

49th AGM Kennametal India Limited Bangalore

November 04, 2014



© 2014 Kennametal Inc. | All rights reserved. | Proprietary and Confidential

Content



- FY 14 Review
- Outlook

An overview of our business of last year and the outlook

Disclaimer



This presentation may include statements which may constitute forward-looking statements. All statements that address expectations or projections about the future, including, but not limited to, statements about the strategy for growth, business development, market position, expenditures, and financial results, are forward looking statements. Forward looking statements are based on certain assumptions and expectations of future events and involves known and unknown risks, uncertainties and other factors. Kennametal India Limited (The "Company") cannot guarantee that these assumptions and expectations are accurate or exhaustive or will be realized. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements. No obligation is assumed by the Company to update the forward-looking statements contained herein.

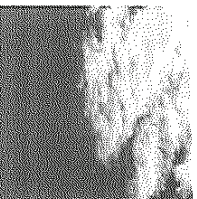
The information contained in these materials have not been independently verified. None of the Company, its Directors, Promoter or affiliates, nor any of its or their respective employees, advisers or representatives or any other person accepts any responsibility or liability whatsoever, whether arising in tort, contract or otherwise, for any errors, omissions or inaccuracies in such information or opinions or for any loss, cost or damage suffered or incurred howsoever arising, directly or indirectly, from any use of this document or its contents or omission or otherwise whatsoever in connection with this document, and makes no representation or warranty, express or implied, for the contents of this document including its accuracy, fairness, completeness or verification or for any other statement made or purported to be made by any of them, or on behalf of them, and nothing in this document or at this presentation shall be relied upon as a promise or representation in this respect, whether as to the past or the future. The information and opinions contained in this presentation are current, and if not stated otherwise, as of the date of this presentation. The Company relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. The Company undertake no obligation to update or revise any information or the opinions expressed in this presentation as a result of new information, future events, developments or otherwise. Any opinions or information expressed in this presentation are subject to change without notice.

Global Leader

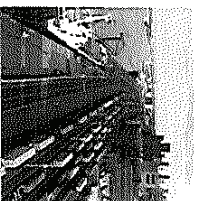


Global Leader In Tooling & Wear-Resistant Solutions

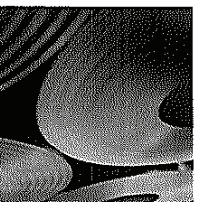
Our Mission: Kennametal delivers productivity to customers seeking peak performance in demanding environments by providing innovative custom and standard wear-resistant solutions



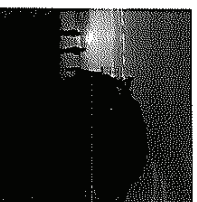
Aerospace



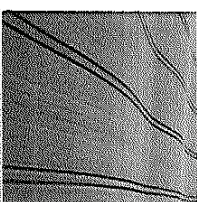
Transportation



General Engineering



Earthworks



Energy & Process

- Metalworking Solutions (Holemaking, Turning, Milling, Systems Tools)
- Surface Technologies - Thin And Thick Film Coatings
- Engineered Components – Custom and Standard Offerings
- Investment Castings
- Conicals

~\$3B In Revenues

Headquartered In Latrobe, Pennsylvania

>14,000 Employees In More Than 40 Countries

Two Well-Defined Businesses Delivering Our Mission



Hard Metal & Hard Metal Products

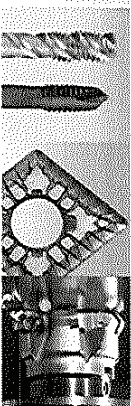
INDUSTRIAL BUSINESS

Metalworking Solutions and Services

Kennametal Tooling



WDA Product Group



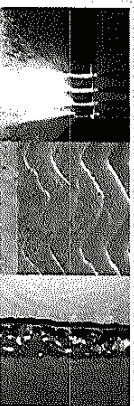
Metalworking Services



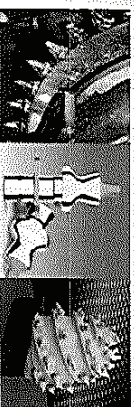
INFRASTRUCTURE BUSINESS

Engineered Products, Precision Surface Management and Life Extension Solutions

Surface Technologies



Earthworks



Engineered Components



Specific to India Machine Tools





Kennametal India

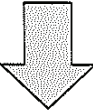
FY14 review

- **Business Confidence**
 - Cautious and low, started improving towards end of 4th Quarter
- **Interest Rates**
 - Interest rates remained high and liquidity crunch continued
- **Government policies**
 - Policy indecision
 - Uncertainty and delays
- **Exchange rate**
 - Rupee volatile throughout FY14 moving in the range of 53-67
- **Input Cost**
 - Raw material prices stabilized . Input costs such as Energy, employment costs etc., continue to go up.

