732779 | 7.88 |
| 5001 to 10000 | 54 | 389533 | 1.77 |
| 10001 to 20000 | 27 | 392927 | 1.79 |
| 20001 to 30000 | 7 | 175606 | 0.80 |
| 30001 to 40000 | 1 | 30064 | 0.14 |
| 40001 to 50000 | 1 | 42312 | 0.19 |
| 51001 to 100000 | 1 | 63300 | 0.29 |
| 100001 and above | 6 | 19151719 | 87.14 |
| Total | 7629 | 21978240 | 100.00 |

Plant location

Kennametal India Limited
(CIN: L27109KA1964PLC001546)
8/9th Mile, Tumkur Road
Bengaluru - 560 073, Karnataka, India

Please write to us for all matters relating to Shares, demat, remat, annual report, etc.

| | |
|--|---|
| <i>Address for correspondence:</i> | For dividend queries and other general matters: |
| Integrated Registry Management Services Private Limited | The Company Secretary |
| Unit: Kennametal India Limited | Kennametal India Limited |
| No. 30, "Ramana Residency", | 8/9th Mile, Tumkur Road, |
| 4th Cross, Sampige Road, | Bengaluru – 560 073 |
| Malleswaram, Bengaluru - 560 003, | Karnataka, India |
| Phone: 080 - 23460815 to 818. | Phone: 080-28394321 and |
| Fax: 080 - 23460819. | 080-22918345 |
| E-mail: irg@integratedindia.in | Fax: 080-28397572 |
| | E-mail: in.investorrelation@kennametal.com |
| | <i>For the purpose of addressing investor complaints and also to take necessary follow-up action.</i> |

Annexure II to the Board's Report

**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF
CORPORATE GOVERNANCE UNDER SEBI (LODR) REGULATIONS, 2015**

To

**The Members of
Kennametal India Limited**
Bangalore

I have examined all the relevant records of Kennametal India Limited ('the Company') for the purpose of certifying the compliances of the conditions of Corporate Governance by the Company for the year ended 30th June, 2019 as stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations').

The compliance of the conditions of Corporate Governance is the responsibility of the 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 under the Listing Regulations.

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.

Place : Bengaluru
Date : August 22, 2019

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

Annexure IIA to the Board's Report

MD CERTIFICATION**(Code of Conduct for Directors and Senior Management)**

To

**The Members of
Kennametal India Limited**

I hereby confirm that all the Members of the Board of Directors and the Senior Management of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended June 30, 2019.

For Kennametal India Limited

Bengaluru
August 14, 2019

Bhagya Chandra Rao
Managing Director
DIN: 00211127

Annexure IIB to the Board's Report

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

To
The Board of Directors
Kennametal India Limited

We, Mr. Bhagya Chandra Rao, Managing Director, and Mr. K V Suresh Reddy, Chief Financial Officer of Kennametal India Limited, to the best of our knowledge and belief, certify that:

- A. We have reviewed the financial statements and the cash flow statement for the year ended June 30, 2019 and that to the best of our knowledge and belief:
1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. 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.
- B. 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).
- C. 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.
- D. 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.

We declare that all Board members and Senior Management personnel have affirmed compliance with the code of conduct for the year ended June 30, 2019.

Bhagya Chandra Rao
Managing Director

K. V. Suresh Reddy
Chief Financial Officer

Bengaluru
August 14, 2019

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

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

i. Energy Conservation Measures implemented in FY 19

1. Replacement of CFL/Fluorescent Lighting fixtures in the plant the new Buildings are provided with LED Fixtures.
2. Up graded Energy Management system with advance features which facilitates in conducting in depth analysis of Energy Consumption data.
3. The Energy conservation in compressed Air system done by optimizing the compressor line air pressure.
4. Energy Audit on Chillers was done, and upgradations are done in two Pus. replaced the Chillers with Energy Efficient Chillers.
5. Energy efficient and low water consuming ventilation systems were installed.
6. Energy Consumption in shop floors on Sundays and Holidays was reviewed with MIS Reports generated from Energy Management system and action taken to optimize Energy Consumption.
7. The 78 % of facilities Power is catered by Solar Power.
8. Replacement of Cooler in Furnace cooling water system with h Ecofriendly, Energy Efficient Adiabatic coolers.
9. Installed Eco friendly Combi oven in Canteen to replace the conventional steam cooking which helped in reducing energy, water and LPG Consumption.

ii. Impact of the above measures

1. Due to the above energy Conservation measures, the company conserved about ₹ 0.7 Million Units in FY 19, leading to a saving of ₹ 4.7 Million in the energy charges excluding the savings from Solar Power purchase.
2. The savings due to sourcing of Solar power has yielded savings of ₹ 1.4 Million on the Annual Energy costs.

iii. Additional Investments and Proposals being made to reduce Energy Consumption in FY 20

1. Energy efficient & Low water consuming adiabatic coolers are planned for the new Sintering furnaces & Conforma clad furnaces with an investment of ₹ 20 Million together.
2. Energy efficient Ventilation & VRF air conditioning system are being procured for the New buildings under construction with an investment of ₹ 15 Million.

B. Technology Absorption

a. Research & Development (R&D)

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

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

1. Development of new range of products contributing to better market penetration, conversion and retention.
2. New Process Development & Improvement in Powder Manufacturing, Pressing, Sintering, Edge Preparation, Green Machining, Surface Treatments and Coating.
3. Support to Manufacturing for Improved Quality and reduced cost of production for better customer experience.
4. Support Marketing for developing custom solution products by leveraging the combination of Kennametal's strength in substrates, coatings and engineering.
5. Support Kennametal Knowledge Centre to train Customers and Sales Engineers on cutting tool material.
6. Rapid product development by conducting Benchmarking test and simulating field machining condition at Lab.
7. Exploring new technologies in processes, materials & automation.

b) Specific areas in which R&D is carried out

1. Consolidation of standard CVD grades to simplify product portfolios.
2. Process Improvements in end to end manufacturing of inserts
3. Qualification and implementation of new supplier for raw materials.
4. Commissioning and qualification of new equipment for manufacturing of Inserts
5. Establishing a powder characteristic for processing of products in drybag route.
6. Development and introduction of new CVD Grade for K15 Cast Iron Turning
7. Development and introduction of two new CVD Grades for P20 and K20 Turning
8. Continued research on Powder Metallurgy processes and Coatings to improve quality and performance.

c) Benefits derived

- Improvement of product quality and consistency, reduction in material cost, manufacturing lead time, Reduced complexity in manufacturing process and simplified products offering to the customers, New products and a good value proposition to customers by improvement in product performance & Global standardization.

d) Future plan of action

1. Develop improved Powder Metallurgy and Coating Manufacturing processes
2. Establish product and process for import substitution.
3. Continued efforts towards Quality enhancement, Evolution of new products aligned with customer needs and with reduction in costs and lead time
4. Global consolidation & standardization of grades including substrates & coatings.
5. Continued focus on basic research and Open Innovation.
6. Work on advanced technology instrumentation for improving the quality of products and manufacturing processes.
7. Establish manufacturing process to achieve Zero discharge plant.

e) Expenditure on R&D

₹ in Million

| | 2019 | 2018 |
|---|-----------|-----------|
| a) Capital | 44 | 16 |
| b) Recurring | 35 | 28 |
| c) Total | 79 | 45 |
| d) Total R&D expenditure (as a percentage to turnover) | 0.84% | 0.56% |

b. Technology absorption, adaptation and innovation

- Efforts, in brief, made towards technology absorption, adaptation and innovation
 - Establishment of standardized and improved manufacturing processes.
 - Continued modernization of analytical techniques in Metallography lab, process equipment in manufacturing plants, prototype lab capabilities in Machining Technology Lab.
- Benefits derived as a result of the above efforts.
 - Up-gradation of Products and Process performance, increased alignment with Global Process standardization, import substitution, supporting raw material qualification and basic research activities.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

| 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 |
| New CVD Coatings | Kennametal Inc. | 2015-16 | Full |
| New CVD Coatings | Kennametal Inc. | 2016-17 | Full |
| Sintering Cycles | Kennametal Inc. | 2017-18 | Full |
| New Coating Process | Kennametal Inc. | 2018-19 | In progress |

C. Foreign Exchange earnings and outgo

i. Activities relating to exports

Your Company registered export growth of 4% led by growth of 32% in sales of Hard Metal Products although there is drop in the sale of Ecogrind Machines to China and other Asian Markets.

ii. Initiatives taken to increase exports

- MSG business developing new overseas markets for its products with machines positioned at competitive price point and continues to seek global opportunities for further growth.
- Surplus manufacturing capacities are leveraged to support Global requirements as and when opportunity exists for exports.

iii. Foreign Exchange used: ₹ In Million

- For Capital Expenditure – 514
- For Materials – 4528
- Expense Cross Charges – 190
- Royalty – 27
- Other Expenses – 107

iv. Total foreign exchange used and earned: (₹ in Million)

| | |
|----------------------------|------|
| i) Foreign Exchange earned | 1443 |
| ii) Foreign Exchange used | 5366 |

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127

B. Anjani Kumar
Independent Director
DIN: 00022417

Bengaluru
August 22, 2019

Annexure IV to the Board's Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 30.06.2019

[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
Bangalore

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kennametal India Limited (CIN: L27109KA1964PLC001546) (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 30.06.2019 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 the Company for the financial year ended on 30.06.2019 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, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (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 (Buyback of Securities) Regulations, 1998;
- (vi) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (vii) There are no specific laws applicable to the Company pursuant to the business carried by the Company.
- (viii) The other general laws as may be applicable to the Company including the following:

(1) Employer/Employee Related laws & Rules:

- i. Industries (Development & Regulation) Act, 1951
- ii. The Factories Act, 1948 (in case of manufacturing companies, where applicable)
- iii. The Employment Exchanges (Compulsory notification of Vacancies) Act, 1959
- iv. The Apprentices Act, 1961
- v. The Employees Provident Fund & Miscellaneous Provisions Act, 1952
- vi. The Employees State Insurance Act, 1948
- vii. The Workmen's Compensation Act, 1923
- viii. The Maternity Benefits Act, 1961
- ix. The Payment of Gratuity Act, 1972
- x. The Payment of Bonus Act, 1965
- xi. The Industrial Disputes Act, 1947
- xii. The Trade Unions Act, 1926
- xiii. The Payment of Wages Act, 1936
- xiv. The Minimum Wages Act, 1948
- xv. The Child Labour (Regulation & Abolition) Act, 1970
- xvi. The Contract Labour (Regulation & Abolition) Act, 1970
- xvii. The Industrial Employment (Standing Orders) Act, 1946
- xviii. Equal Remuneration Act, 1976
- xix. The Sexual Harassment of Women at Work Place (Prevention, Prohibition & Redressal) Act, 2013
- xx. Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1996
- xxi. Dangerous Machines (Regulation) Act, 1983
- xxii. Indian Boilers Act, 1923
- xxiii. The Karnataka Shops & Establishments Act, 1961
- xxiv. The Industrial Establishments (National and Festival Holidays) Act, 1963
- xxv. The Labour Welfare Fund Act, 1965
- xxvi. The Karnataka Daily Wage Employees Welfare Act, 2012
- xxvii. For majority of Central Labour Laws the State has introduced Rules [names of each of the Rules is not included here]

(2) Environment Related Acts & Rules:

- i. The Environment Protection Act, 1986
- ii. The Water (Prevention & Control of Pollution) Act, 1974
- iii. The Air (Prevention & Control of Pollution) Act, 1981
- iv. Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.

(3) Economic/Commercial Laws & Rules:

- i. The Competition Act, 2002
- ii. The Indian Contract Act, 1872
- iii. The Sales of Goods Act, 1930
- iv. The Forward Contracts (Regulation) Act, 1952
- v. The Indian Stamp Act, 1899
- vi. The Transfer of Property Act, 1882

I have also examined compliances with the applicable clauses of the Secretarial Standards issued by the Institute of Company Secretaries of India on the Board and General Meetings i.e. SS - 1 and SS - 2.

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. Compliances on Secretarial Standards and certain provisions of the Act need to be strengthened.

Further, I report that with regard to financial and taxation matters, I have relied on the Audit Report, Limited Review Report and the Internal Audit Report provided by the Statutory/Internal Auditor as the case may be.

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.

Place : Bangalore
Date : 21.08.2019

(Vijayakrishna K. T.)
FCS No.: 1788
C P No.: 980

Note: This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

‘Annexure’

My report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I have followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company including records under Income Tax Act, Central Excise Act, Customs Act, Goods and Service Tax Act.
4. Where ever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc as applicable from time to time.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Place : Bangalore
Date : 21.08.2019

Signature:
Vijayakrishna K. T.
FCS No.: 1788
C P No.: 980

Annexure IV-A to the Board's Report

**SECRETARIAL COMPLIANCE REPORT OF
KENNAMETAL INDIA LIMITED
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2019.**

I, Vijayakrishna K T, Practising Company Secretary have examined all the documents and records made available to us and explanations provided by KENNAMETAL INDIA LIMITED, having CIN: L27109KA1964PLC001546 and having its Registered Office at 8/9, Mile, Tumkur Road, Bangalore - 560073 ("the listed entity"), the filings/submissions made by the listed entity to the stock exchanges, website of the listed entity and other document/filing and as may be relevant, which have been relied upon to make this certification for the Financial Year ended 30th June, 2019 ("1st July, 2018 to 30th June, 2019") in respect of compliance with the provisions of :

- (a) the Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and
- (b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the Circulars/Guidelines issued thereunder, have been examined, include:-

- (a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;
- (e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;

- (h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (i) Circulars/Guidelines issued thereunder;

Based on the above examination, I hereby report that, during the Review Period:

- (a) The listed entity has complied with the provisions of the above Regulations and circulars/guidelines issued except in respect of matters specified below: NIL

| Sl. No. | Compliance Requirement (Regulations/circulars/Guidelines including specific clause) | Deviations | Observations/Remarks of the Practicing Company Secretary |
|---------|---|------------|--|
| | NOT APPLICABLE | | |

- (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/guidelines issued thereunder insofar as it appears from my examination of those records.
- (c) The following are the details of actions taken against the listed entity/ its Promoters/Directors/Material Subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/Regulations and Circulars/Guidelines issued thereunder:

| Sl. No. | Action taken by | Details of violation | Details of action taken ex. Fines, warning letter, debarment etc.... | Observations/Remarks of the Practicing Company Secretary, if any |
|---------|-----------------|----------------------|--|--|
| | NIL | | | |

- (d) The listed entity has taken the following actions to comply with the observations made in previous reports – NA

Place : Bangalore
Date : 21.08.2019

Vijayakrishna K. T.
FCS No.: 1788
C P No.: 980

Annexure IV-B to the Board's Report

**CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS
FROM COMPANY SECRETARY IN PRACTICE
(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of
the SEBI (Listing Obligations and Disclosure Requirements)
Regulations, 2015)**

To
The Members
Kennametal India Limited
8/9th Mile, Tumkur Road,
Bangalore - 560073

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Kennametal India Limited

having CIN: L2109KA1964PLC001546 and having Registered Office at 8/9th Mile, Tumkur Road, Bangalore - 560073 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ending on 30th June, 2019 has been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, the Ministry of Corporate Affairs, or any such other Statutory Authority:

| Sl. No. | Name of Director | DIN | Date of appointment in Company |
|---------|-----------------------------|----------|--------------------------------|
| 1. | PRAKASH MANJANATH TELANG | 00012562 | 04/11/2014 |
| 2. | BIDADI ANJANI KUMAR | 00022417 | 02/04/2010 |
| 3. | VINAYAK KASHINATH DESHPANDE | 00036827 | 06/09/2010 |
| 4. | BHAGYA CHANDRA RAO | 00211127 | 17/09/2012 |
| 5. | DEVI PARAMESWAR REDDY | 03450016 | 23/08/2018 |
| 6. | COLLEEN WOOD CORDOVA | 07568701 | 09/08/2016 |
| 7. | ALEXANDER BROETZ | 07568713 | 09/08/2016 |

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the Management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place : Bangalore
Date : 21.08.2019

Vijayakrishna K. T.
FCS No.: 1788
C P No.: 980

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 |

1) Particulars of Transactions with KENNAMETAL INC., USA
(₹ In Mn)

| Sl. No. | Nature of Transactions | Actual Transaction value for financial year July 01, 2018 to June 30, 2019 i.e. FY19 amount | Estimated Value of Transactions per Annum effective financial year commencing July 1, 2019 –i.e. FY20 not exceeding amount |
|---------|--|---|--|
| 1 | Sales of products/components (receipts) | 438 | 550 |
| 2 | Cross Charge Revenue | 12 | 40 |
| 3 | Cross Charge – Debits expenses (Payable) | 15 | 40 |
| 4 | IT Cross charges (payment) | 170 | 200 |
| 5 | Professional Services – Expenses | 19 | 25 |
| 6 | Purchase of components/raw materials (payment) | 1303 | 1650 |
| 7 | Purchase – Capital Goods | 1 | 50 |
| 8 | Royalty (payment) | 16 | 25 |

2) Particulars of Transactions with KENNAMETAL EUROPE GMBH
(₹ In Mn)

| Sl. No. | Nature of Transactions | Actual Transaction value for financial year July 01, 2018 to June 30, 2019 i.e. FY19 amount | Estimated Value of Transactions per Annum effective financial year commencing July 1, 2019 –i.e. FY20 not exceeding amount |
|---------|---|---|--|
| 1 | Sales of products/components (receipts) | 647 | 850 |
| 2 | Purchase of Components/ raw materials (payment) | 1905 | 2500 |
| 3 | Cross Charge-Revenue | 0.1 | 10 |

- (e) Date of approval by the Board, if any- August 22, 2019.
- (f) Amounts paid as advances, if any: Nil

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127

B. Anjani Kumar
Independent Director
DIN: 00022417

Bengaluru
August 22, 2019

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 2018-19 is **1:24.76**
 - (ii) The percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary during the financial year 2018-19:
 - In FY 19, there was an increase of **2.69%** in the remuneration of the Managing Director/CEO of the Company.
 - There was an increase of **17.63%** in the remuneration of the Chief Financial Officer (CFO) of the Company (LTIP was granted during FY19).
 - There was an increase of **26.72%** in the remuneration of the Company Secretary (Remuneration is not comparable as there was a vacancy in office from October 13, 2018 to November 18, 2018)
 - (iii) The percentage increase in the median remuneration of employees in the financial year 2018-19:

The median remuneration of employees of the Company during the Financial Year was **Rs. 890676**. There was Increased of **7.63%** in FY19.

- (iv) The number of permanent employees on the rolls of the Company 783: as on June 30, 2019.
- (v) Average percentage increase made in the salaries of employees other than the Key Managerial Personnel in the financial year 2018-19 was **1.02%** (Effective 1st of April 2019 57 employees moved to WITPL new subsidiary of KIL).
- (vi) 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 EBIT, PWGPS & Individual Performance.
- (vii) For the Financial Year under consideration, Mr. Bhagya Chandra Rao, Managing Director was paid the highest remuneration. No employee has received remuneration in excess of the Managing Director.
- (viii) 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 of Kennametal India Limited**Bhagya Chandra Rao**

Managing Director

DIN: 00211127

Bengaluru

August 22, 2019

B. Anjani Kumar

Independent Director

DIN: 00022417

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, 2019

(₹ in Million)

| Name | Designation/ Nature of duties | Age (in years) | Qualifications | Experience (in years) | Date of Joining | Remuneration Received | Particulars of last employment held |
|---------------------------|----------------------------------|-------------------|-----------------|--------------------------|--------------------|--------------------------|-------------------------------------|
| Mr. Bhagya Chandra Rao | Managing Director | 63 | B.E. Mechanical | 38 | 17-09-2012 | 22.1 | Sandvik Asia Private Limited |

Notes :

- 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 TO BE INCLUDED IN THE BOARD'S REPORT

Applicability of the Companies Act, 2013

Pursuant to Section 135 of the Companies Act, 2013 and the Rules made thereunder, your company has constituted a 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.

1. Brief Outline of the Company's CSR Policy:

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

Kennametal India's 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 its 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:

- 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.
- 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.

- 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.
- Kennametal Employees have been Voluntarily participating actively 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.

As part of our continued engagement with Sparsha Trust, Kennametal India Limited supported Sparsha Nisarga Grama facility which provides shelter for the underprivileged children with the following facilities:

- Rain Water Harvesting at Sparsha Nisarga Grama
- Solar panels were installed for maximum use of Solar energy at Nisarga Grama to control the big expenditure on the electricity bill
- Sliding windows with mosquito mesh installed for Children accommodation to protect the children from mosquito bites, which is a serious health concern.

Kennametal India Limited supported 4 Govt schools around our vicinity with Multi-Dimensional Learning Space (MDLS) facility by providing infrastructure for smart classrooms through NGO India Literacy Project (ILP). Kennametal India Limited also provided computer labs, library, science kits for experimentation, support of Computer teacher & Science teacher for the 4 Government schools to assist in teaching students & training teachers on MDLS concept.

Kennametal India Limited has joined hands with ILP's Multi-Dimensional Learning Space program which is a during-school and after-school program that provides multi-dimensional learning opportunities for school children to explore, experiment, discover, and learn in multiple ways.

The concept of Schools as multi-dimensional learning spaces is based on the foundation that :

- Equal importance should be given to all aspects of the curriculum
- Learning is not restricted to a curriculum. It should extend to help holistic and balanced development of a child
- One learning style doesn't work for all. Learning should involve visual, auditory and experiential methods
- Learning does not stop at school and it can happen anywhere and any time

The vision of Schools as Multi-Dimensional learning space is to offer a wide variety of academic inputs and non-academic exposure to children so that they do well not only in studies, but also learn about themselves, discover their interests and abilities. **Through this we hope to bring about individuals who are capable, confident, inquisitive and value aware.**

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/

2 The Composition of the CSR Committee:

- Mr. Bhagya Chandra Rao, Chairman
- Mr. Prakash M. Telang, Member
- Mr. B. Anjani Kumar, Member and
- Mr. Alexander Broetz, Member
- Ms. Colleen Wood Cordova, Member

3 **Average net profit** of the Company for last three financial years: ₹ 493 Million

4 Prescribed CSR Expenditures (two percent of the amount as in item 3 above): ₹ 9.86 Million

5 Details of CSR spent during the financial year.

- Total amount spent for the financial year: ₹9.91 Million
- Amount unspent: NIL
- Manner in which the amount spent during the financial year is detailed below.

Kennametal India Limited

CSR Expense status as on Jun 30, 2019

| 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 (in ₹) | Amount spent: Direct / through implementing agency* |
|---------|--|--|---|--|--|--|---|
| 1 | Support M/s. Prerana Resources "In the Community" programme/ Support in arranging food for 120 disabled girls on continuous basis. | "In the Community" programme | Local area - Goraguntepalya, Yeshwantpur | Support for monthly provisions for arranging food for the 120 disabled poor girls under "In the Community" programme (Rs. 30000/- per month for period upto June 30, 2019) & provided Solar water heater for the facility which supports 120 differently abled inmates | Direct expenditure on project | ₹5,80,000 | Direct |
| 2 | Support M/s. Sparsha Trust - "In the Community" programme | "In the Community" programme | Sparsha "Nisarga Grama" at Hesaraghatta - Home for underprivileged children & proposed 'Makkala Dhama' at Devanahalli | Supported Sparsha Nisarga Grama for the following : 1) Building of Staff Quarters at Nisarga Grama Girls Home 2)'Makkala Dhama' - proposed accommodation for boys at Devanahalli | Direct expenditure on project | ₹2,455,000 | Direct |
| 3 | Support M/s. People Tree Hospitals - "In the Community" programme | "In the Community" programme | Local area, Goraguntepalya | Supported the cause of treating poor children at People Tree Hospitals | Direct expenditure on project | ₹200,000 | Direct |
| 4 | Support Government High School, Bagalagunte (adjacent KIL) - "In the Community" programme | "In the Community" programme | Govt.High School, Bagalagunte (adjacent KIL) | Supported Govt High School, Bagalagunte (adjacent KIL) by providing the following : 1) Green Boards for classrooms - 13 nos 2) Drinking water facility 3) RO Plant in the School provided in association with Rotary Bangalore 4) Construction of sanitation structure for Boys & Girls 5) Painting exterior walls of classrooms & tree planting activity | Direct expenditure on project | ₹1,266,018 | Direct |

| 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 (in ₹) | Amount spent: Direct / through implementing agency* |
|---------|---|--|---|---|--|--|---|
| 5 | Support to Govt. Primary School, Bagalagunte & High School in Thotagere | "In the Community" programme | Govt.Primary School, Bagalagunte & High School in Thotagere | Support to Govt. Schools in and around KIL by : 1) Providing Drinking water facility, Science Lab & Library for Boys & Girls in Basaveswara School, Thotagere 2) Provided Science Lab & Library for Govt.Primary School, Bagalagunte | Direct expenditure on project | ₹ 427,102 | Through NGO - India Literacy Project (ILP) |
| 6 | Support of Health check up to all students in the surrounding 6 Govt. schools | "In the Community" programme | 1) Govt.High School, Bagalagunte 2) Govt.Primary School,Bagalagunte 3) Govt. Primary School, Manjunathangar 4) Govt.High School, Thotagere 5) Govt.Primary School, Chikkasandra 6) Govt.Primary School, Hesaraghatta | Health check up by Trinity Care Foundation for the 6 Govt school students supported by us. (1830 students @ Rs.495/- per student) | Direct expenditure on project | ₹ 905,493 | Through NGO - M/s. Trinity Care Foundation |
| 7 | Support scholarship for meritorius & economically backward students at PSG College of Technology, Coimbatore | "Promotion of education" | Others | ₹ 7,20,000/- as scholarship amount for economically backward students at PSG College of Technology, Coimbatore | Direct expenditure on project | ₹ 720,000 | Direct |
| 8 | Support scholarship for meritorius & economically backward Post Graduate students at RV College of Engineering, Bangalore | "Promotion of education" | RV College of Engineering, Bangalore | Scholarship for meritorius & economically backward Post Graduate Engineering students of RV College, Bangalore | Direct expenditure on project | ₹ 350,000 | Direct |
| 9 | Support in the form of Multi Dimensional Learning Space (MDLS), Science Labs, Libraries provided to Govt schools around KIL | "Promotion of education" | Local area - Supported 6 Govt Schools around KIL with Multi Dimensional Learning Space (MDLS)/ Smart classrooms & Teaching Staff | Continued the support for sustenance of Projects which were executed by NGO ILP in 6 Govt. schools around KIL for Computer teacher & Science teacher for 6 Govt schools to teach the students using Smart Classroom facilities & Computer lab, Provided science kits and well equipped library. Also NGO conducted Science exhibitions & Career Counselling for High school students. | Direct expenditure on project | ₹ 636,604 | Through NGO - India Literacy Project (ILP) |
| 10 | Support to Gnana Jyothi Trust for the Blind, Magadi Road | "In the Community" programme | Magadi Road | 1) Provided Braille Printer for Gnana Jyothi Blind School, Magadi Road This helps the blind women who are working in the Trust for typing & printing text books for blind students. 2) Provided support for bunker cots and beds, steel cupboards and other teaching aids/infrastructure for their new school cum hostel for blind children. | Direct expenditure on project | ₹ 604,815 | Direct |

| 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 (in ₹) | Amount spent: Direct / through implementing agency* |
|---|---|---|---|--|--|--|---|
| 11 | Support in the form of Distribution of Notebooks to Govt. School students | "Promotion of education" | Govt.High Schools & Primary Schools in Bagalagunte, Manjunathanagar, Thotagere, Hesaraghatta & Chikkasandra | Distribution of Notebooks to the 6 Govt school students supported by KIL for the academic year. Notebooks for 1830 students was sponsored by KIL (Volunteering for distribution by CSR Team KIL & KSSPL employees) | Direct expenditure on project | ₹ 300,000 | Through NGO - Aviratha |
| 12 | Support education of Girl children in SOS Children's Villages of India | "Promotion of education" | SOS Children's Villages of India, in Banerghatta, Bangalore | Promotion of education for girl students (higher class / PUC & Degree courses) supported by SOS villages of India - 25 girl students by paying academic year fees | Direct expenditure on project | ₹ 565,000 | SOS Children's Villages of India |
| 13 | Support Relief for Flood victims of Kerala | "Protect our Planet" / In the Community | Flood victims in Kerala | Relief amount to flood victims of Kerala - contributed to Chief Minister's Relief Fund | Direct expenditure on project | ₹ 500,000 | Direct |
| 14 | Support Relief for Flood victims of Kodagu | "Protect our Planet" / In the Community | Flood victims in Kodagu | Relief amount to flood victims of Kodagu - contributed to Chief Minister's Relief Fund | Direct expenditure on project | ₹ 400,000 | Direct |
| Amount spent for CSR activities till end June 2019 | | | | | | ₹ 9,910,532 | |

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:

Not Applicable.

