Kennametal India Limited
Annual Report
FY12

KENNAMETAL®

Kennametal India Limited

Directors

Mr. M. N. Bhagwat
Chairman

Mr. Bhagya Chandra Rao
Managing Director

Mr. John Chang
Mr. Vinayak K. Deshpande
Mr. B. Anjani Kumar
Mr. Bernard North

India Leadership Council (ILC)

Mr. Bhagya Chandra Rao
Mr. Vikram Chopra
Mr. Dibesh Singh Deo
Mr. Kundan Kumar Lal
Mr. Vivek Maheshwari
Mr. Subrata Majumdar
Mr. Anil Kumar Murthy
Mr. Gururaj D. Patil
Mr. D. Parameswara Reddy
Mr. D. Sarathy
Mr. K. Chandrashekar Sharma

Company Secretary

Mr. Kundan Kumar Lal

Registered Office and Factory

8/9th Mile, Tumkur Road,
Bangalore - 560 073.
Phone : 91 (80) 28394321
Fax : 91 (80) 28397572

Auditors

M/s. Price Waterhouse & Co.
Chartered Accountants
5th Floor, Tower “D”, The Millenia
1 & 2 Murphy Road, Ulsoor,
Bangalore - 560 008.

Bankers

Corporation Bank Limited
HDFC Bank Limited
ICICI Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited

Registrar & Share Transfer Agent

Integrated Enterprises (India) Limited
30, ‘Ramana Residency’
4th Cross, Sampige Road,
Malleswaram, Bangalore - 560 003.
Phone : 91 (80) 23460815 - 818
Fax : 91 (80) 23460819

47th Annual General Meeting
Thursday, November 08, 2012 at 10.30 A M
at the Registered Office of the Company at
8/9th Mile, Tumkur Road, Bangalore-560 073.

NOTICE TO MEMBERS

NOTICE is hereby given that the Forty-seventh Annual General Meeting of Kennametal India Limited will be held on Thursday, November 08, 2012 at 10.30 AM at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bangalore – 560 073, to transact with or without modifications, as may be permissible, the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at June 30, 2012, the audited Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To confirm the interim dividend of ₹25/- per equity share (250%) on 21,978,240 equity shares of ₹10/- each already paid as the final dividend for financial year 2011-2012 (year ended June 30, 2012).
3. To appoint a Director in place of Mr.Bidadi Anjani Kumar, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr.Bernard North, who retires from office by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board to fix their remuneration. The retiring auditors M/s.Price Waterhouse & Co., Chartered Accountants, (Firm Regn.No.007567S) being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

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

   "RESOLVED THAT *pursuant to Article 129B of the Articles of Association of the Company and in conformity with the provisions of Section 260 of the Companies Act, 1956, Mr. Bhagya Chandra Rao, who was appointed as an Additional Director of the Company by the Board of Directors, and who holds the office under the said Article and Section 260 of the Companies Act, 1956, only up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing along with a deposit of Rs. 500/- under Section 257 of the said Act from a member proposing the candidature of Mr. Rao for the office of Director, be and is hereby elected and appointed a Director of the Company, not liable to retire by rotation."*

7. To consider and if thought fit, to pass the following resolution, as Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269 & 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the approval of the shareholders be and is hereby accorded for the appointment of Mr. Bhagya Chandra Rao as the Managing Director of the Company and payment of remuneration to Mr. Rao, for the period commencing from September 17, 2012 to September 16, 2017, as set forth herein below and on the other terms and conditions as per the agreement dated September 17, 2012 ("Agreement"):

A. Annual Guaranteed Cash :

i) **Basic Salary:** ₹3,750,000 (Rupees Three million seven hundred fifty thousand only) per annum or ₹312,500 (Rupees Three hundred twelve thousand five hundred only) per month with such increases as may be approved by the Board of Directors of the Company from time to time.

ii) **Housing (HRA) :** 50% of Basic Salary i.e. ₹1,875,000 (Rupees One million eight hundred seventy five thousand only) per annum or ₹156,250 (Rupees one hundred fifty six thousand two hundred fifty only) per month.

iii) **Special Allowance of** ₹3,775,200(Rupees Three million seven hundred seventy five thousand two hundred only) per annum or ₹314,600 (Rupees Three hundred fourteen thousand six hundred only) per month.

iv) **Leave Travel Allowance** (flat allowance) of ₹54,000 (Rupees fifty four thousand only) per annum.

v) **Medical Allowance** of ₹15,000/-(Rupees fifteen thousand only) per annum or ₹1,250 (Rupees one thousand two hundred fifty only) per month.

B. Performance Payment: Mr. Rao shall be entitled to the performance payment once per annum, subject to achievement of business targets as per Company's scheme and approval of the Board of Directors of the Company. Target amount will be equivalent to 20% of Annual Guaranteed Cash(Annualised figures on Basic Salary, HRA, Special Allowance, LTA and Medical Allowance- total amounting ₹9,469,200) i.e. ₹1,893,840, up to a maximum of 200% of the targeted amount (i.e. ₹1,893,840 x 2 = ₹3,787,680). The performance payment is in lieu of any commission that may be payable to Mr. Rao.

C. Other Perquisites:

a. Leave on full pay and allowances, as per Company's rules.

b. Insurance-Coverage to be extended, as per Company's rules.

c. Club fees: Entrance and Monthly subscription fees of Corporate membership with Bangalore Golf Club.

d. Contribution to Provident Fund at 12% of the salary.

e. Gratuity as per Company's Rules.

f. Encashment of leave at the end of tenure as per Company's rules.

g. Company maintained car with facility for driver.

h. Telephone as per Company's rules.

i. Company leased furnished accommodation for a period of 12 months from the date of joining. Total cost inclusive of rent and maintenance/utility charges with respect to the leased accommodation to be capped at ₹50,000/- per month and Service tax.

j. Such other benefits, amenities, facilities and perquisites as per the rules of the Company, as applicable to senior executives, and as may be permitted by the Company.

One time reimbursement:

- The Company shall pay one-way economy class airfare ticket for Mr. Rao and his family members (spouse, dependent parents & children) from Hyderabad to Bangalore. The Company shall also pay for one-time reasonable cost of packing, unpacking, shipping and insuring in -transit all eligible household articles and furniture from Hyderabad to Bangalore subject to a maximum of ₹150,000 (Rupees One Hundred Fifty Thousand Only) and applicable tax.
- The Company will reimburse Mr. Rao for temporary living accommodation (Lodging and Boarding) for up to a maximum of 30 days subject to a cap of ₹300,000 (Rupees Three Hundred Thousand Only) from the date of appointment while waiting for Mr. Rao's household goods to arrive and to find a suitable accommodation.

  This relocation assistance shall be provided by the Company subject to the following Relocation Repayment Policy:

  Should Mr. Rao resign as the Managing Director, or should the Company terminate the Agreement within one (1) year from the date of this Agreement, then Mr. Rao undertakes to repay the following amounts to the Company:

  a) The total grossed-up relocation costs, and temporary living accommodation associated with Mr. Rao's move from Hyderabad to Bangalore. Reimbursable amounts shall be determined solely by the Company based on the dates of relocation and termination.

  b) Any penalty imposed by the housing landlord, utility providers and other vendors that Mr. Rao would have engaged to provide any service in connection with his relocation.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the minimum remuneration payable to Mr. Bhagya Chandra Rao shall be the salary, discretionary performance pay, if applicable, and perquisites as stated above, subject to the applicable provisions of the Companies Act, 1956 and the rules made there under or any statutory modification or re-enactment thereof.

RESOLVED FURTHER THAT Mr. Bhagya Chandra Rao as Managing Director shall have substantial powers of management and shall function under the overall control, guidance and superintendence of the Board of Directors of the Company.

RESOLVED FURTHER THAT the members hereby authorise the Board of Directors of the Company to consider and approve the revision in remuneration, benefits and perquisites payable to the Managing Director from time to time and not exceeding the limits specified in Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, including any amendment, modification, variation or re-enactment thereof and the agreement between the Company and Mr. Rao be suitably amended to give effect to such revision, modification or variation during the tenure of the Agreement.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all such steps expedient or desirable to give effect to this Resolution."

By Order of the Board of Directors
For Kennametal India Limited

Kundan Kumar Lal
Deputy General Manager-Legal &
Company Secretary

Bangalore
September 17, 2012

NOTES

1. 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.

2. The instrument appointing proxy in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the commencement of the 47th Annual General Meeting (AGM).

3. The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under items (6) to (7) set out above is annexed hereto. The documents relating to the items detailed in the Notice are available for inspection at the Registered office of the Company from Monday to Friday between 10.30 am to 12.30 pm, up to the date of the AGM.

4. The Register of Members and the Share Transfer Books of the Company will remain closed from **November 06, 2012 to November 08, 2012** (both days inclusive) for the purpose of the AGM.

5. An interim dividend ₹25/- per equity share of ₹10/- each (250% on the paid capital of the Company) was declared by the Board for the financial year ended June 30, 2012 and May 25, 2012 was fixed as Record Date for the said purpose. The said interim dividend was paid from June 04, 2012.

6. Pursuant to sub-section 205A of the Companies Act, 1956 (hereinafter "the Act"), dividends for the financial year ended June 30, 2005 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same to the unpaid dividend account as referred to in sub-section (1) of Section 205A of the Act, will be transferred to the Investor Education and Protection Fund of the Central Government established under sub-section (1) of Section 205C of the Act. According to explanation to sub -section (2) of Section 205C of the Act, no claims shall lie against the said fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.

7. Pursuant to Section 109A of the Companies Act, 1956, members holding shares in demat form may file nomination in the prescribed Form 2B (in duplicate) with the respective depository participant and in respect of shares held in physical form, such nomination may be filed with the Company's registrar and share transfer agent.

8. The Securities and Exchange Board of India (SEBI) vide Circular dated April 27, 2007, had made PAN mandatory for all securities market transaction. Thereafter, vide Circular dated May 20, 2009 it was clarified that, for securities market transactions and off market/ private transaction involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee (s) to furnish copy of PAN card to the Company/Registrar & Share Transfer Agents for registration of such transfer of shares. The shareholders are requested to furnish a copy of the PAN card in cases involving transfer of shares in physical form.

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

   Integrated Enterprises (India) Limited

   No.30, 'Ramana Residency',
   4th Cross, Sampige Road, Malleswaram,
   Bangalore 560003
   Phone: (080) 23460815 – 818,
   Fax: (080) 23460819,
   E-Mail: irg@integratedindia.in

   For dividend queries and other general matters:

   The Company Secretary
   Kennametal India Limited
   8/9th Mile, Tumkur Road, Bangalore- 560 073.
   Phone: 080-28394321 and 080 22198345,
   Fax: 080 28397572
   e-mail: kundan.lal@kennametal.com
   e-mail:in.investorrelation@kennametal.com

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

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

10. The equity shares of the Company are mandated by the Securities and Exchange Board of India (SEBI) for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE717A01029.

11. The brief resume of directors seeking appointment/re-appointments as required under Clause 49 of the listing agreement is set out at "Annexure A" to this notice.

12. Bodies corporate intending to send their authorised representatives to attend the meeting are requested to send a duly certified copy of the Board Resolution or Power of Attorney authorising their representative to attend and vote on their behalf at the AGM.

13. Members / Proxy holders are requested to produce at the entrance of the venue the enclosed attendance slip duly signed.

14. Members are requested to bring their copies of the annual report to the AGM.

15. Every person holding equity shares of the Company and whose name is entered:

- As a beneficial owner as at the end of business hours on **November 05, 2012** as per the list to be furnished by NSDL and CDSL in respect of shares held in dematerialised form
- 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, 2012**

shall only be entitled to attend the AGM in person or through his/ her proxy.

16. 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.

17. Members requiring information or clarification with regard to the audited accounts and operations of the Company are requested to write to the Deputy General Manger- Legal & 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.

18. Members who desires to receive documents from the Company in electronic mode may provide their e-mail address to the Company through e-mail at srinivasan.r@kennametal.com mentioning the Folio No. or DPID & Client ID.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 6 & 7

Mr. Santanoo Medhi, resigned as Managing Director and Director of the Company and the Board of Directors vide resolution dated September 17, 2012 have relieved him from the duties and responsibilities of the Managing Director effective September 17, 2012.

Section 269(1) of the Companies Act, 1956 mandates that the Company has a Managing Director or Whole Time Director or Manager. Accordingly, the Board of Directors vide resolution dated September 17, 2012 have appointed Mr. Bhagya Chandra Rao as Additional Director and subsequently appointed as Managing Director of the Company effective September 17, 2012 for a period of 5 (Five) years upto September 16, 2017. Further, the Company has entered into an Employment Agreement with Mr.Bhagya Chandra Rao listing out the terms of his appointment and remuneration.

Mr. Rao has a total work experience of over 30 years in the Engineering and Automotive industry in the areas of Sales and Marketing, Supply Chain, Production, Projects in establishing green field facility and General Management as head of the legal entity. During his long professional career he has worked with ANAND group, ABB Limited, IFB Industries, Sandvik Group companies and also erstwhile Widia (India) Limited (Now Kennametal India Limited). Accordingly, the Board thought fit to appoint him as the Managing Director of the Company.

