

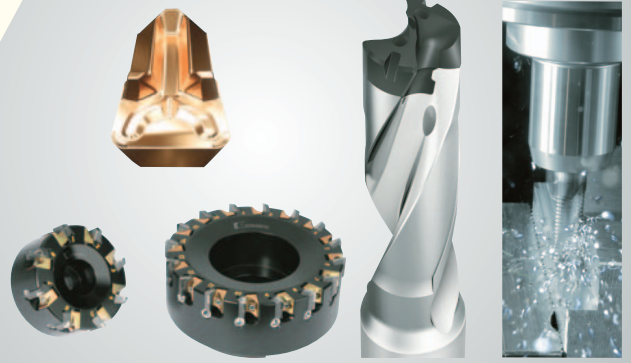
FY17



**52nd ANNUAL
REPORT**



TOOLING



INFRASTRUCTURE



VSM490



VSM11



WIDIA VICTORY™
Turning Inserts



WIDIA 

 **WIDMA**®



KENNAMETAL INDIA LIMITED

(CIN: L27109KA1964PLC001546)

Directors

Mr. Prakash M. Telang
Chairman
 Mr. Bhagya Chandra Rao
Managing Director
 Mr. B. Anjani Kumar
 Mr. Vinayak K. Deshpande
 Mr. David Lee
 Mr. Alexander Broetz
 Ms. Colleen Wood Cordova

Key Managerial Personnel

Mr. Bhagya Chandra Rao
Managing Director & CEO

Mr. K.V. Suresh Reddy
 Chief Financial Officer

Mr. Thulsidass T V
 General Manager-Legal &
 Company Secretary

India Leadership Council (ILC)

Mr. Bhagya Chandra Rao
 Mr. K.V. Suresh Reddy
 Mr. K. Chandrashekhar Sharma
 Mr. M. T. Swamy
 Mr. M. N. Bhaskara Rao
 Mr. Manu Kidave
 Mr. Prashant Shetty

Registered Office and Factory

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

Auditors

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

Bankers

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

Registrar & Share Transfer Agent

Integrated Registry Management Services Pvt. Ltd.
 30, 'Ramana Residency'
 4th Cross, Sampige Road
 Malleswaram, Bengaluru-560 003
 Phone : + 91 (80) 23460815-818
 Fax : + 91 (80) 23460819
 e-mail: irg@integratedindia.in

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52nd Annual General Meeting

Tuesday, November 7, 2017 at 12.30 P.M. at the
 Registered Office of the Company at 8/9th Mile, Tumkur Road, Bengaluru-560 073

CHAIRMAN'S MESSAGE

Dear Shareholder,

On behalf of the Board, it is my pleasure to present to you the 52nd Annual Report and Audited Financial statements of Kennametal India Limited for the Financial Year ended June 30, 2017.

In the financial year 2016-17 there were significant developments in India's economic scenario which have the potential to transform the economy. The Government's initiatives to improve the ease of doing business and 'SKILL INDIA' - a multi-skill development programme for promoting skills required for the manufacturing sector augur well for the future of the Indian economy. The "Make in India" initiative aims to significantly enhance the quality of the Indian economy by creating high value jobs, maximising revenue and enabling sustainable development.

The Government's bold decision to demonetize higher value currency last year had a significant short term impact on economic activities across the country, but provided a fillip to greater digitization and offers hope for long term benefits in the form of greater tax compliance.

The demonetization caused some disruption in economic activities resulting in the GDP growth rate slipping to 6.1 per cent in the January-March quarter, but the economy is expected to gradually recover.

In the face of these paradigm changes in the economy, it is gratifying to note that your Company could significantly improve its total revenue in FY17 with a growth of 14% despite the disruption in the domestic market and slower than anticipated global recovery. The operating profit also showed improvement with a growth of 16.5% before exceptional one-time cost. This is commendable in the face of challenging business environment, cost push factors experienced on raw material and manpower costs and intense competition from Asian Players.

The Implementation of GST from the 1st of July 2017 is another landmark measure which has the potential of radically improving the country's growth trajectory in the coming years by bringing the entire country under one indirect tax regime which would result in improved compliance and boost economic activity and growth. Although it is too early to analyze the impact of GST implementation on the economic growth in FY18, it is expected that there would be some impact in the initial phase when businesses are adapting to the changed scenario.

However, the expectation of a good Monsoon this year, a benign macro-economic environment globally with lower oil prices and signs of economic recovery in the global markets all bode well for the sustained growth of the Indian economy. The likelihood of fresh investments in manufacturing activities in infrastructure, defense and aerospace sectors under the Make in India initiative also offer hope for revival of demand in the economy. The expectation from the Niti Aayog and the Government of India is that GDP growth would continue to be in the range of around 7 to 7.5 per cent in the current year and would eventually attain the 8 % growth trajectory over the next few years.

Your Company serves industry segments such as transportation, general engineering, aerospace & defense, energy, power generation equipment, earthworks, mining & construction, and we believe that the aforesaid initiatives taken by the Government would provide enhanced growth opportunities to your Company. With the several initiatives already taken to manage the costs during FY17, we expect FY18 to be better than the previous financial year.

The new operating structure involving focused approach on both the Kennametal and WIDIA brand products to better leverage the opportunities which lie in this business have begun yielding positive results and is being driven more forcefully to make the Company more agile and competitive in the marketplace. Your Company continues to localize tooling products and make capital investment to meet the quality standard and demand both at domestic and international levels.

Your Company is continuously monitoring the market and pro-actively taking various steps to include and increase its share through new and cost effective products which will enable us to speed with the market. It would also help the Company in increasing export volume. We are also expanding the distribution channel network to cover all regions across the country for all the brands.

Your Company is committed to follow best practices for good Corporate Governance and always strives to achieve an optimum level of shareholder involvement, Board oversight and Management reporting within the proper governance principles.

Your Company is committed to sustainable development that involves integrating economic health, safety and environmental aspects into our business decisions. Safety and Ethics are non-negotiable at Kennametal. Continuous drive to operate safely and responsibly, sets Kennametal apart.

In addition, your Company is committed to contribute to society through meaningful Corporate Social Responsibility activities. Three primary categories have been established for CSR activities which include the support of education, Kennametal in the Community and Protecting Our Planet.

During FY17, as in the previous years, your Company focused on activities in the areas of Education, Health and Environment with a view to create measurable and lasting value for neighboring communities. Your Company has enabled access to education through scholarships to help underprivileged children pursue higher education, in addition to supporting Sparsha Trust by donating a School Bus for their project "Nisarga Gram", a home for underprivileged children, particularly girls, which the Company had helped build last year. Your company is also working with an NGO, the India Literacy Project on a project called MDLS (Multi-Dimensional Learning Spaces) aimed at improving the quality of education in Government Schools in the Company's neighborhood.

The Company also contributed an ambulance to People Tree Foundation to further the cause of healthcare of the underprivileged people living in the vicinity of the Company.

As part of the Protecting the Planet initiatives, your Company organized awareness sessions on environmental protection in the Government high school in the local area followed by interschool competitions with speeches, debates, drawing and essay writing competitions which saw the active participation of around 150 School students from various schools.

On behalf of the Board of Directors, I would like to thank the employees for their aspiration, focus on customers, hard work, commitment and teamwork. I also place on record, our sincere appreciation to the Customers, Distribution Partners, Vendors, Shareholders and Bankers for their continued support.