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.

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

Bhagya Chandra Rao
Managing Director &
Chairman of the CSR Committee
DIN: 00211127

B. Anjani Kumar
Independent Director
DIN: 00022417

Bengaluru
August 22, 2019

Annexure IX of the Board's Report

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN as on financial year ended on 30.06.2019

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (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 | 8/9TH MILE, TUMKUR ROAD, BENGALURU – 560 073 |
| vi | Whether Listed Company | YES |
| vii | Name, Address & contact details of the Registrar & Transfer Agent, if any | INTEGRATED REGISTRY MANAGEMENT SERVICES PRIVATE LIMITED, NO-30, RAMANA RESIDENCY, GR FLOOR, 4TH CROSS, SAMPIGE ROAD, MALLESWARAM, BANGALORE-560 003 |

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) | 25910 | 83% |
| 2 | Machine Tools (Manufacture of special-purpose machinery) | 282 | 17% |

III. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

| Sl. No. | Name & Address of the Company | CIN/GLN | Holding/ Subsidiary Company | % of Shareholding | 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) |
| 3 | WIDIA India Tooling Private Limited, Survey No. 11, Nagasandra, Adjacent to Nagasandra Metro Station, Bengaluru – Pune National Highway, Bengaluru- 560073 | U28110KA2018 PTC119396 | Wholly owned Subsidiary | 100% | 2(87) |

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK UP AS % TO TOTAL EQUITY)

i) CATEGORY-WISE SHAREHOLDING

| Category of Shareholders | No. of Shares held at the beginning of the period-01.07.2018 | | | | No. of Shares held at the end of the period-30.06.2019 | | | | % 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/FI | - | - | - | - | - | - | - | - | - |
| 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/FI | - | - | - | - | - | - | - | - | - |
| 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 | 3192187 | - | 3192187 | 14.52 | 2650830 | - | 2650830 | 12.06 | 2.46 |
| b) Banks/FI | 180 | 860 | 1040 | 0.01 | 100 | 860 | 960 | 0.00 | - |
| c) Central Govt. | - | - | - | - | - | - | - | - | - |
| d) State Govt. | - | - | - | - | - | - | - | - | - |
| e) Venture Capital Fund | - | - | - | - | - | - | - | - | - |
| f) Alternative Investment Fund | - | - | - | - | 17335 | - | 17335 | 0.08 | 0.08 |
| g) Insurance Companies | - | - | - | - | - | - | - | - | - |
| h) FIIS | 130056 | - | 130056 | 0.59 | 281728 | - | 281728 | 1.28 | 0.69 |
| i) Foreign Venture Capital Funds | - | - | - | - | - | - | - | - | - |
| j) Others (specify) | - | - | - | - | - | - | - | - | - |
| SUB TOTAL (B)(1): | 3322423 | 860 | 3323283 | 15.12 | 2949993 | 860 | 2950853 | 13.43 | 1.69 |

| Category of Shareholders | No. of Shares held at the beginning of the period-01.07.2018 | | | | No. of Shares held at the end of the period-30.06.2019 | | | | % change during the year |
|---|--|---------------|-----------------|-------------------|--|---------------|-----------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| (2) Non-Institutions | | | | | | | | | |
| a) Bodies corporates | | | | | | | | | |
| i) Indian | 120687 | 660 | 121347 | 0.55 | 191524 | 650 | 192174 | 0.87 | 0.32 |
| ii) Overseas | - | - | - | - | - | - | - | - | - |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto ₹1 lakh | 1357453 | 177368 | 1534821 | 6.98 | 1691107 | 138236 | 1829343 | 8.32 | 1.34 |
| ii) Individuals shareholders holding nominal share capital in excess of ₹1 lakh | 317018 | 56560 | 373578 | 1.70 | 308037 | 56560 | 364597 | 1.66 | 0.04 |
| c) Others (specify) | | | | | | | | | |
| NRI | 104806 | - | 104806 | 0.48 | 110515 | - | 110515 | 0.50 | 0.02 |
| Clearing Member | 18555 | - | 18555 | 0.08 | 17111 | - | 17111 | 0.08 | 0.00 |
| Trust | - | - | - | - | 759 | - | 759 | 0.00 | - |
| Foreign Individuals | 6240 | - | 6240 | 0.03 | 6240 | - | 6240 | 0.03 | - |
| IEPF | 11930 | - | 11930 | 0.05 | 21259 | - | 21259 | 0.10 | 0.05 |
| LLP | - | - | - | - | 1709 | - | 1709 | 0.01 | 0.01 |
| SUB TOTAL (B)(2): | 1936689 | 234588 | 2171277 | 9.88 | 2348261 | 195446 | 2543707 | 11.57 | 1.69 |
| Total Public Shareholding | | | | | | | | | |
| (B)= (B)(1)+(B)(2) | 5259112 | 235448 | 5494560 | 25.00 | 5298254 | 196306 | 5494560 | 25.00 | - |
| C. Shares held by Custodian for GDRs & ADRs | | | | | | | | | |
| Grand Total (A+B+C) | 21742792 | 235448 | 21978240 | 100.00 | 2.2E+07 | 196306 | 21978240 | 100.00 | |

ii) SHAREHOLDING OF PROMOTERS

| Sl No. | Shareholders Name | Shareholding at the beginning of the period - 01.07.2018 | | | Shareholding at the end of the period - 30.06.2019 | | | % change in shareholding during the period |
|--------------|-------------------|--|----------------------------------|--|--|----------------------------------|--|--|
| | | 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 (SPECIFY IF THERE IS NO CHANGE)

| Sl. No. | Shareholders Name | Shareholding at the beginning of the Period - 01.07.2018 | | Date | Increase/ Decrease in Shareholding | Reason | Cumulative Shareholding during the Period - 30.06.2019 | | 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):

| Sl. No. | NAME OF THE SHAREHOLDER | SHAREHOLDING AT THE BEGINNING OF THE PERIOD - 01.07.2018 | | Date | Increase/ Decrease in Shareholding | Reason | CUMULATIVE SHAREHOLDING DURING THE PERIOD - 30.06.2019 | |
|---------|---|--|----------------------------------|-------------------|------------------------------------|----------|--|----------------------------------|
| | | 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 | 1660140 | 7.55 | 01.07.2018 | 0 | | 1660140 | 7.55 |
| | | | | 06.07.2018 | 315 | Transfer | 1660455 | 7.55 |
| | | | | 20.07.2018 | 5000 | Transfer | 1665455 | 7.58 |
| | | | | 31.05.2019 | 1943 | Transfer | 1667398 | 7.59 |
| | | | | 30.06.2019 | | | 1667398 | 7.59 |

| Sl. No. | NAME OF THE SHAREHOLDER | SHAREHOLDING AT THE BEGINNING OF THE PERIOD - 01.07.2018 | | Date | Increase/ Decrease in Shareholding | Reason | CUMULATIVE SHAREHOLDING DURING THE PERIOD - 30.06.2019 | |
|---------|--|--|----------------------------------|------------|------------------------------------|----------|--|----------------------------------|
| | | No. of Shares | % of Total Shares of the Company | | | | No. of Shares | % of Total Shares of the Company |
| 2 | RELIANCE CAPITAL TRUSTEE CO. LTD. - A/C RELIANCE TAX SAVER (ELSS) FUND | 479881 | 2.18 | 01.07.2018 | NO MOVEMENT DURING THE PERIOD | | | |
| | | | | 30.06.2019 | 0 | | 479881 | 2.18 |
| 3 | THE MASTER TRUST BANK OF JAPAN, LTD. AS TRUSTEE OF NISSAY INDIA EQUITY | 130056 | 0.59 | 01.07.2018 | 0 | | 130056 | 0.59 |
| | | | | 06.07.2018 | 4076 | TRANSFER | 134132 | 0.61 |
| | | | | 13.07.2018 | 11646 | TRANSFER | 145778 | 0.66 |
| | | | | 20.07.2018 | 12677 | TRANSFER | 158455 | 0.72 |
| | | | | 27.07.2018 | 5582 | TRANSFER | 164037 | 0.75 |
| | | | | 03.08.2018 | 8733 | TRANSFER | 172770 | 0.79 |
| | | | | 10.08.2018 | 4145 | TRANSFER | 176915 | 0.80 |
| | | | | 17.08.2018 | 10346 | TRANSFER | 187261 | 0.85 |
| | | | | 24.08.2018 | 8319 | TRANSFER | 195580 | 0.89 |
| | | | | 31.08.2018 | 1649 | TRANSFER | 197229 | 0.90 |
| | | | | 30.11.2018 | 7085 | TRANSFER | 204314 | 0.93 |
| | | | | 07.12.2018 | 11210 | TRANSFER | 215524 | 0.98 |
| | | | | 14.12.2018 | 9012 | TRANSFER | 224536 | 1.02 |
| | | | | 21.12.2018 | 12728 | TRANSFER | 237264 | 1.08 |
| | | | | 31.12.2018 | 5309 | TRANSFER | 242573 | 1.10 |
| | | | | 04.01.2019 | 1659 | TRANSFER | 244232 | 1.11 |
| | | | | 11.01.2019 | 18349 | TRANSFER | 262581 | 1.19 |
| | | | | 18.01.2019 | 7865 | TRANSFER | 270446 | 1.23 |
| | | | | 25.01.2019 | 2758 | TRANSFER | 273204 | 1.24 |
| | | | | 01.02.2019 | 2556 | TRANSFER | 275760 | 1.25 |
| | | | | 30.06.2019 | | | 275760 | 1.25 |
| 4 | SBI INFRASTRUCTURE FUND | 290000 | 1.32 | 01.07.2018 | 0 | | 290000 | 1.32 |
| | | | | 07.12.2018 | -45000 | Transfer | 245000 | 1.11 |
| | | | | 30.06.2019 | | | 245000 | 1.11 |
| 5 | NALINKANT CHATURBHUIJ ASHER | 63300 | 0.29 | 01.07.2018 | NO MOVEMENT DURING THE PERIOD | | | |
| | | | | 30.06.2019 | | | 63300 | 0.29 |
| 6 | NANDI CYLINDERS PVT LTD | 42312 | 0.19 | 01.07.2018 | NO MOVEMENT DURING THE PERIOD | | | |
| | | | | 30.06.2019 | | | 42312 | 0.19 |
| 7 | SUNDARAM MUTUAL FUND A/C SUNDARAM EMERGING SMALL CAP - SERIES I | 33000 | 0.15 | 01.07.2018 | 0 | | 33000 | 0.15 |
| | | | | 11.01.2019 | -2068 | TRANSFER | 30932 | 0.14 |
| | | | | 08.02.2019 | -868 | TRANSFER | 30064 | 0.14 |
| | | | | 30.06.2019 | | | 30064 | 0.14 |
| 8 | ANAND RATHI GLOBAL FINANCE LIMITED | 0 | 0.00 | 01.07.2018 | 0 | | 0 | 0.00 |
| | | | | 31.12.2018 | 13500 | TRANSFER | 13500 | 0.06 |
| | | | | 18.01.2019 | 2650 | TRANSFER | 16150 | 0.07 |
| | | | | 25.01.2019 | 2096 | TRANSFER | 18246 | 0.08 |
| | | | | 01.02.2019 | 2558 | TRANSFER | 20804 | 0.09 |
| | | | | 15.02.2019 | 1124 | TRANSFER | 21928 | 0.10 |
| | | | | 22.02.2019 | 1534 | TRANSFER | 23462 | 0.11 |
| | | | | 01.03.2019 | 510 | TRANSFER | 23972 | 0.11 |
| | | | | 08.03.2019 | 6028 | TRANSFER | 30000 | 0.14 |
| | | | | 26.04.2019 | 3200 | TRANSFER | 33200 | 0.15 |
| | | | | 10.05.2019 | 900 | TRANSFER | 34100 | 0.16 |
| | | | | 17.05.2019 | -4100 | TRANSFER | 30000 | 0.14 |
| | | | | 30.06.2019 | | | 30000 | 0.14 |

| Sl. No. | NAME OF THE SHAREHOLDER | SHAREHOLDING AT THE BEGINNING OF THE PERIOD - 01.07.2018 | | Date | Increase/Decrease in Shareholding | Reason | CUMULATIVE SHAREHOLDING DURING THE PERIOD - 30.06.2019 | |
|---------|--|--|----------------------------------|-------------------|-----------------------------------|-------------------------------|--|----------------------------------|
| | | No. of Shares | % of Total Shares of the Company | | | | No. of Shares | % of Total Shares of the Company |
| 9 | K V CHINNARAJ | 28720 | 0.13 | 01.07.2018 | | NO MOVEMENT DURING THE PERIOD | | |
| | | | | 30.06.2019 | 0 | | 28720 | 0.13 |
| 10 | SUNDARAM MUTUAL FUND A/C SUNDARAM EMERGING SMALL CAP - SERIES II | 0 | 0.00 | 01.07.2018 | 0 | | 0 | 0.00 |
| | | | | 09.11.2018 | 23909 | TRANSFER | 23909 | 0.11 |
| | | | | 16.11.2018 | 2116 | TRANSFER | 26025 | 0.12 |
| | | | | 23.11.2018 | 39 | TRANSFER | 26064 | 0.12 |
| | | | | 30.11.2018 | 627 | TRANSFER | 26691 | 0.12 |
| | | | | 11.01.2019 | -789 | TRANSFER | 25902 | 0.12 |
| | | | | 08.02.2019 | -331 | TRANSFER | 25571 | 0.12 |
| | | | | 30.06.2019 | | | 25571 | 0.12 |

(v) SHAREHOLDING OF DIRECTORS & KEY MANAGERIAL PERSONNEL

| Sl. No. | Name Of The Share Holder | Shareholding At The Beginning Of The Period - 01.07.2018 | | Date | Increase/Decrease in Shareholding | Reason | Cumulative Shareholding During The Period - 30.06.2019 | |
|---------|--------------------------|--|----------------------------------|------------|-----------------------------------|-------------------------------|--|----------------------------------|
| | | No. of shares | % of total shares of the company | | | | No. of shares | % of total shares of the Company |
| 1 | Prakash Manjanath Telang | 2000 | 0.01 | 01.07.2018 | | NO MOVEMENT DURING THE PERIOD | | |
| | | | | 30.06.2019 | | | 2000 | 0.01 |
| 2 | Bhagya Chandra Rao | 300 | 0.00 | 01.07.2018 | 0 | | 300 | 0.00 |
| | | | | 24.05.2019 | 20 | Transfer | 320 | 0.00 |
| | | | | 30.06.2019 | | | 320 | 0.00 |
| 3 | BIDADI ANJANI KUMAR | 10 | 0.00 | 01.07.2018 | | NO MOVEMENT DURING THE PERIOD | | |
| | | | | 30.06.2019 | | | 10 | 0.00 |

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment is as follows:

(₹ in Million)

| Particulars | Unsecured Loans |
|--|-----------------|
| Indebtedness at the beginning of the financial year | |
| i) Principal amount | - |
| ii) Interest due but not paid | - |
| iii) Interest accrued but not due | - |
| Total (I + ii + iii) | - |
| Changes in indebtedness during the financial year | |
| • Addition | 100 |
| • Reduction | - |
| Net change | 100 |
| Indebtedness at the end of the financial year | |
| i) Principal amount | 100 |
| ii) Interest due but not paid | - |
| iii) Interest accrued but not due | - |
| Total (I + ii + iii) | 100 |

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL*

A. Remuneration to Managing Director, Whole-Time Directors and/or Manager:

(₹ in Million)

| Sl. No. | Particulars of Remuneration | Mr. Bhagya Chandra Rao | Total |
|---------|---|------------------------|--------------|
| 1. | Gross salary | | |
| | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 12.66 | 12.66 |
| | (b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961 | 0.13 | 0.13 |
| | (c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961 | NIL | NIL |
| 2. | Stock Option – ESOP – Stock option granted by Kennametal Inc. Ultimate holding Company | 5.24 | 5.24 |
| 3. | Sweat Equity | NIL | NIL |
| 4. | Commission – as % of profit – others, specify. | | |
| 5. | Others, please specify – Incentive (Performance Pay) | 4.03 | 4.03 |
| 6. | Total (A) | 22.06 | 22.06 |
| 7. | Ceiling as per the Act (Section-197) (@5% of Profit calculated under Section 198 of the Companies Act, 2013) | | 64.68 |

B. Remuneration to other Directors:

(₹ in Million)

| Sl. No. | Particulars of Remuneration | Name of Directors | | | Total Amount |
|---------|--|-------------------------|---------------------------|--------------------------|--------------|
| 1 | Independent Directors | Mr. Prakash M. Telang | Mr. Vinayak. K. Deshpande | Mr. B. Anjani Kumar | |
| | – Fee for attending Board/Committee meetings | 0.58 | 0.43 | 0.69 | 1.61 |
| | – Commission | 1.82 | 0.90 | 1.28 | 4.00 |
| | – Others, please specify | – | – | – | – |
| | Total (1) | 2.40 | 1.33 | 1.97 | 5.70 |
| 2 | Other Non-Executive Directors | Mr. D. Parameswar Reddy | Mr. Alexander Broetz | Ms. Colleen Wood Cordova | |
| | – Fee for attending Board meetings | NIL | NIL | NIL | |
| | – Commission | NIL | NIL | NIL | – |
| | – Others, please specify | | | | |
| | Total (2) | NIL | NIL | NIL | NIL |
| | Total (B)=(1+2) | NIL | NIL | NIL | NIL |
| | Overall Ceiling as per the Act (Section-197) (@1 % of Profit calculated under Section 198 of Companies Act, 2013) | | | | 12.94 |

Mr. David Lee, who resigned on August 23, 2018 as a Non- Executive Director and Mr. Lee was not drawing any remuneration from the Company.

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTM

(₹ in Million)

| 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 | 6.92 | 4.07 | 10.99 |
| | (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 | 1.31 | Nil | 1.31 |
| 3. | Sweat Equity | Nil | Nil | Nil |
| 4. | Commission (Variable Compensation) – as % of Profit – others, specify | Nil | Nil | Nil |
| 5. | Others, please specify | Nil | Nil | Nil |
| | Total | 8.23 | 4.07 | 12.30 |

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

| Type | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/ Compounding fees imposed | Authority [RD / NCLT/ COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|--|------------------------------|------------------------------------|
| A. COMPANY | | | | | |
| Penalty | | | | | |
| Punishment | NIL | | | | |
| Compounding | | | | | |
| B. DIRECTORS | | | | | |
| Penalty | | | | | |
| Punishment | NIL | | | | |
| Compounding | | | | | |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| Penalty | | | | | |
| Punishment | NIL | | | | |
| Compounding | | | | | |

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127

Bengaluru
August 22, 2019

B. Anjani Kumar
Independent Director
DIN: 00022417



Standalone
Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Members of Kennametal India Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of Kennametal India Limited ('the Company'), which comprise the Balance Sheet as at 30 June 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 30 June 2019, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
5. We have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Inventory:</p> <p>Refer note 2.9 for accounting policy and note 11 for financial disclosures in relation to inventory.</p> <p>At the Standalone Balance Sheet dated 30 June 2019, the Company held inventories comprising of raw materials and components, finished goods, work-in-progress and stores and spares worth ₹2,031 million as detailed in note 11 to the accompanying standalone financial statements.</p> <p>The management performs 100% physical verification for the inventory as at 31 May every year with the assistance of management expert and performs roll forward based on system generated reports. Apart from these, counts are performed on periodical basis as per management policy.</p> <p>The raw material and other components of inventory are valued based on weighted average cost. The Company follows standard costing for Hard Metal Products segment and actual costing for Machining Solutions Group segment to arrive at the inventory value. At the end of each reporting period, price variance and various production related overheads are allocated on actual basis and manually adjusted, as necessary, to value the inventory.</p> <p>Owing to its nature, with respect to manufacture of engineering products specific to the needs of the customers, valuation of inventory involves preparation of specific bill of materials (BOM) for each product being manufactured.</p> | <p>Our audit procedures around inventory to assess valuation and allowance for inventories included, but were not limited to the following:</p> <p>Existence, Completeness, Cut-off and Accuracy of Inventory:</p> <ul style="list-style-type: none"> • Obtained understanding of management process of inventory management and inventory physical verification performed at various intervals during the year and near to the reporting date; • Evaluated the design effectiveness of controls over inventory management process/inventory physical verification and tested key controls for their operating effectiveness; • Tested ageing of inventory items obtained through system reports, as applicable. • Observed physical count carried out by the management. • Obtained the report of the expert and verified the treatment of count difference in the books of accounts. • Independently verified the physical quantities of inventory on test check basis to the physical count report provided by the management. • On test check basis, performing performed roll forward procedures from the date of management count to the balance sheet date. • Performed cut-off procedures to ensure completeness of the inventory recorded in the books of accounts and completeness of goods-in-transit as at reporting date. • Evaluated the disclosures made in the financial statements in accordance with the applicable accounting standards. |

In addition to the above, the complexities involved in this assessment include:

- Identification of products where specific production overheads and other allocations such as labour cost, depreciation on machineries, etc. to be added to the cost of inventory.
- Assessment of the completion percentage of products.
- Allocation of price variance on raw materials to inventories in work-in-progress and finished goods.

The management of the Company reviews the list of aged stocks and provides for aged inventory basis policy set forth by the management. Inventories of general use are reviewed further and any provision on these stocks are reversed. Further, at the end of each reporting period, the management of the Company also assesses whether there is any objective evidence that net realizable value of any item of inventory is below the carrying value. If so, such inventories are written down to their net realizable value in accordance with Ind AS 2, Inventories. Such specific identification performed by management to ascertain slow moving and obsolete inventories, and assessment of net realizable value of such slow moving and obsolete inventory items require significant judgement and estimation.

Considering the complexities and materiality of amounts involved, this matter is considered to be a key audit matter for current year audit.

Valuation of inventory:

- Obtained an understanding of the management's process of valuation of inventory.
- Evaluated the design and tested the operating effectiveness of key controls around valuation including estimates such as stage of completion, overhead computations, and determination of net realizable value of inventory items.
- Discussed with management the rationale supporting assumptions and estimates used in carrying out the inventory valuation, and corroborated the same to our understanding of the business.
- On a sample basis, recomputed the cost of the inventory by applying management's valuation model, testing underlying cost of acquisition of raw materials consumed, and testing overheads and labour cost allocation to such inventory items. This also included testing of BOM on sample basis for specialised inventory to ensure the BOM is approved as the internal process of the Company.
- Evaluated the appropriateness of the Company's accounting policy and valuation method of inventory in accordance with the accounting standards.

Inventory allowance:

- Obtained and understood management process for identification of slow moving, non-moving or obsolete inventories and ensured that the same is consistently applied.
- Performed an independent analysis of the ageing of inventory line items leading to specific inquiries with the management to ensure the completeness of the inventory identified as slow moving, non-moving and obsolete.
- On sample basis, tested the ageing of inventory items obtained through system reports, as applicable.
- For slow and non-moving inventories as at 30 June 2019 identified by the management, recomputed the allowance created by the management using management's model which has been consistently applied. Further, tested the net realisable value of finished goods inventory on a sample basis to average of 6 months historical selling prices less costs to sell, to identify allowance required, if any, for finished goods.

Presentation and disclosure:

- Evaluated the disclosures made in the accompanying financial statements in accordance with the applicable accounting standards.

Information other than the Financial Statements and Auditor's Report thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements

or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

- The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), changes in equity and cash flows of the Company in accordance with the

accounting principles generally accepted in India, including the Ind AS specified under Section 133 of the Act. 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.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. As required by Section 197(16) of the Act, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.
16. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.
17. Further to our comments in Annexure I, 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 purpose 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 standalone financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act;

- e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 30 June 2019 from being appointed as a director in terms of Section 164(2) of the Act;
- f) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 30 June 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 22 August 2019 as per Annexure II expressed unmodified;
- g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company, as detailed in note 29 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 30 June 2019;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 30 June 2019;
 - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection

Fund by the Company during the year ended 30 June 2019;

- iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandio & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 19059139AAAABB9147

Bengaluru
22 August, 2019

Annexure I to the Independent Auditor's Report of even date to the members of Kennametal India Limited, on the standalone financial statements for the year ended 30 June, 2019

Annexure I

Independent Auditor's Report on the Companies (Auditor's Report) Order, 2016 ('the Order') under sub-section 11 of Section 143 of the Companies Act, 2013 ('the Act')

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner 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. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- (c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.
- (ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, physical verification was performed by the management. No material discrepancies were noticed on the aforesaid verification.

- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products/services and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, duty of customs, cess and other material statutory dues, as applicable, to the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

- (b) The dues outstanding in respect of income-tax, sales-tax, service-tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues (in millions)

| Name of the statute | Nature of dues | Amount (₹) | Amount paid under Protest (₹) | Period to which the amount relates | Forum where dispute is pending |
|---|-----------------|---------------|-------------------------------------|---------------------------------------|---|
| The Central Excise Act, 1944 | Excise Duty | 8.75 | 5.09 | April 2006 to June 2013 | CESTAT, Bangalore |
| Finance Act, 1994 | Service Tax | 1.15 | 0.58 | April 2007 to March 2008 | CESTAT, Bangalore |
| The Uttar Pradesh Value Added Tax Act, 2008 | Value Added Tax | 0.40 | 0.40 | May 2011 | Joint Commissioner Appeals-Sonabhadra, Uttar Pradesh |
| The Karnataka Tax on Entry of Goods Act, 1979 | Entry Tax | 12.23 | 12.23 | April 2010 to June 2017 | The Commissioner of Commercial Tax, Bangalore |
| The Customs Act, 1962 | Customs Duty | 15.91 | 15.91 | August 2009 to October 2013 | CESTAT, Bangalore |
| The Central Sales Tax Act, 1956 | Sales Tax | 6.41 | 6.19 | April 2010 to March 2011 | The Assistant Commissioner of Commercial Tax, Bangalore |
| | Sales Tax | 1.83 | 3.27 | April 2011 to March 2012 | The Assistant Commissioner of Commercial Tax, Bangalore |
| | Sales Tax | 1.65 | 6.91 | April 2013 to March 2014 | The Assistant Commissioner of Commercial Tax, Bangalore |
| | Sales Tax | 2.43 | 0 | April 2016 to March 2017 | The Assistant Commissioner of Commercial Tax, Bangalore |
| | Sales Tax | 1.08 | 0 | April 2017 to March 2018 | The Assistant Commissioner of Commercial Tax, Bangalore |
| Income Tax Act, 1961 | Income Tax | 0.75 | 0.75 | April 1993 to March 1994 | The Income Tax Appellate Tribunal, Bangalore |
| | | 2.20 | - | April 1999 to March 2001 | Supreme Court of India |
| | | 27.67 | 27.67 | April 1999 to March 2001 | The Commissioner of Income Tax, (Appeals), Bangalore |
| | | 54.97 | 54.97 | April 2007 to March 2008 | The Commissioner of Income Tax, (Appeals), Bangalore |
| | | 50.52 | 50.52 | April 2008 to March 2009 | The Commissioner of Income Tax, (Appeals), Bangalore |
| | | 52.78 | 49.36 | April 2009 to March 2010 | The Commissioner of Income Tax, (Appeals), Bangalore |
| | | 47.30 | 47.30 | April 2010 to March 2011 | The Commissioner of Income Tax, (Appeals), Bangalore |
| | | 10.81 | 10.81 | April 2011 to March 2012 | The Commissioner of Income Tax (Appeals), Bangalore |
| | | 16.45 | 16.45 | April 2012 to March 2013 | The Income Tax Appellate Tribunal, Bangalore |
| | | 20.93 | 20.93 | April 2013 to March 2014 | The Dispute Resolution Panel, Bangalore |

- (viii) The Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders during the year. Accordingly, the provisions of clause 3(viii) of the Order are not applicable.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.
- (x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.
- (xi) Managerial remuneration has been paid by the company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.

- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 19059139AAAABB9147

Bengaluru
22 August 2019

Annexure II to the Independent Auditor's Report of even date to the members of Kennametal India Limited on the Standalone Financial Statements for the year ended 30 June 2019

Annexure II

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Kennametal India Limited ('the Company') as at and for the year ended 30 June 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 30 June 2019 based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For Walker Chandiook & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 19059139AAAABB9147

Bengaluru
22 August 2019

STANDALONE BALANCE SHEET AS AT JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Note No. | As at June 30, 2019 | As at June 30, 2018 |
|---|----------|---------------------|---------------------|
| I. ASSETS | | | |
| 1. NON-CURRENT ASSETS | | | |
| (a) Property, plant and equipment | 3A | 1834 | 1539 |
| (b) Capital work-in-progress | 3B | 672 | 211 |
| (c) Investment properties | 4 | 0 | 0 |
| (d) Intangible assets | 5 | 1 | 1 |
| (e) Investment in subsidiaries | 6 | 0 | - |
| (f) Financial assets | | | |
| (i) Investments | 7(a) | - | 5 |
| (ii) Loans | 7(b) | 0 | 1 |
| (iii) Other financial assets | 7(f) | 18 | 18 |
| (g) Deferred tax assets (net) | 8 | - | 69 |
| (h) Income tax assets (net) | 9 | 363 | 251 |
| (i) Other non-current assets | 10 | 209 | 151 |
| Total non-current assets | | 3097 | 2246 |
| 2. CURRENT ASSETS | | | |
| (a) Inventories | 11 | 2031 | 1559 |
| (b) Financial assets | | | |
| (i) Trade receivables | 7(c) | 1445 | 1427 |
| (ii) Cash and cash equivalents | 7(d) | 437 | 945 |
| (iii) Bank balances other than (ii) above | 7(e) | 2 | 3 |
| (iv) Loans | 7(b) | 352 | 3 |
| (v) Other financial assets | 7(f) | 18 | 10 |
| (c) Other current assets | 12 | 165 | 184 |
| Total current assets | | 4450 | 4131 |
| TOTAL ASSETS | | 7547 | 6377 |
| II. EQUITY AND LIABILITIES | | | |
| 1. EQUITY | | | |
| (a) Equity share capital | 13 | 220 | 220 |
| (b) Other equity | 14 | 4969 | 4168 |
| Total equity | | 5189 | 4388 |

STANDALONE BALANCE SHEET AS AT JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Note No. | As at June 30, 2019 | As at June 30, 2018 |
|--|----------|---------------------|---------------------|
| 2. LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| (a) Financial liabilities | | | |
| (i) Other financial liabilities | 15C | 1 | 1 |
| (b) Provisions | 16 | 57 | 52 |
| (c) Deferred tax liabilities (net) | 8 | 17 | - |
| Total non-current liabilities | | 75 | 53 |
| CURRENT LIABILITIES | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 15A | 100 | - |
| (ii) Trade payables | 15B | | |
| Total outstanding dues of micro enterprises and small enterprises | | 37 | 48 |
| Total outstanding dues of other than micro enterprises and small enterprises | | 1221 | 1011 |
| (iii) Other financial liabilities | 15c | 269 | 269 |
| (b) Provisions | 16 | 198 | 160 |
| (c) Other current liabilities | 17 | 458 | 448 |
| Total current liabilities | | 2283 | 1936 |
| TOTAL EQUITY AND LIABILITIES | | 7547 | 6377 |

The accompanying notes are the integral part of the Standalone Financial Statements.

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

For Walker Chandiok & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors**Kennametal India Limited****Bhagya Chandra Rao**

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

STANDALONE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Note No. | Year ended June 30, 2019 | Year ended June 30, 2018 |
|---|----------|-----------------------------|-----------------------------|
| INCOME | | | |
| Revenue from operations | 18 | 9269 | 7931 |
| Other income | 19 | 140 | 84 |
| Total income | | 9409 | 8015 |
| EXPENSES | | | |
| Cost of materials consumed | 20 | 3245 | 2384 |
| Purchase of stock-in-trade | 21 | 1993 | 2072 |
| Changes in inventories of finished goods, stock-in-trade and work-in-progress | 22 | (303) | (272) |
| Employee benefits expense | 23 | 1301 | 1227 |
| Depreciation and amortisation expenses | 24 | 280 | 281 |
| Finance costs | 25 | 5 | - |
| Other expenses | 26 | 1672 | 1516 |
| Total expenses | | 8193 | 7208 |
| Profit before exceptional items and tax | | 1216 | 807 |
| Exceptional items | 38 | - | (77) |
| Profit before tax | | 1216 | 730 |
| Tax expense/ (credit) | 27 | | |
| Current tax | | 376 | 204 |
| Tax adjustments relating to earlier years | | (115) | (46) |
| Deferred tax charge | | 92 | 49 |
| Total tax expense | | 353 | 207 |
| Profit after tax for the year | | 863 | 523 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of net defined benefit plans | | (16) | (32) |
| Income tax relating to above item | | 6 | 11 |
| Total other comprehensive income for the year (net of tax) | | (10) | (21) |
| Total comprehensive income for the year | | 853 | 502 |
| Earnings per equity share in ₹ [Nominal Value per share ₹10 (June 30, 2018: ₹ 10)] | 40 | | |
| Basic and Diluted | | 39.24 | 23.78 |

The accompanying notes are the integral part of the Standalone Financial Statements.

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

For Walker Chandiok & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors**Kennametal India Limited****Bhagya Chandra Rao**

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

STANDALONE STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

(A) Equity Share Capital

| | Notes | Amount |
|---|-------|------------|
| Balance as at July 1, 2017 | | 220 |
| Changes in equity share capital during the year | 13 | – |
| Balance as at June 30, 2018 | – | 220 |
| Changes in equity share capital during the year | 13 | – |
| Balance as at June 30, 2019 | – | 220 |

(B) Other equity

| | Securities premium reserve | Share based compensation reserve | General reserve | Retained earnings | Total |
|--|----------------------------|----------------------------------|-----------------|-------------------|-------------|
| Balance as at July 1, 2017 | 1 | 3 | 1488 | 2227 | 3719 |
| Profit for the year | - | - | - | 523 | 523 |
| Other comprehensive Income | - | - | - | (21) | (21) |
| Total comprehensive income for the year | 1 | 3 | 1488 | 2729 | 4221 |
| Transactions with owners in their capacity as owners: | | | | | |
| Interim dividends | - | - | - | (44) | (44) |
| Dividend distribution tax | - | - | - | (9) | (9) |
| Share based compensation expense | - | 7 | - | - | 7 |
| Payment during the year towards share based | - | (7) | - | - | (7) |
| Balance as at June 30, 2018 | 1 | 3 | 1488 | 2676 | 4168 |
| Profit for the year | - | - | - | 863 | 863 |
| Other comprehensive Income | - | - | - | (10) | (10) |
| Total comprehensive income for the year | 1 | 3 | 1488 | 3529 | 5021 |
| Transactions with owners in their capacity as owners : | | | | | |
| Interim dividends | - | - | - | (44) | (44) |
| Dividend distribution tax | - | - | - | (9) | (9) |
| Share based compensation expense | - | 10 | - | - | 10 |
| Payment during the year towards share based | - | (9) | - | - | (9) |
| Balance as at June 30, 2019 | 1 | 4 | 1488 | 3476 | 4969 |

The accompanying notes are the integral part of the standalone financial statements.

This is the Statement of Change in Equity referred to in our report of even date.

For Walker Chandiok & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors**Kennametal India Limited****Bhagya Chandra Rao**

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Cash flow from operating activities | | |
| Profit before taxation and exceptional items | 1216 | 807 |
| Adjustments for: | | |
| Depreciation and amortisation expense | 280 | 281 |
| Dividend income | (13) | (15) |
| Liabilities no longer required written back | (14) | (0) |
| Provision for product support | 34 | 51 |
| Provision made for doubtful debts | 1 | 5 |
| Provision for disputed taxes and duties | (4) | 13 |
| Loss/(Profit) on sale of property, plant and equipment (net) | (4) | 6 |
| Interest expense | 5 | - |
| Interest income | (35) | (31) |
| Unrealised foreign exchange (gain)/ loss (net) | 2 | 1 |
| Employee share based expense | 10 | 7 |
| Operating profit before working capital changes | 1478 | 1125 |
| Adjustment for working capital changes: | | |
| Increase in inventories | (472) | (486) |
| Increase in trade and other receivables | (340) | (205) |
| Decrease in financial assets | 1 | 11 |
| Increase in other liabilities and provisions | 545 | 211 |
| Cash generated from operations | 1212 | 656 |
| Taxes paid (net of refunds) | (373) | (27) |
| Net cash generated from operations (1) | 839 | 629 |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (1,100) | (601) |
| Investment in subsidiary (₹100,000) | (0) | - |
| Interest received on loan to subsidiary | 2 | - |
| Loan to subsidiary | (356) | - |
| Repayment of loan to subsidiary | 6 | - |
| Redemption of investment | 5 | - |
| Sale proceeds of property, plant and equipment | 12 | 3 |

STANDALONE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Year ended June 30, 2019 | Year ended June 30, 2018 |
|---|-----------------------------|-----------------------------|
| Dividend received on mutual funds | 13 | 15 |
| Interest received | 30 | 31 |
| Net cash used in investing activities (2) | (1388) | (552) |
| Cash flow from financing activities | | |
| Loan from fellow subsidiary | 100 | - |
| Interest paid | (5) | - |
| Dividends paid | (44) | (44) |
| Dividend distribution tax | (9) | (9) |
| Unclaimed dividend paid (June 30, 2018 : ₹235,138) | (1) | 0 |
| Net cash used in Financing activities (3) | 41 | (53) |
| Net increase in cash and cash equivalents (1+2+3) | (508) | 24 |
| Add: Cash and cash equivalents at the beginning of the year | 945 | 921 |
| Cash and cash equivalents at the end of the year | 437 | 945 |
| Cash and Cash equivalent as per above comprises of the following | | |
| Cash and Cash equivalent (refer note.7(d)) | 437 | 945 |
| Balance as per Statement of Cash Flows | 437 | 945 |
| The accompanying notes are the integral part of the Standalone Financial Statements. | | |
| Note: | | |
| Also refer note 39 for "Net debt reconciliation". | | |
| The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Standalone Statement of Cash Flows. | | |

This is the Standalone Statement of Cashflow referred to in our report of even date.

For Walker Chandiok & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors**Kennametal India Limited****Bhagya Chandra Rao**

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

1 Background

Kennametal India Limited ("the Company") incorporated under the Companies Act, 1956, is in the business of manufacturing and trading of hard metal products and manufacturing of capital intensive machines along with fixtures and spares. The Company has its manufacturing facility in Bengaluru and sells its product and services through sales and support offices. The Company is a public limited Company incorporated and domiciled in India and has its registered office at 8/9th Mile, Tumkur Road, Bengaluru 560 073. The Company is listed on the Bombay Stock Exchange (BSE). The financial statements were approved for issue by Company's board of directors on August 22, 2019.

2 Significant accounting policies**2.1 Basis of preparation:****(i) Compliance with Ind AS :**

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act.

The accounting policies are applied consistently to all the periods presented in the financial statements.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities are measured at fair value;
- Assets held for sale - measured at fair value less cost to sales;
- Defined benefit plans - plan assets measured at fair value; and
- Share based payments - measured at fair value.

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 the Schedule III to the Companies Act, 2013. Based on the nature of services 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 12 months for the purpose of current / non-current classification of assets and liabilities.

(iii) Current / non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is treated as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has evaluated and considered its operating cycle as 12 months.

Deferred tax assets / liabilities are classified as non-current assets / liabilities.

(iv) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing July 01, 2018.

Ind AS 115, Revenue from contracts with customer.

Appendix B, Foreign currency transactions and advance consideration to Ind AS 21. The effects of changes to foreign exchange rates.

Amendment to Ind AS 12, Income taxes.

Amendment to Ind AS 40, Investment property.

Ind AS 112, Disclosure of Interests in other entities

The Company had to change its accounting policies for the aforementioned amendments. However, such changes didn't have any impact on the amount recognised in prior period and are not expected to significantly affect the current and future periods.

2.2 Significant estimates, judgements and assumptions

The application of accounting standards and policies requires the Company to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the Company considers to be most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Company's financial condition or operating performance.

The areas involving critical estimates are:**(i) Recognition of deferred tax assets**

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(ii) Evaluation of indicators for impairment of assets

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(iii) Recoverability of advances / receivables

At each balance sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

(iv) Useful lives of depreciable / amortisable assets

Management reviews its estimate of the useful lives of depreciable / amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain items of property, plant and equipment.

(v) Estimate of product support

At each balance sheet date basis the management judgment and historical trend, the Company assesses the requirement of provisions. However, the actual future outcome may be different from the judgment.

The Company provides a standard warranty of 12 months from the date of commissioning / sales or 15 months from the date of delivery, whichever is earlier. However in exceptional cases it provides a general warranty upto 24 months.

(vi) Estimation of defined benefit obligation

Measurement of obligation towards defined benefit plans such as gratuity and provident fund are based on the actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. Significant assumptions include determination of discount rate, future salary increases etc. Due to complexities involved in the valuation & its long term nature, defined benefit obligation is sensitive to changes in these assumptions (refer note 16).

(vii) Material return provision

The Company recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale.

(viii) Customer loyalty programme

The Company recognises the provision for customer loyalty programme based on the ratio of sales targets met by the customers.

(ix) Litigations

The company records provision and contingent liabilities for pending litigations by considering the probability and the amount of loss involved in each case.

2.3 Revenue recognition

The Company derives revenues primarily from sale of manufactured goods, traded goods and related services.

In March 2018, Ministry of Corporate Affairs ("MCA") had notified Ind AS 115, 'Revenue from Contract with Customers', replacing the existing revenue recognition standards Ind AS 18, 'Revenue'. As per the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. The standard is effective for annual periods beginning on or after 1 April 2018. The Company has adopted this standard using the modified retrospective approach, applied to contracts that were not completed as on the transition date i.e. July 01, 2018. Accordingly the comparative figures for year ended June 30, 2018 have not been retrospectively adjusted.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services. Revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates.

Revenue in excess of invoicing are classified as contract asset while invoicing in excess of revenues are classified as contract liabilities.

The Company operates a loyalty programme for the customers and dealers for the sale of goods. The customers are divided in different grades at the inception of the year and accordingly targets are also set. A contract liability is recorded on provisional basis at every reporting date. The provision of loyalty programme is netted-off to revenue.

The Company recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale. Therefore, a refund liability, included in other current liabilities, are recognized for the products expected to be returned.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Other operating revenue

Income from export incentives such as duty drawback and Merchandise Export Incentive Scheme are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collections exists.

2.4 Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of dividend can be measured reliably.

2.5 Trade receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less loss allowance.

2.6 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Statement of Profit or Loss during the reporting period in which they are incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

Depreciation method, useful lives and residual value

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 of Companies Act, 2013, in order to reflect the actual usage of the assets. The estimates of the useful life of the assets, based on internal technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

| Particulars | Estimated range of useful life |
|--|--------------------------------|
| Buildings (including temporary structures) | 20 - 40 years |
| Plant and machinery: | |
| Data processing equipment | 3 - 5 years |
| Others | 5 - 15 years |
| Vehicles | 5 years |
| Office equipment | 5 years |
| Furniture and fixtures | 10 years |

Machinery spares of irregular usage are amortised over the estimated useful life of the respective plant and machinery.

Schedule II requires the Company to identify and depreciate significant components with different useful lives separately. The Company has evaluated the applicability of component accounting as prescribed under Ind AS 16, Property, Plant and Equipment, and Schedule II of the Companies Act, 2013. The management has evaluated the requirement of schedule II and has not identified any significant component having different useful lives.

2.7 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 Company and the costs 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.

(i) Research and development

Research expenditure and development expenditure that do not meet the criteria defined above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Amortisation methods and periods

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.

2.8 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Standalone Statement of Profit and Loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognised are accordingly reversed in the Standalone Statement of Profit and Loss.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.9 Inventories

Raw materials and stores, work-in-progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of raw materials, stores and spares, work-in-progress and traded goods on the basis of weighted average whereas manufactured goods are ascertained on first-in first method. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.10 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.11 Investment in subsidiaries

Investments in subsidiaries are recognised at cost as per Ind AS 27, except where investments accounted for at cost shall be accounted for in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, when they are classified as held for sale.

2.12 Leases**i) As a lessee:**

Property, plant and equipment acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such leases are capitalized at the inception of the lease at lower of the fair value of lease property or the present value of the minimum lease payments. Finance lease payment is apportioned between finance charge and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Standalone Statement of Profit and Loss.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of Profit or Loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Statement of Profit or Loss.

ii) As a lessor:

Lease income from operating leases where the Company is a lessor is recognised as income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

2.13 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

Defined benefit plan**Provident Fund**

Eligible employees of the Company receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes to Kennametal India Limited Employee's Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from investments of the Trust and the notified interest rate.

Gratuity

The Company provides for gratuity, a defined benefit plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees a retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the Kennametal India Limited Employees Gratuity Fund Trust (the Trust). Trustees administer contributions made to the Trust and contributions are invested in a scheme with Life Insurance Corporation of India and HDFC Life Insurance Company Limited as permitted by Indian law.

The Company recognises the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined liability / (asset) are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in net profit in the Standalone Statement of Profit and Loss.

Other long-term employee benefit obligations**Compensated absences**

The Company provides benefit of compensated absences under

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

which unavailed leave are allowed to be accumulated to be availed in future. The compensated absences comprises of vesting benefit. The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Service cost on the Company's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs.

Further, as required under Ind AS compliant Schedule III, the Company transfers those amounts recognized in other comprehensive income to retained earnings in the statement of changes in equity and in the balance sheet.

Long term service awards

Certain employees of the Company are entitled to other long term benefits in the nature of long term service awards as per the policy of the Company. Liability for such benefits is provided on the basis of an independent actuarial valuation using the projected unit credit method at the balance sheet date.

Short term employee benefits

Short term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

2.14 Foreign currency translation

(i) Functional and presentation currency

Items included in the Standalone Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Standalone Financial Statements are presented in Indian rupee ₹, which is the Company's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates that approximate the actual rates at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in Statement of Profit or Loss.

All other foreign exchange gains and losses are presented in the Standalone Statement of Profit and Loss on a net basis within other income/other expenses.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM).

The managing director of the Company assesses the financial performance and position of the Company and makes strategic decisions. The managing director has been identified as being the CODM. Refer note 39 for segment information presented.

2.16 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Standalone Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets (DTA) are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternative Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal period income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

2.17 Share based payments

Stock-based compensation awards are provided to selected employees under the terms of the long-term incentive plan

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

of the Kennametal Inc. USA, the ultimate holding Company. Awards available under the plans include restricted stock units ("RSUs") which are granted to the Managing Director and certain senior management employees of the Company. Stock-based compensation represents the cost related to group stock-based awards granted to employees.

RSUs entitle the holder to shares of common stock as the award vest, typically over 3 years or 4 years depending upon the scheme and year of grant. RSUs are time vesting stock units and therefore the fair value of the units is determined and fixed on the grant date based on market value of Kennametal Inc's share price, adjusted for the exclusion of dividend equivalents. The Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award and recognizes the cost (net of estimated forfeitures) over the employee requisite service period. The total expense in respect of the above share based payment scheme is recognised over the vesting period with a corresponding adjustment to equity compensation reserve as a capital contribution from Kennametal Inc. The inter-Company charge is offset against the equity compensation reserve. A liability is recognised when the award is released to or exercised by the Company's employees and billed by Kennametal Inc.

2.18 Provisions and contingent liabilities

Provisions for legal claims, service warranties, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are 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.

2.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition

The Company recognises financial assets and financial liabilities

when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

Subsequent measurement

(i) Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held with in a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in Standalone Statement of Profit or Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(ii) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

(iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets which are not classified in any of the above categories are subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of profit or loss and presented net in the period in which it arises. Interest income from these financial assets is included in other income

(iv) Equity investments

All equity investments in scope of Ind AS 109, Financial Instruments, are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 Business Combinations, applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by-instrument basis.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Standalone Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Derecognition

'The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109 'Financial Instruments'. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities

Initial recognition

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These instruments are classified as amortised cost.

Subsequent measurement

These liabilities includes deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109, Financial Instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains / loss are not subsequently transferred to Standalone Statement of Profit and Loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit or Loss. The Company has not designated any financial liability as at fair value through profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing

financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Standalone Statement of Profit and Loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedge instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

When forward contracts are used to hedge forecast transactions, the group generally designates only the changes in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in Standalone Statement of Profit and Loss.

2.20 Impairment of financial assets

In accordance with Ind AS 109 Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

The Company tracks credit risk and changes thereon for each customer. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, life time ECL is used. If in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income / expense in the Standalone Statement of Profit and Loss. This amount is reflected under the head 'other expenses' in the Standalone Statement of Profit and Loss.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

2.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

'The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Standalone Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Standalone Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is

significant to the fair value measurements as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liabilities and the level of the fair value hierarchy as explained above.

2.22 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.23 Dividends

Final dividends on shares are recorded as a liability on the date of approval by the share holders and interim dividends are recorded as a liability on the date of declaration by the Company's board of directors.

The Company declares and pays dividends in Indian rupees. The remittance of dividends outside India is governed by Indian Law on foreign exchange and is subjected to applicable distribution taxes.

2.24 Borrowings

Borrowings are initially recognised at net of transaction costs incurred and measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Standalone Statement of Profit and Loss over the period of the borrowings using the effective interest method.

2.25 Borrowing costs

Interest and other borrowing costs attributable to qualifying assets are capitalised. Other interest and borrowing costs are charged to Standalone Statement of Profit and Loss.

2.26 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of dilutive potential equity shares, if any.

2.27 Standards issued but not effective

At the date of authorisation of the Standalone Financial Statements, the following standard which have not yet been applied in the financial information were in issue but not yet effective.

(a) Ind AS 116, Leases

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

parties to a contract i.e. the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the Standalone Statement of Profit and Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

Full retrospective:

Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Modified retrospective:

Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or;

An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application.

Certain practical expedients are available under both the methods.

The Company is in the process of evaluating the effect of adoption of Ind AS 116 and has proposed to use the 'Modified Retrospective Approach' for transitioning to Ind AS 116, and take the cumulative adjustment to retained earnings, on the date of initial application (01 July 2019). Accordingly, comparatives for the year ended 30 June 2019 will not be retrospectively adjusted.

(b) Ind AS 12, Income Taxes

On 30 March 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The effective date of application of this amendment is annual period beginning on or after 1 April 2019. The Company does not expect this amendment to have any impact to the standalone financial statements.

Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments

On 30 March 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition

Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in accounting estimates and Errors, without using hindsight and;

Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after 1 April 2019. The Company does not expect any impact to the standalone financial statements on adoption of Ind AS 12 Appendix C.

(c) Ind AS 19, Employee Benefits – plan amendment, curtailment or settlement

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- To recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

The effective date for application of this amendment is annual periods beginning on or after 1 April 2019. The Company does not expect any impact to the Standalone Financial Statements on account of this amendment.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

3A Property, plant and equipment

| Particulars | Freehold land | Buildings | Plant and machinery | | Furniture and fixtures | Office equipment | Total |
|--|---------------|-----------|---------------------------|-------------|------------------------|------------------|-------------|
| | | | Data processing equipment | Others | | | |
| Gross block as at July 1, 2017 | 1 | 94 | 42 | 1551 | 9 | 50 | 1747 |
| Additions during the year | - | - | 24 | 311 | 2 | 6 | 343 |
| Capital work-in-progress capitalised during the year | - | 1 | 6 | 14 | - | 2 | 23 |
| Disposals during the year | - | - | - | (10) | - | (0) | (10) |
| Gross block as at June 30, 2018 | 1 | 95 | 72 | 1866 | 11 | 58 | 2103 |
| Additions during the year | - | 7 | 7 | 348 | 1 | 6 | 369 |
| Capital work-in-progress capitalised during the year | - | 1 | 11 | 199 | 0 | 1 | 212 |
| Disposals during the year | - | (7) | (25) | (132) | (1) | (12) | (177) |
| Gross block as at June 30, 2019 | 1 | 96 | 65 | 2281 | 11 | 53 | 2507 |
| Accumulated depreciation as at July 1, 2017 | - | 8 | 18 | 240 | 3 | 14 | 283 |
| Depreciation charge for the year | - | 8 | 16 | 241 | 2 | 14 | 281 |
| Disposals during the year | - | - | - | - | - | - | - |
| Accumulated depreciation as at June 30, 2018 | - | 16 | 34 | 481 | 5 | 28 | 564 |
| Depreciation charge for the year | - | 7 | 22 | 236 | 2 | 12 | 279 |
| Disposals during the year | - | (4) | (23) | (131) | - | (12) | (170) |
| Accumulated depreciation as at June 30, 2019 | - | 19 | 33 | 586 | 7 | 28 | 673 |
| Net block | | | | | | | |
| As at June 30, 2018 | 1 | 79 | 38 | 1385 | 6 | 30 | 1539 |
| As at June 30, 2019 | 1 | 76 | 32 | 1695 | 4 | 25 | 1834 |

Contractual obligations:

Refer note 28 for contractual commitments for the acquisition of property, plant and equipment.

3B Capital work-in-progress

| Particulars | Amount |
|------------------------------------|------------|
| Balance as at July 1, 2017 | 28 |
| Additions during the year | 206 |
| Less: Capitalised during the year | (23) |
| Balance as at June 30, 2018 | 211 |
| Additions during the year | 673 |
| Less: Capitalised during the year | (212) |
| As at June 30, 2019 | 672 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

4 Investment properties

| Particulars | Amount |
|---|----------|
| Gross block as at July 1, 2017 (₹ 67,409) | 0 |
| Additions during the year | - |
| Disposals during the year | - |
| Gross block as at June 30, 2018 | 0 |
| Additions during the year | - |
| Disposals during the year | - |
| Gross block as at June 30, 2019 | 0 |
| Accumulated depreciation as at July 1, 2017 | |
| Depreciation charge for the year | - |
| Disposals during the year | - |
| Accumulated depreciation as at June 30, 2018 | - |
| Depreciation charge for the year | - |
| Disposals during the year | - |
| Accumulated depreciation as at June 30, 2019 | - |
| Net block | |
| As at June 30, 2018 | 0 |
| As at June 30, 2019 | 0 |

Note:**a) Fair Value****Estimation of fair value**

The best evidence of fair value is current prices in an active market for similar properties. The Company considers current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

The fair values of investment properties have been determined with reference to Bengaluru Municipal authority guidance value and Mehesana Municipal authority, Kalol district, Gujarat with certain restriction on the Company's ability to use or sell these investment properties. The fair value estimate for investment properties are included in level 2.

The fair value of investment properties is as below:

| Particulars | Amount |
|---------------------|--------|
| As at June 30, 2018 | 146 |
| As at June 30, 2019 | 218 |

b) There is no rental income derived from investment properties. Further, no direct operating expenses have been incurred to maintain the investment property.

c) The Company has no restriction on the realisability of the investment property, and no contractual obligation to purchase, construct or develop investment properties or for repair, maintenance and enhancement.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

5 Intangible Assets

| Particulars | Computer software (acquired) | Total |
|---|------------------------------|----------|
| Gross block as at July 1, 2017 | - | - |
| Additions for the year | 2 | 2 |
| Disposals for the year | - | - |
| Gross block as at June 30, 2018 | 2 | 2 |
| Additions for the year | 1 | 1 |
| Disposals for the year | - | - |
| Gross block as at June 30, 2019 | 3 | 3 |
| Accumulated amortisation as at July 1, 2017 | | |
| Amortisation charge for the year | 1 | 1 |
| Disposals for the year | - | - |
| Accumulated amortisation as at June 30, 2018 | 1 | 1 |
| Amortisation charge for the year | 1 | 1 |
| Disposals for the year | - | - |
| Accumulated amortisation as at June 30, 2019 | 2 | 2 |
| Net block | | |
| As at June 30, 2018 | 1 | 1 |
| As at June 30, 2019 | 1 | 1 |

6 Investment in subsidiaries

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|---|---------------------|----------|---------------------|----------|
| | No. of units | Amount | No. of units | Amount |
| Investment in subsidiaries | | | | |
| Equity Instruments at cost, fully paid up | | | | |
| Widia India Tooling Private Limited (Equity Shares of ₹ 10 each) (₹ 100,000) | 10000 | 0 | - | - |
| Total Investment in subsidiaries | | 0 | | - |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

7 Financial Assets**7(a) Investments****Non-current investments**

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|--|---------------------|--------|---------------------|----------|
| | No. of units | Amount | No. of units | Amount |
| Investment in government securities | | | | |
| (Unquoted investments carried at cost) | | | | |
| 6% Rural Electrification Corporation Limited | - | - | 500 | 5 |
| (Section 54EC Bonds 2015-16) | | | | |
| Total non-current investments | | - | | 5 |
| Aggregate amount of unquoted investments | | - | | 5 |

7(b) Loans

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|---|---------------------|-------------|---------------------|-------------|
| | Current | Non-current | Current | Non-current |
| Unsecured, considered good | | | | |
| (Carried at amortised cost) | | | | |
| Employee advances (June 30, 2018 : ₹ 419,787) | 2 | 0 | 3 | 1 |
| Loan to subsidiary (refer note a below) | 350 | - | - | - |
| Total loans | 352 | 0 | 3 | 1 |

Note:

a) The company has given loan to Widia India Tooling Private Limited. The loan is repayable within 2 years from the date of the loan disbursed at an interest rate of 8.7% p.a. towards working capital requirement (refer note 35).