Hence these resolutions are placed before you for your approval and the Board recommends the adoption of the resolutions in the best interest of the Company.

The brief resume in relation to his experience and functional expertise as required under Clause 49 of the listing agreement is set out in Annexure 'A' to this Notice.

The main terms of the Agreement dated September 17, 2012 are set out in the Resolution No. 7. An abstract under Section 302 of the Companies Act, 1956 relating to the remuneration and other terms of appointment of Mr. Rao is being circulated to the members and the present resolution along with explanatory statement may also be treated as such.

Mr. Bhagya Chandra Rao may be deemed to be interested in the Resolution relating to his appointment.

Annexure A

Brief particulars of Directors seeking re-appointment / appointment

Name of Director	Mr. Bernard North	Mr. Bidadi Anjani Kumar	Mr. Bhagya Chandra Rao
Date of Birth	May 24, 1952	March 25, 1952	June 03, 1956
Relationship with Directors	None	None	None
Experience	With Kennametal Inc: 32 years With others : 8 years	With Kennametal India Limited: 7 years With others: 27 years	With the Company (earlier known as Widia (India) Limited and later on Kennametal Widia India Limited) - 19 years With others: 14 years
Expertise in specific functional area	Research, Development & Engineering	Finance & Accounts	General Engineering and Automotive Engineering
Qualifications	M.Sc - Physical Metallurgy and Science of Materials, University of Birmingham, UK MBA- University of Pittsburgh, USA	B.Com, B.G.L. & FCA	B.E. (Mechanical)
List of outside Directorships and Memberships of Board Committees in India	None	Hi Tech Associates Limited	None
No. of shares held	Nil	10 equity shares of ₹10/- each	Nil

DIRECTORS' REPORT

Your Directors are pleased to present the 47th Annual Report and Audited Accounts for the year ended June 30, 2012 (FY12).

FINANCIAL RESULTS **(₹ in Lakhs)**

Particulars	FY12 Year ended June 30, 2012	FY11 Year ended June 30, 2011
Total Revenue	57278	51905
Profit Before Tax	**9894**	**12754**
Less: Provision for Tax		
Current Tax	3145	4019
Tax provision relating to earlier years	-	(115)
Deferred Tax (credit)/charge	(90)	(5)
Profit After Tax	**6839**	**8855**
Add: Balance brought forward from previous year	13288	14259
Total available for appropriation	**20127**	**23114**
Transfer to General Reserve	684	886
Interim Dividend	5495	7692
Tax on Interim Dividend	891	1248
Balance transferred to Balance Sheet	13057	13288

DIVIDEND

An interim dividend of ₹25 per equity share of ₹10/- each (250% on the paid-up capital of the Company) was declared by the Board for the financial year ended June 30, 2012. May 25, 2012 was fixed as 'Record Date' for the said purpose. The said interim dividend was paid from June 4, 2012. The Board of Directors has decided to treat the same as final dividend and therefore no additional dividend is recommended for the year ended June 30, 2012.

OPERATING RESULTS

During FY12, Total revenue was ₹ 57278 Lakhs as compared to ₹ 51905 Lakhs during the previous year (10.35% higher). Profit after tax declined to ₹ 6839 Lakhs from ₹8855 Lakhs recorded for the previous year. The decline in profit is mainly due to increase in the cost of input raw materials.

Your Company does not have any subsidiaries.

MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments that occurred affecting the financial position of your Company between June 30, 2012 and the date of approval of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.Bidadi Anjani Kumar and Mr.Bernard North retire by rotation, and being eligible, offers themself for re-appointment. Your Directors commend the re-appointment of Mr. Bidadi Anjani Kumar and Mr. Bernard North for your acceptance.

Mr. Santanoo Medhi, resigned as Managing Director and Director of the Company and the Board of Directors have relieved him from the position of the Managing Director with effect from September 17, 2012. The Directors place on record their appreciation for the valuable contributions made by Mr. Medhi during his tenure as Managing Director of the Company.

Mr. Bhagya Chandra Rao was appointed as Additional Director on the Board and subsequently as Managing Director of the Company with effect from September 17, 2012, subject to the approval of the members.

Appropriate resolutions are being proposed seeking consent of the members for the aforesaid reappointments/appointment and your Directors recommend your approval. Profiles of respective Directors being appointed/reappointed as required under Clause 49 of the Listing Agreement are given along with the Notice convening 47th Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors report that:

- that in the preparation of the Annual Accounts for the financial year ended June 30, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures
- Accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on June 30, 2012 and of the profit for the period of July 1, 2011 to June 30, 2012;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Annual Accounts have been prepared for the year ended June 30, 2012 on a going concern basis.

FIXED DEPOSITS

During the year, your Company has not invited/accepted any Fixed Deposits under Section 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS

M/s.Price Waterhouse & Co., Chartered Accountants (Firm registration No. FRN 007567S), will retire at the conclusion of the forthcoming 47th Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a written certificate to the Company certifying that, if they are re-appointed as auditors of your Company, such appointment would be within the limits specified in Section 224(1)(B) of the Companies Act, 1956.

The Notes to the Accounts referred to by the auditors in their report are self-explanatory and may be treated as information / explanation submitted by the Board as contemplated under Section 217 (3) of the Companies Act, 1956.

CORPORATE GOVERNANCE

A detailed report on Corporate Governance and the certificate from Mr. Vijay Krishna VT, a Practicing Company Secretary confirming compliance of Corporate Governance norms as stipulated in Clause 49 of the Listing Agreement with BSE Limited is set out in **Annexure II** to this report.

CODE OF CONDUCT COMPLIANCE

A declaration signed by the Managing Director affirming compliance with the Company's Code of Conduct by your Directors and Senior Management of your Company, for the year under review, as required under Clause 49 of the Listing Agreement with BSE Limited is annexed and forms part of this report.

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 encourages its employees to embrace the Code of Business Ethics & Conduct to ensure maintenance of strong ethical culture.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees forms part of this report. However, as per the provisions of Section 219(1) (b)(iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of your Company and others entitled thereto. Any member interested in obtaining a copy of the statement containing the aforesaid information may write to the Company Secretary at the Registered Office of the Company and the same shall be provided by the Company.

RESEARCH & DEVELOPMENT (R & D)

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

RD&E function of your Company in collaboration with the parent Company-Kennametal Inc. continues its endeavor for new products development, enhancement of product efficiency, reduction in cost, enhancement of durability etc. and has a globally aligned matrix set-up. RD&E works as per the global requirements of Kennametal Inc. with a continued specific focus on up-gradation of products, processes and technology in line with local market requirements.

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 217(1)(e) read with the Company's (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is set out in **Annexure III** to this report.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

Safety, Health and Environment protection have continued to be an important focus area in your Company. Your Company has adopted an integrated approach towards EHS and has incorporated these in business practices. Your Company is committed to maintain highest standard of Health, Safety and Environment Protection and also complying with all applicable EHS laws and regulations and align EHS strategies with business goals and objectives.

On Safety front, your Company strives to work safely in a manner that protects and promotes the health and well-being of employees, contractors, and the communities in which it operates because it is fundamentally the right thing to do. Your Company believes that safety is largely about cultural change, with the ultimate goal of institutionalizing a safety system that first and foremost protects its employees, contractors, and the communities in which it operates. Management Based Safety (MBS) process is implemented in your Company which involves Leaders , Supervisors and Employees to practice MBS Tools which will help to build safety culture.

EHS Training

Your Company during the year under review -

- Focused-Hand Safety awareness, Chemical Safety, Office ergonomics, MBS office, MBS Refreshing , Health Awareness and Industrial Safety. Achieved 5.73 hrs per employee EHS training.
- EHS e-learning tool has been designed and developed to give its employees the knowledge needed to develop skill, and competency to create 100% compliance and safe working environment.
- Developed on line reporting system to inculcate a habit to follow MBS Tools practice with meaning by all the levels.

Environment:

Your Company during the year under review -

- continued its green initiatives and conserved Energy of 5.7 Lakh units, reduced its water consumption by 20 % and continued the rain water harvesting. The factory premises' greenery was increased by 25,000 Sq.ft and trees which were up-rooted due to land acquisition by Karnataka Industrial Areas Development Board (KIADB) for the Bangalore Metro Rail Project were successfully transplanted. In addition about 100 saplings were planted to facilitate green coverage of the facility. Your Company continued to recycle sewage water by treating it in the Sewage Treatment Plant and using the treated water for gardening.
- conducted Carbide Recycling process- 8.5 Tons of used Carbide was purchased from various customers and recycled the same, so as to reduce energy usage, and add sustainable raw material usage.

Awards and Recognitions for EHS activities:

Awards received from Kennametal Inc. USA, the Parent company viz. (1)100% Safe - Health and Safety Awards-Excellence Award No.1, and (2) 'Protecting Our Plant'-Environmental Awards - Presidential Award.

Your Company was conferred with the following awards (1)" Certificate of Commendation for Strong Commitment - 2011" by Confederation of Indian Industries (CII)– Indian Tobacco Company (ITC) Sustainability Center (2) State Energy Conservation Award- 2011 by Government of Karnataka and Karnataka Renewable Energy Development Ltd. (KREDL) (3) State Best Maintained Industrial Garden by Department of Horticulture & Mysore Horticultural Society and "Gold Award" in Engineering Sector at National Level Competition for outstanding achievement in Safety Management, during the year under review.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility continues to be an important part in the activities of your Company. The employees of your Company continued their commitment to Protect Our Planet. Your Company undertaken following initiatives/activities relating to CSR.

- Active participation in the 'Lalbagh Republic Day Flower Show' organized by Mysore Horticultural Society, as a part of 'Protect Our Planet' initiative.
- In order to create Environmental Awareness among school children the employees of your Company conducted workshop on Rain Water Harvesting in schools located adjacent to the premises of your Company.
- Continued to participate in the Akshaya Patra Programme under which Mid-Day meals were provided to the students of government schools located adjacent to the premises of your Company.

FACTORY LAND AT TUMKUR ROAD

KIADB had acquired and taken possession of your Company's land to the extent of 3,435.26 sq. mts located at Sy. No. 11 Nagasandra, Yeshwanthpur Hobli, Bangalore for the use of Bangalore Metro Rail Project. The Company had sought release of compensation amount by producing all the relevant records establishing the title of the Company over the acquired land, without prejudice to its right to claim higher compensation in future. Meanwhile, Sri Ramlingeshwar Mutt, Harnahalli, Shimoga, Karnataka, a religious organisation filed an objection against payment of the compensation amount to your Company contending that several lands including that acquired by KIADB belongs to them. The Office of the Special Land Acquisition Officer-2 vide its Order dated March 05, 2012 has decided to refer the matter to the City Civil Court under Section 30, 31 of the Land Acquisition Act, 1894 stating that there is an objection with regard to the right of ownership of land existed and that civil court was the appropriate authority to decide the same. Upon challenging the order by your Company by way of a Writ application, the Hon'ble High Court of Karnataka, Bangalore has, vide its Order dated July 11, 2012 granted an interim stay of the Order passed by the Special Land Acquisition Officer. The matter is pending before the High Court of Karnataka, Bangalore.

PERSONNEL / INDUSTRIAL RELATIONS

During the period under review, your Company maintained healthy, cordial and good industrial relations at all levels. Kennametal India Employees Association (KIEA) had served a notice of indefinite strike due to delay in wage settlement. The 4 Year Wage Settlement was signed between KIEA and the Company on June 29, 2012. The enthusiasm and unstinting efforts of the employees have enabled your Company to remain at the forefront of the industry. Your Directors record their appreciation for this hard work and efficiency.

ACKNOWLEDGEMENTS

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

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

M. N. Bhagwat
Chairman

September 17, 2012

MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. **Industry Structure and Developments / Opportunities & Threats**

Your Company is a leading manufacturer of hard metal products and machine tools which cater to the needs of a wide variety of manufacturing and other industries such as transportation, general engineering, aerospace & defense, energy, power generation equipment, earthworks, mining and construction. It seeks to provide a competitive edge to its customers through a wide variety of standard high quality products as well as items customized to their requirements such as special purpose machines, tools, customized tooling solutions and engineered products.

Your Company's mission is "to deliver productivity to customers seeking peak performance in demanding environments by providing innovative custom and standard wear-resistant solutions, enabled through its advanced material sciences, application knowledge and commitment to a sustainable environment".

Indian economy has witnessed significant moderation in financial year 2011 - 12. GDP for the year 2011-12 stood at 6.5% as against 8.5% in year 2010 - 11 and a year before. Slowdown in economy is largely attributed to policy inaction and coalition politics prevailing in the country. The Index for Industrial Production, a key indicator of the industrial activity in the country, has slipped to 2.8% from 8% a year ago. New Project investments, a critical sign of buoyancy and medium term industrial growth, continue to be very slack witnessing a de-growth of 60% from 2010-11.Slow growth of credit due to high interest rate and rising NPAs across banks along with slow pace of environmental clearances has added further agony to the slow pace of the economy. Inflation continues to be a high risk phenomenon despite some moderation in the recent past. Food inflation remains high on account of supply side constraints. However the non-food inflation has moderated to 4.7% in second half as against 8.4% in the first half of financial year 2011 -12. In this scenario pricing and hence the profitability comes under pressure as it is no longer easy to pass on the price increase to customers to counter the commodity price increases. In this environment, balancing growth and profitability is a key issue. Your Company is on the top of the issue by taking appropriate steps to tide over he situation.