I would like to place special thanks to the unionized employees who supported us in various initiatives taken by the Company for meeting the quality and delivery requirements.

I thank the members of the Board, for their continued guidance in making our organization successful in every sphere. I wish the entire Kennametal team great success in their pursuit of excellence and in their journey for the growth of the Company.

Thank you,

Prakash M. Telang

Chairman

DIN:00012562

BOARD'S REPORT

Your Directors are pleased to present the 52nd Annual Report and the Audited Financial Statements for the financial year ended June 30, 2017 (FY17).

FINANCIAL RESULTS

(₹ in Lakhs)

Particulars	FY17 Year ended June 30, 2017	FY16 Year ended June 30, 2016
Total Revenue	65771	57919
Profit before Exceptional Items and Tax	3577	3071
Add/Less-Exceptional items Income/(Expense)	(550)	-
Profit After Exceptional Items and Before Tax	3027	3071
Less: Provision for Tax		
Current Tax	791	1085
Minimum Alternate Tax (MAT) Entitlement	(446)	-
Tax adjustments relating to earlier years	-	67
Deferred Tax (credit)/charge	472	(155)
Profit after Tax	2210	2074
Add: Balance brought forward from previous year	20617	19072
Total available for appropriation	22827	21146
Interim Dividend	(440)	(440)
Dividend Distribution Tax	(89)	(89)
Balance transferred to Balance Sheet	22298	20617

DIVIDEND AND RESERVES

An interim dividend of ₹ 2/- per Equity Share of ₹ 10/- each (20%) on the paid up share capital of the Company was declared by the Board for the financial year ended June 30, 2017 and May 19, 2017 was fixed as 'Record Date' for the said purpose. The said interim dividend was paid on May 25, 2017. The Board of Directors has decided to treat the same as final dividend and therefore, no additional dividend is recommended for the financial year ended June 30, 2017.

The Company has not transferred any amounts to reserves for the financial year ended June 30, 2017.

The paid up share capital of the Company is ₹ 21,97,82,400/- divided into 2,19,78,240 Equity Shares of ₹ 10/- each. Your Company has not come out with any issue (public, rights or preferential) during the Financial Year.

OPERATING RESULTS

Profit before Tax and before Exceptional items was ₹ 3577

Lakhs as compared to ₹ 3071 Lakhs in the previous year. The Company's performance for the year has improved to some extent compared to the previous year. Your Company does not have any subsidiaries.

MATERIAL CHANGES AND COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

During FY17, the total revenue of the Company was ₹ 65771 Lakhs compared with ₹ 57919 Lakhs in the previous financial year.

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board at its meeting held on August 09, 2016 approved the appointment of **Mr. Alexander Broetz (DIN: 07568713)** filling the casual vacancy caused by the resignation of Mr. John H. Jacko Jr. He is eligible for appointment as Director liable to retire by rotation in the ensuing Annual General Meeting. Your Directors recommend the same for your approval. A notice has been received from a member along with the prescribed deposit of ₹ 1 Lakh proposing his appointment as a Director at the ensuing Annual General Meeting of the Company.

The Board at its meeting held on August 09, 2016 has also approved the appointment of **Ms. Colleen Wood Cordova (DIN: 07568701)** filling the casual vacancy caused by the resignation of Ms. Michelle R. Keating. She is eligible for appointment as Director liable to retire by rotation in the ensuing Annual General Meeting. Your Directors recommend the same for your approval. A notice has been received from a member along with the prescribed deposit of ₹ 1 Lakh proposing her appointment as a Director at the ensuing Annual General Meeting of the Company.

Declarations from the Independent Directors:

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

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

A brief profile of the Director being appointed / re-appointed as required under Regulation 36(3) of SEBI (LODR) Regulations, 2015 is furnished along with the Notice convening 52nd Annual General Meeting.

DIRECTORS' INTEREST

No Director was materially interested in any contracts or arrangements existing during or at the end of the year in relation to the business of the Company. No Director holds any shares in the Company as on June 30, 2017 except Mr. Prakash M. Telang, Chairman & Non-Executive Independent Director, who holds 1000 Equity Shares of ₹ 10/- each in the Company and Mr. B. Anjani Kumar, Non-Executive Independent Director, who holds 10 Equity Shares of ₹ 10/- each in the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the statutory auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee and Risk Management Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 17.

Accordingly, pursuant to the provisions of Section 134 (3) (c) and Section 134 (5) of the Companies Act, 2013, the Board of Directors, to the best of its knowledge and ability, report that:

- the applicable accounting standards have been followed in the preparation of the financial statements, along with proper explanations relating to material departures, if any;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2017 and of the profit of the Company for the year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis;
- they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DEPOSITS

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The details of Loans and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to the Financial Statements forming part of Annual Report. During the year, your Company has granted unsecured loan to Kennametal Shared Services Private Limited, a fellow Subsidiary. The Company has not provided any guarantees during the Financial Year.

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

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

EVALUATION OF THE BOARD'S PERFORMANCE

Pursuant to the provisions of the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015, the Board had adopted a formal mechanism for evaluating its performance and that of its Committees and Directors, including the Chairman of the Board. During the financial year, the evaluation exercise was carried out through a structured evaluation process covering various aspects of the functioning of the Board and Committees such as their composition, experience & competencies, performance of specific duties & obligations, governance issues etc. A separate exercise was carried out to evaluate the performance of each individual Director including the Board's Chairman who were evaluated on parameters such as contribution at the meetings, independent judgment, attendance and other relevant aspects. The Board was satisfied with the evaluation results, which reflected the overall engagement of the Board, Committees and the Directors of the Company.

FAMILIARIZATION PROGRAMME

The Company has a structured familiarization programme for Independent Directors of the Company which is also extended to other Non-Executive Directors to ensure that Directors are familiarized with their function, role, rights, responsibilities and the nature of the Business.

The Board of Directors has complete access to the information within the Company. Presentations are regularly made to the Board of Directors and all Committees of the Board on various matters, where Directors get an opportunity to interact with Senior Management. Presentations made by the Senior Management of the Company, inter alia, cover the Company's strategy, business model, operations, markets, organization structure, product

offerings, finance, risk management framework, quarterly and annual results, human resources, technology, quality and such other areas as may arise from time to time.

The Independent Directors of the Company are associated with the Company for many years and are very familiar with the Company. During the year, the Management provided various documents, background notes, presentations etc. to have a better insight of the Company.

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CODE OF CONDUCT

A declaration signed by the Managing Director affirming compliance with the Company's Code of Conduct by your Directors and Senior Management of your Company, for the financial year under review, as required under SEBI (LODR) Regulations, 2015 is annexed as "Annexure IIA" and forms part of this report.

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

Your Company insists on its employees to embrace the Code of Business Ethics & Conduct to ensure maintenance of strong ethical culture. The code of conduct is available on the website of the Company at https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/code_of_conduct_director.pdf

CEO/CFO CERTIFICATE

A certificate from the Chief Executive Officer and the Chief Financial Officer dated August 24, 2017 on the financial statements and the cash flow statement of the Company for the financial year ended June 30, 2017 is annexed as **Annexure-IIB** and forms part of this report.