7(c) Trade receivables

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Trade receivables (also refer note 35) | 1187 | 1310 |
| Receivable from related parties (refer note 35) | 274 | 132 |
| Less: Loss allowance | (16) | (15) |
| Total trade receivables | 1445 | 1427 |
| Current | 1445 | 1427 |
| Non-current | - | - |
| Break-up of security details | | |
| Secured, considered good* | 11 | 171 |
| Unsecured, considered good | 1,450 | 1,270 |
| Trade receivables which have significant increase in credit risk | - | - |
| Trade receivables - credit impaired | - | - |
| Total | 1,461 | 1,442 |
| Loss allowance | (16) | (15) |
| Total trade receivables | 1,445 | 1,427 |
| *Secured against bank guarantee | | |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

7(d) Cash and cash equivalents

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|---|------------------------|------------------------|
| Cash on hand (₹ 98,339) | 0 | 0 |
| Cheques, drafts on hand | 14 | 18 |
| Balances with banks - In current accounts | 423 | 927 |
| Total cash and cash equivalents | 437 | 945 |

There are no repatriation restriction with regard to cash and cash equivalent at the end of the reporting period and prior periods.

7(e) Bank balances other than cash and cash equivalents

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|---|------------------------|------------------------|
| Margin money deposits | - | - |
| Unclaimed dividends | 2 | 3 |
| Total bank balances other than cash and cash equivalents | 2 | 3 |

7(f) Other financial assets**(i) Non-current**

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Long term deposits with banks with maturity period more than twelve months * | 0 | 0 |
| Security deposits | 4 | 4 |
| Other deposits | 14 | 14 |
| Total non-current financial assets | 18 | 18 |

*Held as lien by bank against guarantee of ₹ 4 (June 30, 2018: ₹ 4)

(ii) Current

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Interest accrued on fixed deposits and others (₹ 106,504) | 2 | 0 |
| Other receivables | 15 | 9 |
| Deposits with others | 1 | 1 |
| | 18 | 10 |
| (Less): Loss allowance [₹ 495,275 (June 30, 2018 : ₹ 495,275)] | (0) | (0) |
| Total current financial assets | 18 | 10 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

8 Deferred tax assets / (liability) (net)

Movement in the deferred tax asset / (liability) for the year ended June 30, 2018

| Particulars | As at July 1, 2017 | (Charge)/ Credit to Standalone Statement of Profit and Loss | Charge/ (credit) to other comprehensive income | As at June 30, 2018 |
|--|-----------------------|--|---|------------------------|
| Deferred Tax Assets: | | | | |
| Provision for gratuity, leave encashment, long service award | 49 | (14) | 11 | 46 |
| Provision for product support | 11 | 4 | - | 15 |
| Provision for doubtful debts | 4 | 2 | - | 6 |
| Provision for non-moving and obsolete inventory | 22 | 7 | - | 29 |
| Voluntary retirement scheme / employee separation | 12 | 4 | - | 16 |
| Others | 4 | (1) | - | 3 |
| Deferred Tax Liabilities: | | | | |
| Depreciation | (40) | (6) | - | (46) |
| Total | 62 | (4) | 11 | 69 |
| MAT credit entitlement | 45 | (45) | - | - |
| Closing Balance | 107 | (49) | 11 | 69 |

Movement in the deferred tax asset / (liability) for the year ended June 30, 2019

| Particulars | As at July 01, 2018 | (Charge)/ Credit to Standalone Statement of Profit and Loss | Charge/ (credit) to other comprehensive income | As at Jun 30, 2019 |
|--|------------------------|--|---|-----------------------|
| Deferred Tax Assets: | | | | |
| Provision for gratuity, leave encashment, long service award | 46 | 11 | 6 | 63 |
| Provision for product support | 15 | (15) | - | - |
| Provision for doubtful debts | 6 | (1) | - | 6 |
| Provision for non-moving and obsolete inventory | 29 | (29) | - | - |
| Voluntary retirement scheme / employee separation | 16 | (4) | - | 12 |
| Others | 3 | (0) | - | 3 |
| Deferred Tax Liabilities: | | | | |
| Depreciation | (46) | (54) | - | (101) |
| Total | 69 | (92) | 6 | (17) |
| MAT credit entitlement | - | - | - | - |
| Closing Balance | 69 | (92) | 6 | (17) |

9 Income tax assets (net)

| Particulars | As at Jun 30, 2019 | As at June 30, 2018 |
|--|-----------------------|------------------------|
| Income tax net of provision (June 30, 2019: ₹ 2409, June 30, 2018: ₹ 2350) | 363 | 251 |
| Total income tax assets | 363 | 251 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

10 Other non-current assets

| Particulars | As at Jun 30, 2019 | As at June 30, 2018 |
|--|-----------------------|------------------------|
| Capital advances | 149 | 75 |
| Prepaid expenses | 6 | 1 |
| Export benefits receivable | 23 | 14 |
| Deposits with statutory / government authorities | 31 | 61 |
| Total non-current assets | 209 | 151 |

11 Inventories

| Particulars | As at Jun 30, 2019 | As at June 30, 2018 |
|---|-----------------------|------------------------|
| Raw materials (Including goods in transit ₹ 88 [June 30, 2018: ₹ 83]) | 567 | 399 |
| Stores and spares | 30 | 29 |
| Work-in-progress | 703 | 491 |
| Finished goods | 461 | 358 |
| Traded goods (Including goods in transit ₹ 24 [June 30, 2018: ₹ 43]) | 270 | 282 |
| Total inventories | 2031 | 1559 |

Amounts recognised in Standalone Statement of Profit and Loss:

Write-downs of inventories to net realisable value amounted to ₹ 3 (June 30, 2018: ₹ 8). These were recognised as an expense during the year and included in "Changes in values in inventory of finished goods, work in progress and stock in trade" in Standalone Statement of Profit and Loss.

12 Other current assets

| Particulars | As at Jun 30, 2019 | As at June 30, 2018 |
|--|-----------------------|------------------------|
| Export benefits receivable | 18 | 6 |
| Deposits with statutory / government authorities | 112 | 127 |
| Advance to suppliers | 17 | 23 |
| Prepaid expenses | 14 | 20 |
| Travel advances to employees | 4 | 8 |
| Total other current assets | 165 | 184 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

13 Equity share capital

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|---|------------------------|------------------------|
| Authorised | | |
| 21,978,240 (June 30, 2018: 21,978,240) Equity Shares of ₹ 10 each | 220 | 220 |
| Issued, subscribed and fully paid up | | |
| 21,978,240 (June 30, 2018: 21,978,240) Equity Shares of ₹ 10 each | 220 | 220 |
| Total equity share capital | 220 | 220 |

Notes:**(a) Reconciliation of number of shares**

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|--|---------------------|--------|---------------------|--------|
| | Number of shares | Amount | Number of shares | Amount |
| Balances as at the beginning of the year | 21,978,240 | 220 | 21,978,240 | 220 |
| Add: Issued and subscribed during the year | – | – | – | – |
| Balance at the end of the year | 21,978,240 | 220 | 21,978,240 | 220 |

(b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹ 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

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|--|---------------------|--------|---------------------|--------|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding company | 5,274,840 | 53 | 5,274,840 | 53 |
| Meturit AG., Zug, Switzerland, the holding company | 11,208,840 | 112 | 11,208,840 | 112 |

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|--|---------------------|--------|---------------------|--------|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding company | 52,74,840 | 24.00% | 52,74,840 | 24.00% |
| Meturit AG., Zug, Switzerland, the holding company | 1,12,08,840 | 51.00% | 1,12,08,840 | 51.00% |
| Reliance Capital Trustee Company Limited * | 21,47,279 | 9.77% | 21,40,021 | 9.74% |

* 1,667,398 (June 30, 2018: 1,660,140) shares are held by Reliance Equity Opportunities Fund comprising 7.59% (June 30, 2018: 7.55%) of the shareholding and 479,881 (June 30, 2018: 479,881) shares are held by Reliance Tax Saver (ELSS) Fund comprising 2.18% (June 30, 2018: 2.18%) of the shareholding.

(e) During five years immediately preceding June 30, 2019 there are no shares allotted as fully paid up pursuant to contracts without payment being received in cash, shares allotted as fully paid up by way of bonus shares or shares bought back.

(f) There are no shares of the Company reserved for issue under any option, contracts, commitments for the sale of share or disinvestment.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

14 Other equity

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|-----------------------------------|------------------------|------------------------|
| Securities premium reserve | 1 | 1 |
| Share based compensation reserve | 4 | 3 |
| General reserve | 1488 | 1488 |
| Retained earnings | 3476 | 2676 |
| Total reserves and surplus | 4969 | 4168 |

Nature and purpose of reserve:**Securities premium reserve**

Securities Premium reserve is used to record the premium on issue of shares. This reserve is utilised in accordance with provisions of the Act.

Share based compensation reserve

This reserve relates to share based compensation received by the employees of the Company from Kennametal Inc., USA the ultimate holding company, net of cross charge received. The reserve is used to recognise grant date fair value of awards issued to the employees (refer note 30).

15 Financial liabilities**15A Borrowings**

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|-------------------------|---------------------|-------------|---------------------|-------------|
| | Current | Non-current | Current | Non-current |
| Unsecured | | | | |
| Borrowings | 100 | – | – | – |
| Total borrowings | 100 | – | – | – |

The company has taken loans from Kennametal Shared Services Private Limited. The loan is repaying within 2 years from the date of the loan disbursed at an interest rate of 8.7% (MCLR+0.5%) p.a. towards working capital requirement (refer note 35).

15B Trade payables

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|---|------------------------|------------------------|
| Due to micro and small enterprises | 37 | 48 |
| Due to creditors other than micro and small enterprises | | |
| Amounts due to related parties (also refer note 35) * | 498 | 416 |
| Amount due to third parties | 723 | 595 |
| Total trade payables | 1258 | 1059 |
| Trade payables includes amount dues to Micro and Small Enterprises. | | |
| Disclosure of dues/payments to Micro and Small Enterprises to the extent such enterprises are identified by the Company | | |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|---|------------------------|------------------------|
| a) Principal amount due to suppliers registered under the Micro, Small and Medium Enterprises and Development Act and remaining unpaid as at year end; | 17 | 17 |
| b) Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end; | – | – |
| c) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year; | 20 | 31 |
| d) Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year; | – | – |
| e) Interest paid, under Section 16 of the MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year; (June 30, 2018: ₹200,000) | – | 0 |
| f) Interest due and payable towards suppliers registered under the MSMED Act, for payments already made; [₹226,360 (June 30, 2018: ₹200,000)] | 0 | 0 |
| g) Further interest remaining due and payable for earlier years; | – | – |
| Total due to micro and small enterprises | 37 | 48 |

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.

15C Other financial liabilities

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|--|---------------------|-------------|---------------------|-------------|
| | Current | Non-current | Current | Non-current |
| Deposit from Customers | – | 1 | – | 1 |
| Capital creditors | 67 | – | 51 | – |
| Unpaid dividends | 2 | – | 3 | – |
| Employee benefits payable | 189 | – | 204 | – |
| Other current liability | 11 | – | 11 | – |
| Total current financial liabilities | 269 | 1 | 269 | 1 |

16 Provisions

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|--|---------------------|-------------|---------------------|-------------|
| | Current | Non-current | Current | Non-current |
| Provisions for employee benefit | | | | |
| Gratuity (refer note d) | 6 | 46 | 8 | 45 |
| Compensated absences (refer note e) | 122 | – | 76 | – |
| Long service award | 1 | 5 | 1 | 4 |
| Other provisions | | | | |
| Product support (refer note a and c) | 40 | 6 | 42 | 3 |
| Disputed taxes and duties (refer note b and c) | 29 | – | 33 | – |
| Total provision | 198 | 57 | 160 | 52 |

a) Product support

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

b) Disputed taxes and duties:

Provision for disputed taxes and duties is towards CST, VAT and excise duty that are expected to materialise.

c) Movement in provisions:

| Particulars | Product support | | Disputed taxes and duties | Total | |
|------------------------------------|-----------------|-------------|---------------------------|-----------|-------------|
| | Current | Non-current | Current | Current | Non-current |
| Balance as at July 1, 2017 | 32 | 1 | 21 | 53 | 1 |
| Addition | 49 | 3 | 12 | 61 | 3 |
| Utilisation | (39) | (1) | – | (39) | (1) |
| Reversal | – | – | – | – | – |
| Balance as at June 30, 2018 | 42 | 3 | 33 | 75 | 3 |
| Addition | 32 | 3 | – | 32 | 3 |
| Utilisation | (33) | (1) | – | (33) | (1) |
| Reversal | – | – | (4) | (4) | – |
| Balance as at June 30, 2019 | 40 | 6 | 29 | 70 | 5 |

d) Defined benefit obligation (Gratuity-Funded):

The Company operates a gratuity plan through the “KENNAMETAL INDIA LIMITED EMPLOYEES’ GRATUITY TRUST”. Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at time of separation from the Company or retirement, whichever is earlier. The benefits vest after 5 years of continuous service. The Board of trustees is responsible for the administration of the Plan assets and investment strategy

i) Change in defined benefit obligation

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Defined benefit obligation at beginning of the year | 237 | 208 |
| a. Current service cost | 15 | 13 |
| b. Interest expenses | 19 | 14 |
| c. Benefits payments from employer | (28) | (33) |
| d. Transfer out (refer note A below) | (7) | 0 |
| Add/(Less): Remeasurement loss/(gain) | | |
| a. Due to change in demographic assumptions (₹77,118) | 1 | 12 |
| b. Due to change in financial assumptions | 15 | 9 |
| c. Due to experience adjustments | 1 | 13 |
| Defined benefit obligation at end of year | 253 | 236 |

ii) Changes in plan assets

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|---|------------------------|------------------------|
| Fair value of plan assets at end of prior year | 184 | 161 |
| a. Investment income | 15 | 11 |
| b. Employer contribution | 33 | 41 |
| c. Benefit payments from employer | (26) | (32) |
| d. Transfer out (refer note A below) | (6) | 0 |
| Remeasurements: | | |
| a. Returns on assets (excluding interest income) | 1 | 2 |
| Fair value of plan assets at end of year | 201 | 183 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

16 Provisions (cont'd)**iii) Assets and liabilities recognised in the Balance Sheet:**

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Present value of defined benefit obligations | 253 | 236 |
| (Less): Fair value of plan assets | (201) | (183) |
| Deficit | 52 | 53 |

iv) Expense recognised in the Standalone Statement of Profit and Loss

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|---|------------------------|------------------------|
| Remeasurement of other long term benefits | | |
| a. Current service cost | 15 | 13 |
| Total Service cost | 15 | 13 |
| Net interest cost | | |
| a. Interest expenses on Defined benefit obligation | 19 | 14 |
| b. Interest income on plan assets | (15) | (11) |
| Total net interest cost | 4 | 3 |
| A. Defined benefit cost included in P&L | 19 | 16 |
| Remeasurement (recognised in Other comprehensive income (OCI)) | | |
| a. Due to change in demographic assumptions (₹77,118) | 1 | 12 |
| b. Due to change in financial assumptions | 14 | 7 |
| c. Due to experience adjustments | 1 | 13 |
| B. Total remeasurement in OCI | 16 | 32 |
| Total defined benefit cost recognised in P&L and OCI | 35 | 48 |

v) Major Category of plan asset as % of total plan assets

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|-----------------------------------|------------------------|------------------------|
| Government Bonds | 0% | 0% |
| PSU | 0% | 0% |
| Mutual Funds | 0% | 0% |
| Deposits with Banks and FIs | 0% | 0% |
| Others : Funds managed by insurer | 100% | 100% |

vi) Significant Actuarial Assumptions

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Discount rate per annum | 7.10% | 8.20% |
| Expected return on plan assets | 7.10% | 8.50% |
| Expected salary increase per annum | 5% & 4% | 5% & 4% |
| Mortality rate per annum | 100% | 100% |
| Withdrawal (rate of employee turnover) | 4.50% | 4.50% |
| Retirement age | 58 & 60 | 58 & 60 |

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

16 Provisions (cont'd)**vii) Sensitivity analysis****Gratuity**

Gratuity is a lumpsum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The actuarial assumptions to which the benefit obligations results are particularly sensitive to are discount rate, salary escalation rate, attrition rate and mortality rate. The following table summarises impact on the reported defined benefit obligation arising on account of an increase or decrease in the reported assumptions

| Particulars | Change in assumption | As at June 30, 2019 | | As at June 30, 2018 | |
|----------------|----------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | | Increase/(decrease) in liability | Increase/(decrease) in liability | Increase/(decrease) in liability | Increase/(decrease) in liability |
| Discount rate | +1% / -1% | (14) | 16 | (13) | 14 |
| Salary rate | +1% / -1% | 16 | (15) | 15 | (14) |
| Attrition rate | +50% / -50% | 4 | (5) | 6 | (7) |
| Mortality rate | +10% / -10% | 0 | (0) | 0 | (0) |

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation assuming there are no other changes in market condition as at the balance sheet date.

viii) The weighted average duration of the defined benefit obligation is 6 years (June 30, 2018: 6 years). The expected maturity analysis of undiscounted gratuity is as below:

| Particulars | 1 year | 2-5 year | 6-10 year | More than 10 years | Total |
|---------------|--------|----------|-----------|--------------------|------------|
| Gratuity | | | | | |
| June 30, 2019 | 30 | 135 | 126 | 130 | 421 |
| June 30, 2018 | 35 | 123 | 125 | 141 | 423 |

ix) Risk exposure

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary overtime. Thus, the Company is exposed to various risks in providing the above benefit which are as follows:

a) Interest rate risk

The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability as shown in Standalone Financial Statements.

b) Salary escalation risk

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of employees in future. Deviation in the rate of interest in future for employees from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

c) Demographic risk

The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

d) Liquidity risk

The Company does not perceive any liquidity risk as the Company has investments in Government Securities and Corporate Bonds offers the best returns over the long term, within an acceptable level of risk.

e) Compensated absences

The leave obligation cover the Company's liability for sick and earned leave. The amount of the provision of ₹122 (June 30, 2018: ₹76) is presented as current, since the Company doesn't have an unconditional right to defer settlement for any of these obligations.

Note:

During the year, the Company has incorporated a subsidiary, Widia India Tooling Private Limited and has transferred few employees to the subsidiary with related liability and portion of plan assets.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

17 Other current liabilities

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Advances from customers | 327 | 249 |
| Statutory dues (refer note 17A) | 29 | 35 |
| Contract liabilities (refer note 2.3) | | |
| Customer loyalty programme | 70 | 136 |
| Refund liabilities | 32 | 28 |
| Total current liabilities | 458 | 448 |

17A Defined benefits plan (Provident Fund - Trust set by employer)

Provident fund for certain eligible employees is managed by Company through the "KENNAMETAL INDIA LIMITED EMPLOYEES' PROVIDENT FUND TRUST" in line with the Provident Fund and Miscellaneous Provisions Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and the employee together with the interest accumulated there on are payable to the employees at the time of their separation from the Company or retirement, whichever is earlier. The benefits vests immediately on rendering of the services by the employee. The Company currently does not have any unfunded plans. The Board of trustees is responsible for the administration of the Plan assets and investment strategy.

i) Changes in present value of defined benefits plan

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Defined benefit obligation at beginning of the year | 982 | 947 |
| Add: Current service cost | 25 | 61 |
| Add: Interest expenses | 85 | 67 |
| a. Benefit payments from employer | (155) | (128) |
| b. Other (employee contribution, taxes, expenses) | 109 | 20 |
| Add/(Less): Remeasurement loss/(gain) | | |
| a. Due to experience adjustments | 3 | 15 |
| Defined benefit obligation at end of year | 1049 | 983 |

ii) Changes in plan assets

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|---|-----------------------------|-----------------------------|
| Fair value of plan assets at end of prior year | 1027 | 1024 |
| a. Investment income | 88 | 73 |
| b. Employer contribution | 25 | 61 |
| c. Benefit payments from employer | (155) | (129) |
| d. Other (employee contribution, taxes, expenses) | 96 | (41) |
| e. Returns on assets (excluding interest income) | 30 | 39 |
| Fair value of plan assets at end of year | 1111 | 1027 |

iii) Assets and liabilities:

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Present value of defined benefit obligations | 1049 | 983 |
| Fair value of plan assets | (1111) | (1027) |
| Total | (62) | (44) |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|------------------------|-----------------------------|-----------------------------|
| Non-current provisions | 883 | 697 |
| Current provisions | 166 | 284 |
| Total | 1049 | 981 |

Note:

The Provident Fund expenses other than contribution is not recognised in Standalone Statement of Profit and Loss as the fair value of plan assets exceeds the present value of obligation. Accordingly, the excess of plan assets over present value of obligation has not been recorded in Standalone Financial Statements.

iv) Major Categories of plan assets as percentage of total plan assets

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|----------------------------------|-----------------------------|-----------------------------|
| Government Bonds | 48% | 55% |
| Public sector understanding | 40% | 42% |
| Others: Funds managed by insurer | 12% | 3% |

v) Significant Actuarial Assumptions

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Discount rate per annum | 7.10% | 8.20% |
| Expected return on plan assets | 8.65% | 8.55% |
| Expected salary increase per annum | 5% & 4% | 5% & 4% |
| Mortality rate per annum | 100% | 100% |
| Withdrawal (rate of employee turnover) | 4.50% | 4.50% |
| Retirement age | 58 & 60 | 58 & 60 |
| Interest rate guarantee | 8.65% | 8.55% |

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

vi) Sensitivity analysis

| Particulars | Change in assumption | As at June 30, 2019 | | As at June 30, 2018 | |
|-------------------------|-------------------------|---|---|---|---|
| | | Increase/ (decrease) in liability | Increase/ (decrease) in liability | Increase/ (decrease) in liability | Increase/ (decrease) in liability |
| Discount rate | +1% / -1% | (0) | 0 | (0) | 0 |
| Interest guarantee rate | +1% / -1% | 44 | (18) | 25 | (13) |

18 Revenue from operations

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--------------------------------------|-----------------------------|-----------------------------|
| Sale of products | | |
| Finished goods | 5935 | 4886 |
| Traded goods | 3163 | 2912 |
| Sale of services | 97 | 90 |
| Other operating revenue | | |
| Sale of scrap | 8 | 4 |
| Export incentives | 58 | 28 |
| Commission on order based sales | 8 | 11 |
| Total revenue from operations | 9269 | 7931 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

A) Disaggregation of revenue**a) Revenue based on Geography**

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--------------------------------------|-----------------------------|-----------------------------|
| Domestic | 7826 | 6640 |
| Export | 1443 | 1291 |
| Total revenue from operations | 9269 | 7931 |

b) Revenue based on Business Segment

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--------------------------------------|-----------------------------|-----------------------------|
| Hard Metal Products | 7672 | 6708 |
| Machining Solutions | 1597 | 1223 |
| Total revenue from operations | 9269 | 7931 |

B) Reconciliation of Revenue from operations

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--------------------------------------|-----------------------------|-----------------------------|
| Contract price | 9389 | 8082 |
| Less: | | |
| Sales returns (provision)/reversal | (5) | 1 |
| Annual turnover discount | (110) | (151) |
| Others | (5) | (1) |
| Total revenue from operations | 9269 | 7931 |

C) Assets and liabilities related to contracts with customers

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|------------------------------|------------------------|------------------------|
| Contracts Liabilities | | |
| Current | | |
| Advances from customers | 327 | 249 |
| Customer loyalty programme | 70 | 136 |
| Refund liabilities | 32 | 28 |
| Non-current | | |
| Deposits from customers | 1 | 1 |
| Contract Assets | | |
| Current | | |
| Trade receivables | 1445 | 1427 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

19 Other income

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Dividend income | 13 | 15 |
| Interest income on bank deposits (₹232,726) | 0 | 1 |
| Interest income on loan to subsidiary | 2 | – |
| Interest on income tax refund | 33 | 30 |
| Liabilities no longer required written back | 14 | – |
| Provision doubtful debts and deposits written back (June 30, 2018: ₹255,873) | – | 0 |
| Exchange gain, (net) | – | 8 |
| Net gain on disposal of property, plant and equipment | 4 | – |
| Lease rentals | 18 | 18 |
| Support service charges from fellow subsidiary | 43 | 10 |
| Miscellaneous income | 13 | 2 |
| Total other income | 140 | 84 |

20 Cost of materials consumed

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Consumption of raw materials and components | | |
| Opening inventory | 399 | 192 |
| Add: Purchases during the year | 3413 | 2591 |
| Less: Closing inventory | (567) | (399) |
| Total cost of materials consumed | 3245 | 2384 |

21 Purchase of stock in trade

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|---|-----------------------------|-----------------------------|
| Traded goods | 1993 | 2072 |
| Total purchase of stock in trade | 1993 | 2072 |

22 Changes in inventories of finished goods, work-in-progress and stock in trade

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|---|-----------------------------|-----------------------------|
| Opening stock: | | |
| Work-in-progress (WIP) | 491 | 431 |
| Finished goods | 358 | 307 |
| Traded goods | 282 | 121 |
| | 1131 | 859 |
| Closing stock: | | |
| Work-in-progress (WIP) | 703 | 491 |
| Finished goods | 461 | 358 |
| Traded goods | 270 | 282 |
| | 1434 | 1131 |
| Total changes in inventories of finished goods, WIP and stock in trade | (303) | (272) |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

23 Employee benefit expense

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Salaries, wages and bonus | 1118 | 1047 |
| Contribution to provident and other funds | 51 | 50 |
| Gratuity [refer note 16] | 19 | 16 |
| Share based payment expenses [refer note 30] | 10 | 7 |
| Staff welfare | 103 | 107 |
| Total employee benefit expense | 1301 | 1227 |

24 Depreciation and amortisation expense

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|---|-----------------------------|-----------------------------|
| Depreciation on Property, plant and equipment [refer note 3A] | 279 | 281 |
| Amortisation on Intangible assets [refer note 5] | 1 | 1 |
| Total depreciation and amortisation expense | 280 | 282 |

25 Finance costs

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|-----------------------------------|-----------------------------|-----------------------------|
| Interest expense [refer note 15A] | 5 | – |
| Total finance costs | 5 | – |

26 Other expenses

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Power and fuel | 114 | 118 |
| Consumption of stores and spare parts | 226 | 207 |
| Subcontracting charges | 296 | 221 |
| Repairs and maintenance | 125 | 134 |
| Rent | 8 | 7 |
| Rates and taxes | 10 | 43 |
| Insurance | 10 | 10 |
| Travelling and conveyance | 141 | 127 |
| Legal and professional (Note a) | 137 | 112 |
| Communication | 9 | 11 |
| Directors' sitting fee | 2 | 1 |
| Directors commission | 4 | 5 |
| Expenditure towards Corporate Social Responsibility (CSR) (Note b) | 10 | 7 |
| Business promotion expenses (Trial & demo) | 51 | 48 |
| Forwarding and freight | 152 | 137 |
| Provision for product support | 34 | 51 |
| Royalty | 27 | 28 |
| Printing and stationery | 11 | 11 |
| Advertisement and sales promotion | 23 | 2 |
| Provision doubtful debts and deposits (net) | 1 | 5 |
| Commission on sales (liaisoning agent commission) | 29 | 13 |
| Loss on property, plant and equipments sold (net) | – | 6 |
| Information technology services | 170 | 153 |
| Net loss on foreign currency transaction and translation | 4 | – |
| Miscellaneous expenses | 78 | 59 |
| Total other expenses | 1672 | 1516 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

(a) Payments to Auditors (excluding GST) included under Legal and Professional above:

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|-------------------------------------|-----------------------------|-----------------------------|
| Statutory Audit | 2 | 1 |
| Audit of tax accounts and tax audit | 1 | 1 |
| Limited reviews | 1 | 1 |
| Group audit fees (₹200,000) | 0 | 1 |
| Out of pocket expenses (₹110,000) | 0 | – |
| Total payment to auditors | 4 | 4 |

(b) Expenditure towards CSR:

Gross amount required to be spent by the Company as per Section 135 of the Act is ₹10 (June 30, 2018: ₹7)

| | | |
|--|-----------|----------|
| Amount spent on construction/acquisition of an asset | – | – |
| Amount spent on purpose other than above | 10 | 7 |
| Total expenditure towards CSR | 10 | 7 |

27 Income tax expense

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|---|-----------------------------|-----------------------------|
| (a) Income tax expense | | |
| Current tax | 376 | 204 |
| Tax Adjustments relating to earlier years | (115) | (46) |
| Deferred tax charge/(credit): | | |
| Deferred tax on account of origination and reversal of timing differences | 47 | 4 |
| Deferred tax asset written off | 45 | – |
| MAT Credit utilised | – | 45 |
| Income tax expense | 353 | 207 |
| Deferred tax related to items recognised in OCI | | |
| Income tax relating to re-measurement gains on defined benefit plans | (6) | (11) |
| Income tax expense reported in OCI | (6) | (11) |

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Profit for the year before tax expense | 1216 | 730 |
| Tax at the Indian tax rate of 34.944% (June 30, 2018: 34.608%) | 425 | 253 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable Income: | | |
| CSR expenditure | 3 | 3 |
| Asset block difference | 33 | 4 |
| Exempt income | (5) | (5) |
| Research and development expense | (31) | (13) |
| Tax relating to earlier years | (115) | (46) |
| Deduction on house property income | (2) | (3) |
| Deferred tax reversal on provision for inventory, warranty and RSUs | 45 | – |
| Deferred tax rate change | 0 | – |
| Other items | (1) | 16 |
| Tax expense | 353 | 207 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

28 Capital and other commitments

Capital expenditure contracted for at the end of year of the reporting period but not recognised as liabilities is as follows:

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|-------------------------------|------------------------|------------------------|
| Property, plant and equipment | 582 | 133 |

29 Contingent liabilities

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Income tax matters [note (a)] | 219 | 289 |
| Sales tax/Excise duty/customs duty/service tax matters under dispute | 1 | 61 |
| First loss default guarantee [note (b)] | 13 | 13 |

- a) Primarily relates to transfer pricing adjustments/disallowances relating to Research and Development expenditure made by the Income Tax Department for the tax assessment years 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2013-14 and 2014-15 which is disputed by the Company and the matter is lying under appeal with The Income Tax Appellate Tribunal, Bengaluru/The Commissioner of Income Tax (Appeals) LTU, Bengaluru/The Dispute Resolution Panel, Bengaluru. The company has paid ₹213 under protest towards above tax demands and recorded it as non-current income-tax assets.
- b) First loss default guarantee represents financial guarantee given to a banker for providing channel financing scheme to distributors.
- c) The Honourable Supreme Court, has passed a decision on February 28, 2019 in relation to inclusion of certain allowances within the scope of "Basic wages" for the purpose of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. The Company is awaiting further clarifications in this matter in order to reasonably assess the impact on its Standalone Financial Statements, if any. Accordingly, the applicability of the judgement to the Company, with respect to the period and the nature of allowances to be covered, and resultant impact on the past provident fund liability, cannot be reasonably ascertained, at present.