However, the long-term prospects of the country continue to be optimistic. The fundamentals are strong in the medium term, driven by positive growth prospect with increasing consumer spending.

2. **Operations**

The Financial Year 2011-12 was challenging, competitive and tough for manufacturing industry. Your Company also has been impacted by the tough environment and grew by 11%, driven primarily by Machine Tools segment. (Machining Solutions Group).

Challenging business environment requires a different thinking, approach and strategy towards the business. As part of the strategy we had clustered the customers into different segments/groups i.e Transportation, Aerospace and Defence, General Engineering, Energy and Earthworks in FY11. We further consolidated this approach and focused on initiatives around these groups by providing common proven solutions to win better share at our customers.

Your Company also completed the dual brand strategy actions by aligning all the distributors to a Brand i.e Kennametal or Widia. Management believes that this strategy aimed at providing innovative products under two strong brands will help to further consolidate our position in the market place.

In the times of slow economy, providing value is key to retention of customers. Your Company has introduced whole range of new products under both brands (Widia "Advances" and Kennametal "Innovations") to enhance the productivity of the customers and reduce the tooling cost per unit of output.

Being closer to the customer is key to serve the customers better. As part of this initiative a regrinding center was established in FY11 at Jamshedpur. Your Company added two more regrinding centers at Pune and Gurgaon in FY12 to cater to the customers residing the respective industrial areas. This initiative helps the Company to retain the customers by providing reduction on lead times and inventory for customers.

Your Company serves several industries across different geographies throughout India. A special emphasis was laid in FY12 to cover and represent all the under/unrepresented areas either directly or through the channel partners. This initiative would continue in the next financial year also. Your Company believes not only in gaining market share but also the mind share of the customer. To increase the mind share, your Company has conducted customer seminars and road shows throughout FY12 for both the brands i.e Kennametal and Widia.

In challenging economic scenario it is important to keep costs under control and improve productivity. In order to ensure the same your Company continues to focus on "Operational Excellence Journey". As part of this, costs and productivity are monitored constantly on real time basis and corrective actions taken on priority. Various projects have been under taken for Lead Time reduction, On time performance, Inventory Management, Right First Time (RFT), through put enhancement in Machine Tools etc. resulting in significant improvement in performance and cost control. Your Company has received 1st prize in global Kennametal Value Business System (KVBS) award for Design Failure Mode Effect Analysis (FMEA). In FY12, 149 Lean/Six Sigma projects were completed across the Company both in manufacturing and non -manufacturing functions. Your Company also has been awarded as the best supplier by Honda Motorcycle & Scooter India Private Limited. Your Company also had implemented one global SAP6.0 in FY11 with a drive to achieve standardization of processes across the Company. Today more than 90% of the processes of your Company fall under the "standard and best practices" category.

Your Company believes that safety should be the way of life. Management Based Safety (MBS) program has been launched even in the non-manufacturing areas in FY12. Healthy and Safe workforce delivers better productivity. Your Company has been recognized at national level for best safety practices.

3. **Segment-wise performance**

The segments for financial reporting are:

(i) Hard metal and hard metal products
(ii) Machine Tools

Segmentation is primarily based on nature of the products and services provided by the segment and the business risks attached thereto. Each segment represents a business that offers different products and services, and serves different markets. Apart from the primary business segments, the secondary segmental reporting is on the basis of the geographical locations of the customers viz. domestic and international. Common allocable costs are allotted to each segment to the extent of services utilized and activities involved. The details of segment wise results are given as part of the Annual Accounts as required under Accounting Standard 17 – Segment Reporting.

4. **Company's outlook**

Macro-economic scenario continues to be weak for the country. Coalition partners continue to dominate the policy decisions leading to a situation of "policy inaction " as consensus is hard to come by. The investor's confidence is low and this has lead to a significant reduction in the new project investments. Inflation and rising commodity prices continue to put pressure on the margins of all the manufacturing companies. Rupee depreciation and poor monsoon only added to the list of challenges to be managed in the forthcoming year. Hence the growth expectations need a moderation.

Your Company is closely monitoring the situation and intends to focus on new products, efficient processes and better cost controls to maintain the market leadership.

5. **Risks and concerns**

Unprecedented increase in the key raw material costs sustained throughout FY12 and expected to continue. Passing on the escalation to customer is a challenge in a poor economic scenario where cost reduction and control is practiced and implemented by all the customers.

The rupee depreciation continues to be a concern as your Company is a net importer of goods and the costs of key raw materials have gone up by 20% year on year on account of the same.

Cost of gasoline primarily petrol has been increasing quarter on quarter. As a result, sales of petrol engine vehicles have come down significantly and Transportation industry segment/group would be under pressure for volumes. Transportation industry segment contributes highest sales for your Company.

Inflation continues to be a worry. Food inflation which is on raise increases the pressure on salaries and wages and the non -food inflation which has moderated puts the pressure on our ability to pass on the cost escalations to customers.

Your Company continues to closely watch the developments and take appropriate actions to mitigate the concerns.

6. **Internal control systems and their adequacy**

   Your Company carries out regular and rigorous reviews to monitor all assets including Fixed Assets, Investments and Primary Working Capital. Strict control of expenses coupled with control of working capital has ensured that your Company remains debt-free and profitable.

   Your Company reviews its Risk Management policy at least bi-annually and presents its actions to the Board of Directors for review. The recommendations of the Board members are taken into account and implemented through necessary instructions / actions.

   During the year, the Internal Audit department conducted 6 internal audit reviews and presented its reports to the Audit Committee. The Audit Committee and the Board also hold independent discussions with the Internal Auditors and the Statutory Auditors every quarter to make an independent assessment of the internal control systems and there has been no report of any significant weaknesses in the Internal Control framework of the Company.

7. **Financial performance**

   Your company delivered a record performance in terms of sales at ₹ 56233 Lakhs for FY12. This translates into a growth of 11% as against a prior year growth of 36%. Profit after Tax a ₹ 6839Lakhs is 23% below prior year and the decline is primarily attributable to steep increase in the cost of key raw materials and unfavourable product mix (Between Machine Tools and Hard Metals). During the year there was a special focus on price increase to set off the raw material cost increases. Your Company has managed to realise a price increase of 7.5% during the financial year and this increase has enabled us to recover a part of raw material cost escalations. Considering the market conditions and its ability to absorb the price increase, any further increase was considered not desirable. There has also been special focus on improvement of product mix to improve the profitability during Q4 of FY12.

   The growth in FY12 has been primarily driven by Machining Solutions Group with a 34% increase over prior year. Significant leverage has been achieved out of the volumes increase with profitability increasing by 65% over prior year. During the year there was a special focus on mixed improvement between fixtures and special purpose machines to achieve balance in portfolio and improve the profitability as a result. Machining Solutions Group also had a record order intake for the year at ₹10600 Lakhs. All the other segments except Machine Tools Segment and Transportation sub segment have delivered single digit growth during the year.

   Your Company continues to leverage on the world class manufacturing facilities by increasing the export sales by 9% despite a poor economic scenario in Americas and Europe.

   As always your Company continues to improve the working capital deployment into the business. The primary working capital (Comprising of Accounts Receivable and Inventory less Accounts Payable) improved from 22% (to sales) to 19% in FY12. The reduction has been achieved despite a sizable increase in Inventory on account of cost escalations primarily driven by extraordinary collections made during the year. Return on Invested Capital (ROIC) however is down from 43% in FY11 to 33% in FY12 because of the lower profitability.

   5 year charts for key financial indicators are also given separately in this report.

8. **Material Developments in Human Resources and Industrial Relations**

   Your company recognizes Human Resources as important asset of the company. Its Human Resource Process is focused towards attracting, developing & retaining talent so as to drive high levels of employee engagement, managerial effectiveness and ensure a performance driven organization oriented towards business growth and customer delight.

Highlights FY 12:

- Talent Acquisition vertical was strengthened through a dedicated team, enhancement of its process and driving key initiatives like Employee Referral Process, Background Verification Checks and Internal Job Posting leading to strong performance against our Performance Metric. The employee strength as on June 30,2012 was 962.
- Executive Trainee Program for Engineering Graduates & Internship Program for M.Tech students was strengthened while for the first time Internship Program for Management Graduate students was introduced to focus on building Talent pipeline.
- Performance Management and Total Rewards process were strengthened through focused training on Performance

Management, Talent Review discussions, Implementation of the Enterprise Compensation Management System (ECM), Compensation Benchmark Survey and Salary Structure Alignment to the Market.

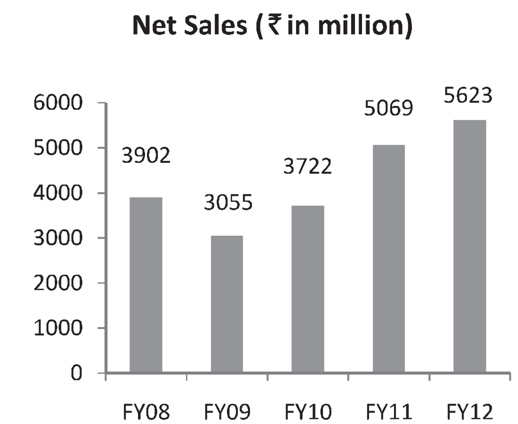
- Knowledge Centre Activities focused on Employee Training & Development was enhanced with 46 Programs conducted during FY12 which focused on Technical training, Sales Effectiveness & Leadership Development covering 375 employees with a total of above 10,000 hours of training during the year.
- The 4-Year Wage Settlement was signed between the Kennametal India Employees Association and the Management of your Company on 29th June 2012 with focus being on driving productivity, Company's Financial Performance and Skill Based Pay. The Industrial Relations scenario remained generally cordial & harmonious despite a strike notice by the Union during the Wage Negotiation Process.
- Voice of Employee (VOE) Pulse Survey was conducted during the Year and the Employee Engagement Index was at 75%. Function Wise Action Plans have been put in place to improve Employee Engagement.

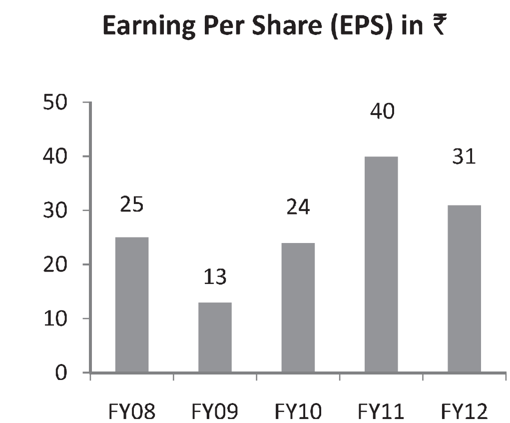
Cautionary Statement

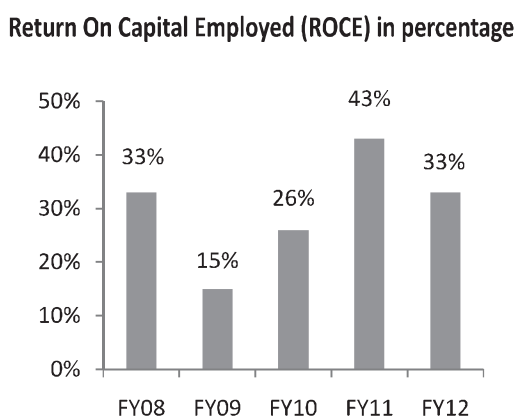
The information and opinion in this section consists of certain forward-looking statements, which the management believes to be true to the best of its knowledge at the time of its presentation based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions 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.

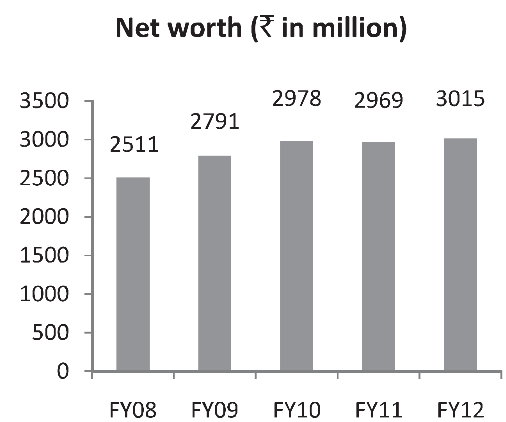
The information contained herein may not be disclosed, reproduced, or used in whole or in part for any purpose or furnished to any other person(s) without the express prior written permission of the Company.