Extremely challenging market situation

Served Markets Impacting our Business



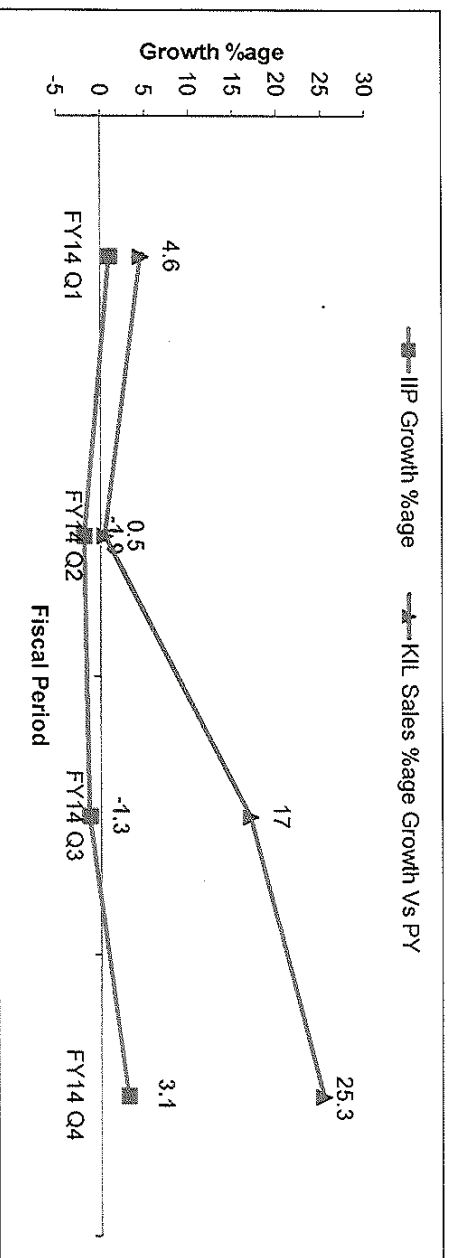
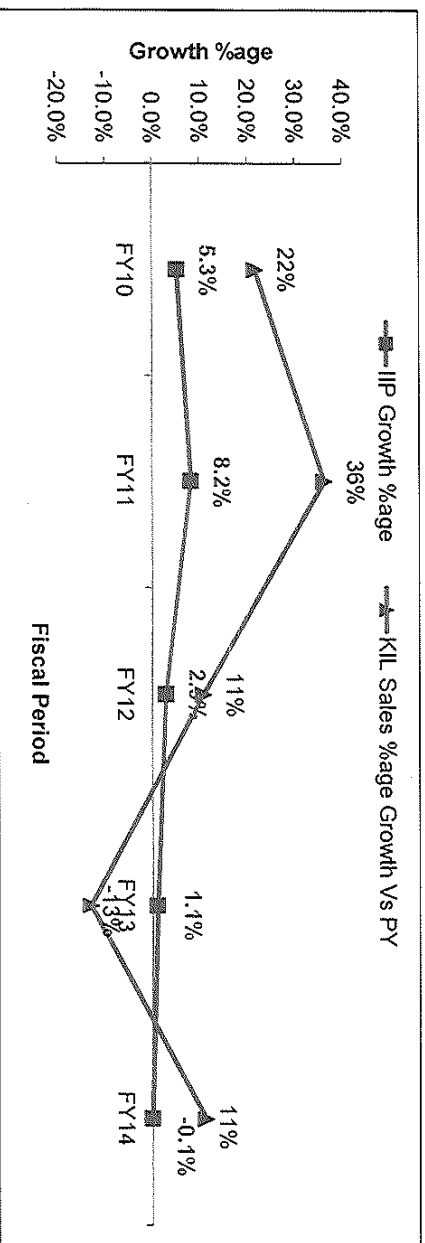
- Automotive production decline
 - In specific HCV/CV/LCV
- Passenger Vehicles and 2W.
- Steel Production
 - Flat and recovery observed towards 4th Quarter
- Capital tooling machinery decline by 22%
- Aerospace, Tractor, Defense & Railways