30 Shared based payment

Managing Director and certain senior management employees of the Company under the long-term incentive plan are granted Restricted Stock Units (RSUs) in a share based compensation plan of Kennametal Inc. USA, the ultimate holding Company.

Restricted stock units (RSUs)

RSUs are stock awards granted to employees that entitle the holder to shares of common stock as the award vests, over 3 or 4 years depending on the scheme and year of grant. The options granted under the plan have a graded vesting over a period of three or four years, which are immediately exercised on the vesting date. All the options granted under the plan are equity settled.

The fair value of time vesting stock units is determined and fixed on the grant date based on the Kennametal Inc.'s stock price adjusted for the exclusion of dividend equivalents.

The Company recognises stock-based compensation expense for restricted stock units over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service (substantive vesting period).

Details of number and weighted average exercise price of share options:

(amount in USD)

| Particulars | As at June 30, 2019 | | As at June 30, 2018 | |
|---------------------------|--|------------------------------|--|------------------------------|
| | Weighted Average fair value per Award | Number of Awards in units | Weighted Average fair value per Award | Number of Awards in units |
| Opening balance | 34.48 | 1823 | 27.04 | 1808 |
| Granted during the year | 37.74 | 4503 | 37.50 | 3101 |
| Exercised during the year | 36.34 | (3899) | 33.16 | (3086) |
| Closing balance | 37.54 | 2427 | 34.48 | 1823 |

Note 1: No RSU's expired during the period covered in the above table.

Note 2: The weighted average remaining contractual life of RSUs outstanding at the end of the period is 1.26 years (June 30, 2018: 1.26 years)

Expenses arising from share based payments transactions

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|-------------------------|--------------------------|--------------------------|
| Shares issued under RSU | 10 | 7 |
| Total | 10 | 7 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

31 Fair value measurements**i) Financial instruments by category**

The carrying value and fair value of financial instruments by categories as at June 30, 2019 are as follows:

| Particulars | Amortised cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTOCI | Carrying value | Fair value |
|--|----------------|---|--|----------------|-------------|
| Assets: | | | | | |
| Investments [refer note 7(a)]: | | | | | |
| - Government securities | - | - | - | - | - |
| - Mutual funds | - | - | - | - | - |
| Loans [refer note 7(b)] | 353 | - | - | 353 | 353 |
| Trade receivables [refer note 7(c)] | 1445 | - | - | 1445 | 1445 |
| Cash and cash equivalents [refer note 7(d)] | 437 | - | - | 437 | 437 |
| Bank balances other than cash and cash equivalents [refer note 7(e)] | 2 | - | - | 2 | 2 |
| Other financial assets [refer note 7(f)] | 37 | - | - | 37 | 37 |
| Total | 2273 | - | - | 2273 | 2273 |
| Liabilities: | | | | | |
| Borrowings | 100 | - | - | 100 | 100 |
| Other financial liabilities [refer note 15] | 270 | - | - | 270 | 270 |
| Trade payables [refer note 15] | 1258 | - | - | 1258 | 1258 |
| Total | 1628 | - | - | 1628 | 1628 |

The carrying value and fair value of financial instruments by categories as at June 30, 2018 are as follows:

| Particulars | Amortised cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTOCI | Carrying value | Fair value |
|--|----------------|---|--|----------------|-------------|
| Assets: | | | | | |
| Investments [refer note 7(a)]: | | | | | |
| - Government securities | 5 | - | - | 5 | 5 |
| - Mutual funds | - | - | - | - | - |
| Loans [refer note 7(b)] | 3 | - | - | 3 | 3 |
| Trade receivables [refer note 7(c)] | 1427 | - | - | 1427 | 1427 |
| Cash and cash equivalents [refer note 7(d)] | 945 | - | - | 945 | 945 |
| Bank balances other than cash and cash equivalents [refer note 7(e)] | 3 | - | - | 3 | 3 |
| Other financial assets [refer note 7(f)] | 28 | - | - | 28 | 28 |
| Total | 2411 | - | - | 2411 | 2411 |
| Liabilities: | | | | | |
| Other financial liabilities [refer note 15] | 270 | - | - | 270 | 270 |
| Trade payables [refer note 15] | 1059 | - | - | 1059 | 1059 |
| Total | 1329 | - | - | 1329 | 1329 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

ii) Financial instruments by category

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments. The carrying amounts of trade receivables, cash and cash equivalents, bank deposits with more than 12 months maturity, trade payables, items falling under other financial assets and financial liabilities are considered to be the same as their fair values.

The fair value of investment in government securities, loans and security deposits are determined based on discounted cash flows calculated using deposit rates for similar terms and credit risk at the inception. There are no significant changes in fair value of such assets during the year.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

iii) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There are no transfers between the levels during the year.

iv) Valuation process:

The finance department of the Company includes people capable of performing valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. The significant level 3 inputs for determining the fair values of security deposits and loan to employees are discount rates using a long term bank deposit rate to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

32 Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's risk management is carried out by the Management under the policies approved of the Board of Directors that help in identification, measurement, mitigation and reporting all risks associated with the activities of the Company. These risks are identified on a continuous basis and assessed for the impact on the financial performance. Information on risks and the response strategy is escalated in a timely manner to facilitate timely decision making. Risk response strategy is formulated for key risks by Management.

The below note explains the sources of risk which the Company is exposed to and how the Company manages the risk in the financial statements:

| Risk | Exposure arising from | Measurement | Management |
|--------------------------------|--|---|---|
| Credit risk | Cash and cash equivalents, trade receivables, financial assets measured at amortised cost | Ageing analysis, credit ratings | Diversification of bank deposits, credit limits |
| Liquidity risk | Other liabilities | Rolling cash flow forecasts | Availability of surplus cash and time deposits |
| Market risk - foreign exchange | Future commercial transactions, recognised financial assets and liabilities not denominated in Indian rupee (Rupees) | Cash flow forecasting, sensitivity analysis | Natural hedge exist between export receivable and import payables |

A Credit Risk

Credit risk arises from cash and cash equivalents, security deposits carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

Credit risk refers to the risk of default on its obligation by the counter party resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 1445 as of June 30, 2019 [June 30, 2018: ₹ 1427].

| | As at June 30, 2019 | As at June 30, 2018 |
|--------------------------|------------------------|------------------------|
| Assets under credit risk | | |
| Trade receivables | 1445 | 1427 |
| Loans | 353 | 3 |
| Other financial assets | 18 | 10 |
| Total | 1816 | 1440 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

Credit risk on cash and cash equivalents is limited as the Company generally invest in deposits with banks with high credit ratings as signed by international and domestic credit rating agencies.

Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in India and US. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, Financial Instruments, the Company uses expected credit loss model to assess the impairment loss or gain. The provision for expected credit loss takes into account available external and internal credit risk factors including the credit ratings of the various customers and Company's historical experience for customers. The Company applies the simplified approach to provide for expected credit losses prescribed by Ind AS 109, which permits the use of lifetime expected loss provision for all the trade receivables. The Company measures the expected credit loss of trade receivables based on historical trend, industry.

Expected credit loss for trade receivables

| Particulars | As at | |
|----------------------------|---------------|---------------|
| | June 30, 2019 | June 30, 2018 |
| Opening provision for loss | 15 | 10 |
| Additional provision | 1 | 8 |
| Utilisation/reversal | – | (3) |
| Closing provision | 16 | 15 |

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for receivables of ₹16 and ₹15 as at 30 June, 2019, 30 June, 2018 respectively. The Company's credit period generally ranges from 60-180 days from invoicing date. The aging analysis of the receivables has been considered from the date the invoice falls due.

No expected credit loss provision has been created for Loans i.e. security deposits on leased premises and advances given to employees, since the company considers the life time credit risk of these financial assets to be very low.

B Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, Company's treasury maintains flexibility in funding by maintaining availability of required funds.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows.

Maturities of financial Liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

| Particulars | Less than 1 year | 1 - 2 years | More than 2 years | Total |
|-----------------------------|------------------|-------------|-------------------|-------------|
| As at June 30, 2019 | | | | |
| Borrowings | 100 | – | – | 100 |
| Other financial liabilities | 269 | 1 | – | 270 |
| Trade payables | 1258 | – | – | 1258 |
| Total | 1627 | 1 | – | 1628 |
| As at June 30, 2018 | | | | |
| Other financial liabilities | 269 | 1 | – | 270 |
| Trade payables | 1059 | – | – | 1059 |
| Total | 1328 | 1 | – | 1329 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

C. Market Risk**(i) Foreign currency risk**

The Company is exposed to foreign currency exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the companies functional currency (Rupees).

The risk is measured through a forecast of highly probable foreign currency on cash flows. To mitigate the risk of changes in exchange rates on foreign currency exposures, the Company has natural hedge between export receivable and import payables.

The Company exposure to foreign currency risk at the end of the reporting period expressed in ₹ as follows:

| Particulars | Currency | As at June 30, 2019 | As at June 30, 2018 |
|---|----------|------------------------|------------------------|
| Financial assets | | | |
| Trade receivables | | | |
| | USD | 74 | 60 |
| | EUR | 50 | 51 |
| | BRL | 1 | 2 |
| | JPY | 0 | 0 |
| | SGD | – | 17 |
| | AUD | 1 | 1 |
| | Others | 0 | 0 |
| Net exposure to foreign currency risk (assets) | | 126 | 131 |
| Financial liabilities | | | |
| Trade Payables | | | |
| | USD | (24) | (71) |
| | EUR | (31) | (67) |
| | JPY | (6) | (12) |
| | CHF | (61) | (9) |
| | GBP | (1) | (0) |
| | AUD | (0) | – |
| Total financial liabilities | | (123) | (159) |
| Net foreign exchange exposure | | 3 | (28) |

Sensitivity

A reasonably possible strengthening (weakening) of the ₹, foreign currency against all other currencies at 30th June, would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amount shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases.

| Particulars | Impact on profit before tax | | | |
|---|-----------------------------|---------------|---------------|-------------|
| | June 30, 2019 | | June 30, 2018 | |
| | 1% Increase | 1% Decrease | 1% Increase | 1% Decrease |
| USD | 0.50 | (0.50) | (0.11) | 0.11 |
| EUR | 0.19 | (0.19) | (0.15) | 0.15 |
| BRL | 0.01 | (0.01) | 0.02 | (0.02) |
| JPY | (0.06) | 0.06 | (0.12) | 0.12 |
| SGD | – | – | 0.17 | (0.17) |
| CHF | (0.61) | 0.61 | (0.09) | 0.09 |
| GBP | (0.01) | (0.01) | (0.00) | 0.00 |
| AUD | 0.01 | (0.01) | 0.01 | (0.01) |
| Others | 0.00 | (0.00) | 0.00 | (0.00) |
| Increase or (decrease) in profit or loss | 0.03 | (0.03) | (0.28) | 0.28 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest rate risk, treasury performs a comprehensive corporate interest rate risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

Exposure to interest rate risk related to borrowings with floating rate of interest

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Borrowings bearing floating rate of interest | 100 | – |

Interest rate sensitivity

A change of 50 bps in interest rate would have following impact on profit before tax

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--------------------------------------|-----------------------------|-----------------------------|
| 50bp increase - decrease in profits* | 1 | – |
| 50bp decrease - increase in profits* | 1 | – |

*Sensitivity is calculated based on the assumption that amount outstanding as at reporting dates were utilised for the whole financial year.

33 Capital Management**Risk management**

The Company's objectives when managing capital is to:

- i) safeguard their ability to continue as going concern, so that they can continue to provide returns for shareholders and benefits for other
- ii) maintain an optimal capital structure to reduce the cost of capital.

The Management regularly monitors rolling forecasts of liquidity position and cash on the basis of expected cash flows. In addition, the Company projects cash flows in major currencies and considers the level of liquid assets necessary to meet them.

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| Borrowings (refer note 15A) | 100 | – |
| Trade payables (refer note 15B) | 1,258 | 1,059 |
| Less: Cash and short term deposits (refer note 6b) | (437) | (945) |
| Net debt | 921 | 114 |
| Equity | 220 | 220 |
| Other Equity | 4,969 | 4,168 |
| Capital and net debt | 6,110 | 4,502 |
| Gearing ratio | 15% | 3% |

34 Dividends

The Company declares and pays dividends in Indian rupees. Company may, before the declaration of any dividend, transfer a percentage of its profits for that financial year as it may consider appropriate to the reserves.

The interim dividend and the dividend distribution tax on the dividend for the year ended June 30, 2019 and June 30, 2018 is as below:

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Interim dividend paid during the year ended June 30, 2019 of ₹ 2 | | |
| (June 30, 2018 - ₹ 2.00) per fully paid share | 44 | 44 |
| Dividend Distribution Tax on interim dividend | 9 | 9 |

35 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) Immediate holding Company Meturit A.G. Zug, Switzerland
- (iii) Enterprises holding, directly or indirectly, substantial interest in Meturit A. G. Zug Widia GmbH, 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

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

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

| | |
|---------------------|--|
| Fellow Subsidiaries | Kennametal Australia Pty Ltd., Australia Kennametal Korea Co., Ltd., Korea Kennametal Japan Ltd., Japan Kennametal Do Brasil LTDA, Brazil Kennametal Hard Point (Shanghai) 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 Asia China Management Company, Shanghai Kennametal Stellite L.P. USA Kennametal (Thailand) Co., Ltd., Thailand Kennametal (Malaysia) Sdn. Bhd., Malaysia* PT. Kennametal Indonesia Services, Indonesia* Kennametal (Xuzhou) Co., Ltd., China* Kennametal Produktions GmbH & Co., KG, Germany* Kennametal UK Ltd., United Kingdom* Kennametal (Singapore) PTE. Ltd., Singapore* |
|---------------------|--|

c) Subsidiary

Widia India Tooling Pvt. Ltd.

d) Key Management Personnel

Bhagya Chandra Rao – Managing Director
Suresh Reddy K. V. (CFO)
Naveen Chandra Prakash (CS)

* No transaction during the year

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

| Particulars | Parties where control exist | | Fellow subsidiaries | | Subsidiary | | Key management personnel | | Total | |
|--|-----------------------------|------------|---------------------|------------|------------|----------|--------------------------|----------|-------------|-------------|
| | [B(a)] | | [B(b)] | | [B(c)] | | [B(d)] | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenue | 1085 | 717 | 338 | 534 | 331 | - | - | - | 1754 | 1250 |
| Kennametal Inc., USA | 438 | 244 | - | - | - | - | - | - | 438 | 244 |
| Kennametal Europe GmbH, Switzerland | 647 | 473 | - | - | - | - | - | - | 647 | 473 |
| Widia India Tooling Pvt. Ltd., | - | - | - | - | 331 | - | - | - | 331 | - |
| Kennametal HardPoint (Shanghai) Ltd., China | - | - | 185 | 284 | - | - | - | - | 185 | 284 |
| Kennametal Distribution Services Asia Pte. Ltd., Singapore | - | - | 62 | 42 | - | - | - | - | 62 | 42 |
| Others | - | - | 91 | 208 | - | - | - | - | 91 | 208 |
| Other income | - | - | 30 | 32 | - | - | - | - | 30 | 32 |
| Kennametal Shared Services Private Ltd., India | - | - | 20 | 21 | - | - | - | - | 20 | 21 |
| Kennametal Stellite L.P. USA | - | - | 8 | 11 | - | - | - | - | 8 | 11 |
| Widia India Tooling Pvt. Ltd., (Interest Income on Loan Given) | - | - | 2 | - | - | - | - | - | 2 | - |
| Reimbursement of expenses (income) | 12 | 19 | 70 | 51 | 27 | - | - | - | 110 | 70 |
| Kennametal Inc., USA | 12 | 19 | - | - | - | - | - | - | 12 | 19 |
| Widia India Tooling Pvt. Ltd., | - | - | - | - | 27 | - | - | - | 27 | - |
| Kennametal Shared Services Private Ltd., India | - | - | 2 | 18 | - | - | - | - | 2 | 18 |
| Kennametal Distribution Services Asia Pte. Ltd., Singapore | - | - | 10 | 31 | - | - | - | - | 10 | 31 |
| Others | - | - | 59 | 3 | - | - | - | - | 59 | 3 |
| Capital assets sold | - | - | - | - | 3 | - | - | - | 3 | - |
| Widia India Tooling Pvt. Ltd., | - | - | - | - | 3 | - | - | - | 3 | - |
| Loans & advances to subsidiaries | - | - | - | - | 350 | - | - | - | 350 | - |
| Widia India Tooling Pvt. Ltd., | - | - | - | - | 350 | - | - | - | 350 | - |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | Parties where control exist | | Fellow subsidiaries | | Subsidiary | | Key management personnel | | Total | |
|---|-----------------------------|-------|---------------------|------|------------|------|--------------------------|------|-------|-------|
| | [B(a)] | | [B(b)] | | [B(c)] | | [B(d)] | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Loans & advances from subsidiaries | - | - | 100 | - | - | - | - | - | 100 | - |
| Kennametal Shared Services Private Ltd., India | - | - | 100 | - | - | - | - | - | 100 | - |
| Dividend paid | 33 | 33 | - | - | - | - | - | - | 33 | 33 |
| Interim dividend paid | - | - | - | - | - | - | - | - | - | - |
| Metruit A.G. Zug, Switzerland | 22 | 22 | - | - | - | - | - | - | 22 | 22 |
| Kennametal Inc.,USA | 11 | 11 | - | - | - | - | - | - | 11 | 11 |
| Managerial remuneration | - | - | - | - | - | - | 34 | 31 | 34 | 31 |
| Bhagya Chandra Rao (MD) | | | | | | | | | | |
| Salary & allowances | - | - | - | - | - | - | 13 | 12 | 13 | 12 |
| Performance pay | - | - | - | - | - | - | 4 | 3 | 4 | 3 |
| Share based payment | - | - | - | - | - | - | 5 | 6 | 5 | 6 |
| Suresh Reddy K V (CFO) | | | | | | | | | | |
| Salary & allowances | - | - | - | - | - | - | 7 | 6 | 7 | 6 |
| Company Secretary | | | | | | | | | | |
| Salary & allowances | - | - | - | - | - | - | 4 | 3 | 4 | 3 |
| Purchases | 3,208 | 2,986 | 95 | 64 | - | - | - | - | 3,304 | 3,049 |
| Purchase of capital goods | 1 | 29 | 24 | - | - | - | - | - | 25 | 29 |
| Kennametal Inc.,USA | 1 | 29 | - | - | - | - | - | - | 1 | 29 |
| Hanita Metal Works Ltd. (P), Israel | - | - | 24 | - | - | - | - | - | 24 | - |
| Purchase of goods - other | 3,207 | 2,956 | 71 | 64 | - | - | - | - | 3,278 | 3,020 |
| Kennametal Inc.,USA | 1,303 | 884 | - | - | - | - | - | - | 1,303 | 884 |
| Kennametal Europe GmbH, Switzerland | 1,905 | 2,073 | - | - | - | - | - | - | 1,905 | 2,073 |
| Others | - | - | 71 | 64 | - | - | - | - | 71 | 64 |
| Services received / Recharge of expenses | 231 | 200 | 81 | 60 | - | - | - | - | 311 | 259 |
| Information technology services | 170 | 153 | - | - | - | - | - | - | 170 | 153 |
| Kennametal Inc.,USA | 170 | 153 | - | - | - | - | - | - | 170 | 153 |
| Professional fees (Technical services) | 19 | 14 | 63 | 49 | - | - | - | - | 82 | 63 |
| Kennametal Inc.,USA | 19 | 14 | - | - | - | - | - | - | 19 | 14 |
| Kennametal Shared Services Private Ltd., India (Technical Services) | - | - | 63 | 49 | - | - | - | - | 63 | 49 |
| Royalty payments | 16 | 19 | 11 | 9 | - | - | - | - | 27 | 28 |
| Kennametal Inc.,USA | 16 | 19 | - | - | - | - | - | - | 16 | 19 |
| Hanita Metal Works Ltd., Israel | - | - | 11 | 9 | - | - | - | - | 11 | 9 |
| Recharge of expenses | 25 | 13 | 7 | 2 | - | - | - | - | 32 | 15 |
| Kennametal Inc.,USA | 15 | 13 | - | - | - | - | - | - | 15 | 13 |
| Widia India Tooling Pvt. Ltd., | 10 | - | - | - | - | - | - | - | 10 | - |
| Kennametal Shared Services Private Ltd., India (Interest on Loan Taken) | - | - | 5 | - | - | - | - | - | 5 | - |
| Others | - | - | 2 | 2 | - | - | - | - | 2 | 2 |
| Outstanding receivables - Trade and others | 222 | 90 | 54 | 41 | - | - | - | - | 275 | 132 |
| Trade receivables | 221 | 90 | 19 | 34 | - | - | - | - | 240 | 124 |
| Kennametal Inc.,USA | 54 | 40 | - | - | - | - | - | - | 54 | 40 |
| Kennametal Europe GmbH, Switzerland | 49 | 50 | - | - | - | - | - | - | 49 | 50 |
| Widia India Tooling Pvt. Ltd., | 118 | - | - | - | - | - | - | - | 118 | - |
| Others | - | - | 19 | 34 | - | - | - | - | 19 | 34 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | Parties where control exist | | Fellow subsidiaries | | Subsidiary | | Key management personnel | | Total | |
|--|-----------------------------|------------|---------------------|-----------|------------|------|--------------------------|------|------------|------------|
| | [B(a)] | | [B(b)] | | [B(c)] | | [B(d)] | | | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Outstanding other receivables | 1 | 0 | 34 | 8 | – | – | – | – | 35 | 8 |
| Outstanding loan receivable | – | – | – | – | 350 | – | – | – | 350 | – |
| Widia India Tooling Pvt. Ltd., | – | – | – | – | 350 | – | – | – | 350 | – |
| Outstanding payable - Trade | 461 | 395 | 37 | 21 | – | – | – | – | 498 | 416 |
| Kennametal Inc., USA | 295 | 203 | – | – | – | – | – | – | 295 | 203 |
| Kennametal Europe GmbH, Switzerland | 165 | 191 | – | – | – | – | – | – | 165 | 191 |
| Others | – | – | 37 | 21 | – | – | – | – | 37 | 21 |
| Outstanding loan payable | – | – | 100 | – | – | – | – | – | 100 | – |
| Kennametal Shared Services Private Ltd., India | – | – | 100 | – | – | – | – | – | 100 | – |

Note: 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.

36. Segment Information**A. Description of segments and principal activities**

The Company is in the business of manufacturing and trading of hard metal products and manufacturing of machine tools (also known as machining solutions), which are sold in domestic and export markets. The Managing Director of the Company has been identified as the Chief operating decision maker (CODM). Managing Director examines the Company's performance both from product and geographic perspective and has identified two reportable segments in its business.

(i) **Maching solutions:** Machining solutions segment manufactures and sells customised capital intensive machines. Company specialises in providing end to end solution i.e. from design to manufacture and after sales service. The sales comprise of machines, fixtures, sale of spares and after sales service.

(ii) **Hard metal products:** Hard metal products segment deals in metal and metal cutting tools. The sales of this segment comprise of manufactured and traded goods.

B. Segment information:

| Particulars | Machining Solutions | | Hard Metal Products | | Total | |
|--------------------------------------|---------------------|---------------|---------------------|---------------|---------------|---------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| B.1 Segment revenue | | | | | | |
| Segment revenue (external customers) | 1597 | 1222 | 7672 | 6709 | 9269 | 7931 |
| Inter-segment revenue | – | – | – | – | – | – |
| Total segment revenue | 1597 | 1222 | 7672 | 6709 | 9269 | 7931 |
| B.2 Segment Result | | | | | | |
| Segment Result | 259 | 125 | 1212 | 920 | 1471 | 1045 |
| Unallocated Corporate Income | – | – | – | – | 31 | 33 |
| Unallocated Corporate Expense | – | – | – | – | (319) | (302) |
| Interest Income | – | – | – | – | 33 | 31 |
| Exceptional Items | – | – | – | – | – | (77) |
| Profit before tax | | | | | 1216 | 730 |
| Tax (expense)/credit | – | – | – | – | (353) | (207) |
| Profit after tax | | | | | 862 | 523 |

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | Machining Solutions | | Hard Metal Products | | Total | |
|--|---------------------|---------------|---------------------|---------------|---------------|---------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| B.3 Segment Assets | | | | | | |
| Segment Assets | 1147 | 626 | 4920 | 4082 | 6067 | 4708 |
| Unallocated Corporate Assets | — | — | — | — | 1480 | 1669 |
| Total segment assets | 1147 | 626 | 4920 | 4082 | 7547 | 6377 |
| B.4 Segment Liabilities | | | | | | |
| Segment liabilities | 629 | 477 | 1434 | 1151 | 2063 | 1628 |
| Unallocated corporate liabilities | — | — | — | — | 295 | 361 |
| Total segment liabilities | 629 | 477 | 1434 | 1151 | 2358 | 1989 |
| B.5 Capital Expenditure | | | | | | |
| Capital expenditure | 87 | 7 | 921 | 583 | 1008 | 590 |
| Unallocated corporate capital expenditure | — | — | — | — | 91 | 13 |
| Total capital expenditure | 87 | 7 | 921 | 583 | 1100 | 603 |
| B.6 Depreciation and amortisation | | | | | | |
| Depreciation and amortisation | 19 | 17 | 249 | 256 | 267 | 272 |
| Unallocated corporate depreciation | — | — | — | — | 13 | 9 |
| Total Depreciation and amortisation | 19 | 17 | 249 | 256 | 280 | 281 |

C. Geographical Information:

The Company's operations are predominantly restricted to the domestic market (within India). However, the Company exports goods to Germany, USA, China and others. Accordingly, geographical information are given below:

| Particulars | Machining Solutions | | Hard Metal Products | | Total | |
|--------------|---------------------|---------------|---------------------|---------------|---------------|---------------|
| | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 | June 30, 2019 | June 30, 2018 |
| India | 1474 | 841 | 6352 | 5799 | 7826 | 6640 |
| Germany | — | — | 647 | 473 | 647 | 473 |
| USA | — | — | 438 | 244 | 438 | 244 |
| China | 58 | 190 | 129 | 95 | 187 | 285 |
| Others | 65 | 191 | 106 | 97 | 171 | 288 |
| Total | 1597 | 1222 | 7672 | 6709 | 9269 | 7931 |

D. Notes:

- The segment-wise revenue, results, assets and liabilities relate to the respective amounts directly identifiable to each of the segments.
- The segment revenue is measured in the same way as in the statement of Profit and Loss.
- No customer individually account for more than 10% of the revenue in the year ended June 30, 2019 and June 30, 2018.
- The expenses that are not directly attributable and that can't be allocated to an operating segment on a reasonable basis are shown as unallocated corporate expenses.
- Segment assets include all operating assets used by the segment and consists primarily of property, plant and equipment and current assets. Segment liabilities comprise of liabilities which can be directly allocated against respective segments. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

37 Operating lease**As a Lessee:**

The Company has taken certain office facilities and motor vehicles on operating lease. These lease arrangements range for a period of 11 months to 5 years and are renewable for further period on mutually agreeable terms.