WHISTLE-BLOWER POLICY/VIGIL MECHANISM

Your Company was following a Whistle Blower Policy/mechanism even prior to requirements of the Companies Act, 2013. However, pursuant to the provisions of Section 177 of the Companies Act, 2013 and the provisions of SEBI Listing Regulations, your Company had taken on record the Vigil Mechanism (Whistle Blower Policy) of the Company subsequent to the approval of the Board of Directors at its meeting. The Whistle Blower Policy provides avenues for employees to raise complaints and to receive feedback on action taken and seeks to reassure the employees that they will be protected against victimization and for any “Whistle Blower” action taken by them in good faith. Your Company affirms that no personnel has been denied access to the Audit Committee.

The Kennametal Ethics Helpline

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

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

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

AUDITORS & AUDITORS' REPORT STATUTORY AUDITORS:

As per the provisions of Section 139 of the Companies Act, 2013 read with the rules made there under, no listed Company and such other companies as prescribed under the Companies Act, 2013 can appoint or re-appoint an audit firm as auditors for more than two terms of five consecutive years. In view of the same Messrs. Price Waterhouse & Co. Bangalore LLP, Chartered Accountants (FRN: 007567S/S-200012) who were appointed as Statutory Auditors at the Annual General Meeting held on November 04, 2014 for a period of 3 (three) years from conclusion of the forty-ninth Annual General Meeting until the conclusion of the fifty-second Annual General Meeting, subject to ratification at every Annual General Meeting of the Company, retire as the statutory auditors of the Company at this 52nd annual general meeting.

The Board upon recommendation of the Audit Committee, recommends the appointment of Messrs Walker Chandio

& Co LLP, bearing firm registration no. 001076N/N500013, as the Statutory Auditors of the Company to hold office from the conclusion of ensuing (52nd) Annual General Meeting upto the conclusion of the 57th Annual General Meeting of the Company subject to the approval of the members in the ensuing Annual General Meeting. The requisite certificate in writing U/s 139 (1) read with section 141 and rule 4 of Chapter X of the Companies Act, 2013 has received from the Statutory Auditors to the effect that they would be eligible for such appointment.

The Independent Auditors' Report to the Members on the Accounts of the Company for the financial year ended June 30, 2017 does not contain any qualification, reservation or adverse remarks. The notes on financial statements referred to in the Independent Auditors' Report are self-explanatory and do not call for any further comments.

REPORTING OF FRAUDS

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

SECRETARIAL AUDITOR

Mr. Vijayakrishna K. T., Practising Company Secretary (FCS 1788) carried out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2016-17 and submitted his report, which is annexed to this report as “Annexure IV”.

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

COST AUDITORS

Pursuant to the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors of the Company, upon recommendation of Audit Committee has appointed Messrs. K. S. Kamalakara & Co., Cost Accountants (Firm Registration No: 0000296), as the Cost Auditors of the Company for the financial year 2017-18. As required under Section 148 of the Companies Act, 2013, the Shareholders' approval for the remuneration payable to Messrs. K.S. Kamalakara & Co., Cost Auditors is being sought at the ensuing Annual General Meeting.

INTERNAL FINANCIAL CONTROL

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

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

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

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

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

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

Pursuant to the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, the ratios of the remuneration of each Director to the median employee's remuneration for the financial year and such other details as prescribed are set out in the "**Annexure VI**".

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

Prevention of Sexual Harassment

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

There was no complaint lodged by any employee to the Internal Complaint Committee or Ethics helpline under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, with the Company during the year under report.

INSURANCE

Your Company has sufficient insurance coverage on all its

assets. They are renewed on time.

RESEARCH & DEVELOPMENT (R & D)

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

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

ENVIRONMENT, HEALTH AND SAFETY (EHS)

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

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

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

Safety Performance:

- Safety performance in FY17 showed slight decrease and hence Total Incident rate (TIR) increased from 0.15 to 0.36 compared to FY16.
- Reduced electrical fire incidents from 10 incidents in FY16 to 2 in incidents FY17 (80% reduction).
- **Competence, Training and Awareness:** A total 4,500 hours were spent on EHS training by employees of your Company.
- Wellness Awareness programme was conducted covering 200 man-hours to create awareness and improve good health of the employees of the Company.

- 540 Find and Fix actions were implemented through employee involvement which helped in eliminating hazards, provide a safe working environment.
- Annual medical examination of employees was conducted to assess the health status and improve in good health.
- Your Company continued to monitor the hazardous and non-hazardous waste, according to waste stream and disposal route, with performance assessed on the basis of waste intensity.
- Your Company continued the Management Based Safety (MBS) programme, a standard global safety process that has been the cornerstone of great improvement in safety culture.
- A Risk Finder Tool and an improved Daily Safety Checklist are designed to strengthen every employee's ability to identify, document and eliminate hazards at their workplace.

Improvements:

- To minimize risk and further improve safe working environment through the Hazard identification and Risk assessment tool, the following EHS Improvements were completed in FY 17:
- Laser Radiation Hazard – Installed fully enclosed laser marking machine to minimize the risk laser radiation.
- Up-gradation of Substation done - Improvement in Electrical Safety, The Thermography results after up gradation shows No abnormalities, Fire Detection & Suppression helps in Fire Risk Mitigation and Type tested panels conforming to IEC 61439 with internal Form B Separation helps in containing the Energy release during any unforeseen Arc Flash.
- Fully Automatic Gas cabinets installed to store and use the Hydrogen Chloride Gas in Coating plant to minimize the toxic gas exposure to employees.
- Fire Sprinkler system was installed for Hydrogen gas storage area in Coating Plant to minimize the fire risk and property damage.
- Fire Alarm system is upgraded by installing Smoke detector in Hazardous waste storage area,
- Acetone vapor leak detection and alarming system is installed to minimize the risk of fire and explosion in Acetone storage area.
- Thermography survey conducted for electrical system by an external agency and corrective actions are taken

to minimize the electrical fire incidents.

- To improve safe material storage, handling and to utilize space in PU 7, a vertical storage system is installed.
- Installed Rollmatic CNC Wheel Dresser to improve safety standard and avoid serious injuries.
- To improve the work environment and to enhance the energy efficiency in PU-1, a new Ventilation system is installed.

Recognition to employees

Recognition program organized on 19th July, 2017 for the employees for “Longest Accident (DART) Free period of 2500 days”.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pursuant to the provisions of Section 134(3)(o) of the Companies Act, 2013 and rules made thereunder, the Corporate Social Responsibility policy of the Company and initiatives undertaken by the Company on CSR activities during the financial year ended June 30, 2017 are set out in “Annexure VIII” to this report in the format prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014.

VOLUNTARY RETIREMENT SCHEME

During the financial year, your Company implemented a Voluntary Retirement Scheme for employees with a view to effect cost savings apart from other measures to optimize costs in the business. The compensation paid to the employees under the Voluntary Retirement Scheme was ₹ 239 Lakhs. Your Company has also separated certain officers and associates in line with the “Separation Compensation Design for India Salaried Employees” policy dated April 27, 2015. The aggregate compensation paid to employees under the said policy is amounting to Rs. 311 Lakhs has also been charged to and disclosed separately in the Statement of Profit and Loss Account.