Indian IIP and KIL Sales Development trend

Source : MOSPI

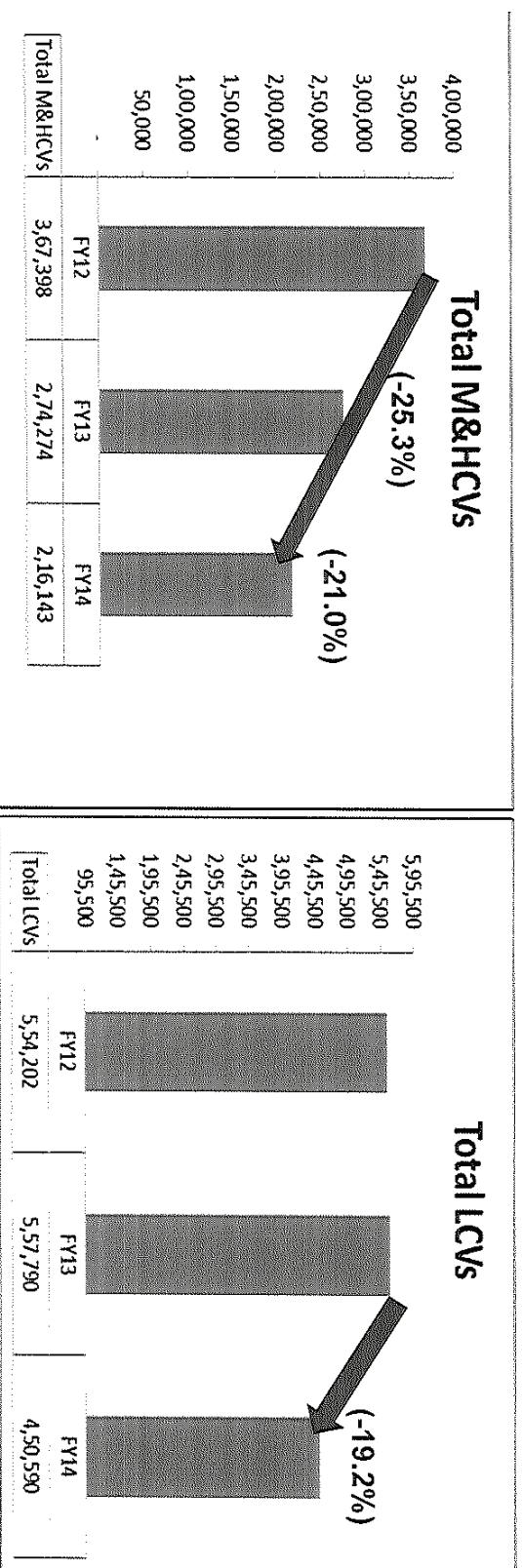


(In %age Growth)



Delivered 11 % growth on Sales, higher than Market growth

HCV/ CV affected us the most



M&HCV – Medium & Heavy Commercial Vehicles CV – Commercial Vehicles

Source: SIAM

Tooling consumption is high in this segment, so also our dependency

Financial Performance

Key Performance Indicators – FY14



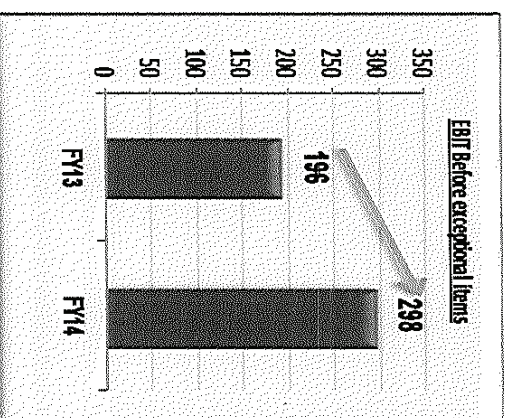
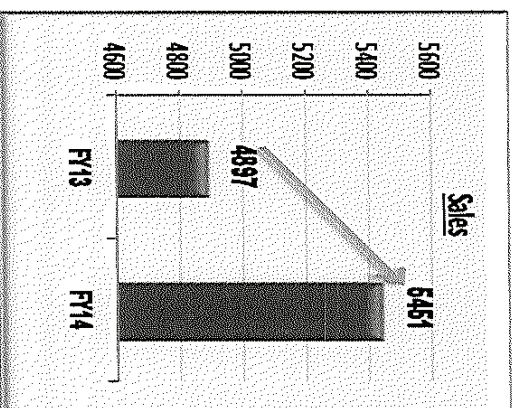
(₹ Mn)