FIVE YEAR CHARTS FOR KEY FINANCIAL INDICATORS









Annexure II to the Directors' Report

REPORT ON CORPORATE GOVERNANCE

Corporate governance philosophy and compliance

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

1. Composition of the Board

The Board of Directors has 6 members (as on June 30, 2012), including the Managing Director and 5 non-executive directors who bring a wide range of skills and experience to the Board. The Company has a non -executive Chairman and the number of independent directors is one-third of the total number of Directors. The Chairman is not 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. The composition of the Board is in conformity with Clause 49 of the Listing Agreement. During the year under review, five meetings of the Board of Directors were held on the following dates: August 12, 2011, November 02, 2011, January 31, 2012, April 27, 2012 and May16, 2012.

Table 1: Particulars of directorships, membership of board committees and attendance at meetings

Name of the Director	Other Directors hips held*	Board Committees+ (in other companies)		Attendance At	
		Chairman	Member	Board Meetings	Last AGM
Non-executive, Independent directors					
Mr. M. N. Bhagwat, Chairman	3	2	1	5	Yes
Mr. Vinayak K. Deshpande	4	-	-	5	Yes
Managing Director Mr. Santanoo Medhi	-	-	-	5	Yes
Non-executive directors					
Mr. John Chang	-	-	-	4	Yes
Mr. B.Anjani Kumar	1	-	-	5	Yes
Mr. Bernard North				3	-

Mr. John Chang, Mr. Bernard North and Mr.B.Anjani Kumar are the nominees of Kennametal Inc., the foreign promoter. Except for Mr.B.Anjani Kumar, no sitting fees was paid to non-executive Directors.

* *Excluding office of alternate directors, non-profit associations, private & foreign companies.*

+ *Only the Audit and Shareholders' / Investors Grievance Committees are considered.*

2. Audit Committee

The terms of reference of the Audit Committee are as per the guidelines set out in the listing agreement with the Bombay Stock Exchange Limited read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

All members of the Audit Committee have the requisite accounting and financial management expertise. The particulars of the members and their attendance at the meetings during the year under review are provided in Table 2.

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

Name of the Director	Number of meetings attended
Mr. M.N. Bhagwat Chairman, Non-executive, independent	5
Mr. Vinayak K. Deshpande Non-executive, independent	5
Mr. B. Anjani Kumar Non-executive, non-independent	5

During the period under review, five meetings of the Audit Committee of Directors were held on the following dates: August 12, 2011, November 02, 2011, January 31, 2012, April 27, 2012 and May16, 2012.

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. Shareholders' / Investors Grievance Committee

The Committee met on August 12, 2011 during the year under review and the attendance of the members at the said meeting is provided in Table 3.

Table 3: Particulars of Shareholders'/ Investors Grievance Committee of Directors and their attendance at the meeting:

Name of the Member	Attendance
Mr. M.N. Bhagwat, Chairman,	Attended
Mr.Santanoo Medhi, Member	Attended

4. Directors' remuneration

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

Table 4 : Remuneration paid to Managing Director in respect of financial year 2011-2012.

Managing Director	Amount (₹)
Mr.Santanoo Medhi	15571000*

**includes salary, fixed allowance, housing, leave travel allowance medical reimbursement, contribution toretiral benefits, etc. The appointment is for a period of three years from April 24, 2010 upto April 23, 2013 terminable with a notice period of three months or such notice as may be mutually determined as per the agreement dated April 24, 2010. The Board of Directors of Company approved the revision in remuneration of Mr. Medhi effective form October 01, 2011 for the remaining period of his tenure i.e. upto April 23, 2013 as specified in the supplementary agreement dated November 02, 2011. Performance pay is based on the results achieved against the targets and certain performance criteria as set out by the Board.*

Table 5: *Remuneration paid / payable to non whole-time directors for the year under review.*

Non-wholetime Directors	Commission (₹) *	Sitting Fees(₹)
Mr.M.N.Bhagwat	1320000	210000
Mr.John Chang	NIL	NIL
Mr.Vinayak K. Deshpande	550000	200000
Mr.B.Anjani Kumar	550000	200000
Mr. Bernard North	NIL	NIL

** payable in financial year FY13*

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. General Meetings

Date & time	Location	Special Resolutions passed
44th AGM – 2009 October 29, 2009 10.30 AM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	Appointment of Mr. D. Sarathy as Manager of the Company as defined under Section 2(24) of the Companies Act, 1956.
45th AGM – 2010 October 26, 2010 10.30 AM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	1. Appointment of Mr.Santanoo Medhi, as Managing Director and fixation of his remuneration. 2. Payment of Commission to non-executive Directors.
46th AGM – 2011 November 02, 2011 10.30 AM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	Nil

6. Disclosures

- The Company has adopted a Code of Internal Procedures and Conduct for Prevention of Insider Trading.
- The Company has in place a Code of Conduct applicable to the Board of Directors as well as the Senior Management. The Managing Director has confirmed and declared that all the members of the Board and Senior Management personnel have affirmed compliance with the Code of Conduct for the year 2011-2012.
- Mr. B. Anjani Kumar, Director holds 10 equity shares in the Company. No other Director holds any shares in the Company.
- No penalties were imposed or strictures passed on the Company by Bombay Stock Exchange Limited, SEBI or any statutory authority on any matter relating to capital markets during the last three years.

  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) notified under section 211(3C) of the Companies Act, 1956.
- The Company being a part of Kennametal Group ("the group"), complies with the whistle blower policy of the group which is applicable to all employees of the group.
- The Senior Management personnel have declared to the Board of Directors that none of them or their relatives had any material, financial, commercial transactions that were potentially in conflict with the interests of the Company.
- The Managing Director and Chief Financial Officer have certified to the Board in accordance with Clause 49(V) of the listing agreement, for the year ended June 30, 2012.
- The Company does not have any subsidiaries.
- The Company has not made any capital issues during the year ended June 30, 2012.
- The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

Adoption of non-mandatory requirements

I) The Board

The Company reimburses the expenses towards the maintenance of the office of its non-executive, independent Chairman and also the expenses incurred in performance of his duties

ii) Shareholders' right

The Company's quarterly and half-yearly financial results are published in the newspapers and the results were also uploaded in the Company's website.

Therefore, no individual intimations were sent to the shareholders. However, based on the requests from shareholders, if any, the Company would provide them individually.

iii) Audit qualifications

There are no qualifications in the Auditors' Report on the Accounts for the year ended June 30, 2012.

iv) Others

The Company has not adopted the following clauses which are non mandatory under Annexure 1D to Clause 49 of the listing agreement

- ☆ Clause (2) constitution of Remuneration Committee of Directors
- ☆ Clause (5) training of Board Members
- ☆ Clause (6) mechanism for evaluating non-executive Board Members.

7. Means of Communication

a. Quarterly / half-yearly / annual financial results of the Company were forwarded to the BSE Limited (where listed) immediately after the Board Meetings so as to enable hosting the same in their website and the results were also published in Financial Express (English) and Sanjevani (Kannada) newspapers within 48 hours from the conclusion of the Board Meetings.

b. As per the latest amendment by SEBI the requisite details of the Company in terms of Clause 54 of the listing agreement are maintained in the website viz. www.kennametal.com under the icon "Company Profile' (Kennametal India Financials)

The link is as follows: http://www.kennametal.com/en-US/company_profile/KMT_India_financials.jhtml

c. Management Discussion and Analysis Report is annexed to the Directors' Report.

General shareholders' information

Annual General Meeting:

The 47th Annual General Meeting of the Company is scheduled to be held at 10.30 a.m. on Thursday, November 08, 2012 at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bangalore – 560073.

Book Closure:

The Register of Members and share transfer books will remain closed from November 06, 2012 to November 08, 2012 [both days inclusive]

Table 6: Financial calendar for the year 2012-13.

Event	Month (tentative)
Un-audited results for the quarter ending September 30, 2012	November, 2012
Un-audited results for the quarter ending December 31, 2012	January / February, 2013
Un-audited results for the quarter ending March 31, 2013	April / May, 2013
Audited results for the year ending June 30, 2013	July / August, 2013

Dividend :

An interim dividend of ₹25/- per equity share of ₹10/- each [250% on the paid capital of the Company] was declared by the Board for the financial year ended June 30, 2012 and May 25, 2012 was fixed as Record Date for the said purpose. The said interim dividend was paid from June 04, 2012. The Board of Directors have decided to treat the same as final dividend and therefore no additional dividend payment is recommended for the year ended June 30, 2012.

Stock Exchange:

The equity shares of the Company are listed with Bombay Stock Exchange Limited, Mumbai. (scrip code : 505890) and the listing fee has been paid for the year 2012-2013.

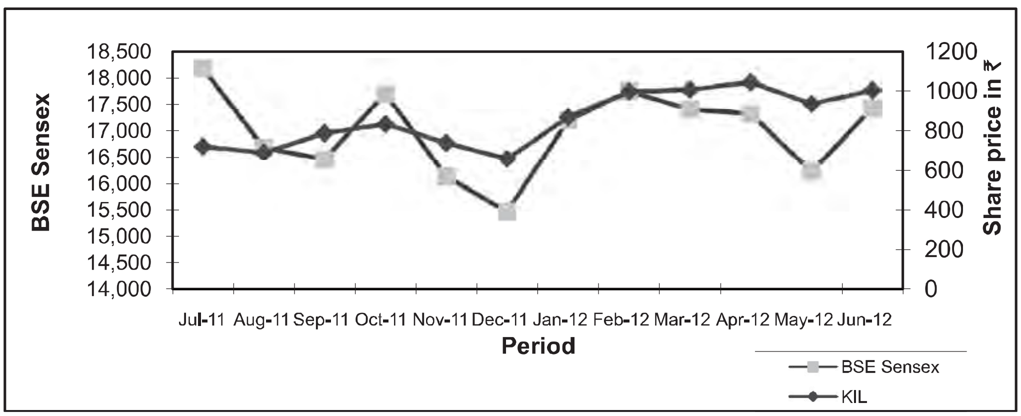
Annexure II to the Directors' Report

Table 7: Market Price Data - High/Low [closing price] on BSE, during each month of the period under review :

Month	Year	High (₹)	Low (₹)
July	2011	762.00	668.00
August	2011	740.00	637.05
September	2011	840.00	686.00
October	2011	865.95	784.00
November	2011	855.90	706.20
December	2011	787.90	642.20
January	2012	938.50	640.80
February	2012	1034.00	807.00
March	2012	1198.00	931.40
April	2012	1247.00	980.00
May	2012	1090.00	920.00
June	2012	1140.00	851.30

Source: Website of the Bombay Stock Exchange Limited - www.bseindia.com

Table 8 : Share price performance in comparison with BSE Sensex*



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

Share transfer agents

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

Share transfer system

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

Dematerialisation of shares

The Company's shares are admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL] and the ISIN allotted for the equity shares of the Company is INE717A01029. 98.43%of the equity shares of the Company are held in demat form.

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

Table 9 : Pattern of shareholding as on June 30, 2012

Category	No. of shares	Percentage (%)
Promoters Meturit AG. - 11208840 Kennametal Inc. - 8167173	19376013	88.16
Public		
Mutual Funds	206274	0.94
Financial Institutions/Banks	1040	0.00
Foreign Institutional Investors	134811	0.61
Bodies Corporate	184284	0.84
Individuals & others	2210629	9.45
Total	**21978240**	**100.00**

Table 10 : Distribution of shares as on June 30, 2012

No. of Shares	No. of Shareholders	Shares held
Upto 5000	5918	1355982
5001 - 10000	50	355190
10001 - 20000	22	301944
20001 - 30000	6	143160
30001 - 40000	0	0
40001 - 50000	1	42593
50001 - 100000	1	63300
100000 and above.	4	19716071
Total	**6002**	**21978240**

Plant location
8/9th Mile, Tumkur Road, Bangalore-560 073, Karnataka.

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

Integrated Enterprises (India) Limited
(formerly known as Alpha System Private Limited)
Unit: Kennametal India Limited
No. 30, "Ramana Residency", 4th Cross,
Sampige Road, Malleswaram,
Bangalore - 560 003
Phone : 080 - 23460815 to 818.
Fax : 080 - 23460819.
e-mail: alfint@vsnl.com

For dividend queries and other general matters:

The Company Secretary
Kennametal India Limited
8/9th Mile, Tumkur Road,
Bangalore - 560 073.
Phone: 080-28394321 and 080 22918345
Fax: 080 28397572
e-mail:kundan.lal@kennametal.com

e-mail: in.investorrelation@kennametal.com
for the purpose of addressing investor complaints and also to take necessary follow-up action.

MD CERTIFICATION

To,

The Members
Kennametal India Limited

Pursuant to the Clause 49 of the listing agreement with Bombay Stock Exchange Limited, this is to confirm that all the Members of the Board and the Senior Management of the Company have confirmed compliance with the Code of Conduct of the Company for the year ended June 30, 2012.

For Kennametal India Limited

Santanoo Medhi
Managing Director

CERTIFICATE

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS.

To the Members of Kennametal India Limited
Bangalore

I have examined the compliance of the conditions of Corporate Governance by Kennametal India Limited for the year ended 30th June, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited, Mumbai (BSE) in India.