PERSONNEL / INDUSTRIAL RELATIONS

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

RISK MANAGEMENT

Enterprise Risk Management (ERM) at the Company is driven by the Risk Management Committee and Board of Directors through its routine oversight responsibilities. The Management team plays a primary role in identification, monitoring and minimizing risks as also to identify business opportunities and threats. As a process, the risk associated with the business is identified and prioritized based on severity, occurrence and effectiveness of detection.

The Risks are being reviewed by the Management team periodically and reported to the Risk Management Committee bi-annually for their review. The department leaders have the responsibility to monitor and implement the ERM framework approved by the Risk Management Committee.

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

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

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

DISCLOSURES UNDER THE COMPANIES ACT, 2013

Extract of the Annual Return

An extract of the annual return as per Form MGT - 9 is enclosed in "Annexure IX" to the Board's report.

Number of Board Meetings

The Board of Directors met Four times during FY17. The details of the Board meetings and the attendance of the Directors are provided in the Corporate Governance Report.

Committees of Board of Directors

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

GREEN INITIATIVES

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

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

ACKNOWLEDGEMENTS

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

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

Bengaluru
August 24, 2017

Prakash M. Telang
Chairman
DIN: 00012562

Annexure I to the Board's Report

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

Global GDP is estimated to grow from 3.1% in 2016 to around 3.4% for 2017 with leading economies including the USA and the Eurozone showing signs of mild recovery while China and India continue to show stronger growth at around 7%. This trend is expected to continue. However, the positive economic outlook globally is tinged with concerns over unforeseen disruptions like Brexit in 2016 and rising economic protectionism which is emerging as a dampener to global growth and commerce.

In the Financial Year 2016-17 the Indian economy is estimated to have grown at 7.1% despite the disruption resulting from the demonetization of high value currency by the Government in November 2016. The impact of demonetization on the domestic economy is still being felt but there were signs of a slight recovery in consumer spending and demand in the January - March quarter. Growth rate of the industrial sector, however, declined to 5.2 per cent in financial year 2016-17 from 7.4 per cent last fiscal. The worst affected was the capital goods sector which declined to its lowest level since 2008.

Nevertheless, India's GDP Growth is expected to be around 7% to 7.5% in Fiscal year 2017-18 on the strength of a normal monsoon, continued investments in infrastructure and new initiatives of the Government of India. The 'Make-in-India' campaign centred mainly around the electronics, transportation, defense and aerospace sectors, Invest India, Start Up India, Skill India and e-biz Mission Mode Project under the national e-governance plan are all expected to facilitate more investments in manufacturing and increase the ease of doing business in the country.

The introduction of Goods and Service Tax (GST) from 1st July 2017 is a major development in the Indian economy which is expected to usher in a common Indian market, improve tax compliance and governance, and boost investment and growth in the long run. However, some short-term disruptions are expected before the new GST system stabilizes.

Industry Structure and Developments

Your Company specializes in developing and

manufacturing sophisticated hard material cutting and wear protection solutions ranging from specialized cutting tools, indexable inserts and carbide rods to new types of carbide wear-resistant engineered components and coatings using a specialized type of powder metallurgy and providing innovative wear resistant solutions across diverse sectors like transportation, earthworks, energy, infrastructure and aerospace. Metalworking tools are made of cemented tungsten carbides, ceramics, cermets and super-hard materials. Your Company also manufactures and markets a complete line of tool holders, tool-holding systems and rotary-cutting tools by machining and fabricating steel bars and other metal alloys. In addition, your Company produces specialized compacts and metallurgical powders, as well as products made from tungsten carbide or other hard materials that are used for custom-engineered and challenging applications, including mining and highway construction, among others.

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

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

Opportunities and Threats:

Metal cutting tools are widely used in almost all manufacturing industries with the automotive, aerospace, infrastructure and machinery manufacturers being major users. The dynamics in these industries govern the demand for metal cutting tools globally and the global market valued at USD 18.40 billion in 2016 is projected to grow to USD 22.53 billion by 2021. The automotive market dynamics will have a direct impact on the demand for metal cutting tools market, as it is one of the biggest consumers of these tools.

The continuing growth in the Indian Automotive sector, efforts at establishing India as a manufacturing hub for Aerospace and Defense equipment under the Make-in-India scheme augurs well for the growth in demand for the company's products for these segments. The demand from the infrastructure space is also anticipated to be a key growth driver for the Company. Significant investments being made in the Railways also augur well for the cutting tools business.

However, the rapid emergence of alternative technologies like additive manufacturing and electric vehicles may well have a significant influence in shaping the future of the industry. Any sluggishness in the global economy would result in reduction in demand.

The transition to GST may pose administrative and technological challenges which would impact demand in the economy during the initial quarters of Financial Year 2017-18 before the situation stabilizes.

The new Index for Industrial production (IIP) which reflects manufacturing activity in the country shows just 2 per cent growth with a 3 per cent decline in production of Capital Goods during the April and May 2017 period and only 0.4 per cent expansion of Core sector in June 2017, suggesting weaker economic activity than the official national Income data.

While this may partly be a result of transitional pressures faced by industry due to migration to GST, other issues relating to lack of private sector investment in new projects and deceleration in output of infrastructure goods amidst significant deleveraging happening in the Corporate sector in the context of resolution of Non-Performing Assets (NPA) in the Indian Banking System are also at play, resulting in growth concerns for the Company in the immediate future.

The transition of automobiles from BSIII to BSIV norms following the Hon'ble Supreme Court of India's ban on the sale or registration of BSIII vehicles from 1st April, 2017 had an impact on the Indian automotive industry especially on two-wheeler and Heavy Commercial vehicle manufacturers during the Jan – June 2017 period with sales peaking in March due to pre-buying that happened prior to the close of the BS-III emission regime on 31 March 2017 and tapering off thereafter. Most of the passenger vehicle manufacturers continued to grow in double digits and with good monsoons forecast this year, demand is expected to be healthy in the rural markets for two wheelers, cars and tractors. Two-wheeler sales have begun to recover on the back of new BS-IV equipped scooter and bike variants that are drawing

Annexure I to the Board's Report

buyers to the showrooms. However, sales of M&HCVs in the first quarter of FY' 18 have been slow and is likely to pick up in the second quarter.

With the passing of GST and renewed thrust by the Government on infrastructure projects (including formation of SMART cities), modernization of Railways, increase of FDI in Aerospace and defense sector, make in India, focus on skill development and Digital India initiatives, there is room for optimism regarding faster and sustained economic growth in FY 18.

2. Operations

Your Company recorded a commendable revenue growth of 14% in Financial Year 2016–17 over Financial Year 2015–16 in difficult economic conditions. It is gratifying to note that your Company gained market share in the face of severe competition and posted strong growth. The operating profit (before exceptional items) increased by 17%. Hard metals business grew by 16% year over year whereas the Machine Tools business has grown marginally by 3.3% year over year due to slow down in capital goods market. Your Company's strategy of having two strong brands (Kennametal & Widia) in the cutting tool market continues to yield good results and is being pursued more vigorously. The distributor network for both brands is being continuously strengthened to drive strong growth. With these drivers in place the company is actively pursuing the growth opportunities that are opening up as a result of the Make-in-India initiative of the Government of India. Your company is well positioned to leverage its superior products and technology to benefit from the significant capital investments expected in manufacturing sector especially in the focus areas of Transportation, Defense, Aerospace, Infrastructure and Railways.