	FY 14	FY 13	Growth
Sales	5451	4897	11%
EBIT (Before Exceptional items)	298	196	52%

- Growth driven by Hard Metals/ consumables business . Consumables up by 14% and MSG up by 1.8%
- Adjusted the manpower capacity in line with market demand

- Profitability improvement driven by :

- Better volumes
- Efficient RM sourcing
- Reduction of power cost
- Price realisation

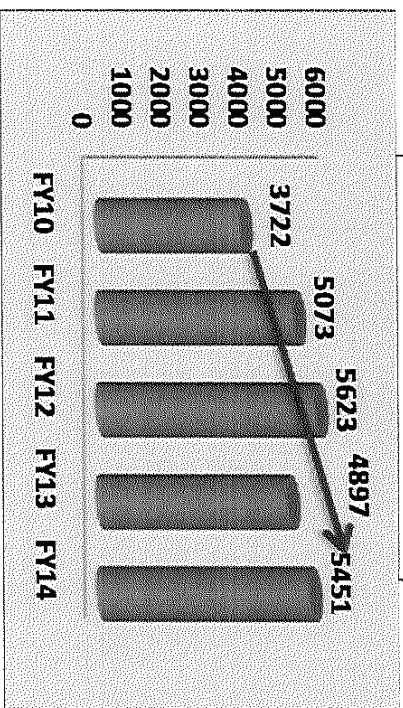


EBIT UP by 52%

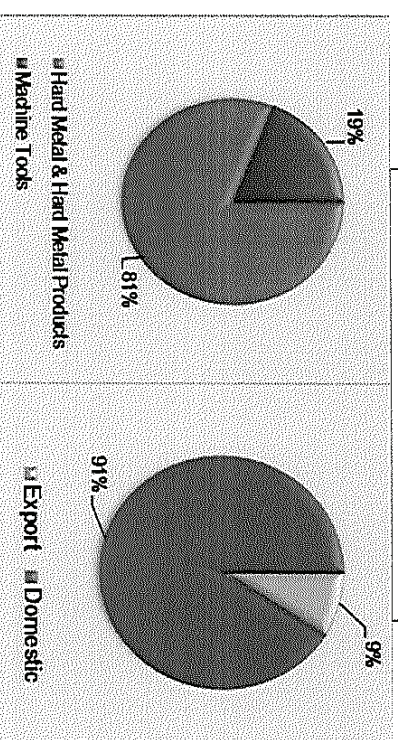
Financial Results & Trends



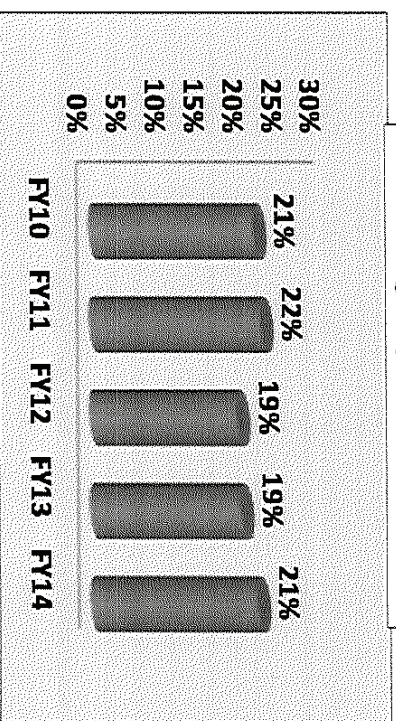
Sales (₹ Mn)



Revenue Break-up – FY14



Working Capital % to Sales



❖ Sales grew 10% CAGR in last five years

❖ Strong Working Capital Management :

✓ AR aging >60 days improves from 18% to 16%

✓ Traded inventory reduced by 50% vs PY

✓ Overall Working Capital up due increase in AR. Honda shipments in June

❖ ROCE @9% up 50% over FY13 (6%)