The total future minimum lease rentals receivable at the Balance Sheet date is as under:

| Particulars | As at June 30, 2019 | As at June 30, 2018 |
|--|------------------------|------------------------|
| For a period not later than one year | 8 | 6 |
| For a period later than one year and later than five years | 16 | 6 |
| For a period later than five years | – | – |

38 Exceptional items debited to the Standalone of Profit and Loss comprises of

| Exceptional Items | Year ended June 30, 2019 | Year ended June 30, 2018 |
|---|-----------------------------|-----------------------------|
| (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 Standalone Statement of Profit and Loss in accordance with Ind AS - 19, Employee Benefits. | – | 30 |
| (ii) The Company also has a severance / separation scheme for certain employees and the aggregate compensation paid in accordance with the said scheme has been fully charged to the Statement of Profit and Loss. | – | 47 |
| Total exceptional items | – | 77 |

39 Net debt reconciliation

| Particulars | Year ended June 30, 2019 |
|----------------------------|-----------------------------|
| Cash and cash equivalent | 437 |
| Non-current borrowings | – |
| Current borrowings | (100) |
| Net debt (Negative) | 337 |

40 Earnings per equity share:

| Particulars | Year ended June 30, 2019 | Year ended June 30, 2018 |
|--|-----------------------------|-----------------------------|
| Profit attributable to equity shareholders | 863 | 523 |
| Weighted average number of equity shares outstanding during the year | 21,978,240 | 21,978,240 |
| Nominal value of equity share (₹) | 10 | 10 |
| Basic and diluted earnings per share (₹) | 39.24 | 23.78 |

41 Previous year comparatives

The previous year figures have been regrouped/reclassified wherever necessary to conform to this year's classification.

As per our report of even date attached.

For Walker Chandio & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors

Kennametal India Limited

Bhagya Chandra Rao

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru


August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019



Consolidated
Financial Statements

CONSOLIDATED INDEPENDENT AUDITOR'S REPORT

To the Members of Kennametal India Limited Report on the Audit of the Consolidated Financial Statements

Opinion

- We have audited the accompanying consolidated financial statements of Kennametal India Limited ('the Holding Company') and its subsidiary (the Holding Company and its subsidiary together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 30 June, 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
- In our opinion and to the best of our information and according to the explanations given to us and based on the other financial information of the subsidiary the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the consolidated state of affairs (consolidated financial position) of the Group as at 30 June, 2019, and its consolidated profit (consolidated financial performance including other comprehensive

income), its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Opinion

- We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

- Key audit matters are those matters that, in our professional judgment and based on the other financial information of the subsidiary, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- We have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Inventory:</p> <p>Refer note 2.9 for accounting policy and note 11 for financial disclosures in relation to inventory.</p> <p>At the Consolidated Balance sheet dated 30 June, 2019, the Group held inventories comprising of raw materials and components, finished goods, work-in-progress and stores and spares worth ₹2,092 million as detailed in note 11 to the accompanying standalone financial statements.</p> <p>The management performs 100% physical verification for the inventory once every year with the assistance of management expert. Apart from these, counts are performed on periodical basis as per management policy.</p> <p>The raw material and other components of inventory are valued based on weighted average cost. The Group follows standard costing for Hard Metal Products segment and Actual costing for Machining Solutions Group segment to arrive at the inventory value. At the end of each reporting period, price variance and various production related overheads are allocated on actual basis and manually adjusted, as necessary, to value the inventory.</p> <p>Owing to its nature, with respect to manufacture of engineering products specific to the needs of the customers, valuation of inventory involves preparation of specific bill of materials (BOM) for each product being manufactured.</p> <p>In addition to the above, the complexities involved in this assessment include:</p> <ul style="list-style-type: none"> Identification of products where specific production overheads and other allocations such as labour cost, depreciation on machineries, etc. to be added to the cost of inventory. | <p>Our audit procedures around inventory to assess valuation and allowance for inventories included, but were not limited to the following:</p> <p>Existence, Completeness, Cut-off and Accuracy of Inventory:</p> <ul style="list-style-type: none"> Obtained understanding of management process of inventory management and inventory physical verification performed at various intervals during the year and near to the reporting date; Evaluated the design effectiveness of controls over inventory management process/inventory physical verification and tested key controls for their operating effectiveness; Tested ageing of inventory items obtained through system reports, as applicable. Observed physical count carried out by the management with the assistance of management expert. Verified the treatment of count difference reported by the management expert in the books of accounts. Independently verified the physical quantities of inventory on test check basis to the physical count report provided by the management. On test check basis, performing performed roll forward procedures from the date of management count to the balance sheet date. Performed cut-off procedures to ensure completeness of the inventory recorded in the books of accounts and completeness of goods-in-transit as at reporting date. Evaluated the disclosures made in the financial statements in accordance with the applicable accounting standards. <p>Valuation of inventory:</p> <ul style="list-style-type: none"> Obtained an understanding of the management's process of valuation of inventory. |

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <ul style="list-style-type: none"> Assessment of the completion percentage of products. Allocation of price variance on raw materials to inventories in work-in-progress and finished goods. <p>The management of the respective companies reviews the list of aged stocks and provides for aged inventory basis policy set forth by the management. Inventories of general use are reviewed further and any provision on these stocks are reversed. Further, at the end of each reporting period, the management of the respective companies also assesses whether there is any objective evidence that net realizable value of any item of inventory is below the carrying value. If so, such inventories are written down to their net realizable value in accordance with Ind AS 2, Inventories. Such specific identification performed by management to ascertain slow moving and obsolete inventories, and assessment of net realizable value of such slow moving and obsolete inventory items require significant judgement and estimation.</p> <p>Considering the complexities and materiality of amounts involved, this matter is considered to be a key audit matter for current year audit.</p> | <ul style="list-style-type: none"> Evaluated the design and tested the operating effectiveness of key controls around valuation including estimates such as stage of completion, overhead computations, and determination of net realizable value of inventory items. Discussed with management the rationale supporting assumptions and estimates used in carrying out the inventory valuation, and corroborated the same to our understanding of the business. On a sample basis, recomputed the cost of the inventory by applying management's valuation model, testing underlying cost of acquisition of raw materials consumed, and testing overheads and labour cost allocation to such inventory items. This also included testing of BOM on sample basis for specialised inventory to ensure the BOM is approved as the internal process of the Group. Evaluated the appropriateness of the Company's accounting policy and valuation method of inventory in accordance with the accounting standards. <p>Inventory allowance:</p> <ul style="list-style-type: none"> Obtained and understood management process for identification of slow moving, non-moving or obsolete inventories and ensured that the same is consistently applied. Performed an independent analysis of the ageing of inventory line items leading to specific inquiries with the management to ensure the completeness of the inventory identified as slow moving, non-moving and obsolete. On sample basis, tested the ageing of inventory items obtained through system reports, as applicable. For slow and non-moving inventories as at 30 June, 2019 identified by the management, recomputed the allowance created by the management using management's model which has been consistently applied. Further, tested the net realisable value of finished goods inventory on a sample basis to average of 6 months historical selling prices less costs to sell, to identify allowance required, if any, for finished goods. <p>Presentation and disclosure:</p> <p>Evaluated the disclosures made in the accompanying financial statements in accordance with the applicable accounting standards.</p> |

Information other than the Consolidated Financial Statements and Auditor's Report thereon

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

7. The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated state of affairs (consolidated financial position), consolidated profit or loss (consolidated financial performance including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. The respective Board of Directors/management of the companies included in the Group are responsible for 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

8. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
9. Those Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Group have adequate internal financial controls system in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. As required by Section 197(16) of the Act, based on our audit on separate financial statements of the subsidiary, we report that the Holding Company and subsidiary company, covered under the Act paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
16. As required by Section 143 (3) of the Act, based on our audit and other financial information of the subsidiary we report, to the extent applicable, 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 purpose of our audit of the aforesaid consolidated financial statements;
 - b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.;
 - c) the consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
 - d) In our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under section 133 of the Act;
 - e) On the basis of the written representations received from the directors of the Holding Company and taken on record by the

Board of Directors of the Holding Company and the report of its subsidiary company, none of the directors of the Group companies are disqualified as on 30 June, 2019 from being appointed as a director in terms of Section 164(2) of the Act

- f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, and its subsidiary company covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure I',
- g) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, as detailed in Note 28 to the consolidated financial statements.;
 - ii. the Holding Company did not have any long-term contracts

including derivative contracts for which there were any material foreseeable losses as at 30 June, 2019.;

- iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiary company, during the year ended 30 June, 2019;
- iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November, 2016 to 30 December, 2016, which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh

Partner

Membership No.: 059139

UDIN:19059139AAAABC1649

Bengaluru

22 August, 2019

Annexure I to the Independent Auditor's Report of even date to the members of Kennametal India Limited on the consolidated financial statements for the year ended 30 June, 2019

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

Annexure I

1. In conjunction with our audit of the consolidated financial statements of **Kennametal India Limited** ('the Holding Company') and its subsidiary(the Holding Company and its subsidiary together referred to as 'the Group') as at and for the year ended 30 June, 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company and its subsidiary company, which are companies covered under the Act, as at that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company, its subsidiary company, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company and its subsidiary company, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards

on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company and its subsidiary company as aforesaid.

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company and its subsidiary company, which are companies covered under the Act, have in all material respects, adequate internal financial controls over financial reporting

and such controls were operating effectively as at 30 June, 2019 based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh

Partner

Membership No.: 059139

UDIN:19059139AAAABC1649

Bengaluru

22 August, 2019

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Notes | As at June 30, 2019 |
|--|-------|------------------------|
| I. ASSETS | | |
| 1. Non-current assets | | |
| (a) Property, plant and equipment | 3A | 1836 |
| (b) Capital work-in-progress | 3B | 671 |
| (c) Investment properties | 4 | 0 |
| (d) Intangible assets | 5 | 2 |
| (e) Financial assets | | |
| (i) Loans | 6(a) | 0 |
| (ii) Other financial assets | 6(e) | 18 |
| (f) Deferred tax assets (net) | 7A | 3 |
| (g) Income tax assets (net) | 8A | 363 |
| (h) Other non-current assets | 9 | 208 |
| Total non-current assets | | 3101 |
| 2. Current assets | | |
| (a) Inventories | 10 | 2091 |
| (b) Financial assets | | |
| (i) Trade receivables | 6(b) | 1658 |
| (ii) Cash and cash equivalents | 6(c) | 637 |
| (iii) Bank balances other than cash and cash equivalents | 6(d) | 2 |
| (iv) Loans | 6(a) | 2 |
| (v) Other financial assets | 6(e) | 7 |
| (c) Other current assets | 11 | 165 |
| Total current assets | | 4562 |
| Total assets | | 7663 |
| II. EQUITY AND LIABILITIES | | |
| 1. Equity | | |
| (a) Equity share capital | 12 | 220 |
| (b) Other equity | 13 | 5010 |
| Equity attributable to owners | | 5230 |
| Non-controlling interests | | 0 |
| Total Equity | | 5230 |
| 2. Liabilities | | |
| Non-current liabilities | | |
| (a) Financial liabilities | | |
| (i) Other financial liabilities | 14C | 1 |
| (b) Provisions | 15 | 56 |
| (c) Deferred tax liabilities | 7B | 17 |
| Total non-current liabilities | | 74 |

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Notes | As at June 30, 2019 |
|--|-------|------------------------|
| Current Liabilities | | |
| (a) Financial liabilities | | |
| (i) Borrowings | 14A | 100 |
| (ii) Trade payables | 14B | |
| Total outstanding dues of micro enterprises and small enterprises | | 37 |
| Total outstanding dues of other than micro enterprises and small enterprises | | 1252 |
| (iii) Other financial liabilities | 14C | 275 |
| (b) Provisions | 15 | 210 |
| (c) Current tax liabilities (net) | 8B | 10 |
| (d) Other current liabilities | 16 | 475 |
| Total current liabilities | | 2359 |
| Total equity and liabilities | | 7663 |

The accompanying notes are the integral part of the Consolidated Financial Statements.

This is the Consolidated Balance sheet referred to in our report of even date.

For Walker Chandiok & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors**Kennametal India Limited****Bhagya Chandra Rao**

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Notes | Year ended June 30, 2019 |
|---|-------|-----------------------------|
| INCOME | | |
| Revenue from operations | 17 | 9452 |
| Other income | 18 | 105 |
| Total income | | 9557 |
| EXPENSES | | |
| Cost of materials consumed | 19 | 3245 |
| Purchase of stock-in-trade | 20 | 2104 |
| Changes in inventories of finished goods, stock-in-trade and work-in-progress | 21 | (363) |
| Employee benefits expense | 22 | 1329 |
| Depreciation and amortisation expenses | 23 | 280 |
| Finance costs | 24 | 5 |
| Other expenses | 25 | 1685 |
| Total expenses | | 8285 |
| Profit before tax | | 1272 |
| Tax expense/ (credit) | 26 | |
| Current tax | | 394 |
| Tax adjustments relating to earlier years | | (115) |
| Deferred tax charge | | 89 |
| Total tax expense | | 368 |
| Profit after tax for the year | | 904 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of net defined benefit plans | | (16) |
| Income tax relating to above item | | 6 |
| Total other comprehensive income for the year (net of tax) | | (10) |
| Total comprehensive income for the year | | 894 |
| Profit attributable to: | | |
| Owners | | 904 |
| Non-controlling interests | | - |
| | | 904 |
| Other Comprehensive Income attributable to: | | |
| Owners | | (10) |
| Non-controlling interests | | - |
| | | (10) |
| Total Comprehensive Income attributable to: | | |
| Owners | | 894 |
| Non-controlling interests | | - |
| | | 894 |
| Earnings per equity share in ₹ [Nominal Value per share ₹ 10] | 39 | |
| Basic and diluted | | 41.13 |

The accompanying notes are the integral part of the Consolidated Financial Statements.

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

For Walker Chandiok & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

**For and on behalf of Board of Directors
Kennametal India Limited****Bhagya Chandra Rao**

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

(A) Equity Share Capital

| | Notes | Amount |
|---|-------|--------|
| Balance as at July 01, 2018 | | 220 |
| Changes in equity share capital during the year | 12 | - |
| Balance as at June 30, 2019 | | 220 |

(B) Other equity

| | Equity attributable to Owners | | | | Non-controlling interests | Total |
|--|-------------------------------|----------------------------------|-----------------|-------------------|---------------------------|-------------|
| | Securities premium reserve | Share based compensation reserve | General reserve | Retained earnings | | |
| Balance as at July 01, 2018 | 1 | 3 | 1488 | 2676 | - | 4168 |
| Profit for the year | - | - | - | 904 | 0 | 904 |
| Other comprehensive Income | - | - | - | (10) | 0 | (10) |
| Total comprehensive income for the year | 1 | 3 | 1488 | 3570 | - | 5062 |
| Interim dividends | - | - | - | (44) | - | (44) |
| Dividend distribution tax | - | - | - | (9) | - | (9) |
| Share based compensation expense | - | 10 | - | - | - | 10 |
| Payment during the year towards share based compensation | - | (9) | - | - | - | (9) |
| Balance as at June 30, 2019 | 1 | 4 | 1488 | 3517 | 0 | 5010 |

The accompanying notes are the integral part of the Consolidated Financial Statements.

This is the Consolidated Statement of Change in Equity referred to in our report of even date.

For Walker Chandiok & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors**Kennametal India Limited****Bhagya Chandra Rao**

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Year ended June 30, 2019 |
|--|-----------------------------|
| Cash flow from operating activities | |
| Profit before taxation and exceptional items | 1272 |
| Adjustments for: | |
| Depreciation and amortisation expenses | 280 |
| Dividend Income | (13) |
| Liabilities no longer required written back | (14) |
| Provision for product support | 36 |
| Provision made for doubtful debts | 1 |
| Provision for disputed taxes and duties | (4) |
| Profit on sale of property, plant and equipments (net) | (5) |
| Interest expense | 5 |
| Interest income | (32) |
| Unrealised foreign exchange (gain)/loss (net) | 3 |
| Employee share based expense | 10 |
| Operating profit before working capital changes | 1539 |
| Adjustment for working capital changes: | |
| Increase in inventories | (533) |
| Increase in trade and other receivables | (193) |
| Decrease in financial assets | 1 |
| Increase in other liabilities and provisions | 275 |
| Cash generated from operations | 1089 |
| Taxes paid (net of refunds) | (381) |
| Net cash generated from operations (1) | 708 |
| Cash flow from investing activities | |
| Purchase of property, plant and equipment | (1119) |
| Redemption of investment | 5 |
| Dividend received on mutual funds | 13 |
| Sale proceeds of property, plant and equipment | 12 |
| Interest received | 32 |
| Net Cash used in investing activities (2) | (1057) |

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

(All amounts in ₹ millions unless otherwise stated)

| | Year ended June 30, 2019 |
|---|-----------------------------|
| Cash flow from financing activities | |
| Loan from fellow subsidiary | 100 |
| Interest paid | (5) |
| Dividends paid | (44) |
| Dividend distribution tax | (9) |
| Unclaimed dividend paid | (1) |
| Net Cash used in Financing activities (3) | 41 |
| Net increase in cash and cash equivalents (1+2+3) | (308) |
| Add: Cash and cash equivalents at the beginning of the year | 945 |
| Cash and cash equivalents at the end of the year | 637 |
| Cash and Cash equivalent as per above comprises of the following | |
| Cash and Cash equivalent (Refer Note.6(c)) | 637 |
| Balance as per Statement of Cash Flows | 637 |

The accompanying notes are the integral part of the Consolidated Financial Statements.

Note:

The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows. Also refer "Net debt reconciliation" as given in note 35.

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

For Walker Chandio & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors**Kennametal India Limited****Bhagya Chandra Rao**

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August 22, 2019

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DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

1. Background

Kennametal India Limited ("the Company" or "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") is in the business of manufacturing and trading of hard metal products and manufacturing of capital intensive machines along with fixtures and spares. The Group has its manufacturing facility in Bengaluru, sells its product and services through sales and support offices. The Holding Company is a public limited company incorporated and domiciled in India and has its registered office at 8/9th Mile, Tumkur Road, Bengaluru - 560 073. The Holding Company is listed on the Bombay Stock Exchange (BSE). The Consolidated financial statements were approved for issue by Company's board of director on August 22, 2019.

The consolidated financial statements comprise the financial statements of the company and its wholly owned subsidiary Widia India Tooling Private Limited which was incorporated on December 13, 2018.

2. Significant accounting policies**2.1 Basis of preparation :****(i) Compliance with Ind AS**

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act.

The accounting policies are applied consistently to all the periods presented in the financial statements. The financial statements of the Group have been consolidated using uniform accounting policies.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities are measured at fair value;
- Assets held for sale- measured at fair value less cost to sales;
- Defined benefit plans- plan assets measured at fair value; and
- Share based payments- measured at fair value.

All assets and liabilities have been classified as current or non-current as per the Group's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current/ non-current classification of assets and liabilities.

(iii) Current / non-current classification

The Group presents assets and liabilities in the Consolidated Balance Sheet based on current / non-current classification. An asset is treated as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;

- held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has evaluated and considered its operating cycle as 12 months.

Deferred tax assets/liabilities are classified as non-current assets/liabilities.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 30 June, 2019. The Company and its subsidiary have a reporting date of 30 June.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date control commences until the date control ceases.

The Group combines the financial statements of the Holding Company and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. The consolidated financial statements are prepared by applying uniform accounting policies in use at the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.3 Significant estimates, judgements and assumptions

The application of accounting standards and policies requires the Group to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the Group considers to be most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Group's financial condition or operating performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

The areas involving critical estimates are:

(i) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(ii) Evaluation of indicators for impairment of assets

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(iii) Recoverability of advances/receivables

At each Consolidated Balance Sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables and advances.

(iv) Useful lives of depreciable/amortisable assets

Management reviews its estimate of the useful lives of depreciable / amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain items of property, plant and equipment.

(v) Estimate of product support

At each Consolidated Balance Sheet date basis the management judgment and historical trend, the Group assesses the requirement of provisions. However, the actual future outcome may be different from the judgment.

The group provides a standard warranty of 12 months from the date of commissioning / sales or 15 months from the date of delivery, whichever is earlier. However in exceptional cases it provides a general warranty upto 24 months.

(vi) Estimation of defined benefit obligation

Measurement of obligation towards defined benefit plans such as gratuity and provident fund are based on the actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. Significant assumptions include determination of discount rate, future salary increases etc. Due to complexities involved in the valuation & its long term nature, defined benefit obligation is sensitive to changes in these assumptions (refer note 15).

(vii) Material return provision

The group recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale.

(viii) Customer loyalty programme

The Group recognises the provision for customer loyalty programme based on the ratio of sales targets met by the customers.

(ix) Litigations

The Group records provision and contingent liabilities for pending litigations by considering the probability and the amount of loss involved in each case.

2.4 Revenue recognition

The group derives revenues primarily from sale of manufactured goods, traded goods and related services.

In March 2018, Ministry of Corporate Affairs ("MCA") had notified Ind AS 115, 'Revenue from Contract with Customers', replacing the existing revenue recognition standards Ind AS 18, 'Revenue'. As per the new standard, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. The standard is effective for annual periods beginning on or after 1 April, 2018. The group has adopted this standard using the modified retrospective approach, applied to contracts that were not completed as on the transition date i.e. July 01, 2018. Accordingly the comparative figures for year ended June 30, 2018 have not been retrospectively adjusted. The effect on adoption of Ind AS 115 was insignificant.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the group expects to receive in exchange for those products or services. Revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates.

Revenue in excess of invoicing are classified as contract asset while invoicing in excess of revenues are classified as contract liabilities.

The Group operates a loyalty programme for the customers and dealers for the sale of goods. The customers are divided in different grades at the inception of the year and accordingly targets are also set. A contract liability is recorded on provisional basis at every reporting date. The provision of loyalty programme is netted-off to revenue.

The group recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale. Therefore, a refund liability, included in other current liabilities, are recognized for the products expected to be returned.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Other Operating revenue

Income from export incentives such as Duty Drawback and Merchandise Export Incentive Scheme are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and so its ultimate collections exists.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

2.5 Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the group, and the amount of dividend can be measured reliably.

2.6 Trade receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less loss allowance.

2.7 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Consolidated Statement of Profit or Loss during the reporting period in which they are incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Consolidated Balance Sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably.

Depreciation method, useful lives and residual value

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 of Companies Act, 2013, in order to reflect the actual usage of the assets. The estimates of the useful life of the assets, based on internal technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

| Particulars | Estimated range of useful life (in years) |
|--|---|
| Buildings (including temporary structures) | 20 - 40 |
| Plant and machinery: | |
| Data processing equipment | 3 - 5 |
| Others | 5 - 15 |
| Vehicles | 5 |
| Office equipment | 5 |
| Furniture and fixtures | 10 |

Machinery spares of irregular usage are amortised over the estimated useful life of the respective plant and machinery.

Schedule II requires the Group to identify and depreciate significant components with different useful lives separately. The Group has evaluated the applicability of component accounting as prescribed under Ind AS 16, Property, plant and equipment, and Schedule II of the Companies Act, 2013. The management has evaluated the requirement of schedule II and has not identified any significant component having different useful lives.

2.8 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 Group and the costs 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.

(i) Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Amortisation methods and periods

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.

2.9 Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Consolidated Statement of Profit and Loss. If, at the reporting date

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognised are accordingly reversed in the Consolidated Statement of Profit and Loss.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.10 Inventories

Raw materials and stores, work in progress, traded and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and traded goods comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of raw materials, stores and spares, work in progress and traded goods on the basis of weighted average whereas manufactured goods are ascertained on first-in first method. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.11 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.12 Leases**i) As a lessee:**

Property, plant and equipment acquired under lease where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Such leases are capitalized at the inception of the lease at lower of the fair value of lease property or the present value of the minimum lease payments. Finance lease payment is apportioned between finance charge and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Consolidated Statement of Profit and Loss.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Consolidated Statement of profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Consolidated Statement of Profit or Loss.

ii) As a lessor:

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

2.13 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

Defined contribution plan**Provident Fund**

Eligible employees of the Group receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Group make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Group contributes to Kennametal India Limited Employee's Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Group has an obligation to make good the shortfall, if any, between the return from investments of the Trust and the notified interest rate.

Gratuity

The Group provides for gratuity, a defined benefit plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees a retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Group.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary at each Consolidated Balance Sheet date using the projected unit credit method. The Group fully contributes all ascertained liabilities to the Kennametal India Limited Employees Gratuity Fund Trust (the Trust). Trustees administer contributions made to the Trust and contributions are invested in a scheme with Life Insurance Corporation of India and HDFC Life Insurance Company Limited as permitted by Indian law.

The Group recognises the net obligation of a defined benefit plan in its Consolidated Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined liability / (asset) are recognised in other comprehensive income and are not

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in net profit in the Consolidated Statement of Profit and Loss.

Other long-term employee benefit obligations
Compensated absences

The Group provides benefit of compensated absences under which unavailed leave are allowed to be accumulated to be availed in future. The compensated absences comprises of vesting benefit. The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The Group presents the entire leave as a current liability in the Consolidated Balance Sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs.

Further, as required under Ind AS compliant Schedule III, the Group transfers those amounts recognized in other comprehensive income to retained earnings in the Consolidated Statement of Changes in Equity and in the Consolidated Balance Sheet.

Long-term service awards

Certain employees of the Group are entitled to other long-term benefits in the nature of long term service awards as per the policy of the Group. Liability for such benefits is provided on the basis of an independent actuarial valuation using the projected unit credit method at the Consolidated Balance Sheet date.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

2.14 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates. ('the functional currency'). The financial statements are presented in Indian rupee ₹, which is the Group's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates that approximate the actual rates at the date of transactions. Foreign exchange gains

and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in Consolidated Statement of Profit or Loss.

All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit and Loss on a net basis within other income/other expenses.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM).

The managing director of the Group assesses the financial performance and position of the Group and makes strategic decisions. The managing director has been identified as being the CODM. Refer note 38 for segment information presented.

2.16 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Holding Company and its subsidiary operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred Tax Assets (DTA) are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Consolidated Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternative Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

Group will pay normal period income tax during the specified period. Such asset is reviewed at each Consolidated Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Group will pay normal income tax during the specified period.

2.17 Share based payments

Stock-based compensation awards are provided to selected employees under the terms of the long-term incentive plan of the Kennametal Inc. USA, the ultimate holding company. Awards available under the plans include restricted stock units ("RSUs") which are granted to the Managing Director and certain senior management employees of the company. Stock-based compensation represents the cost related to group stock-based awards granted to employees.

RSUs entitle the holder to shares of common stock as the award vest, typically over 3 years or 4 years depending upon the scheme and year of grant. RSUs are time vesting stock units and therefore the fair value of the units is determined and fixed on the grant date based on market value of Kennametal Inc's share price, adjusted for the exclusion of dividend equivalents. The Group measures stock-based compensation cost at the grant date, based on the estimated fair value of the award and recognizes the cost (net of estimated forfeitures) over the employee requisite service period.

The total expense in respect of the above share based payment scheme is recognised over the vesting period with a corresponding adjustment to equity compensation reserve as a capital contribution from Kennametal Inc. The inter-Group charge is offset against the equity compensation reserve. A liability is recognised when the award is released to or exercised by the Group's employees and billed by Kennametal Inc.

2.18 Provisions and contingent liabilities

Provisions for legal claims, service warranties, volume discounts and returns are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are 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 Group 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.

2.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets**Initial recognition**

The Group recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

Subsequent measurement**(i) Financial assets carried at amortised cost**

A financial asset is subsequently measured at amortised cost if it is held with in a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in Consolidated Statement of Profit and Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(ii) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in Profit and Loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

(iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets which are not classified in any of the above categories are subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in Consolidated Statement of Profit or Loss and presented net in the period in which it arises. Interest income from these financial assets is included in other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

(iv) Equity investments

All equity investments in scope of Ind AS 109, Financial Instruments, are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 Business Combinations, applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Consolidated Statement of Profit and Loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109 'Financial Instruments'. A financial liability (or a part of a financial liability) is derecognised from the Group's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities**Initial recognition**

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These instruments are classified as amortised cost.