The focus is on deploying resources in growing existing and newer markets. Your Company continues to leverage the initiatives started in earlier years such as NOVO, the Digital tool, Productivity optimization, Component specific solutions and direct delivery to customers of imported tooling.

As stated in our last Annual report, the initiatives taken to increase the exports (including exploring the overseas market for Machine tool business) has started yielding results and in this regard, it is pleasing to note that during the year export sales have grown by 53% year over year.

Your Company is continuously focused on development of new products and initiatives to increase operational effectiveness as well as cost optimization in order to sustain growth and remain competitive in the markets it operates in.

Annexure I to the Board's Report

Few of them are worth noting:

Investments in additional Capacity & Capability

During the year, your Company has continued to invest in increasing production capacity in business areas where good market demand is expected with investments of Rs. 5028 lakhs in Plant & Machinery and other productivity linked equipment / Instruments. In addition, the initiatives undertaken in the previous year to increase local manufacture of some product groups which were earlier imported are being continued with greater vigor to increase cost benefit and improved margins.

Product Portfolio Simplification

Your Company focused on Product Portfolio Simplification Process to reduce Portfolio Complexities this year also. This will result in more focused portfolio with best available technology which will benefit Customers and our manufacturing.

Launch of new product range

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

Cost Optimization Measures

During the year, your company implemented a Voluntary Retirement Scheme for employees with a view to effect cost savings apart from other measures to optimize costs in the business.

3. Segment-wise performance/reporting

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

The primary segments for financial reporting continue to be:

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

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

4. Company's Outlook

For financial year 2018, the Company's outlook reflects ongoing market uncertainties in Capital goods market. However, with good monsoons, the tractor segment is expected to have double digit growth and moderate growth is expected in M&HCV and passenger vehicles. In addition, the significant investments under way in the Aerospace and defense sectors, apart from Railways and infrastructure lends hope for improvement in business in the coming year. However, with the economy yet to provide sufficient leverage, the management continues to focus on customer specific initiatives, high quality service and development of new and differentiated products to drive growth. Profitability improvement will continue to remain a key focus area for FY18.

5. Internal control systems and their adequacy

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

Through an Enterprise Risk Management program, the Company's business units and corporate functions evaluate the risks faced by it under four categories i.e.,

Annexure I to the Board's Report

Strategic Risks, Operating risks, Reporting risks and Compliance risks. The Risk Management mechanism covers strategy to identify, assess, monitor and manage risks as applicable to the Company across each function. The results of the risk assessment and actions to mitigate these risks are presented to the Risk Management Committee of the Board for its review and guidance twice in a year on the action taken report out.

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

6. Risks and Concerns

The primary challenges continue to be the pricing pressures arising from significant strengthening of input costs due to steep increase in raw material prices, employee costs, energy costs and intense competition for market share and proliferation of cheaper imports. Intense competition especially on pricing front from Asian players continue to be a concern. Measures to mitigate the impact through productivity optimization, price adjustments, localization efforts and cost control measures in addition to placing renewed focus on domestic as well as export markets are being undertaken to address these concerns.

In addition, your company is making all out efforts to improve its performance on the strength of superior product quality and strong brand along with focus on providing Customers with innovative solutions approach to ensure that your Company stays ahead of competition.

7. Financial performance

Your Company has delivered sales of ₹ 64853 Lakhs in FY17 and Earnings before Exceptional items and Tax (EBIT) of ₹ 3577 Lakhs with a growth of 16.5 % year over year. Improved market conditions especially in Automotive, Energy and General Engineering segment, Value added product mix, higher productivity and focus

on export market improved the profitability for the current year.

Your Company substantially improved working capital deployment into the business. The primary working capital as a percentage of sales reduced by 7% (13% in FY17 from 20% in FY16). Also, continuous focus and monitoring of Receivables has resulted in improved DSO (Days of Sales Outstanding). It has been reduced by 2 days (56 days in FY17 from 58 days in prior year FY16). Your Company continues to manage the receivables better and no incremental provisions for doubtful debts was required to be made during the year. Return on Capital Employed (without cash and bank balances) dropped during the year to 9% from 10% in FY16 due to one-time exceptional cost. Net operational cash flow generated during the year was ₹ 7716 Lakhs compared to ₹ 1744 Lakhs in FY16. This significant improvement in the operating cash flows is mainly due to good profitability, and efficient working capital management.

There is a steady strengthening of prices of key raw materials like cobalt and your company has taken various steps to neutralize the increase in costs. Your company also incurred a one-time cost of ₹ 550 Lakhs on account of employee restructuring in the Organization which will result in recurring cost savings. In addition, your company has initiated steps to recover some of the costs through improved productivity and enhanced market realizations for its products.

Your Company has been able to reward the shareholders with a dividend of 20% and remained debt free in FY17 as well. Your Company will continue to exercise prudence in financial management in forth coming years as well.

8. Material Developments in Human Resources and Industrial Relations

Your Company has focused on driving Change across the Organization through automation and functional excellence (FE HR) initiatives. While, the focus on performance continues, Change has been the key driver in FY17. Your Company has put in continuous communication with all employees on the Change being driven across the Organization. Your Company has engaged in dialogue with employees to re-visit the way we manufacture, sell, work and think. Market dynamics are the key drivers to implement these Changes with speed and agility. Your Company is ensuring that the above initiatives will have a very positive effect on our relationships with our customers, our employees, our

Annexure I to the Board's Report

suppliers and our shareholders. All this to “Deliver the Promise” and more.

Highlights for FY 17:

The journey on the HR Functional Excellence path continued in FY17. The focus of Kennametal's HR Team this year was to continue with the process and bring about stabilization in the projects. This included technology upgrades, process improvements and getting on-board global vendors to drive this transformation.

Further, your Company has successfully transitioned to the new Human Resources Information System (HRIS), Success Factors “One Team” module. Today all employees' related information is visible and accessible to Management on this one tool. Over the next few months, One Team functionality will be enhanced to include Goal Management, Talent Development and HR Analytics which will enable Business to take informed decisions related to employees and their development.

Your Company continued to focus on initiatives required to align with cost and revenue targets. In the process, the management ensured that the company has a right sized and flexible workforce to meet and deliver products to the Customers.

Your Company has all along focused on Building a Talent Engine. To that extent, Talent Reviews have ensured that a fair amount of mid-level positions are filled with internal talent. The company will continue to work on making that ratio better by driving a strong performance management culture at Kennametal.

During the year, your Company signed a Wage Contract with the Kennametal India Employees Union (KIEA). This contract has validity from 1st July 2015 to 30th June 2019. The whole process of negotiation was completed in a fair, firm and transparent manner.

Your Company also has a strong focus on building Technical skills and inculcating Engineering knowledge to our employees. The knowledge and skills of our teams help us connect better with our customers. During the year, Kennametal Knowledge Center conducted 32 Technical Training events across the country, covering 837 participants including Sales teams, Distributor Engineers and End-customers. Apart from these, they also conducted onsite events with Customers like Quest, Greentech, International Tractors, TKAP, TVS Motors, OFKPR, Sanjeev Auto and IMTMA. These activities also

help generate Sales leads for the Organization. Your Company has conducted Leadership programs for internal Managers at different levels, based on the Business strategy and its leadership model.