Significant Improvement in Financial Performance in a Challenging Environment



Going Forward

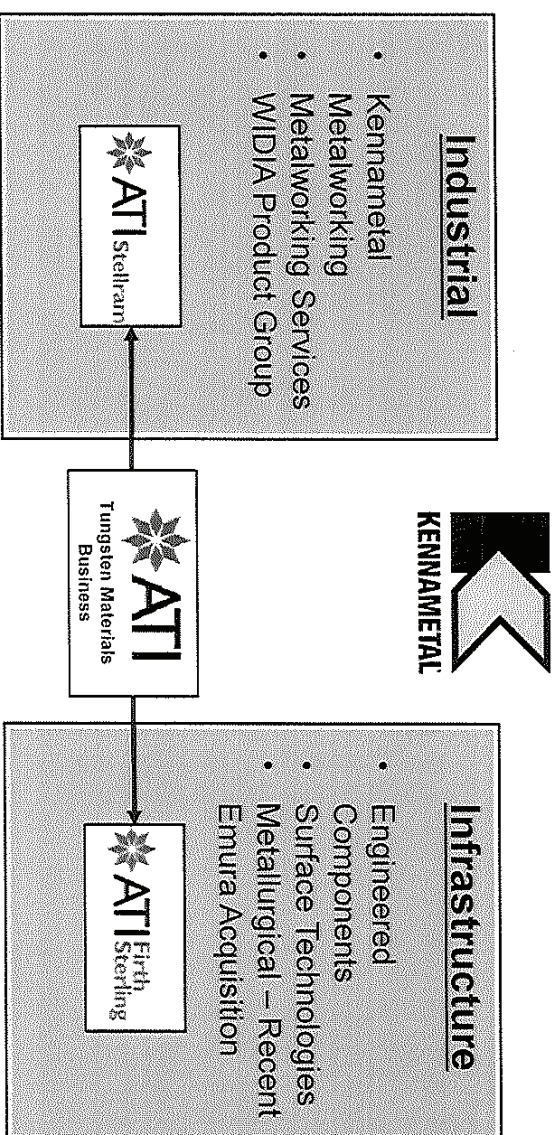
Goal

- Become a More Diversified Industry Leader
- Balanced Business
- Diversified end markets
- Growing Industrial as well as the Infrastructure side of the product portfolio



Acquisition of Tungsten Materials Business from Allegheny Technologies Inc. (ATI)

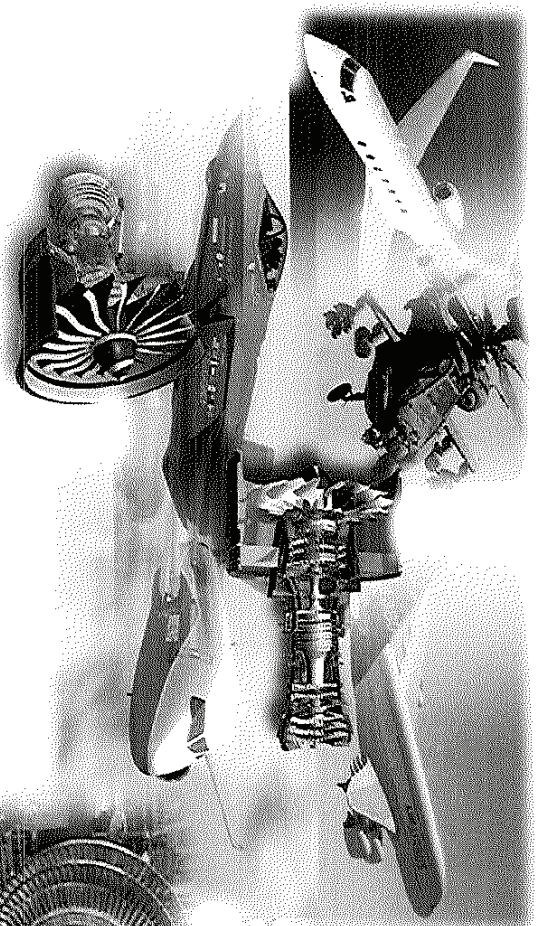
Acquisition Advances Strategic Priorities