Subsequent measurement

These liabilities includes deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109, Financial Instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/loss are not subsequently transferred to Consolidated Statement of Profit and Loss. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such

liability are recognised in the Consolidated Statement of Profit and Loss. The Group has not designated any financial liability as at fair value through profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts is reported in the Consolidated Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedge instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

When forward contracts are used to hedge forecast transactions, the group generally designates only the changes in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in Consolidated Statement of Profit and Loss.

2.20 Impairment of financial assets

In accordance with Ind AS 109 Financial Instruments, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

The Group tracks credit risk and changes thereon for each customer. For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, life time ECL is used. If in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument over the expected life of the financial instrument. However, in rare

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the Consolidated Statement of Profit and Loss. This amount is reflected under the head 'other expenses' in the Consolidated Statement of Profit and Loss.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

2.21 Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Balance Sheet.

2.22 Dividends

Final dividends on shares are recorded as a liability on the date of approval by the share holders and interim dividends are recorded as a liability on the date of declaration by the respective Company's board of directors.

The group declares and pays dividends in Indian rupees. The remittance of dividends outside india is governed by Indian Law on foreign exchange and is subjected to applicable distribution taxes.

2.23 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of dilutive potential equity shares, if any.

2.24 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

'The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing

the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurements as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liabilities and the level of the fair value hierarchy as explained above.

2.25 Standards issued but not effective:

At the date of authorisation of the Consolidated Financial Statements, the following standard which have not yet been applied in the financial information were in issue but not yet effective.

(a) Ind AS 116, Leases

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e. the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of profit and loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after April 1, 2019. The standard permits two possible methods of transition:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

Full retrospective:

Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Modified retrospective:

Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or;

An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized under Ind AS 17 immediately before the date of initial application.

Certain practical expedients are available under both the methods.

The Group is in the process of evaluating the effect of adoption of Ind AS 116 and has proposed to use the 'Modified Retrospective Approach' for transitioning to Ind AS 116, and take the cumulative adjustment to retained earnings, on the date of initial application (July 01, 2019). Accordingly, comparatives for the year ended June 30, 2019 will not be retrospectively adjusted.

(b) Ind AS 12, Income Taxes

On 30 March 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The effective date of application of this amendment is annual period beginning on or after 1 April 2019. The Group does not expect this amendment to have any impact to the Consolidated Financial Statements.

Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments

On 30 March 2019, Ministry of Corporate Affairs has notified Ind

AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition:

Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in accounting estimates and Errors, without using hindsight and;

Retrospectively with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after 1 April 2019. The Group does not expect any impact to the Consolidated Financial Statements on adoption of Ind AS 12 Appendix C.

(c) Ind AS 19, Employee Benefits – plan amendment, curtailment or settlement

On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity:

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- To recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

The effective date for application of this amendment is annual periods beginning on or after 1 April 2019. The Group does not expect any impact to the Consolidated Financial Statements on account of this amendment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

3A Property, plant and equipment

| Particulars | Freehold land | Buildings | Plant and machinery | | Furniture and fixtures | Office equipment | Total |
|--|---------------|-----------|---------------------------|-------------|------------------------|------------------|--------------|
| | | | Data processing equipment | Others | | | |
| Gross block as at July 01, 2018 | 1 | 94 | 72 | 1867 | 11 | 58 | 2103 |
| Additions | - | 7 | 7 | 349 | 1 | 6 | 369 |
| Capital work-in-progress capitalised during the year | - | 1 | 11 | 198 | 0 | 1 | 212 |
| Disposals | - | (7) | (22) | (132) | (1) | (11) | (173) |
| Gross block as at June 30, 2019 | 1 | 95 | 68 | 2282 | 11 | 54 | 2511 |
| Accumulated depreciation as at July 01, 2018 | - | 15 | 34 | 481 | 6 | 28 | 564 |
| Depreciation charge for the year | - | 8 | 22 | 235 | 2 | 12 | 279 |
| Disposals | - | (4) | (22) | (131) | - | (12) | (170) |
| Accumulated depreciation as at June 30, 2019 | - | 19 | 34 | 585 | 8 | 28 | 675 |
| Net block | | | | | | | |
| As at June 30, 2019 | 1 | 76 | 33 | 1697 | 3 | 26 | 1837 |

Contractual obligations

Refer note 27 for contractual commitments for the acquisition of property, plant and equipment.

3B Capital work-in-progress

| Particulars | Amount |
|------------------------------------|------------|
| Balance as at July 01, 2018 | 211 |
| Additions during the year | 672 |
| Less: Capitalised during the year | (212) |
| As at June 30, 2019 | 671 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

4 Investment properties

| Particulars | Amount |
|---|----------|
| Gross block as at July 01, 2018 (₹ 67,049) | 0 |
| Additions | - |
| Disposals | - |
| Gross block as at June 30, 2019 | 0 |
| Accumulated depreciation as at July 01, 2018 | |
| Depreciation charge for the year | - |
| Disposals | - |
| Accumulated depreciation as at June 30, 2019 | - |
| Net block | |
| As at June 30, 2019 | 0 |

Note:**a) Fair Value****Estimation of fair value**

The best evidence of fair value is current prices in an active market for similar properties. The Group considers current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

The fair values of investment properties have been determined with reference to Bengaluru Municipal authority guidance value and Mehesana Municipal authority, Kalol district, Gujrat with certain restriction on the Group's ability to use or sell these investment properties. The fair value estimate for investment properties are included in level 2.

The fair value of investment properties is as below:

| Particulars | Amount |
|---------------------|--------|
| As at June 30, 2019 | 218 |

- b) There is no rental income derived from investment properties. Further, no direct operating expenses have been incurred to maintain the investment property.
- c) The Group has no restriction on the realisability of the investment property, and no contractual obligation to purchase, construct or develop investment properties or for repair, maintenance and enhancement.

5 Intangible Assets

| Particulars | Computer software (acquired) | Total |
|---|---------------------------------|----------|
| Gross block as at July 01, 2018 | 2 | 2 |
| Additions | 1 | 1 |
| Disposals | - | - |
| Gross block as at June 30, 2019 | 3 | 3 |
| Accumulated amortisation as at July 01, 2018 | 0 | 0 |
| Amortisation charge for the year | 1 | 1 |
| Disposals | - | - |
| Accumulated amortisation as at June 30, 2019 | 1 | 1 |
| Net block | | |
| As at June 30, 2019 | 2 | 2 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

6 Financial Assets**6(a) Loans**

| Particulars | As at June 30, 2019 | |
|-----------------------------------|---------------------|-------------|
| | Current | Non-current |
| Unsecured, considered good | | |
| Employee advances | 2 | 0 |
| Total loans | 2 | 0 |

6(b) Trade receivables

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Trade receivables (also refer note 37) | 1547 |
| Receivable from related parties (refer note 37) | 127 |
| Less: Loss allowance | (16) |
| Total trade receivables | 1658 |
| Current | 1658 |
| Non current | - |
| Break-up of security details | |
| Secured, considered good* | 118 |
| Unsecured, considered good | 1,556 |
| Trade receivables which have significant increase in credit risk | - |
| Trade receivables - credit impaired | - |
| Total | 1,674 |
| Loss allowance | (16) |
| Total trade receivables | 1,658 |

*Secured against bank guarantee

6(c) Cash and cash equivalents

| Particulars | As at June 30, 2019 |
|---|------------------------|
| Cash on hand (₹ 98,339) | 0 |
| Cheques, drafts on hand | 27 |
| Balances with banks - In current accounts | 610 |
| Total cash and cash equivalents | 637 |

There are no repatriation restriction with regard to cash and cash equivalent at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| | |
|---|------------------------|
| 6(d) Bank balances other than cash and cash equivalents | |
| Particulars | As at June 30, 2019 |
| Margin money deposits | - |
| Unclaimed dividends | 2 |
| Total bank balances other than cash and cash equivalents | 2 |
| 6(e) Other financial assets | |
| Non-current | |
| Particulars | As at June 30, 2019 |
| Long term deposits with banks with maturity period more than twelve months * (₹ 400,000) | 0 |
| Security deposits | 3 |
| Other deposits | 15 |
| Total non-current financial assets | 18 |
| * Held as lien by bank against guarantee ₹ 4 | |
| Current | |
| Particulars | As at June 30, 2019 |
| Interest accrued on fixed deposits and others (₹ 139,504) | 0 |
| Other receivables | 7 |
| Deposits with others | 1 |
| | 8 |
| (Less): Loss allowance | (1) |
| Total current financial assets | 7 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

7 Deferred tax assets/(liabilities) (net)

Movement in the deferred tax asset/(liability)

| Particulars | As at July 01, 2018 | (Charge)/ Credit to Statement of Profit and Loss | Charge/ (credit) to other comprehensive income | As at June 30, 2019 |
|--|------------------------|--|---|------------------------|
| Deferred Tax Asset: | | | | |
| Provision for gratuity, leave encashment, long service award | 47 | 13 | 6 | 66 |
| Provision for product support | 15 | (15) | - | - |
| Provision for doubtful debts | 5 | 0 | - | 5 |
| Provision for non-moving and obsolete inventory | 29 | (29) | - | - |
| Voluntary retirement scheme/ employee separation | 16 | (3) | - | 13 |
| Others | 3 | (0) | - | 3 |
| Deferred Tax Liability: | | | | |
| Depreciation | (46) | (55) | - | (101) |
| Total | 69 | (89) | 6 | (14) |

7A Deferred tax asset (net)

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Deferred Tax Assets: | |
| Provision for gratuity, leave encashment, long service award | 3 |
| Deferred Tax Liability: | |
| Depreciation | (0) |
| Closing Balance | 3 |

7B Deferred tax liabilities (net)

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Deferred Tax Liabilities: | |
| Depreciation | 101 |
| Deferred Tax Assets: | |
| Provision for gratuity, leave encashment, long service award | (63) |
| Provision for product support | 0 |
| Provision for doubtful debts | (6) |
| Provision for non-moving and obsolete inventory | 0 |
| Voluntary retirement scheme/ employee separation | (12) |
| Others | (3) |
| Closing Balance | 17 |

8 Income tax assets/ liabilities (net)**8A Income tax assets (net)**

| Particulars | As at June 30, 2019 |
|---|------------------------|
| Income tax asset net of provision (June 30, 2019: ₹ 2428) | 363 |
| Total income tax assets | 363 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

8B Current tax liabilities (net)

| Particulars | As at June 30, 2019 |
|--------------------------------------|------------------------|
| Income tax provision net of asset | 10 |
| Total current tax liabilities | 10 |

9 Other non-current assets

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Capital advances | 149 |
| Prepaid expenses | 5 |
| Export benefit receivable | 23 |
| Deposits with statutory / government authorities | 31 |
| Total non-current assets | 208 |

10 Inventories

| Particulars | As at June 30, 2019 |
|---|------------------------|
| Raw materials (Including goods in transit ₹ 88) | 566 |
| Stores and spares | 30 |
| Work-in-progress | 703 |
| Finished goods | 462 |
| Traded goods (Including goods in transit ₹ 30) | 330 |
| Total inventories | 2091 |

Amounts recognised in Consolidated Statement of Profit and Loss:

Write-downs of inventories to net realisable value amounted to ₹ 3. These were recognised as an expense during the year and included in "Changes in values in inventory of finished goods, work in progress and stock in trade" in Consolidated Statement of Profit and Loss.

11 Other current assets

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Export benefits receivable | 18 |
| Deposits with statutory / government authorities | 111 |
| Advance to suppliers | 18 |
| Prepaid expenses | 14 |
| Travel advances to employees | 4 |
| Total other current assets | 165 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

12 Equity share capital

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Authorised | |
| 2,19,78,240 Equity Shares of ₹ 10 each | 220 |
| Issued, subscribed and fully paid up | |
| 21,978,240 Equity Shares of ₹ 10 each | 220 |
| Total equity share capital | 220 |
| Notes: | |
| a) Reconciliation of number of shares | |

| Particulars | As at June 30, 2019 | |
|--|------------------------|------------|
| | Number of shares | Amount |
| Balances as at the beginning of the year | 21,978,240 | 220 |
| Add: Issued and subscribed during the year | - | - |
| Balance at the end of the year | 21,978,240 | 220 |

(b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹ 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

| Particulars | As at June 30, 2019 | |
|--|------------------------|------------|
| | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding company | 5,274,840 | 53 |
| Meturit AG., Zug, Switzerland, the holding company | 11,208,840 | 112 |
| Total shares held by holding and ultimate holding company | 16,483,680 | 165 |

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Particulars | As at June 30, 2019 | |
|--|------------------------|------------|
| | Number of shares | Percentage |
| Kennametal Inc. USA, the ultimate holding company | 5,274,840 | 24.00% |
| Meturit AG., Zug, Switzerland, the holding company | 11,208,840 | 51.00% |
| Reliance Capital Trustee Company Limited * | 2,147,279 | 9.77% |

* 1,667,398 shares are held by Reliance Equity Opportunities Fund comprising 7.59% of the shareholding and 4,79,881 shares are held by Reliance Tax Saver (ELSS) Fund comprising 2.18% of the shareholding.

(e) During five years immediately preceding June 30, 2019 there are no shares allotted as fully paid up pursuant to contracts without payment being received in cash, shares allotted as fully paid up by way of bonus shares or shares bought back.

(f) There are no shares of the Company reserved for issue under any option, contracts, commitments for the sale of share or disinvestment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

13 Other equity

| Particulars | As at June 30, 2019 |
|-----------------------------------|------------------------|
| Securities premium reserve | 1 |
| Share based compensation reserve | 4 |
| General reserve | 1488 |
| Retained earnings | 3517 |
| Total reserves and surplus | 5010 |

Nature and purpose of reserve:**Securities premium reserve**

Securities Premium reserve is used to record the premium on issue of shares. This reserve is utilised in accordance with provisions of the Act.

Share based compensation reserve

This reserve relates to share based compensation received by the employees of the Company from Kennametal Inc., USA the ultimate holding company, net of cross charge received. The reserve is used to recognise grant date fair value of awards issued to the employees (refer note 29).

14 Financial Liabilities**14A Borrowings**

| Particulars | As at June 30, 2019 | |
|-------------------------|------------------------|-------------|
| | Current | Non-current |
| Unsecured | | |
| Borrowings | 100 | - |
| Total borrowings | 100 | - |

The Group has taken loan from Kennametal Shared Services Private Limited. The loan is repayable within 2 years from the date of the loan disbursed at an interest rate of (MCLR + 0.5%) i.e. 8.7% p.a. towards working capital requirement (refer note 37).

14B Trade payables

| Particulars | As at June 30, 2019 |
|---|------------------------|
| Due to micro and small enterprises | 37 |
| Due to creditors other than micro and small enterprises | |
| Amounts due to related parties (also refer note 37) | 523 |
| Amounts due to third parties | 729 |
| Total trade payables | 1289 |

Trade payables includes amount dues to Micro and Small Enterprises.

Disclosure of dues/payments to Micro and Small Enterprises to the extent such enterprises are identified by the Group

| Particulars | As at June 30, 2019 |
|--|------------------------|
| a) Principal amount due to suppliers registered under the Micro, Small and Medium Enterprises and Development Act and remaining unpaid as at year end; | 16 |
| b) Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end; | - |
| c) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year; | 21 |
| d) Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year; | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | As at June 30, 2019 |
|---|------------------------|
| e) Interest paid, under Section 16 of the MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year; | - |
| f) Interest due and payable towards suppliers registered under the MSMED Act, for payments already made; (₹ 226,360) | 0 |
| g) Further interest remaining due and payable for earlier years; | - |
| Total dues to micro and small enterprises | 37 |

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.

14C Other financial liabilities

| Particulars | As at June 30, 2019 | |
|------------------------------------|------------------------|-------------|
| | Current | Non-current |
| Deposit from customers | - | 1 |
| Capital creditors | 67 | - |
| Unpaid dividends | 2 | - |
| Employee benefits payable | 195 | - |
| Other current liability | 11 | - |
| Total financial liabilities | 275 | 1 |

15 Provisions

| Particulars | As at June 30, 2019 | |
|--|------------------------|-------------|
| | Current | Non-current |
| Provisions for employee benefit | | |
| Gratuity | 6 | 47 |
| Compensated absences | 130 | - |
| Long service award | 1 | 5 |
| Other provisions | | |
| Product support (refer note a and c) | 44 | 4 |
| Disputed taxes and duties (refer note b and c) | 29 | - |
| Total provision | 210 | 56 |

a) Product support

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

b) Disputed taxes and duties:

Provision for disputed taxes and duties is towards CST, VAT and excise duty that are expected to materialise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

c) Movement in provisions:

| Particulars | Product support | | Disputed taxes and duties | | Total | |
|------------------------------------|-----------------|-------------|---------------------------|-----------|-------------|--|
| | Current | Non-current | Current | Current | Non-current | |
| Balance as at July 01, 2018 | 43 | 2 | 33 | 76 | 2 | |
| Addition | 33 | 2 | - | 33 | 2 | |
| Utilisation | (32) | 0 | - | (32) | 0 | |
| Reversal | | - | (4) | (4) | - | |
| Balance as at June 30, 2019 | 44 | 4 | 29 | 73 | 4 | |

d) Defined benefit obligation (Gratuity - Funded)

The Group operates a gratuity plan through the "KENNAMETAL INDIA LIMITED EMPLOYEES' GRATUITY TRUST". Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at time of separation from the Company or retirement, whichever is earlier. The benefits vest after 5 years of continuous service. The Board of trustees is responsible for the administration of the Plan assets and investment strategy.

i) Change in defined benefit obligation

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Defined benefit obligation at beginning of the year | 237 |
| a. Current service cost | 14 |
| b. Interest expenses | 19 |
| c. Benefits payments from employer | (28) |
| d. Transfer in/out | 0 |
| <u>Add/(Less) Remeasurement (gain)/loss</u> | |
| a. Due to change in demographic assumptions | (0) |
| b. Due to change in financial assumptions | 15 |
| c. Due to experience adjustments | 2 |
| Defined benefit obligation at end of year | 259 |
| ii) Fair value of plan assets at end of prior year | 184 |
| a. Investment income | 14 |
| b. Employer contribution | 34 |
| c. Benefit payments from employer | (27) |
| d. Transfer in/out | 0 |
| Remeasurements: | |
| a. Returns on assets (excluding interest income) | 1 |
| Fair value of plan assets at end of year | 206 |
| iii) Assets and liabilities recognised in the Consolidated Balance Sheet: | |
| Present value of defined benefit obligations | 259 |
| (Less): Fair value of plan assets | (206) |
| Deficit/ (Surplus) | 53 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

iv) Expense recognised in the Consolidated Statement of Profit and Loss

| Particulars | As at June 30, 2019 |
|---|------------------------|
| Remeasurement of other long term benefits | |
| a. Current service cost | 14 |
| Total Service cost | 14 |
| Net interest cost | |
| a. Interest expenses on Defined benefit obligation | 19 |
| b. Interest income on plan assets | (14) |
| Total net interest cost | 5 |
| A. Defined benefit cost included in P&L | 19 |
| Remeasurement (recognised in Other comprehensive income (OCI)) | |
| a. Due to change in demographic assumptions | (0) |
| b. Due to change in financial assumptions | 14 |
| c. Due to experience adjustments | 2 |
| B. Total remeasurement in OCI | 16 |
| Total defined benefit cost recognised in P&L and OCI | 35 |

v) Major category of plan asset as % of total plan assets

| Particulars | As at June 30, 2019 |
|-----------------------------------|------------------------|
| Government Bonds | 0% |
| PSU | 0% |
| Mutual Funds | 0% |
| Deposits with Banks and FIs | 0% |
| Others : Funds managed by insurer | 100% |

vi) Significant actuarial assumptions

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Discount rate per annum | 7.10% |
| Expected return on plan assets | 7.10% |
| Expected salary increase per annum | 5% & 4% |
| Mortality rate per annum | 100% |
| Withdrawal (rate of employee turnover) | 4.50% |
| Retirement age | 58 & 60 |

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

vii) Sensitivity analysis**Gratuity**

Gratuity is a lumpsum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The actuarial assumptions to which the benefit obligations results are particularly sensitive to are discount rate, salary escalation rate, attrition rate and mortality rate. The following table summarises impact on the reported defined benefit obligation arising on account of an increase or decrease in the reported assumptions.

| Particulars | Change in assumption | As at June 30, 2019 | |
|----------------|----------------------|--------------------------------------|--------------------------------------|
| | | Increase/ (decrease) in liability | Increase/ (decrease) in liability |
| Discount rate | +1% / -1% | (15) | 17 |
| Salary rate | +1% / -1% | 17 | (16) |
| Attrition rate | +50% / -50% | 5 | (6) |
| Mortality rate | +10% / -10% | 0 | (0) |

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation assuming there are no other changes in market condition as at the Consolidated Balance Sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

viii) The weighted average duration of the defined benefit obligation is 6 years. The expected maturity analysis of undiscounted gratuity is as below:

| Particulars | 1 year | 2-5 year | 6-10 year | More than 10 years | Total |
|---------------|--------|----------|-----------|--------------------|-------|
| Gratuity | | | | | |
| June 30, 2019 | 31 | 140 | 128 | 138 | 437 |

ix) Risk exposure

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary overtime. Thus, the Group is exposed to various risks in providing the above benefit which are as follows:

a Interest rate risk

The plan exposes the Group to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability as shown in Consolidated Financial Statements.

b Salary escalation risk

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of employees in future. Deviation in the rate of interest in future for employees from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

c Demographic risk

The Group has used certain mortality and attrition assumptions in valuation of the liability. The Group is exposed to the risk of actual experience turning out to be worse compared to the assumption.

d Liquidity risk

The Group does not perceive any liquidity risk as the Group has investments in Government Securities and Corporate Bonds offers the best returns over the long term, within an acceptable level of risk.

Leave obligation

The leave obligation cover the Group's liability for sick and earned leave. The amount of the provision of ₹ 130 is presented as current, since the Group doesn't have an unconditional right to defer settlement for any of these obligations.

16 Other current liabilities

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Advances from customers | 327 |
| Statutory dues | 35 |
| Contract liabilities (refer note 2.4) | |
| Customer loyalty programme | 80 |
| Refund liabilities | 33 |
| Total current liabilities | 475 |

a) Defined benefits plan (Provident Fund - Trust set by employer)

Provident fund for certain eligible employees is managed by Group through the "KENNAMETAL INDIA LIMITED EMPLOYEES' PROVIDENT FUND TRUST" in line with the Provident Fund and Miscellaneous Provisions Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and the employee together with the interest accumulated there on are payable to the employees at the time of their separation from the Group or retirement, whichever is earlier. The benefits vests immediately on rendering of the services by the employee. The Group currently does not have any unfunded plans. The Board of trustees is responsible for the administration of the Plan assets and investment strategy.

i) Changes in present value of defined benefits plan

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Defined benefit obligation at beginning of the year | 982 |
| Add: Current service cost | 25 |
| Add: Interest expenses | 85 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | As at June 30, 2019 |
|--|------------------------|
| a. Benefit payments from employer | (155) |
| b. Other (employee contribution, taxes, expenses): | 109 |
| Add/(Less): Remeasurement loss/ (gain) | |
| a. Due to experience adjustments | 3 |
| Defined benefit obligation at end of year | 1049 |

ii) Changes in plan assets

| Particulars | As at June 30, 2019 |
|---|------------------------|
| Fair value of plan assets at end of prior year | 1027 |
| a. Investment income | 88 |
| b. Employer contribution | 25 |
| c. Benefit payments from employer | (155) |
| d. Other (employee contribution, taxes, expenses) | 96 |
| e. Returns on assets (excluding interest income) | 30 |
| Fair value of plan assets at end of year | 1111 |

iii) Assets and liabilities:

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Present value of defined benefit obligations | 1049 |
| Fair value of plan assets | (1111) |
| Total | (62) |

| Particulars | As at June 30, 2019 |
|------------------------|------------------------|
| Non-current provisions | 883 |
| Current provisions | 166 |
| Total | 1049 |

Note:

The Provident fund expenses other than contribution is not recognised in Consolidated Statement of Profit and Loss as the fair value of plan assets exceeds the present value of obligation. Accordingly, the excess of plan assets over present value of obligation has not been recorded in Consolidated Financial Statements.

Provident fund expenses recognised in the books for the year ended June 30, 2019 amount to ₹ 49.

iv) Major Categories of plan assets as percentage of total plan assets

| Particulars | As at June 30, 2019 |
|-----------------------------------|------------------------|
| Government Bonds | 48% |
| Public sector understanding | 40% |
| Others : Funds managed by insurer | 12% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

v) Significant Actuarial Assumptions

| Particulars | As at June 30, 2019 |
|--|------------------------|
| Discount rate per annum | 7.10% |
| Expected return on plan assets | 8.65% |
| Expected salary increase per annum | 5% & 4% |
| Mortality rate per annum | 100% |
| Withdrawal (rate of employee turnover) | 4.50% |
| Retirement age | 58 & 60 |
| Interest rate guarantee | 8.65% |

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

vi) Sensitivity analysis**Provident Fund**

| Particulars | Change in assumption | As at June 30, 2019 | |
|-------------------------|-------------------------|---|---|
| | | Increase/ (decrease) in liability | Increase/ (decrease) in liability |
| Discount rate | +1% / -1% | (0) | 0 |
| Interest guarantee rate | +1% / -1% | 44 | (18) |

17 Revenue from operations

| Particulars | Year ended June 30, 2019 |
|--------------------------------------|-----------------------------|
| Sale of products | |
| Finished goods | 6022 |
| Traded goods | 3260 |
| Sale of services | 96 |
| Other operating revenue | |
| Sale of scrap | 8 |
| Export incentives | 58 |
| Commission on order based sales | 8 |
| Total revenue from operations | 9452 |

A) Disaggregation of revenue**Revenue based on Geography**

| Particulars | Year ended June 30, 2019 |
|--------------------------------------|-----------------------------|
| Domestic | 8009 |
| Export | 1443 |
| Total revenue from operations | 9452 |

B) Revenue based on Business Segment

| Particulars | Year ended June 30, 2019 |
|--------------------------------------|-----------------------------|
| Hard Metal Products | 7855 |
| Machining Solutions | 1597 |
| Total revenue from operations | 9452 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

C) Reconciliation of Revenue from operations

| Particulars | Year ended June 30, 2019 |
|--------------------------------------|-----------------------------|
| Contract Price | 9584 |
| Less:- | |
| Sales returns | (6) |
| Annual turnover discount | (121) |
| Others | (5) |
| Total revenue from operations | 9452 |

D) Assets and liabilities related to contracts with customers

| Particulars | Year ended June 30, 2019 | |
|-----------------------------|-----------------------------|-------------|
| | Current | Non-Current |
| Contract liabilities | | |
| Advance from customers | 327 | - |
| Deposit for customers | - | 1 |
| Customer loyalty programme | 80 | - |
| Refund liability | 33 | - |
| Contract assets | | |
| Trade receivable | 1658 | - |

18 Other income

| Particulars | Year ended June 30, 2019 |
|---|-----------------------------|
| Dividend income | 13 |
| Interest income on bank deposits | 0 |
| Interest on income tax refund | 32 |
| Liabilities no longer required written back | 14 |
| Net gain on disposal of property, plant and equipment | 5 |
| Lease rentals | 18 |
| Support service charges from fellow subsidiary | 10 |
| Miscellaneous income | 13 |
| Total other income | 105 |

19 Cost of materials consumed

| Particulars | Year ended June 30, 2019 |
|--|-----------------------------|
| Consumption of raw materials and components | |
| Opening inventory | 399 |
| Add: Purchases | 3412 |
| Less: Closing inventory | (566) |
| Total cost of materials consumed | 3245 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

20 Purchase of stock in trade

| Particulars | Year ended June 30, 2019 |
|---|-----------------------------|
| Traded goods | 2104 |
| Total purchase of stock in trade | 2104 |

21 Changes in inventories of finished goods, work-in-progress and stock in trade

| Particulars | Year ended June 30, 2019 |
|---|-----------------------------|
| Opening stock: | |
| Work-in-progress (WIP) | 492 |
| Finished goods | 358 |
| Traded goods | 282 |
| | 1132 |
| Closing stock: | |
| Work-in-progress (WIP) | 703 |
| Finished goods | 462 |
| Traded goods | 330 |
| | 1495 |
| Total changes in inventories of finished goods, WIP and stock in trade | (363) |

22 Employee benefit expense

| Particulars | Year ended June 30, 2019 |
|--|-----------------------------|
| Salaries, wages and bonus | 1144 |
| Contribution to provident and other funds | 52 |
| Gratuity [refer note 15] | 19 |
| Share based payment expenses [refer note 29] | 10 |
| Staff welfare | 104 |
| Total employee benefit expense | 1329 |