During the financial year, the Company completed a Supervisor development program and a Transforming Leaders Program for its Frontline & Mid-level Managers.

Your Company also conducted development programs for its Sales teams, which includes Sales & Distribution, Solution Selling and Advance Solution Selling.

Training on Finance for Non-Finance was conducted for mid and senior level managers to help them better appreciate the financial aspects of the Organization and improve their Business Acumen.

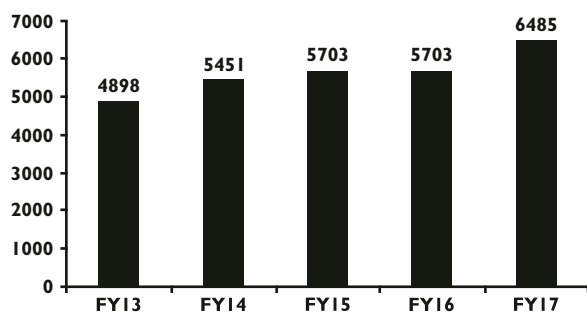
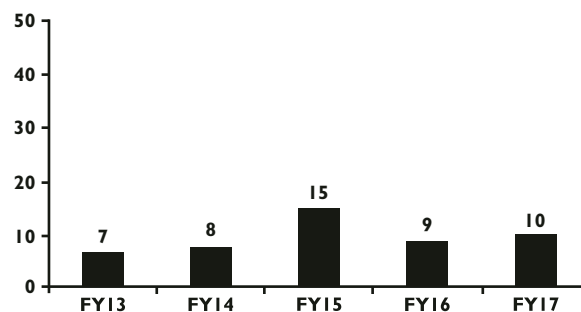
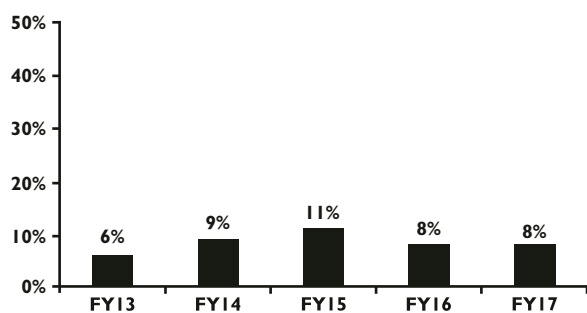
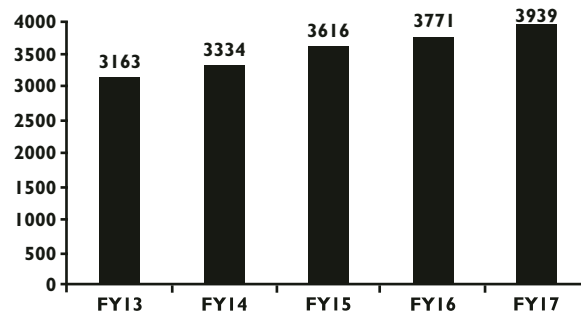
These programs enable the Leaders and teams to perform better at their goals and thus improve overall Organization efficiency and productivity.

The total number of persons employed in your Company as on June 30, 2017 was 793.

Cautionary Statement

The information and opinion in this section consists of certain forward-looking statements, which the management believes to be true to the best of its knowledge at the time of its presentation based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements on the basis of any subsequent developments, information or events.

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

FIVE YEAR CHARTS FOR KEY FINANCIAL INDICATORS**Net Sales (₹ in million)****Earning Per Share (EPS) in ₹****Return On Capital Employed (ROCE) in percentage****Net worth (₹ In million)**

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

Bengaluru
August 24, 2017

Prakash M.Telang
Chairman
DIN: 00012562

Annexure II to the Board's Report

REPORT ON CORPORATE GOVERNANCE**Company's Philosophy on Code of Governance**

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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after the same became applicable, as detailed below:

I. Composition of the Board of Directors

The Board of Directors has 7 members (as on June 30, 2017), including the Managing Director and 6 Non-Executive Directors including a Woman Director who brings in a wide range of skills and experience to the Board. The Company has a Non-Executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. Chairman is neither a Promoter of the Company nor is he related to any Promoter or person occupying Management positions at the Board level or at one level below the Board as defined under Regulation 17(1) (b) of the SEBI (LODR) Regulations, 2015. Thus, the composition of the Board is in conformity with the provisions of the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015.

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

Name of the Director	Other Directorships held*	Board Committees + (in other companies)		Attendance	
		Chairman	Member	Board Meetings	Last AGM
Non-Executive, Independent Directors					
Mr. Prakash M. Telang Chairman	9	5	3	4	Yes
Mr. Vinayak K. Deshpande	5	1	2	3	No
Mr. B. Anjani Kumar	4	1	2	4	Yes
Managing Director - Executive & Non-Independent					
Mr. Bhagya Chandra Rao	1	-	1	4	Yes
Non-Executive Directors & Non-Independent					
Mr. John H. Jacko	-	-	-	0	No
Mr. David Lee	-	-	-	2	Yes
Ms. Michelle R. Keating	-	-	-	0	No
Mr. Alexander Broetz	-	-	-	4	Yes
Ms. Colleen Wood Cordova	-	-	-	3	Yes

Mr. Alexander Broetz and Ms. Colleen Wood Cordova were appointed in the Board Meeting held on August 9, 2016 in the casual vacancies caused by the exits of Mr. John H. Jacko and Ms. Michelle R. Keating respectively.

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

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

+ Only the Audit and Stakeholders Relationship Committees are considered.

None of the Directors is a Director in more than ten (10) Public Limited Companies or act as an Independent Director in more than seven (7) Listed Companies. Further, none of the Directors of the Board serve as a member of more than ten (10) Committees or act as Chairman of more than five (5) Committees across all Public Limited Companies. There is no relationship amongst Directors inter-se.

As per the provisions of Companies Act, 2013 and the SEBI (LODR) Regulations, 2015, the Company had issued formal letter of appointment to all the Independent Directors of the Company. The terms of appointment have also been disclosed on the website of the Company <https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Terms%20and%20Conditions%20of%20Independent%20Directors.pdf>

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

As required, a brief profile and other particulars of the Director seeking appointment/re-appointment are given in the Notice convening the 52nd Annual General Meeting.

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

During the financial year under review, four (4) meetings of the Board of Directors were held on the following dates:

August 09, 2016, November 14, 2016, February 02, 2017 and May 09, 2017.

During the year, a separate meeting of the Independent Directors was held on February 02, 2017 without the attendance of non-independent Directors and members of the Management.

Compliance with the Code of Conduct and Ethics:

The Company has adopted the “KIL Code of Conduct and Ethics for Board Members and its Senior Management” and has framed a Whistle Blower Policy aimed at better

Annexure II to the Board's Report

Corporate Governance and continued Vigil Mechanism which is available on the Company website https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/code_of_conduct_director.pdf

2. Audit Committee

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

1. The Audit Committee shall have minimum three Directors as members. Two-thirds of the members of the Audit Committee shall be Independent Directors.
2. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
3. The Chairman of the Audit Committee shall be an independent Director;
4. The Chairman of the Audit Committee shall be present at the Annual General Meeting to answer shareholder queries;
5. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Chief Financial Officer (CFO), the Internal Auditors and a representative of the Statutory Auditors may be present as invitees for the meetings of the Audit Committee;
6. The Company Secretary shall act as the Secretary to the Committee.
7. The Audit Committee shall meet at least four times in a year and not more than 120 days shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two Independent Directors present.