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

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

I state that in respect of investors' grievances received during the year ended 30th June, 2012, two investor grievances were pending against the Company as on 30th June, 2012, as per the records maintained by the Company and as stated by the Registrar and Share Transfer Agent.

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

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

Place: Bangalore
August 13, 2012

Annexure III to the Directors' Report

Information under Section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

A] Conservation of Energy

Your Company continued to undertake various energy conservations initiatives during the year and won award at State and National levels for energy conservations initiatives. Some of energy conservation measures taken by the Company are given below:

a) Energy conservation measures taken during the year

The facility continued its efforts towards Energy Conservation activities by implementing following projects:

Lighting

- Poly Lux Energy Efficient Lights were used in the Flame proof area fitting which helped in improving the Lux levels inside the shop Floor without addition of any Lighting fixture.
- The facility continued the practice of replacing the conventional fitting with the T-5 Lamps and LED Lamps

The Process Modification

- The modification and improvements in Furnace loading resulted in energy efficiency leading to reduction in energy consumption.
- The Coating Furnace Loading improvement saved the Units consumed per Kg IN Coating by about 15 %.

DG set Loading & Load Management

- The Electrical Distribution system was modified to ensure optimum loading of DG Set and minimum drawal from Grid.
- Ensure minimum power usage during the facility closure on holidays & Sundays.

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

In order to reduce the Energy Consumption in FY 13 your Company has planned an investment of ₹ 80 Lakhs on the Energy Conservation projects such as Energy Efficient Carburising Furnace / Lighting improvements /Water pumping systems improvements and process improvements .

These Green initiatives will facilitate in conserving about 5.0 Lakh units in FY13.

c) *Impact of the measures at (a) and (b) above, for reduction of energy consumption and consequent impact on the cost of production of goods:*

- Due to the above energy conservation projects your company saved about 5.7 Lakh Units in FY 12.
- Energy conservation projects also helped in reducing the Load on the system by 75KW .

d) *Total energy consumption and energy consumption per unit of production as per Form -A annexure in respect of industries specified in the Schedule thereto*

\- Not applicable

B] Technology Absorption

a) Research & Development (R&D)

The Research, Development and Engineering (RD&E) unit works on new Product and Process Developments in collaboration with the parent company - Kennametal Inc. with specific focus on materials, coatings and design.

It works with a continued specific focus on up-gradation of products, processes and technology.

1. *Specific areas in which R&D is carried out*

   i) Continuous development and up gradation of some products carried out as per market requirement with support of Kennametal Inc. and Hanita Metal Works Limited, Israel.

   ii) Process rationalisation in Sintering

   iii) Substrate rationalisation and standardisation

   iv. Establishing the new CVD coating system

   v) Quality improvement of current processes through LEAN, six-sigma projects in the area of powder, sintering and coating

   vi) Prototype development of eco-friendly alternate milling liquid

2. *Benefits derived as a result of the above R & D*
   - Improvement of product quality, cost reduction, improved lead-time and a good value proposition to customers.
   - Product superiority is maintained
   - Cost savings through some product development and Lean Sigma project.
   - Eco-friendly processes

3. *Future plan of action*

- Continued efforts towards quality enhancement, evolution of new products aligned with customer needs and with reduction of high cost components and lead time
- Deployment of eco-friendly alternate milling liquid in regular Manufacturing process

4.Expenditure on R & D (₹in Lakhs)

	2012	2011
a) Capital	6	131
b) Recurring	597	426
c) Total	603	557
d) Total R & D expenditure (as a percentage to turn over)	1.05%	1.07%

b) Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation: Installation of State of the Art machinery and process in coating, and green machining.
2. Benefits derived as a result of the above efforts: - Increased product consistency and increased alignment with Global Process standardisation with reduced costs
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year).

   During FY 12, your Company entered into Intellectual Property License. Agreement with Kennametal Inc., USA and Hanita Metal Works Limited.

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

C] Foreign Exchange earnings and outgo

i) Activities relating to exports -
The company primarily exports its products to USA, Germany, and Singapore. During the year, the exports have been at ₹4183Lakhs.

ii) Initiatives taken to increase exports
It is our constant endeavour to explore new markets for export.

iii) Development of new export markets for products and services
The Company is exploring the possibility of increasing exports to USA and the Asia Pacific region.

iv) Export Plans
Your Company's exports are primarily to Asia Pacific and European regions. Both these regions have been experiencing tough economic conditions because of which the exports increased just by 8% against a plan of 17%. The export in forthcoming year would continue to be under pressure as the uncertainties continue in these regions.

Total foreign exchange used and earned:

₹In Lakhs

i)	Foreign Exchange earned	4321
ii)	Foreign Exchange used	33011

AUDITORS' REPORT

Auditors' Report to the Members of Kennametal India Limited

1. We have audited the attached Balance Sheet of Kennametal India Limited (the "Company") as at June 30, 2012, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the directors, as on June 30, 2012, and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2012;

      (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Price Waterhouse & Co.**
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Bangalore
August 13, 2012

Annexure to Auditors' Report

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kennametal India Limited on the financial statements as of and for the year ended June 30, 2012

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) In our opinion, and according to the Information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

ii. (a) The inventory excluding stocks with third parties has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

(b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(b), (c) and (d) of the Order are not applicable to the Company.

(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of Clause 4(iii)(f) and (g) of the Order are not applicable to the Company.

iv. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.

v According to the information and explanations given to us, there have been no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.

vi. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the 'Companies (Acceptance of Deposits) Rules, 1975' with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

vii. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.

ix. (b)According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, and excise duty as at June 30, 2012, which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount ₹	Period to which the amount relates	Forum where the dispute is pending
The Central Excise and Salt Act, 1944	Excise duty/ Service tax	52450	January 1998 to September 2011	The Customs, Excise & Service Tax Appellate Tribunal, Bangalore
		851264	February 1992 to August 1993	The Supreme Court of India
		4738908	April 2006 to September 2010	The High Court of Karnataka
		1496814	September 2006 to June 2007	The Commissioner (Appeals) LTU, Bangalore
The Finance Act, 1994	Service tax	1901458	June 2007 to March 2011	The Additional Commissioner (Excise) LTU, Bangalore
		237458	September 2005 to November 2009	The Customs, Excise & Service Tax Appellate Tribunal, Bangalore
The Andhra Pradesh General Sales Tax Act, 1957	Sales tax	5827114 (*1)	April 2003 to March 2004	The Sales Tax Appellate Tribunal, Hyderabad
The Delhi Sales Tax Act, 1975	Sales tax	78550 (*2)	April 2004 to March 2005	The Joint Commissioner Appeals, Delhi
The Central Sales Tax Act, 1956	Sales tax	2427840 (*3)	April 2006 to March 2010	The Joint Commissioner Appeals, Bangalore
The Karnataka Value Added Tax Act, 2003	Sales tax	Nil (*4)	April 2005 to March 2010	The Joint Commissioner Appeals, Bangalore
The Karnataka Tax on Entry of Goods Act, 1979	Entry tax	Nil (*5)	April 2005 to June 2012	The High Court of Karnataka
The Uttar Pradesh Value Added Tax Act, 2008	Sales tax	Nil (*6)	May 2011	The Joint Commissioner of Appeals, Sonabhadhra, U.P.
The Income Tax Act, 1961	Income tax	2198066 (*7)	April 1993 to March 1994; and April 1999 to March 2001	The Supreme Court of India
		Nil (*8)	April 1999 to March 2001	The Commissioner Income Tax (Appeals), Bangalore
		Nil (*9)	April 2006 to March 2007	The Income Tax Appellate Tribunal, Bangalore
		Nil (*10)	April 2007 to March 2008	The Commissioner Income Tax (Appeals) LTU, Bangalore

(*1) Net of ₹5872886 paid "under protest".
(*2) Net of ₹78550 paid "under protest".
(*3) Net of ₹4810532 paid "under protest".
(*4) Net of ₹6901882 paid "under protest".
(*5) Net of ₹4153486 paid "under protest".
(*6) Net of ₹404400 paid "under protest".
(*7) Net of ₹750375 paid "under protest".
(*8) Net of ₹27667829 paid "under protest".
(*9) Net of ₹69776571 paid "under protest".
(*10) Net of ₹54009650 paid "under protest".

x. The Company has no accumulated losses as at the end of the financial year and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

xi. As the Company does not have any borrowings from any financial institution or bank nor has it issued any debentures as at the balance sheet date, the provisions of Clause 4(xi) of the Order are not applicable to the Company.

xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of Clause 4(xii) of the Order are not applicable to the Company.

xiii. As the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company, the provisions of Clause 4(xiii) of the Order are not applicable to the Company.

xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.

xv. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of Clause 4(xv) of the Order are not applicable to the Company.

xvi. The Company has not raised any term loans. Accordingly, the provisions of Clause 4(xvi) of the Order are not applicable to the Company.

xvii. The Company has not raised any loans on short term basis. Accordingly, the provisions of Clause 4(xvii) of the Order are not applicable to the Company.

xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of Clause 4(xviii) of the Order are not applicable to the Company.

xix. The Company has not issued any debentures during the year and does not have any debentures outstanding as at the beginning of the year and at the year end. Accordingly, the provisions of Clause 4(xix) of the Order are not applicable to the Company.

xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of Clause 4(xx) of the Order are not applicable to the Company.

xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

For **Price Waterhouse & Co.**
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number 204627

Bangalore
August 13, 2012

BALANCE SHEET

(All amounts in ₹ Lakhs unless otherwise stated)

	Notes		As at June 30, 2012	As at June 30, 2011
EQUITY AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Share Capital	3		**2198**	2198
Reserves and Surplus	4		**27950**	27497
NON CURRENT LIABILITIES				
Long-term Liabilities	5		**2**	2
Long-term Provisions	6		**936**	904
CURRENT LIABILITIES				
Trade Payables	7		**6418**	5436
Other Current liabilities	8		**5151**	3934
Short-term Provisions	9		**573**	913
			43228	40884
ASSETS				
NON-CURRENT ASSETS				
Fixed Assets	10			
Tangible Assets		(A)	**12908**	10630
Intangible Assets		(B)	**145**	36
Capital Work-in-Progress			**1065**	1198
Non-Current Investments	11		**65**	65
Deferred Tax Assets (Net)	12		**187**	97
Long-term Loan and Advances	13		**1921**	422
Other Non-Current assets	14		**66**	66
CURRENT ASSETS				
Inventories	15		**10336**	7423
Trade Receivables	16		**10289**	10832
Cash and Bank Balances	17		**4483**	8752
Short-term Loans and Advances	18		**1737**	1346
Other Current Assets	19		**26**	17
			43228	40884

The notes are an integral parts of these financial statements.

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

For **Price Waterhouse & Co.**
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Bangalore
August 13, 2012

For and on behalf of Board of Directors

B. Anjani Kumar
Director

M. N. Bhagwat
Chairman

Vinayak K. Deshpande
Director

Santanoo Medhi
Managing Director

John Chang
Director

Kundan Kumar Lal
Company Secretary

STATEMENT OF PROFIT AND LOSS

(All amounts in ₹ Lakhs unless otherwise stated)

	Notes	**Year ended June 30, 2012**	Year ended June 30, 2011
REVENUE			
Revenue from operations (Gross)	20	**60124**	54058
(Less): Excise Duty		**(3891)**	(3323)
Revenue from operations (Net)		**56233**	50735
Other Income	21	**1045**	1170
TOTAL REVENUE		**57278**	51905
EXPENSES			
Cost of Materials consumed	22	**16326**	12139
Purchase of Stock in trade	23	**12772**	9657
Changes in Inventories of Work in Progress and Stock in Trade	24	**(2521)**	(2089)
Employee Benefits Expense	25	**8456**	8144
Depreciation and amortisation Expense		**2267**	2258
Other Expenses	26	**10084**	9042
TOTAL EXPENSES		**47384**	39151
PROFIT BEFORE TAX		**9894**	12754
TAX EXPENSE:			
Current Tax		**3145**	4019
Tax provision relating to earlier years		**-**	(115)
Deferred Tax (credit)/ charge		**(90)**	(5)
PROFIT FOR THE YEAR		**6839**	8855
Earnings per Equity Share			
[Nominal Value per share ₹10 (2011: ₹10)]			
- Basic (₹)		**31.12**	40.29
- Diluted (₹)		**31.12**	40.29

The notes are an integral parts of these financial statements.