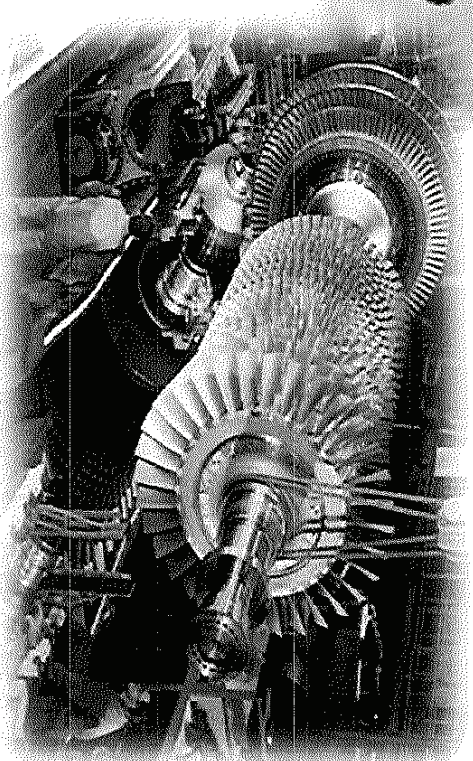
Aligns With Strategies And End Market Segments

Accessibility to high quality Raw Material and best Carbide Recycling technology

Stellram is part of TMB with end markets



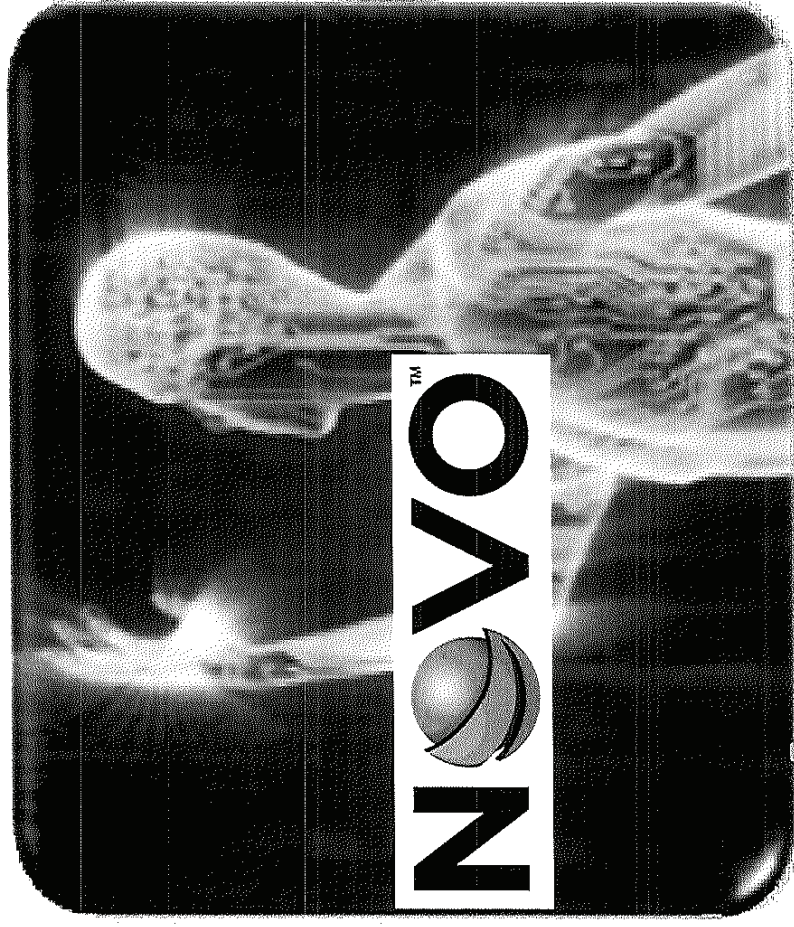
Aerospace



Power Generation

Stellram has very strong product portfolio for Power Gen & Aero Segments

Innovations



Will help the customers to buy our products with ease of doing business by leveraging the wealth of machining expertise from our knowledge and experience.