Annexure II to the Board's Report**Powers of the Audit Committee:**

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

Role of Audit Committee

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board

for approval;

6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Reviewing and monitoring the Auditor's Independence, performance and effectiveness of Audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

Annexure II to the Board's Report

17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.
6. Statement of deviation:
 - a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
 - b) Annual statement of funds utilized for purposes other than those stated in the offer document / prospectus/notice in terms of Regulation 32(7).

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

As on June 30, 2017, the Audit Committee consisted of three (3) Non-executive Independent Directors and all of them have financial and accounting knowledge. The members of

the Committee are (i) Mr. B. Anjani Kumar, Chairman of the Committee (ii) Mr. Prakash M. Telang and (iii) Mr. Vinayak K. Deshpande.

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

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

During the year under review, four meetings of the Audit Committee of Directors were held on the following dates: August 09, 2016, November 14, 2016, February 02, 2017 and May 09, 2017.

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

The Company Secretary is the Secretary to the Audit Committee.

3. Nomination and Remuneration Committee

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

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

The Nomination and Remuneration Committee has the following roles:

- i. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

- ii. Formulation of criteria for evaluation of Independent Directors and the Board.
- iii. Devising a policy on Board diversity.
- iv. Identifying persons who are qualified to become Directors and who may be appointed in senior management roles in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.
- v. Whether to extend or continue the term of appointment of the independent Director, on the basis of the report of performance evaluation of independent Directors.

Remuneration Policy:

I. Policy relating to the Remuneration for the Whole-time Director, KMP, and Senior Management Personnel

General:

- a) The remuneration / compensation / performance pay/ Variable pay etc. of the Managing/ Whole-time Director, KMP and Senior Management Personnel will be recommended by the Committee to the Board for approval. The remuneration / compensation / commission etc. of Directors shall be subject to the prior/post approval of the Shareholders of the Company and Central Government, wherever required and within the limit permitted under the Companies Act, 2013 and rules made thereunder.
- b) The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role.
Remuneration should be:
 - Market competitive
 - Driven by the role played by the individual
 - Reflective of the size of the Company, complexity of the industry in which it operates
 - Consistent with recognized best practices
 - Aligned to the regulatory requirements, if any.
- c) The Committee may recommend increments to the existing remuneration/ compensation structure to the Board which should be within the limit approved by the Shareholders in the case of Managing Director.

Annexure II to the Board's Report

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

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

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

The Managing Director/Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the board on the recommendation of the Committee. The breakup of the Annual Guaranteed Cash comprising of Basic Salary, Housing Allowance, Special allowance, LTA, Medical allowance and quantum of perquisites including employer's contribution to PF, pension scheme, Medical Expenses, Club fees and performance/Variable pay etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the Shareholders and Central Government, wherever required.

- b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing/Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

Statutory requirements:

- Section 197(1) of the Companies Act, 2013 provides for the total managerial remuneration payable by the Company to its Directors, including Managing Director and Whole time Director, and its Manager in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act.

- The Company may with the approval of the Shareholders authorize the payment of remuneration up to five percent of the net profits of the Company to its any one of its Managing Director/Whole Time Director/Manager and ten percent in case of more than one such official.

c) Provisions for excess remuneration:

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

3. Remuneration to Non- Executive / Independent Director:

a) **Remuneration / Commission:**

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

b) **Sitting Fees:**

The Independent/Non-Executive Directors may receive remuneration by way of fees for attending meetings of the Board or Committee thereof as approved by the Board. Provided that the amount of such fees shall not exceed the amount prescribed under the Companies Act, 2013 and rules/regulations/notification applicable thereunder.

c) **Commission:**

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

d) **Stock Options:**

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

- e) In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a

Annexure II to the Board's Report

Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/Board Committee meetings, general meetings, court convened meetings, site visits, induction and training (as permitted by the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015 and obtaining professional advice from independent advisors in furtherance of his/her duties as Director.

Performance Evaluation

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

Performance Evaluation Criteria

1. The NRC Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
2. A person should possess adequate qualifications, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether the qualifications, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
4. The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Remuneration should be :
 - Market competitive
 - Driven by role played by the individual
 - Reflective of size of the Company, complexity of the industry in which it operates
 - Consistent with recognized best practices
 - Aligned to the regulatory requirements, if any.

Board Diversity:

The Company believes that a diverse Board will enhance the

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

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

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

Composition and details of the Nomination and Remuneration Committee meetings during the financial year

As on June 30, 2017, the Nomination and Remuneration Committee of the Company consisted of Five (5) Non-executive Directors. The members of the Committee are (i) Mr. Vinayak K. Deshpande, Chairman of the Committee (ii) Mr. B. Anjani Kumar (iii) Mr. Prakash M. Telang (iv) Ms. Colleen Wood Cordova and (v) Mr. Alexander Broetz.

The Committee met four times on August 08, 2016, November 08, 2016, February 02, 2017 and March 14, 2017 respectively during the year under review and the attendance of the members at the said meetings are given below:

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. Vinayak K. Deshpande Chairman Independent Director	4	4
Mr. B. Anjani Kumar Independent Director	4	4
Mr. Prakash M. Telang Independent Director	4	2
Mr. Alexander Broetz Non-Executive Director	4	2
Ms. Colleen Wood Cordova Non-Executive Director	4	1

Annexure II to the Board's Report

4. Directors' remuneration

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

Table I: Remuneration paid to Managing Director in respect of financial year 2016-2017:

Managing Director	Amount (₹ in Lakhs)*
Mr. Bhagya Chandra Rao	172.40

*includes salary, fixed allowance, housing, leave travel allowance, contribution to retiral benefits, etc., It also includes Stock options of ₹ 29.74 Lakhs granted by Kennametal Inc., (the ultimate holding company). The Board of directors re-appointed Mr. Rao at its meeting held on November 14, 2016, after considering the recommendation of Nomination & Remuneration Committee, for a period of three years from September 17, 2017 to September 16, 2020 terminable with a notice period of three months or such notice as may be mutually determined as per the agreement dated November 14, 2016, subject to approval of shareholders. Performance pay is based on the results achieved against the targets and certain performance criteria as set out by the Board.

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

Non Executive Directors	Commission (₹ in Lakhs)*	Sitting Fees (₹ in Lakhs)
Mr. Prakash M. Telang	15.17	5.00
Mr. Vinayak K. Deshpande	7.57	3.70
Mr. B. Anjani Kumar	10.61	5.50
Mr. Alexander Broetz	NIL	NIL
Mr. David Lee	NIL	NIL
Ms. Colleen W. Cordova	NIL	NIL

* Payable in FY 18

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

The Company presently has no Employee Stock Option Plan.

5. Stakeholders' Relationship Committee

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

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

- 1) To look into matters connected with the redressal of grievances of shareholders, debenture holders and other security holders including complaints related to transfer of shares, non-receipt of Annual Report and non-receipt of declared dividends.
- 2) To oversee the performance of the Company's Registrar and Transfer Agents, recommend methods to upgrade the standard of services to Investors.
- 3) To carry out any other function as is referred by the Board from time to time or enforced by any statutory notification / amendment or modification as may be applicable.