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

For **Price Waterhouse & Co.**
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Bangalore
August 13, 2012

For and on behalf of Board of Directors

B. Anjani Kumar
Director

M. N. Bhagwat
Chairman

Vinayak K. Deshpande
Director

Santanoo Medhi
Managing Director

John Chang
Director

Kundan Kumar Lal
Company Secretary

CASH FLOW STATEMENT

(All amounts in ₹ Lakhs unless otherwise stated)

		Year ended June 30, 2012	Year ended June 30, 2011
1	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before taxation	**9894**	12754
	Adjustments for:		
	Depreciation and amortisation expense	**2267**	2258
	Liabilities no longer required written back	**(331)**	(197)
	Provision for product support	**22**	96
	Provision made for doubtful debts	**152**	62
	Provision for doubtful advances	**-**	2
	Assets written off	**15**	17
	Profit on sale of fixed assets (net)	**(19)**	(70)
	Interest Expense	**-**	2
	Unrealised Foreign Exchange (Gain)/ Loss	**(78)**	23
	Operating profit before working capital changes	**11922**	14947
	Adjustment for working capital changes		
	Decrease/(Increase) in Inventories	**(2913)**	(2934)
	Decrease/(Increase) in Trade and Other Receivables	**(1476)**	(4104)
	(Decrease)/Increase in Liabilities and Provisions	**4528**	3190
	Cash generated from Operations	**12061**	11099
	Income Taxes paid (net of refunds)	**(5187)**	(4010)
	Net Cash generated from Operating Activity	**6874**	7089
2	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	**(4790)**	(2968)
	Purchase of Bonds	**-**	(65)
	Proceed from sale of Fixed Assets	**33**	75
	Net Cash (used in) Investing Activities	**(4757)**	(2958)
3	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Interest paid	**-**	(2)
	Unclaimed dividend paid	**-**	(5)
	Interim Dividend paid	**(5495)**	(7692)
	Tax on Interim dividend	**(891)**	(1248)
	Net Cash (used in) Financing Activities	**(6386)**	(8947)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	**(4269)**	(4816)
	OPENING CASH EQUIVALENTS	**8752**	13568
	CLOSING CASH EQUIVALENTS (refer note 3 below)	**4483**	8752
		(4269)	(4816)

CASH FLOW STATEMENT

(All amounts in ₹ Lakhs unless otherwise stated)

Notes:

1. The Cash Flow Statement has been compiled from and is based on the Balance Sheet as at June 30, 2012 and the related Statement of Profit and Loss for the year ended on that date.
2. The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash flow Statement as notified under Section 211(3C) of the Companies Act, 1956 and reallocation required for this purpose are as made by the Company.
3. Cash equivalents at the end of the period

	June 30, 2012	June 30, 2011
Cash and Bank balances include ₹11 (2011: ₹12) in dividend accounts	**2357**	1999
Current investments in mutual funds*	**2126**	6753
	4483	8752

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

4. Figures in bracket indicate cash outgo, except for adjustments for operating activities.
5. Previous year's figures have been reclassified / regrouped, wherever necessary.

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

For **Price Waterhouse & Co.**
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Bangalore
August 13, 2012

For and on behalf of Board of Directors

B. Anjani Kumar
Director

M. N. Bhagwat
Chairman

Vinayak K. Deshpande
Director

Santanoo Medhi
Managing Director

John Chang
Director

Kundan Kumar Lal
Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on accrual basis. These financial statements have been prepared to comply in all material aspects with the Accounting Standards notified under Section 211(3C) [Companies (Accounting Standards) rules, 2006, as amended] and other relevant provisions of the Companies Act,1956.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current and non-current classification of assets and liabilities.

b) Fixed Assets

i) Tangible assets:

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

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

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

Depreciation is provided from the month of capitalisation on a straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for the following assets where, based on management's technical evaluation, the rates are higher than Schedule XIV rates:

a. Own assets

	% Per annum
Buildings:	
Factory	4.00
Non Factory	3.00
Plant and Machinery:	
Data processing equipment - Computers	33.33
Data processing equipment - Others	20.00
Furniture and Fixtures, Vehicles and Office Equipment	20.00

Leasehold improvements are depreciated over the primary lease period. Machinery spares of irregular usage are amortised over the estimated useful life of the respective Plant and Machinery. Individual assets costing up to ₹ 5000 is fully depreciated in the year of acquisition.

b. Leased assets

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

ii) Intangible assets:

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

NOTES TO FINANCIAL STATEMENTS

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

The amortization period and method used for intangible assets are reviewed at each financial year end.

c) Impairment of Assets

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

d) Investments

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

e) Inventories

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

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

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

f) Foreign Currency Transactions:

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

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

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

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

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

g) Research and Development

Revenue expenditure on research and development is charged under respective heads of account. Capital expenditure on research and development is capitalised as tangible fixed assets and depreciated in accordance with the policy of the Company.

h) Revenue Recognition

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

NOTES TO FINANCIAL STATEMENTS

Income from services is recognised as the services are rendered based on agreements / arrangements with customers. Interest and other income are accounted for on accrual basis.

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

i) Employee Benefits

i) Short term Employee Benefits:

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

ii) Gratuity

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

iii) Provident Fund

Contributions in respect of Provident Fund are made to a Trust administered by the Company. Interest rate payable to members of the Trust shall not be less than statutory rate of interest declared by the Central Government under Employees Provident Funds & Miscellaneous Provisions Act, 1952. The Company's liability is actuarially determined (using the Projected Unit Credit method) at the end of the year and any short fall in the fund size maintained by the Trust set up by the Company is additionally provided for.

iv) Leave Encashment/Compensated Absences

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

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

j) Current and Deferred Tax

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

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

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

k) Provisions and Contingent Liabilities

Provisions:

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

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

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

NOTES TO FINANCIAL STATEMENTS

Contingent Liabilities:

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

l) Leases

Finance Leases:

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

Operating Leases:

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

m) Segment Reporting

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

i) Segment revenue includes sales and other income directly identifiable with or allocable on a reasonable basis to the segment.

ii) Expenses that are directly identifiable with or allocable to segments on a reasonable basis are considered for determining segment results. The expenses, which relate to the Company as a whole and not allocable to segments, are included under “Unallocable Corporate Expenses”.

iii) Income, which relates to the Company, as a whole and not allocable to segments is included in “Unallocable Corporate Income”.

iv) Segment assets and liabilities include those directly identifiable with respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment.

Inter-segment transactions are not included in the segment revenue and are accounted for at cost.

n) Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents includes cash in hand, demand deposits with banks and other short term highly liquid investments with original maturities of three months or less.

o) Earnings Per Share

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

p) Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates; a revision to accounting estimate is recognized prospectively in the current and future periods.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2012	As at June 30, 2011
3. SHARE CAPITAL		
AUTHORISED SHARE CAPITAL		
21978240 (2011: 21978240) Equity Shares of ₹10 each	**2198**	2198
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
21978240 (2011: 21978240) Equity Shares of ₹10 each	**2198**	2198
	2198	2198
(a) Reconciliation of number of shares outstanding:		
Equity Shares	No. of Shares	No. of Shares
Share outstanding at the beginning of the year	**21978240**	21978240
Shares issued during the year	**-**	-
Shares bought back during the year	**-**	-
Shares outstanding at the end of the year	**21978240**	21978240

(b) Rights, preferences and restrictions attached to shares

The Company has only 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 Holding company and Subsidiary of Holding company.

	No. of Shares	No. of Shares
Kennametal Inc., USA, the ultimate holding company	**8167173**	8167173
Meturit AG. Zug, Switzerland, the holding company	**11208840**	11208840
(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company		
Kennametal Inc., USA, the ultimate holding company	**37.16%**	37.16%
Meturit AG. Zug, Switzerland, the holding company	**51.00%**	51.00%
4. RESERVES AND SURPLUS		
i) Securities Premium Account		
Balance as at the beginning of the year	**9**	9
Add: Additions during the year	**-**	-
Less: Amount utilised during the year	**-**	-
Balance as at the end of the year	**9**	9
ii) General Reserve		
Balance as at the beginning of the year	**14200**	13314
Add: Transfer from Statement of Profit and Loss	**684**	886
Less: Amount utilised during the year	**-**	-
Balance as at the end of the year	**14884**	14200
iii) Surplus in statement of profit and loss		
Balance as at the beginning of the year	**13288**	14259
Add: Profit for the year	**6839**	8855
(Less): Appropriations		
Transfer to General Reserve	**(684)**	(886)
Interim Dividend [₹25 Per Share declared on May 16, 2012 (2011: ₹ 35 Per Share)]	**(5495)**	(7692)
Dividend distribution tax on Interim Dividend	**(891)**	(1248)
Balance as at the end of the year	**13057**	13288
	27950	27497

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2012	As at June 30, 2011
5.LONG TERM LIABILITIES		
Deposits from customers	**2**	2
	2	2
6. LONG TERM PROVISIONS		
Employee benefits:		
Gratuity	**285**	295
Leave Encashment/ Compensated Absences	**439**	397
Disputed Sales Tax	**212**	212
	936	904
7. TRADE PAYABLES		
Due to Micro Enterprises and Small Enterprises	**59**	90
Others	**6359**	5346
	6418	5436
8. OTHER CURRENT LIABILITIES		
Advances from customers	**3030**	1545
Unclaimed dividends *	**11**	12
Other liabilities:		
Employee benefits payable	**1331**	1423
Statutory dues (including providend fund and tax deducted at source)	**779**	954
	5151	3934
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund		
9. SHORT TERM PROVISIONS		
Employee benefits:		
Gratuity	**27**	26
Leave Encashment/ Compensated Absences	**288**	256
Taxation (net)	**-**	395
Product support	**258**	236
	573	913

NOTES TO FINANCIAL STATEMENTS

10. FIXED ASSETS

(All amounts in ₹ Lakhs unless otherwise stated)

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK	
	1-Jul-2011	Additions/ Adjustments	Deletions/ Adjustments	**30-Jun-2012**	1-Jul-2011	Additions/ Adjustments	Deletions/ Adjustments	**30-Jun-2012**	**30-Jun-2012**	1-Jul-2011
Tangible Assets										
Own Assets:										
Land [Note (a)]	6	-	-	**6**	-	-	-	**-**	**6**	6
Buildings	662	222	-	**884**	510	27	-	**537**	**347**	152
Plant and Machinery:										
Data Processing Equipment	985	420	129	**1276**	686	161	129	**718**	**558**	299
Others	25183	3824	279	**28728**	15200	1958	251	**16907**	**11821**	9983
Furniture and Fixtures	371	24	-	**395**	281	39	-	**320**	**75**	90
Leasehold Improvements	49	-	-	**49**	49	-	-	**49**	**-**	-
Office Equipment	293	36	1	**328**	245	23	-	**268**	**60**	48
Vehicles	33	-	20	**13**	26	6	19	**13**	**-**	7
Leased Assets:										
Buildings	49	-	-	**49**	4	4	-	**8**	**41**	45
TOTAL (A)	27631	4526	429	**31728**	17001	2218	399	**18820**	**12908**	10630
Intangible Assets										
Software	316	158	-	**474**	280	49	-	**329**	**145**	36
TOTAL (B)	316	158	-	**474**	280	49	-	**329**	**145**	36
GRAND TOTAL (A+B)	27947	4684	429	**32202**	17281	2267	399	**19149**	**13053**	10666
2011	25767	2529	349	**27947**	15351	2258	328	**17281**	**10666**	10416

Notes:

a) A small portion of the Company's land has been acquired for metro rail project by Bangalore Metro Rail Corporation Limited (BMRCL) (a Government Undertaking) based on notification issued by The Karnataka Industrial Area Development Board (KIADB). BMRCL has calculated the compensation payable for the land at ₹555 Lakhs, which KIADB had to release to the Company. However, KIADB vide its order dated March 5, 2012 has referred the matter to Bangalore City Civil Court as certain third parties have raised objection on awarding of compensation and ownership to land. The Company has filed a writ petition with the High Court of Karnataka for quashing the said KIADB order. Awaiting the conclusion of the Court proceedings and final decision, as a matter of prudence, no profits related to the compensation has been recognised in these financial statements.

b) Plant and Machinery Gross block of ₹156 Lakhs, which was included under Leased Assets during 2011 has been reclassified and included under Own Assets.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2012	As at June 30, 2011
11. NON CURRENT INVESTMENTS		
UNQUOTED		
Non-Trade - Investments in Government Securities		
6% NHAI 54EC Bonds 2010-11(Face Value of ₹10,000 each)	**50**	50
6% NHAI 54EC Bonds 2011-12 (Face Value of ₹10,000 each)	**15**	15
	65	65

12. DEFERRED TAX ASSETS (NET)

The major components of Deferred Tax Assets and Liabilites on account of timing difference are as follows:

	ASSET		LIABILITY	
	2012	2011	**2012**	2011
Expenses allowable for tax purposes when paid	**537**	521	**-**	-
Provision for doubful debts	**58**	32	**-**	-
Provision for non moving Inventory	**184**	173	**-**	-
Depreciation	**-**	-	**592**	629
	779	726	**592**	629
Net Deferred Tax Asset /(Liability)	**187**	97		
Net Deferred Tax (Credit)/ charge for the year	**(90)**	(5)		

The tax impact for the above purposes has been arrived at by applying a tax rate of 32.45% (2011: 32.45%) being the prevailing tax rate for Indian Companies under the Income Tax Act, 1961.