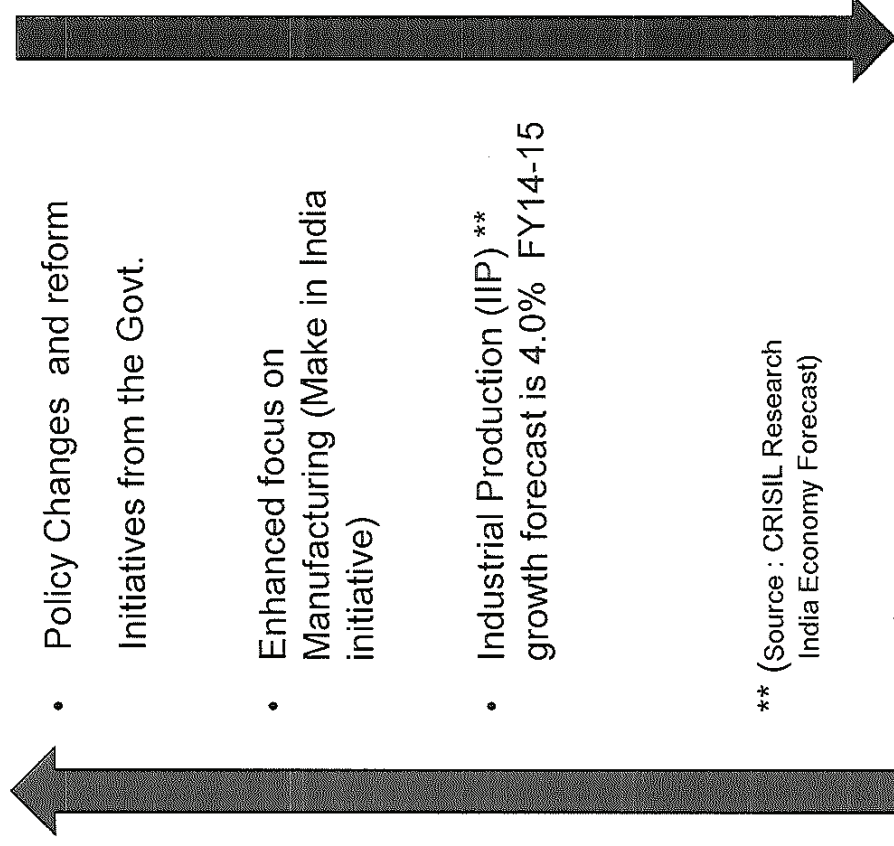
New way of thinking

Smarter way to get the job done

Tools for the next generation

Economic Outlook



- 
- Policy Changes and reform Initiatives from the Govt.
 - Enhanced focus on Manufacturing (Make in India initiative)
 - Industrial Production (IIP) ** growth forecast is 4.0% FY14-15
- Recovery timeline on the ground level with end customer production increase is still unclear across segments
 - Energy, employment and raw material costs are raising .

** (Source : CRISIL Research
India Economy Forecast)

Optimism is expected to translate into increased manufacturing actions in served markets

Our Continued Focus on Initiatives



Topline

- Channel Strategy & Distribution expansion
- Advance with Technology : Component specific proven solutions
- Service initiatives such as Tool Boss and Reconditioning centers
- New higher value added products in Infrastructural products moving up on Value Chain

Bottom line

- Sustain the benefits of Cost restructuring initiatives
- Operational Excellence Initiatives focused around productivity improvement
- Energy cost savings through higher utilization of KEB power supply
- Efficient procurement of raw material

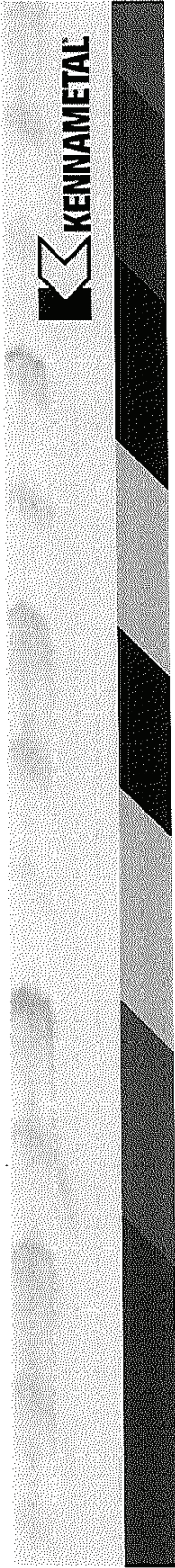
With the growth on sales, our leverage for profitability significantly improves

Management Team



Strong and experienced Senior Management Team with many around 20-25 years of industry experience.

- BC Rao, MD
- Parameshwar Reddy, CFO
- Chandrashekar Sharma, VP KMT Industrial
- Kumud Ranjan, GM – WIDIA
- M.T.Swamy, GM – Infrastructure
- M.N.Bhaskara Rao, GM – Manufacturing
- HR Head – TBA.



Thank You