23 Depreciation and amortisation expense

| Particulars | Year ended June 30, 2019 |
|--|-----------------------------|
| Depreciation on property, plant and equipment | 279 |
| Amortisation on intangible assets | 1 |
| Total depreciation and amortisation expense | 280 |

24 Finance costs

| Particulars | Year ended June 30, 2019 |
|----------------------------|-----------------------------|
| Interest expense | 5 |
| Total finance costs | 5 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

25 Other expenses

| Particulars | Year ended June 30, 2019 |
|---|-----------------------------|
| Power and fuel | 114 |
| Consumption of stores and spare parts | 226 |
| Subcontracting charges | 296 |
| Repairs and maintenance | 125 |
| Rent | 8 |
| Rates and taxes | 12 |
| Insurance | 10 |
| Travelling and conveyance | 144 |
| Legal and professional (Note a) | 138 |
| Communication | 9 |
| Directors' sitting fee | 2 |
| Directors commission | 4 |
| Expenditure towards Corporate Social Responsibility (CSR) (Note b) | 10 |
| Business promotion expenses (Trial & demo) | 55 |
| Forwarding and freight | 152 |
| Provision for product support | 36 |
| Royalty | 27 |
| Printing and stationery | 11 |
| Advertisement and sales promotion | 23 |
| Provision doubtful debts and deposits (net) | 1 |
| Commission on sales (liaisoning agent commission) | 29 |
| Information technology services | 170 |
| Net loss on foreign currency transaction and translation | 4 |
| Miscellaneous expenses | 79 |
| Total other expenses | 1685 |
| a) Payments to Auditors (excluding GST) included under legal and professional above: | |
| Statutory Audit | 2 |
| Audit of tax accounts and tax audit | 1 |
| Limited reviews | 1 |
| Group audit fees (₹ 200,000) | 0 |
| Out of pocket expenses (₹ 110,000) | 0 |
| Total payment to auditors | 4 |
| b) Expenditure towards CSR: | |
| Gross amount required to be spent as per Section 135 of the Act of ₹ 10 | |
| Amount spent on construction / acquisition of an asset | - |
| Amount spent on purpose other than above | 10 |
| Total expenditure towards CSR | 10 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

26 Income tax expense

| Particulars | Year ended June 30, 2019 |
|--|-----------------------------|
| (a) Income tax expense | |
| Current tax | 394 |
| Tax Adjustments relating to earlier years | (115) |
| Deferred tax charge/(credit): | |
| Deferred tax on account of origination and reversal of timing difference | 44 |
| Deferred tax asset written off | 45 |
| Income tax expense | 368 |
| Deferred tax related to items recognised in OCI | |
| Income tax relating to re-measurement gains on defined benefit plans | (6) |
| Income tax expense reported in OCI | (6) |

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

| Particulars | Year ended June 30, 2019 |
|--|-----------------------------|
| Profit for the year before tax expense | 1272 |
| Tax at the Indian tax rate of 34.944% | 444 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable Income: | |
| CSR expenditure | 3 |
| Asset block difference | 33 |
| Exempt income | (5) |
| Research and development expense | (31) |
| Tax relating to earlier years | (115) |
| Deduction on house property income | (2) |
| Deferred tax reversal on provision for inventory, warranty and RSUs | 45 |
| Deferred tax rate change | 0 |
| Income taxable at lower rates | (3) |
| Other items | (1) |
| Tax expense | 368 |

27 Capital and other commitments

Capital expenditure contracted for at the end of year of the reporting period but not recognised as liabilities is as follows:

| Particulars | As at June 30, 2019 |
|-------------------------------|------------------------|
| Property, plant and equipment | 582 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

28 Contingent liabilities

| Particulars | As at June 30, 2019 |
|---|------------------------|
| Income tax matters [note (a)] | 219 |
| Sales tax matters under dispute | 1 |
| First loss default guarantee [note (c)] | 13 |

- a) Primarily relates to transfer pricing adjustments/disallowances relating to Research and Development expenditure made by the Income Tax Department for the tax assessment years 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2013-14 and 2014-15 which is disputed by the Group and the matter is lying under appeal with The Income Tax Appellate Tribunal, Bengaluru/ The Commissioner of Income Tax (Appeals) LTU, Bengaluru/The Dispute Resolution Panel, Bengaluru. The Group has paid ₹ 213 under protest towards above tax demand and recorded as non-current income-tax assets.
- b) First loss default guarantee represents financial guarantee given to a banker for providing channel financing scheme to distributors.
- c) The Honourable Supreme Court, has passed a decision on February 28, 2019 in relation to inclusion of certain allowances within the scope of "Basic wages" for the purpose of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. The Group, based on legal advice, is awaiting further clarifications in this matter in order to reasonably assess the impact on its Consolidated Financial Statements, if any. Accordingly, the applicability of the judgement to the Group, with respect to the period and the nature of allowances to be covered, and resultant impact on the past provident fund liability, cannot be reasonably ascertained, at present.

29 Shared based payment

Managing Director and certain senior management employees of the Company under the long-term incentive plan are granted Restricted Stock Units (RSUs) in a share based compensation plan of Kennametal Inc. USA, the ultimate holding Company.

Restricted stock units (RSUs)

RSUs are stock awards granted to employees that entitle the holder to shares of common stock as the award vests, over 3 or 4 years depending on the scheme and year of grant. The options granted under the plan have a graded vesting over a period of three or four years, which are immediately exercised on the vesting date. All the options granted under the plan are equity settled.

The fair value of time vesting stock units is determined and fixed on the grant date based on the Kennametal Inc.'s stock price adjusted for the exclusion of dividend equivalents.

The Group recognises stock-based compensation expense for restricted stock units over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service (substantive vesting period).

Details of number and weighted average exercise price of share options:

| Particulars | As at June 30, 2019 | |
|---------------------------|--|------------------------------|
| | Weighted Average fair value per Award (in USD) | Number of Awards in units |
| Opening balance | 34.48 | 1823 |
| Granted during the year | 37.74 | 4503 |
| Exercised during the year | 36.34 | (3899) |
| Closing balance | 37.54 | 2427 |

Note 1: No RSU's expired during the period covered in the above table

Note 2: The weighted average remaining contractual life of RSUs outstanding at the end of the period is 1.26 years.

Expenses arising from share based payments transactions

| Particulars | Year ended June 30, 2019 |
|-------------------------|-----------------------------|
| Shares issued under RSU | 10 |
| Total | 10 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

30 Fair value measurements**i) Financial instruments by category**

The carrying value and fair value of financial instruments by categories as at June 30, 2019 are as follows:

| Particulars | Amortised cost | Financial assets/ liabilities at FVTPL | Financial assets/ liabilities at FVTOCI | Carrying value | Fair value |
|--|----------------|--|---|----------------|-------------|
| Assets: | | | | | |
| Loans [refer note 6(a)] | 3 | - | - | 3 | 3 |
| Trade receivables [refer note 6(b)] | 1658 | - | - | 1658 | 1658 |
| Cash and cash equivalents [refer note 6(c)] | 637 | - | - | 637 | 637 |
| Bank balances other than cash and cash equivalents [refer note 6(d)] | 2 | - | - | 2 | 2 |
| Other financial assets [refer note 6(e)] | 25 | - | - | 25 | 25 |
| Total | 2325 | - | - | 2325 | 2325 |
| Liabilities: | | | | | |
| Borrowings [refer note 14A] | 100 | - | - | 100 | 100 |
| Trade payables [refer note 14B] | 1289 | - | - | 1289 | 1289 |
| Other financial liabilities [refer note 14C] | 276 | - | - | 276 | 276 |
| Total | 1665 | - | - | 1665 | 1665 |

ii) Financial instruments by category

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments. The carrying amounts of trade receivables, cash and cash equivalents, bank deposits with more than 12 months maturity, trade payables, items falling under other financial assets and financial liabilities are considered to be the same as their fair values.

The fair value of investment in government securities, loans and security deposits are determined based on discounted cash flows calculated using deposit rates for similar terms and credit risk at the inception. There are no significant changes in fair value of such assets during the year.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

iii) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There are no transfers between the levels during the year.

iv) Valuation process:

The finance department of the Group includes people capable of performing valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. The significant level 3 inputs for determining the fair values of security deposits and loan to employees are discount rates using a long term bank deposit rate to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

31 Financial risk management

The Group's activities expose it to market risk, liquidity risk and credit risk. The Group's risk management is carried out by the Management under the policies approved of the Board of Directors that help in identification, measurement, mitigation and reporting all risks associated with the activities of the Group. These risks are identified on a continuous basis and assessed for the impact on the financial performance. Information on risks and the response strategy is escalated in a timely manner to facilitate timely decision making. Risk response strategy is formulated for key risks by Management.

The below note explains the sources of risk which the Group is exposed to and how the Group manages the risk in the Consolidated Financial Statements:

| Risk | Exposure arising from | Measurement | Management |
|--------------------------------|--|---|---|
| Credit risk | Cash and cash equivalents, trade receivables, financial assets measured at amortised cost | Ageing analysis, credit ratings | Diversification of bank deposits, credit limits |
| Liquidity risk | Other liabilities | Rolling cash flow forecasts | Availability of surplus cash and time deposits |
| Market risk - foreign exchange | Future commercial transactions, recognised financial assets and liabilities not denominated in Indian rupee (Rupees) | Cash flow forecasting, sensitivity analysis | Natural hedge exist between export receivable and import payables |

A. Credit Risk

Credit risk arises from cash and cash equivalents, security deposits carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

Credit risk refers to the risk of default on its obligation by the counter party resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 1658 as of June 30, 2019 [30 June 2018: ₹ 1427].

| Assets under credit risk | As at June 30, 2019 |
|--------------------------|------------------------|
| Trade receivables | 1658 |
| Loans | 3 |
| Other financial assets | 7 |
| Total | 1668 |

Credit risk on cash and cash equivalents is limited as the Group generally invest in deposits with banks with high credit ratings as signed by international and domestic credit rating agencies.

Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in India and US. Credit risk has always been managed by the Group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of Ind AS 109, Financial Instruments, the Group uses expected credit loss model to assess the impairment loss or gain. The provision for expected credit loss takes into account available external and internal credit risk factors including the credit ratings of the various customers and Group's historical experience for customers. The Group applies the simplified approach to provide for expected credit losses prescribed by Ind AS 109, which permits the use of lifetime expected loss provision for all the trade receivables. The Group measures the expected credit loss of trade receivables based on historical trend, industry.

Expected credit loss for trade receivables

| Particulars | As at June 30, 2019 |
|--------------------------------------|------------------------|
| Opening provision for loss allowance | 15 |
| Additional provision | 1 |
| Utilisation/ reversal | - |
| Closing provision | 16 |

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for receivables of ₹16 and ₹15 as at 30 June 2019 and 30 June 2018 respectively. The Group's credit period generally ranges from 60-180 days from invoicing date. The ageing analysis of the receivables has been considered from the date the invoice falls due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

No expected credit loss provision has been created for Loans i.e. security deposits on leased premises and advances given to employees, since the Group considers the life time credit risk of these financial assets to be very low.

B. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, Group's treasury maintains flexibility in funding by maintaining availability of required funds.

Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows.

Maturities of financial Liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

| Particulars | Less than 1 year | 1 - 2 years | More than 2 years | Total |
|-----------------------------|------------------|-------------|-------------------|-------------|
| As at June 30, 2019 | | | | |
| Borrowings | 100 | - | - | 100 |
| Other financial liabilities | 275 | 1 | - | 276 |
| Trade payables | 1289 | - | - | 1289 |
| Total | 1564 | 1 | - | 1565 |

C. Market Risk**(i) Foreign currency risk**

The Group is exposed to foreign currency exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the companies functional currency (Rupees).

The risk is measured through a forecast of highly probable foreign currency on cash flows. To mitigate the risk of changes in exchange rates on foreign currency exposures, the Group has natural hedge between export receivable and import payables.

The Group exposure to foreign currency risk at the end of the reporting period expressed in ₹ as follows:

| Particulars | Currency | As at June 30, 2019 |
|---|----------|------------------------|
| Financial assets | | |
| Trade receivables | | |
| | USD | 74 |
| | EUR | 50 |
| | BRL | 1 |
| | JPY | 0 |
| | AUD | 1 |
| | Others | 0 |
| Net exposure to foreign currency risk (assets) | | 126 |
| Financial liabilities | | |
| Trade Payables | | |
| | USD | (24) |
| | EUR | (31) |
| | JPY | (6) |
| | CHF | (61) |
| | GBP | (1) |
| | AUD | (0) |
| Total financial liabilities | | (123) |
| Net foreign exchange exposure | | 3 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

C. Market Risk (Cont'd)**Sensitivity**

A reasonably possible strengthening (weakening) of the ₹, foreign currency against all other currencies at 30th June, would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amount shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases.

| Particulars | Impact on profit before tax | |
|---|-----------------------------|---------------|
| | As at June 30, 2019 | |
| | 1% Increase | 1% Decrease |
| USD | 0.50 | (0.50) |
| EUR | 0.19 | (0.19) |
| BRL | 0.01 | (0.01) |
| JPY | (0.06) | 0.06 |
| CHF | (0.61) | 0.61 |
| GBP | (0.01) | 0.01 |
| AUD | 0.01 | (0.01) |
| Others | 0.00 | (0.00) |
| Increase or (decrease) in profit or loss | 0.03 | (0.03) |

32 Capital Management**Risk management**

The Group's objectives when managing capital is to:

- safeguard their ability to continue as going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and;
- maintain an optimal capital structure to reduce the cost of capital.

The Management regularly monitors rolling forecasts of liquidity position and cash on the basis of expected cash flows. In addition, the Group projects cash flows in major currencies and considers the level of liquid assets necessary to meet them.

| Particulars | As at June 30, 2019 |
|------------------------------------|------------------------|
| Borrowings (refer note 14A) | 100 |
| Trade payables (refer note 14B) | 1,289 |
| Less: Cash and short term deposits | (637) |
| Net debt | 752 |
| Equity | 220 |
| Other Equity | 5,010 |
| Capital and net debt | 5,982 |
| Gearing ratio | 13% |

33 Dividends

The Group declares and pays dividends in Indian rupees. Group may, before the declaration of any dividend, transfer a percentage of its profits for that financial year as it may consider appropriate to the reserves.

The interim dividend and the dividend distribution tax on the dividend for the year ended June 30, 2019 is as below:

| Particulars | Year ended June 30, 2019 |
|---|-----------------------------|
| Interim dividend paid during the year ended June 30, 2019 of ₹ 2 per fully paid share | 44 |
| Dividend Distribution Tax on interim dividend | 9 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

34 Operating lease (Ind AS 17)**As a Lessee:**

The Group has taken certain office facilities and motor vehicles on operating lease. These lease arrangements range for a period of 11 months to 5 years and are renewable for further period on mutually agreeable terms.

The total future minimum lease rentals receivable at the Consolidated Balance Sheet date is as under:

| Particulars | As at June 30, 2019 |
|---|------------------------|
| For a period not later than one year | 8 |
| For a period later than one year and not later than 5 years | 16 |
| For a period later than five years | |

35 Net debt reconciliation

| Particulars | As at June 30, 2019 |
|----------------------------|------------------------|
| Cash and cash equivalent | 637 |
| Non-current borrowings | - |
| Current borrowings | (100) |
| Net debt (Negative) | 537 |

36 Segment Information**A. Description of segments and principal activities**

The Group is in the business of manufacturing and trading of hard metal products and manufacturing of machine tools (also known as machining solutions), which are sold in domestic and export markets. The Managing Director of the Group has been identified as the Chief Operating Decision Maker (CODM). Managing Director examines the Group's performance both from product and geographic perspective and has identified two reportable segments in its business:

- (i) **Machining solutions:** Machining solutions segment manufactures and sells customised capital intensive machines. Group specialises in providing end to end solution i.e. from design to manufacture and after sales service. The sales comprise of machines, fixtures, sale of spares and after sales service.
- (ii) **Hard metal products:** Hard metal products segment deals in metal and metal cutting tools. The sales of this segment comprise of manufactured and traded goods.

B. Segment information:

| Particulars | Machining Solutions June 30, 2019 | Hard Metal Products June 30, 2019 | Total June 30, 2019 |
|--------------------------------------|---|---|------------------------|
| B.1 Segment revenue | | | |
| Segment revenue (external customers) | 1597 | 7855 | 9452 |
| Inter-segment revenue | - | - | - |
| Total segment revenue | 1597 | 7855 | 9452 |
| B.2 Segment Result | | | |
| Segment Result | 259 | 1269 | 1528 |
| Unallocated Corporate Income | - | - | 32 |
| Unallocated Corporate Expense | - | - | (320) |
| Interest Income | - | - | 32 |
| Exceptional Items | - | - | - |
| Profit before tax | | | 1272 |
| Tax (expense)/credit | | | (368) |
| Profit after tax | | | 904 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | Machining Solutions | Hard Metal Products | Total |
|--|---------------------|---------------------|---------------|
| | June 30, 2019 | June 30, 2019 | June 30, 2019 |
| B.3 Segment Assets | | | |
| Segment Assets | 1147 | 5185 | 6332 |
| Unallocated Corporate Assets | - | - | 1331 |
| Total segment assets | 1147 | 5185 | 7663 |
| B.4 Segment Liabilities | | | |
| Segment liabilities | 628 | 1491 | 2119 |
| Unallocated corporate liabilities | - | - | 314 |
| Total segment liabilities | 628 | 1491 | 2433 |
| B.5 Capital Expenditure | | | |
| Capital expenditure | 87 | 941 | 1028 |
| Unallocated corporate capital expenditure | - | - | 91 |
| Total capital expenditure | 87 | 941 | 1119 |
| B.6 Depreciation and amortisation | | | |
| Depreciation and amortisation | 19 | 249 | 268 |
| Unallocated corporate depreciation | - | - | 13 |
| Total Depreciation and amortisation | 19 | 249 | 280 |

C. Geographical Information:

The Group's operations are predominantly restricted to the domestic market (within India). However, the Group exports goods to Germany, USA, China and others. Accordingly, geographical information are given below:

| Particulars | Machining Solutions | Hard Metal Products | Total |
|--------------|---------------------|---------------------|---------------|
| | June 30, 2019 | June 30, 2019 | June 30, 2019 |
| India | 1474 | 6535 | 8009 |
| Germany | - | 647 | 647 |
| USA | - | 438 | 438 |
| China | 58 | 129 | 187 |
| Others | 65 | 106 | 171 |
| Total | 1597 | 7855 | 9452 |

D. Notes

- The segment-wise revenue, results, assets and liabilities relate to the respective amounts directly identifiable to each of the segments.
- The segment revenue is measured in the same way as in the Consolidated Statement of Profit and Loss.
- No customer individually account for more than 10% of the revenue in the year ended June 30, 2019.
- The expenses that are not directly attributable and that can't be allocated to an operating segment on a reasonable basis are shown as unallocated corporate expenses.
- Segment assets include all operating assets used by the segment and consists primarily of property, plant and equipment and current assets. Segment liabilities comprise of liabilities which can be directly allocated against respective segments. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

37 Related party disclosures**A) Names of related parties and description of relationship:****a) Parties where control exists:**

- (i) Ultimate Holding Company
- (ii) Immediate holding company
- (iii) Enterprises holding, directly or indirectly, substantial interest in Meturit A.G. Zug

Kennametal Inc, USA
 Meturit A.G. Zug, Switzerland
 Widia GmbH, 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

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

Fellow Subsidiaries

Kennametal Australia Pty. Ltd, Australia
 Kennametal Korea Co., Ltd., Korea
 Kennametal Japan Ltd., Japan
 Kennametal Do Brasil LTDA, Brazil
 Kennametal Hard Point (Shanghai) 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 Asia China Management Company, Shanghai
 Kennametal Stellite L.P., USA
 Kennametal (Thailand) Co., Ltd., Thailand
 Kennametal (Malaysia) Sdn. Bhd., Malaysia*
 PT. Kennametal Indonesia Services, Indonesia*
 Kennametal (Xuzhou) Co., Ltd. China*
 Kennametal Produktions GmbH & Co. KG, Germany*
 Kennametal UK Ltd., United Kingdom*
 Kennametal (Singapore) PTE. Ltd., Singapore*
 Widia India Tooling Pvt. Ltd.,
 Bhagya Chandra Rao – Managing Director
 Suresh Reddy K V (CFO)
 Naveen chandra prakash (CS)

c) Subsidiary**d) Key Management Personnel**

* No transaction during the year

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

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

| Particulars | Parties where control exist | Fellow subsidiaries | Key management personnel | Total |
|--|--------------------------------|------------------------|-----------------------------|-------------|
| | [A(a)] | [A(b)] | [A(c)] | |
| | 2019 | 2019 | 2019 | 2019 |
| Revenue | 1085 | 669 | - | 1754 |
| Kennametal Inc., USA | 438 | - | - | 438 |
| Kennametal Europe GmbH, Switzerland | 647 | - | - | 647 |
| Kennametal HardPoint (Shanghai) Ltd., China | - | 16 | - | 16 |
| Kennametal Distribution Services Asia Pte. Ltd., Singapore | - | 7 | - | 7 |
| Others | - | 646 | - | 646 |
| Other income | - | 28 | - | 28 |
| Kennametal Shared Services Private Ltd., India | - | 20 | - | 20 |
| Kennametal Stellite L.P., USA | - | 8 | - | 8 |
| Reimbursement of expenses (income) | 31 | 13 | - | 43 |
| Kennametal Inc., USA | - | - | - | - |
| Widia India Tooling Pvt. Ltd., | 31 | - | - | 31 |
| Kennametal Shared Services Private Ltd., India | - | 2 | - | 2 |
| Kennametal Distribution Services Asia Pte. Ltd., Singapore | - | 10 | - | 10 |
| Others | - | 1 | - | 1 |
| Loans & advances from subsidiaries | - | 100 | - | - |
| Kennametal Shared Services Private Ltd., India | - | 100 | - | - |
| Dividend paid | 33 | - | - | 33 |
| Interim dividend paid | - | - | - | - |
| Metruit A.G. Zug, Switzerland | 22 | - | - | 22 |
| Kennametal Inc., USA | 11 | - | - | 11 |
| Managerial remuneration paid | - | - | 34 | 34 |
| Bhagya Chandra Rao (MD) | | | | |
| Salary & allowances | - | - | 13 | 13 |
| Performance pay | - | - | 4 | 4 |
| Share based payment | - | - | 5 | 5 |
| Suresh Reddy K V (CFO) | | | | |
| Salary & allowances | - | - | 7 | 7 |
| Company Secretary | | | | |
| Salary & allowances | - | - | 4 | 4 |
| Purchases | 3208 | 95 | - | 3304 |
| <u>Purchase of capital goods</u> | <u>1</u> | <u>24</u> | <u>-</u> | <u>25</u> |
| Kennametal Inc., USA | 1 | - | - | 1 |
| Hanita Metal Works Ltd. (P.), Israel | - | 24 | - | - |
| <u>Purchase of goods - others</u> | <u>3207</u> | <u>71</u> | <u>-</u> | <u>3278</u> |
| Kennametal Inc., USA | 1303 | - | - | 1303 |
| Kennametal Europe GmbH, Switzerland | 1905 | - | - | 1905 |
| Others | - | 71 | - | 71 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

| Particulars | Parties where control exist | Fellow subsidiaries | Key management personnel | Total |
|---|--------------------------------|------------------------|-----------------------------|------------|
| | [A(a)] | [A(b)] | [A(c)] | |
| | 2019 | 2019 | 2019 | 2019 |
| Services received / Recharge of expenses | 231 | 81 | - | 311 |
| Information technology services | 170 | - | - | 170 |
| Kennametal Inc., USA | 170 | - | - | 170 |
| Professional fees (Technical services) | 19 | 63 | - | 82 |
| Kennametal Inc., USA | 19 | - | - | 19 |
| Kennametal Shared Services Private Ltd., India (Technical Services) | - | 63 | - | 63 |
| Royalty payments | 16 | 11 | - | 27 |
| Kennametal Inc., USA | 16 | - | - | 16 |
| Hanita Metal Works Ltd., Israel | - | 11 | - | 11 |
| Recharge of expenses | 25 | 7 | - | 32 |
| Kennametal Inc., USA | 15 | - | - | 15 |
| Widia India Tooling Pvt. Ltd., | 10 | - | - | 10 |
| Kennametal Shared Services Private Ltd., India (Interest on Loan Taken) | - | 5 | - | 5 |
| Others | - | 2 | - | 2 |
| Outstanding receivables - Trade and others | 104 | 53 | - | 157 |
| Trade receivables | 103 | 19 | - | 121 |
| Kennametal Inc., USA | 54 | - | - | 54 |
| Kennametal Europe GmbH, Switzerland | 49 | - | - | 49 |
| Others | - | - | - | - |
| Outstanding other receivables | 1 | 34 | - | 35 |
| Kennametal Inc., USA | 1 | - | - | 1 |
| Others | - | 34 | - | 34 |
| Outstanding payable - Trade | 461 | 27 | - | 488 |
| Kennametal Inc., USA | 295 | - | - | 295 |
| Kennametal Europe GmbH, Switzerland | 165 | - | - | 165 |
| Others | - | 27 | - | 27 |
| Outstanding loan payable | - | 100 | 0 | 100 |
| Kennametal Shared Services Private Ltd., India | - | 100 | - | 100 |

Note: The above does not include related party transactions with employee trusts, as management personnel of the Group who are trustees of funds cannot individually exercise significant influence on the retiral funds transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in ₹ millions unless otherwise stated)

38 Disclosures mandated by Schedule III of Companies Act 2013, by way of additional information, refer below

| Name of the Entities | As at June 30, 2019 | | | | | | | |
|--|---|-------------|----------------------------------|------------|-------------------------------------|-------------|--|------------|
| | Net Assets (total assets - total liabilities) | | Share in profit (loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
| | As a % of consolidated net assets | Amount | As a % of share in profit (loss) | Amount | As a % of share in OCI | Amount | As a % of share in consolidated profit | Amount |
| Parent: | | | | | | | | |
| Kennametal India Limited | 99.19% | 5,188 | 95.48% | 863 | 99.71% | (10) | 95.39% | 853 |
| Subsidiary | | | | | | | | |
| Widia India Tooling Private Limited | 0.77% | 40 | 4.48% | 41 | 2.41% | (0) | 4.50% | 40 |
| Intercompany Elimination and consolidation adjustments | 0.03% | 2 | 0.04% | 0 | -2% | 0 | 0.10% | 1 |
| Total | 100.00% | 5230 | 100.00% | 904 | 100.00% | (10) | 100.00% | 894 |
| Non-controlling interest in subsidiary | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 0 |
| Grand Total | 100.00% | 5230 | 100.00% | 904 | 100.00% | (10) | 100.00% | 894 |

39 Earnings per equity share

| Particulars | Year ended June 30, 2019 |
|--|--------------------------|
| Profit attributable to equity shareholders | 904 |
| Weighted average number of equity shares outstanding during the year | 21,978,240 |
| Nominal value of equity share (₹) | 10 |
| Basic and diluted earnings per share (₹) | 41.13 |

As per our report of even dated attached.

For Walker Chandiok & Co. LLP

Chartered Accountants

Firm Registration Number: 001076N/N500013

Vijay Vikram Singh

Partner

Membership Number: 059139

Bengaluru

August 22, 2019

For and on behalf of Board of Directors**Kennametal India Limited****Bhagya Chandra Rao**

Managing Director

DIN - 00211127

Bengaluru

August 22, 2019

Suresh Reddy K V

Chief Financial Officer

Bengaluru

August 22, 2019

B Anjani Kumar

Director

DIN - 00022417

Bengaluru

August 22, 2019

Naveen Chandra Prakash

Company Secretary

Bengaluru

August 22, 2019

CSR INITIATIVES



Kennametal CSR Team handing over CSR contribution of Rs.14.55 lacs to M/s. Sparsha Trust for the building of Staff Quarters at Nisarga Grama Girls Home



Kennametal together with NGO-'Aviratha' distributed Note Books to the children in 6 Government Schools



Kennametal supported Scholarship at PSG College of Technology for the economically backward and meritorious students

In the community



Kennametal supported Govt High School, Bagalagunte by providing an RO Plant for drinking water & Upgradation of sanitation facilities for Boys & Girls at the school.



Upgradation of sanitation units for Boys & Girls at the Govt. High School, Bagalagunte.



Kennametal supported Govt High School, Bagalagunte by providing Smart Class room facility & Computer Lab

RECOGNITION FOR EHS INITIATIVES



Awarded as GreenCo GOLD rated on 05/07/2019

Kennametal India Limited

CIN : L27109KA1964PLC001546

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