	2012	2011
13. LONG TERM LOANS AND ADVANCES		
Advance tax [net of provision ₹395 (2011: Nil)]	**1647**	-
Capital Advances	**236**	392
Employee Advances	**38**	30
	1921	422
14. OTHER NON CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Deposits	**66**	66
	66	66
15. INVENTORIES (NET OF PROVISION)		
Raw materials [including goods in transit ₹721 (2011: ₹360)]	**2482**	1876
Stores and spares	**189**	215
Work-in-progress	**4385**	2972
Stock-in-trade:		
Manufactured goods	**2349**	1766
Traded goods	**931**	594
	10336	7423

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

		As at June 30, 2012		As at June 30, 2011
16. TRADE RECEIVABLES				
(Unsecured, unless stated otherwise)				
Considered good:				
Exceeding six months from the date they are due for payment		**176**		-
Others		**10113**		10832
Considered Doubtful:				
Exceeding six months from the date they are due for payment	163		80	
Others	12	**175**	13	93
(Less): Provision for doubtful debts		**(175)**		(93)
		10289		10832
17. CASH AND BANK BALANCES				
Cash and Cash Equivalents:				
Cash on hand		**5**		-
Cheques on hand		**472**		269
Bank Balances in Current Accounts		**1869**		1718
Short term highly liquid investments		**2126**		6753
Other Bank balances:				
Unpaid Dividend Account		**11**		12
		4483		8752
18. SHORT TERM LOANS AND ADVANCES				
(Unsecured)				
Considered good:				
Loans to employees		**34**		30
Advances recoverable in cash or in kind or for value to be received		**1075**		577
Prepaid Expenses		**169**		185
Balance with Statutory / Government Authorities		**459**		554
Considered doubtful:				
Advances recoverable in cash or in kind or for value to be received		**-**		24
		1737		1370
(Less): Provision for doubtful advances		**-**		(24)
		1737		1346
19. OTHER CURRENT ASSETS				
(Unsecured, considered good unless stated otherwise)				
Interest accrued on Non-current investments		**2**		-
Other receivables		**21**		12
Other deposits [including ₹ 5 (2011: ₹ 2) considered doubtful]	8		7	
(Less): Provision for doubtful deposits	(5)	**3**	(2)	5
		26		17

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

		Year ended June 30, 2012		Year ended June 30, 2011
20. REVENUE FROM OPERATIONS				
SALE OF PRODUCTS				
Manufactured goods		**40137**		35935
Traded goods		**19278**		17537
OTHER OPERATING REVENUE				
Service Income		**659**		546
Sale of scrap		**50**		40
		60124		54058
21. OTHER INCOME				
Dividend Income - Non Trade - Current		**527**		691
Interest from Bank and Others		**2**		2
Liabilities no longer required written back		**331**		197
Profit on fixed assets sold (net)		**19**		70
Exchange gain (net)		**-**		47
Miscellaneous income		**166**		163
		1045		1170
22. COST OF MATERIALS CONSUMED				
Opening Inventory		**1876**		1107
Add: Purchases		**16932**		12908
(Less): Closing Inventory		**(2482)**		(1876)
Cost of Raw materials and components consumed		**16326**		12139
23. PURCHASE OF STOCK IN TRADE		**12772**		9657
24. CHANGES IN INVENTORIES OF WORK- IN- PROGRESS AND STOCK IN TRADE				
Opening stock:				
Work-in-progress	2972		1606	
Manufactured goods	1766		1247	
Traded goods	594		316	
	5332		3169	
Closing stock:				
Work-in-progress	4385		2972	
Manufactured goods	2349		1766	
Traded goods	931		594	
	7665		5332	
(Increase)/ Decrease in stocks		**(2333)**		(2163)
Excise duty on opening stock of Manufactured goods	(268)		(194)	
Excise duty on closing stock of Manufactured goods	456		268	
Increase/ (Decrease) in excise duty		**(188)**		74
		(2521)		(2089)

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

		Year ended June 30, 2012		Year ended June 30, 2011
25. EMPLOYEE BENEFIT EXPENSES				
Salaries, wages and bonus		**7239**		7104
Contribution to provident and other funds		**529**		407
Staff welfare		**688**		633
		8456		8144
26. OTHER EXPENSES				
Power and fuel		**1253**		1094
Stores and spares consumed		**1471**		1423
Subcontracting		**1307**		1070
Repairs and maintenance:				
Buildings	2		106	
Plant and machinery [includes stores and spares consumed ₹255 (2011: ₹312)]	685	**687**	528	634
Rent		**32**		31
Rates and taxes		**145**		209
Insurance		**81**		69
Travelling and conveyance		**1050**		883
Legal and professional [refer Note below]		**201**		142
Communication		**152**		156
Directors' Sitting Fee		**6**		7
Excise duty on samples, free issues and others etc.		**172**		130
Packing, forwarding and freight		**562**		440
Provision for product support		**22**		96
Royalty		**156**		-
Advertisement and sales promotion		**166**		436
Provision for bad and doubtful debts (net)		**152**		62
Provision for Doubtful Advances (net)		**-**		2
Commission on sales		**194**		123
Assets written off		**15**		17
Information Technology services		**1188**		1193
Exchange loss (net)		**76**		-
Miscellaneous		**996**		825
		10084		9042

Note: Payments to Auditors (excluding service tax) included under Legal and professional in Note 26:			
As Auditors:			
Statutory Audit	**19**		16
Tax Accounts and Tax Audit	**4**		4
Other Audit related services	**33**		30
Certification	**3**		1
Out of Pocket expenses	**1**		1

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

27. CAPITAL AND OTHER COMMITMENTS:

27.1 Capital Commitments (net of advances) ₹905 (2011: ₹2100)

28. CONTINGENT LIABILITIES

Nature of Contingent Liability	**2012**	2011
Income Tax matters [Note (a)]	**1259**	654
Excise Duty /Service Tax matters under dispute	**93**	70
Sales Tax matters under dispute	**48**	24

Notes:

a) Relates to transfer pricing adjustments made by the Income Tax Department for the assessment years 2007-08 and 2008-09 which is disputed by the Company and the matter is lying under appeal with The Income Tax Appellate Tribunal, Bangalore, and The Commissioner of Income Tax, Appeals, Bangalore respectively. The Company has paid "under protest" ₹1237 (2011: Nil) to the Income Tax Department in this regard.

b) There are certain non-quantifiable industrial disputes pending before various judicial authorities.

29. PARTICULARS OF MATERIALS AND STORES & SPARES

	2012		2011	
Raw Materials and Components consumed	**%**	**Value**	%	Value
-Imported	**73**	**11918**	61	7379
-Indigenous	**27**	**4408**	39	4760
Total	**100**	**16326**	100	12139

Stores and Spares consumed

-Imported	**14**	**234**	12	205
-Indigenous	**86**	**1492**	88	1530
Total	**100**	**1726**	100	1735

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

	2012	2011
Raw materials	**11518**	8692
Stores and spares	**1317**	2035
Capital goods	**2824**	1327

31. EXPENDITURE IN FOREIGN CURRENCY:

	2012	2011
Travelling	**115**	69
Information Technology Services	**1188**	1193
Royalty	**156**	-
Miscellaneous expenses	**248**	157

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

32. EARNINGS IN FOREIGN CURRENCY

	2012	2011
Export of goods calculated on F.O.B. basis	**4183**	3881
Reimbursement of expenses	**138**	82

33. PARTICULARS OF RESEARCH AND DEVELOPMENT EXPENDITURE:

a) Revenue Expenditure

	2012	2011
Revenue expenditure debited to various heads of account:		
Material Consumed	**88**	29
Employment Cost	**365**	242
Other Expenses	**144**	155
Total	**597**	426

b) Capital (Note)

Description	Manufacturing	Quality Control	R&D	Total
As on June 30, 2011	25838	301	693	26832
Additions/ Adjustments during the year	4297	1	6	4304
Deletions/ Adjustments during the year	380	-	29	409
As on June 30, 2012	29755	302	670	30727

Note: The above disclosure of tangible fixed assets categories is based on Department of Scientific & Industrial Research (DSIR), Ministry of Science and Technology, Government of India requirements.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

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

		2012	2011
a)	The Principal amount remaining unpaid as at June 30, 2012	**59**	90
	Interest due thereon remaining unpaid on June 30, 2012	-	-
b)	The amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.		
	I) Delayed payments of principal beyond the appointed date during the entire accounting year.	-	-
	II) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act. 2006	-	-
c)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	-	-
d)	The amount of interest accured and remaining unpaid on June 30, 2012 in respect of principal amount settled during the year.	-	-
e)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	-	-

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

35. SHORT TERM HIGHLY LIQUID INVESTMENTS

Name of the Fund	**2012**	2011
Birla Sun Life Cash Plus - Instl. Prem. - Daily Dividend	**600**	760
Canara Robeco Liquid Fund Super Instt (DDR)	-	760
DSP BR Liquidity Fund–Inst DD	**625**	760
DWS Insta Cash Plus Fund –Institutional Plan - Daily Dividend	-	760
HSBC Cash Fund- Institutional Plus - Daily Dividend	-	500
IDFC - Cash Fund - Super Inst. Plan C - Daily Dividend	-	1210
ICICI Prudential Liquid Super Institutional Plan Div–Daily	**600**	-
JPMORGAN INDIA LIQUID FUND - SUPER INST. DAILY DIV REINVEST	-	460
Templeton India Treasury Management A/c -Super Institutional Plan-Daily Dividend Reinvestment	**300**	780
UTI Liquid Fund Cash Plan – IP – DDR	-	760
TOTAL	**2125**	6750

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

36. EMPLOYEE BENEFITS

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

	Gratuity (Funded)		Provident Fund (Trust set up by employer)
	2012	2011	**2012**
I Present Value of Defined Benefit Obligation			
a. Obligation as at the beginning of the year	**1271**	1212	**4286**
b. Current Service Cost	**109**	107	**720**
c. Interest Cost	**100**	98	**345**
d. Actuarial (Gain)/Loss	**73**	(5)	**(12)**
e. Benefits Paid	**(176)**	(141)	**(403)**
f. Obligation as at the end of the year	**1377**	1271	**4936**
II Fair Value of Planned Assets			
a. Fair Value of Plan Assets as at the beginning of the year	**950**	852	**4624**
b. Expected return on Plan Assets	**82**	73	**401**
c. Actuarial Gain/(Loss)	**3**	7	**12**
d. Contributions	**206**	159	**631**
e. Benefits Paid	**(176)**	(141)	**(403)**
f. Fair Value of Plan Assets at the end of the year	**(1065)**	950	**5265**
III Assets and Liabilities recognised as liability			
a. Present Value of Obligation as at the end of the year	**1377**	1271	**4936**
b. Fair Value of Plan Assets as at the end of the year	**(1065)**	(950)	**5265**
c. Amount recognised in the Balance Sheet	**312**	321	

Recognised under	**2012**	2011	**2012**
Long Term Provision	**285**	295	**-**
Short Term Provision	**27**	26	**-**
Total	**312**	321	
IV Expense recognised in the Statement of Profit and Loss			**PF Cost***
a. Current Service Cost	**109**	107	**720**
b. Interest Cost	**100**	98	**345**
c. Expected return on Plan Assets	**(82)**	(73)	**(401)**
d. Actuarial (Gain)/Loss	**70**	(12)	**(24)**
e. Expense recognised during the year	**197**	120	**640**

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

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

V. Major Category of Planned Assets as % of total plan assets	**2012**	2011	**2012**
Government Securities (Central & State)	**-**	-	**41%**
Corporate Bonds	**-**	-	**46%**
Special Deposit account with Bank	**-**	-	**13%**
Contributed to Fund managed by LIC	**100%**	100%	**-**
VI. Actuarial Assumptions			
a. Discount Rate (per annum)	**8.47%**	8.55%	**8.47%**
b. Interest Rate (per annum)	**8.47%**	8.55%	**8.47%**
c. Estimated Rate of return on Plan Assets (per annum)	**8.47%**	8.55%	**8.47%**
d. Rate of Escalation in Salary (per annum)	**1% & 5%**	1% & 5%	**1% & 5%**

VII. Amount Recognised in Current year and previous four years	Gratuity (Funded)				
	2012	2011	2010	2009	2008
a. Defined Benefit Obligation	**1377**	1271	1212	1180	1056
b. Plan Assets	**1065**	950	852	670	628
c Surplus/Deficit	**312**	321	360	510	428
d. Experience Gain / (Loss) adjustments on plan liabilities	**73**	(4)	(53)	(5)	(4)
e. Experience Gain(Loss) adjustments on plan assets	**3**	-	98	4	9
f. Actuarial Gain /(Loss) due to change on assumptions	**1**	(1)	(25)	(3)	-

VIII. Provident Fund (Trust set up by employer)	**2012**	2011	2010	2009	2008
a. Defined Benefit Obligation	**4936**	*	*	*	*
b. Plan Assets	**5266**				
c. Surplus / Deficit	**(330)**				
d. Experience Gain/(Loss) adjustments on plan liabilities	**(12)**				
e. Experience Gain/(Loss) adjustments on plan assets	**13**				
f. Actuarial Gain/(Loss) due to change in assumptions	**-**				

* The Guidance Note on implementation of AS15 " Employee Benefits" issued by the Institute of Chartered Accountants of India states that Provident Fund set up by employers that guarantee a specified rate of return and which require interest shortfall to be met by employer would be a Defined Benefit plan in accordance with the requirements of para (26b) of AS15. Pursuant to the Guidance Note, the liability in respect of the shortfall of interest determined on the basis of an independent actuarial valuation [carried out as per the Guidance Note (GN29) issued by Institute of Actuaries of India effective from April 1, 2011], as at June 30, 2012 is Nil.

IX. Expected contribution to the funds in the next year	Year ended	
Particulars	**2012**	2011
Gratuity	**237**	207
Provident Fund	**285**	208

i) The discount rate is based on the prevailing market yield on Government securities as at the balance sheet date for the estimated term of obligations.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risk of asset management, historical results of the return on plan assets, and the company's policy for plan asset management.

iii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

b) The Company has recognised in the Statement of Profit and Loss for the year ended June 30, 2012 an amount of ₹311 (2011: ₹284) as follows :

Benefit (Contribution to)	2012	2011
Provident Fund	**251**	214
Employees' Pension Scheme	**60**	58
Total	**311**	272

37. SEGMENT REPORTING

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

A. Primary Segment Reporting

Business Segment	Machine Tools		Hard Metal & Hard Metal Products		Total	
	2012	2011	**2012**	2011	**2012**	2011
Revenue						
Revenue from operations (Gross)	**8983**	6815	**51141**	47243	**60124**	54058
(Less): Excise Duty	**(846)**	(603)	**(3045)**	(2720)	**(3891)**	(3323)
Revenue from operations (Net)	**8137**	6212	**48096**	44523	**56233**	50735
Other Income (excluding Interest Income)	**17**	5	**473**	399	**490**	404
Total Revenue	**8154**	6217	**48569**	44922	**56723**	51139
Result						
Segment Result	**1158**	698	**10268**	13691	**11426**	14389
(Less): Unallocated Corporate Expenses(Net of Income)					**(2061)**	(2328)
Operating Profit /(Loss)					**9365**	12061
Add: Interest Income					**529**	693
(Less): Income Tax Deferred					**90**	7
(Less): Income Tax Current					**(3145)**	(3904)
Net Profit/(Loss)					**6839**	8855
Segment Assets	**4312**	2896	**31795**	28572	**36107**	31468
Unallocated Corporate Assets					**7121**	9416
Total Assets	**4312**	2896	**31795**	28572	**43228**	40884
Segment Liabilites	**3620**	1921	**8957**	8792	**12577**	10713
Unallocated Corporate Liabilities					**503**	476
Total Liabilities	**3620**	1921	**8957**	8792	**13080**	11189
Capital Expenditure	**355**	233	**3890**	3082	**4245**	3315
Unallocated Capital Expenditure					**150**	177
Total Capital Expenditure	**355**	233	**3890**	3082	**4395**	3492
Depreciation	**127**	114	**2067**	2101	**2194**	2215
Unallocated Depreciation					**73**	43
Total Depreciation	**127**	114	**2067**	2101	**2267**	2258

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

B. Secondary Segment Reporting

Geographical Segment	Revenue	
	2012	2011
India	**52012**	47262
Outside India (Note)	**4711**	3877
Total	**56723**	51139

Note: Revenue from export sales is below threshold set out in Accounting Standard 17 “Segment Reporting” and accordingly, disclosure of revenue by geographical location of the customer and carrying amount of segment assets by geographical location is not applicable.

38. EARNINGS PER EQUITY SHARE

	2012	2011
Profit attributable to equity shareholders	**6839**	8855
Weighted average number of equity shares outstanding during the year (Nos.)	**21978240**	21978240
Nominal value of Equity share (₹)	**10**	10
Basic and diluted earnings per share (₹)	**31.12**	40.29

39. Accounting and disclosure for leases has been made in accordance with the Accounting Standard 19 as follows:

Operating Lease:

I) Company as Lessee:
The Company has various operating leases for motor vehicles, office facilities, residential premises for employees, etc. Such leases are generally with options of renewal against increased rent and premature termination of agreement through notice period of 1 to 3 months. The particulars of these leases are as follows:

Particulars	**2012**	2011
Minimum Lease Payments debited to various Heads of Accounts	**206**	198
Future Minimum Lease Payments:		
Not later than one year	**12**	-
Later than one year but not later than five years	**32**	-
Later than five years	**-**	-

ii) Company as Lessor:
The Company has entered into agreements for lease of office premises, and plant and machinery. The lease agreements are for a period of one to two years. The particulars of these leases are as follows:

Particulars	**2012**	2011
Future Minimum Lease Payments:		
Not later than one year	**-**	19
Later than one year but not later than five years	**-**	10
Later than five years	**-**	-

There are no contingent rents

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

40. RELATED PARTY DISCLOSURES

A) Summary of the Transaction with related parties is as follows

	PARTIES WHERE CONTROL EXIST [B(a)]		FELLOW SUBSIDIARIES [B(b)]		KEY MANAGEMENT PERSONNEL [B(c)]		TOTAL	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
SALES - TOTAL	**2589**	1962	**1563**	1868			**4152**	3830
In excess of 10%								
Kennametal Europe Gmbh, Germany	**1207**	1045					**1207**	1045
Kennametal Inc. USA	**1382**	917					**1382**	917
KMT Distribution Services Asia Pte Ltd. Singapore			**817**	931			**817**	931
Kennametal Do Brasil LTDA Brazil			**278**	397			**278**	397
SERVICES RENDERED- OTHERS			**73**	71			**73**	71
In excess of 10%								
Kennametal Shares Services Pvt. Ltd.,			**73**	71			**73**	71
REIMBURSEMENT OF EXPENSES (Credit)	**38**	8	**108**	76			**146**	84
In excess of 10% Kennametal Inc., USA	**38**	8					**38**	8
Kennametal Extrude Hone Corpn, USA			**33**	20			**33**	20
KMT Distribution Services Asia Pte Ltd. Singapore			**49**	46			**49**	46
DIVIDEND PAID	**4844**	6782					**4844**	6782
INTERIM DIVIDEND PAID								
Meturit A. G. Zug, Switzerland	**2802**	3923					**2802**	3923
Kennametal Inc., USA	**2042**	2859					**2042**	2859
MANAGERIAL REMUNERATION - Santanoo Medhi					156	166	**156**	166
PURCHASES -TOTAL	**15709**	9421	**1779**	3420			**17488**	12841
PURCHASE OF GOODS -CAPITAL GOODS	**129**	138					**129**	138
In excess of 10% Kennametal Inc., USA	**128**	14					**128**	14
Kennametal Europe Gmbh, Germany		124						124
PURCHASE OF GOODS OTHERS-TOTAL	**15580**	9283	**1779**	3420			**17359**	12703
In excess of 10%								
Kennametal Europe Gmbh, Germany	**9851**	5677					**9851**	5677
Kennametal Inc. USA	**5729**	3606					**5729**	3606
KMT Distribution Services Asia Pte Ltd. Singapore			**1519**	3229			**1519**	3229
SERVICES RECEIVED/RECHARGE OF EXPENSES - TOTAL	**1301**	1220	**161**	99			**1462**	1319
SERVICES RECEIVED-INFORMATION TECHNOLOGY SERVICES								
In excess of 10%								
Kennametal Inc., USA	**1188**	1193					**1188**	1193
ROYALTY PAYMENTS								
In excess of 10% Kennametal Inc., USA	**68**						**68**	
Hanita Metal Works Ltd. (P) Israel			**88**				**88**	

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	PARTIES WHERE CONTROL EXIST [B(a)]		FELLOW SUBSIDIARIES [B(b)]		KEY MANAGEMENT PERSONNEL [B(c)]		TOTAL	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
RECHARGE OF EXPENSES-TOTAL	**45**	27	**73**	99			**118**	126
In excess of 10%								
Kennametal Inc., USA	**45**	27					**45**	27
Kennametal shared services GMBH, Germany			**49**	96			**49**	96
OUTSTANDING RECEIVABLES-TRADE+OTHERS	**150**	392	**147**	364			**297**	756
TRADE RECEIVABLES	**150**	392	**137**	358			**287**	750
Trade Receivables in excess of 10%								
Kennametal Europe GMBH, Switzerland	**76**	292					**76**	292
Kennametal Inc., USA	**74**	100					**74**	100
KMT Distribution Services Asia Pte Ltd. Singapore			**60**	168			**60**	168
Hanita Metal Works Ltd. (P) Israel			**27**	39			**27**	39
Kennametal (China) Co Ltd. China			**4**	105			**4**	105
OUTSTANDING RECEIVABLES-OTHERS			**10**	6			**10**	6
Others Receivables in excess of 10%								
KMT Distribution Services Asia Pte Ltd. Singapore			**6**	4			**6**	4
Kennametal Extrude Hone Corporation, USA			**4**	2			**4**	2
OUTSTANDING PAYABLES-TRADE	**2007**	1301	**177**	238			**2184**	1539
Trade Payables	**2007**	1301	**177**	238			**2184**	1539
Trade Payables in excess of 10%								
Kennametal Inc., USA	**1051**	468					**1051**	468
Kennametal Europe Gmbh, Switzerland	**956**	833					**956**	833

NOTES TO FINANCIAL STATEMENTS

B) Names of related parties and description of relationship:

a) Parties where control exists:

(i) Ultimate Holding Company	Kennametal Inc, USA
(ii) Enterprises holding, directly or indirectly, substantial interest in Metruit A.G. Zug	Kennametal Widia GmbH Co. KG, Germany * (Formerly Widia GmbH, Germany) Kennametal Hertel Europe Holding GmbH, Germany* Kennametal Holding GmbH, Germany * Kennametal Europe GmbH, Germany Kennametal Europe Holding GmbH, Germany * Kennametal Luxembourg Holding S.a.r.l, Luxembourg * Kennametal Widia Holdings Inc., USA * Kennametal Holdings Europe Inc., USA *
(iii) Immediate holding company	Meturit A.G. Zug, Switzerland

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

Fellow Subsidiaries	Kennametal Australia Pty Ltd, Australia Kennametal Produktions GmbH & Co. KG, Germany Kennametal (Singapore) PTE. Ltd., Singapore Kennametal Korea Co., Ltd., Korea Kennametal Japan Ltd., Japan Kennametal Ltd., Canada Kennametal South Africa (Pty) Ltd., South Africa Kennametal (Thailand) Co., Ltd., Thailand Kennametal Do Brasil LTDA, Brazil Kennametal Hard Point (Shanghai) Ltd., China KMT Distribution Services Asia PTE. Ltd., Singapore Kennametal Shared Services Pvt Ltd., India Kennametal (China) Co Ltd., China Hanita Metal Works Ltd., Israel Kennametal Shared Services, GmbH, Germany Kennametal Extrude Hone Corporation, USA Kennametal Extrude Hone Ltd (England), UK Kennametal (Xuzhou) Co. Ltd., China Kennametal (Malaysia) Sdn. Bhd., Malaysia KMT Logistics GmbH, Germany Kennametal engineered products B.V, Netherlands

c) Key Management Personnel — Santanoo Medhi – Managing Director

* 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 Company.

ii) The above does not include related party transactions with retiral funds, as management personnel of the Company who are trustees of funds cannot individually exercise significant influence on the retiral funds transactions.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

41. In accordance with Accounting Standard 29 on "Provisions, Contingent Liabilities and Contingent Assets" the disclosure with respect to certain classes of provisions are as under:

PARTICULARS	As at June 30, 2011	Addition	Utilisation	Reversal	**As at June 30, 2012**
Product Support [Note (a)]	236	22	-	-	**258**
	(140)	(96)	-	-	(236)
Disputed Sales Tax [Note (b)]	212	-	-	-	**212**
	(182)	(95)	-	(65)	(212)

Notes:

a) The Company sets up and maintains provisions for trade and other demands when a reasonable estimate can be made. These provisions are made based on estimates made by the management that are reviewed annually. These matters involve quick settlements not exceeding a period of two to three years in most cases.

b) Relates to provision toward disputed taxes. Considering the very nature of such disputes, the timing/ uncertainties of cash outflow is not readily ascertainable.

c) Figures in brackets relate to prior year.

42. Remittance in foreign currency during the year on account of Dividends to Non-Resident Shareholders.

No. of Shareholders	No. of Shares	Particulars	**2012**	2011
2	19376013	Interim Dividend	**4844**	6782

43. The Company does not have a scheme for grant of its stock options either to the Executive Directors or employees for the shares issued in India. However, the Managing Director and certain senior management employees of the Company are granted stock options in a share based compensation plan of Kennametal Inc. USA, the ultimate holding company.

These plans are assessed, managed and administered by the ultimate holding company and no cross charges/ debits have been made on the Company.

44. The financial statements for the year ended June 30, 2011 had been prepared as per the then applicable, pre revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended June 30, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

For **Price Waterhouse & Co.**
Firm Registration Number: 007567S
Chartered Accountants

Shivakumar Hegde
Partner
Membership Number: 204627

Bangalore
August 13, 2012

For and on behalf of Board of Directors

B. Anjani Kumar
Director

M. N. Bhagwat
Chairman

Vinayak K. Deshpande
Director

Santanoo Medhi
Managing Director

John Chang
Director

Kundan Kumar Lal
Company Secretary