Composition and details of the Stakeholders' Relationship Committee meetings during the financial year

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

Mr. Thulsidass T.V., Company Secretary is the Compliance Officer of the Company.

During the year under review, four meetings of the Committee were held on August 08, 2016, November 14, 2016, February 02, 2017 and May 09, 2017 respectively. The particulars of the members and their attendance at the meetings are provided herein the below Table:

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. Prakash M.Telang Chairman Independent Director	4	4
Mr. Bhagya Chandra Rao Managing Director	4	4
Mr. B. Anjani Kumar Independent Director	4	4

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

Share Transfer Committee

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

Annexure II to the Board's Report

The Board of Directors at its meetings held on August 8, 2016 & May 09, 2017 appointed Mr. K.V.Suresh Reddy & Mr. Thulsidass T V in place of Mr. D. Parameswara Reddy & Mr. Kundan K. Lal respectively and reconstituted the Committee to comprise (a) Mr. Bhagya Chandra Rao, Chairman (b) Mr. B. Anjani Kumar (c) Mr. K.V.Suresh Reddy and (d) Mr. Thulsidass T.V. During the year, 8 meetings of the said Committee were held. The Minutes of the Share Transfer Committee Meetings were tabled and noted at the Board Meetings.

6. Corporate Social Responsibility Committee

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

The Board of Directors at its meetings held on August 9, 2016 & November 14, 2016, appointed Mr. Alexander Broetz and Ms. Colleen Wood Cordova; respectively. Mr. Broetz was appointed consequent upon the resignation of Mr. John Henry Jacko Jr. and Ms. Cordova is a new member to the said Committee and reconstituted the Committee to comprise (a) Mr. Bhagya Chandra Rao, Chairman (b) Mr. Prakash M. Telang (c) Mr. B. Anjani Kumar (d) Mr. Alexander Broetz and (e) Ms. Colleen Wood Cordova. During the year, 2 meetings of the said Committee were held. The Minutes of the Corporate Social Responsibility Committee Meetings were tabled and noted at the Board Meetings.

The Committee met on August 8, 2016 and May 9, 2017 during the year under review and the attendance of the members at the said meeting is provided in the below table:

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. Bhagya Chandra Rao Chairman, Managing Director	2	2
Mr. Prakash M. Telang Independent Director	2	2
Mr. B. Anjani Kumar Independent Director	2	2
Mr. Alexander Broetz Non-Executive Director	2	1
Ms. Colleen Wood Cordova Non-Executive Director	2	1

Annexure II to the Board's Report

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

7. Risk Management Committee

The Board of Directors at its meetings held on August 8, 2016 appointed Mr. K.V. Suresh Reddy as a member in place of Mr. D. Parameswara Reddy, who resigned w.e.f. February 17, 2016 and reconstituted the Committee to comprise (a) Mr. Prakash M. Telang, Chairman of the Committee (b) Mr. Bhagya Chandra Rao (c) Mr. B. Anjani Kumar (d) Mr. K. V. Suresh Reddy and (d) Mr. Bhaskara Rao M. N.

The Committee met on August 8, 2016 and May 9, 2017, during the year under review and the attendance of the members at the said meeting is provided in the below table as follows:

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. Prakash M. Telang Chairman, Independent Director	2	2
Mr. Bhagya Chandra Rao Managing Director	2	2
Mr. B. Anjani Kumar Independent Director	2	2
Mr. K. V. Suresh Reddy Member	2	2
Mr. Bhaskara Rao M. N. Member	2	2

8. General Meetings

Date & time	Location	Special Resolutions passed
49th AGM, November 04, 2014, 12.00 Noon	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	Approval of Material Related Party transactions as per Clause 49 (VII) of the revised Listing Agreement with Kennametal Inc. and Kennametal Europe GmbH
50th AGM, November 09, 2015, 12.30 PM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	None
51st AGM, November 14, 2016, 12.30 PM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	None

9. Disclosures

- The Company has adopted a policy for determination of materiality for disclosure of Events or Information and a policy for preservation of documents and archival in accordance with the SEBI (LODR) Regulations, 2015.
- The Company has in place a Code of Conduct applicable to the Board of Directors as well as the Senior Management. The Managing Director has confirmed and declared that all the members of the Board and Senior Management personnel have affirmed compliance with the Code of Conduct for the financial year 2016-2017.
- Following Directors hold the shares of the Company:

Sl. No.	Name of the Director	No. of Shares held as on 30-06-2017
1	Mr. B. Anjani Kumar	10
2	Mr. Prakash M. Telang	1000

No other Director holds any shares in the Company.

- No penalties were imposed or strictures passed on the

Company by BSE Limited, SEBI or any statutory authority on any matter relating to capital markets during the last three years

- All the Equity Shares of your Company are listed.
- The Company places the requisite information about related party transactions before the Audit Committee from time to time. Please refer to Notes on Accounts for materially significant related party transactions. None of the said transactions were potentially in conflict with the interest of the Company at large.
- There has been no accounting treatment different from that prescribed in the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) or as notified under the Companies Act.
- The Company being a part of Kennametal Group (“the group”) complies with the whistle blower policy of the group which is applicable to all employees of the group.

- The Senior Management personnel have declared to the Board of Directors that none of them or their relatives had any material, financial, commercial transactions that were potentially in conflict with the interests of the Company.
- The Managing Director and Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of the SEBI (LODR) Regulations, 2015, for the year ended June 30, 2017.
- The Company does not have any subsidiaries.
- The Company has not made any capital issues during the financial year ended June 30, 2017.
- The Company has complied with all the mandatory requirements of the Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

Adoption of non-mandatory requirements

i) Shareholder Rights

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

ii) Audit qualifications

There are no qualifications/ unmodified audit opinion in the Auditors' Report on the Accounts for the year ended June 30, 2017.

iii) Separate posts of the Chairman & the CEO

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

iv) Reporting of Internal Auditor

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

10. Means of Communication

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

Annexure II to the Board's Report

enable hosting the same on its website and the results were also published in Financial Express (English) and Sanjevani (Kannada) newspapers within 48 hours from the conclusion of the Board Meetings.

The Company had a Schedule of Analyst call with Sundaram Mutual Fund on March 27, 2017 to discuss published financials of the Company. However, the Company has not made any presentations to the Institutional Investors or to the Analysts.

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

General shareholder information

Annual General Meeting:

The 52nd Annual General Meeting of the Company is scheduled to be held on November 07, 2017 at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bengaluru – 560073.

Book Closure:

The Register of Members and share transfer books will remain closed from Wednesday, November 01, 2017 to Tuesday, November 07, 2017 (both days inclusive).

Financial calendar for the year 2017-18 is as follows:

Event	Month (tentative)
Un-audited results for the quarter ending September 30, 2017	November, 2017
Un-audited results for the quarter ending December 31, 2017	January / February, 2018
Un-audited results for the quarter ending March 31, 2018	April / May, 2018
Audited results for the year ending June 30, 2018	July / August, 2018

Stock Exchange:

The Equity Shares of the Company are listed with BSE Limited, Mumbai. (Scrip code: 505890) and the listing fee has been paid for the year 2017-2018.

Annexure II to the Board's Report

Annual Custody / Issuer Charges:

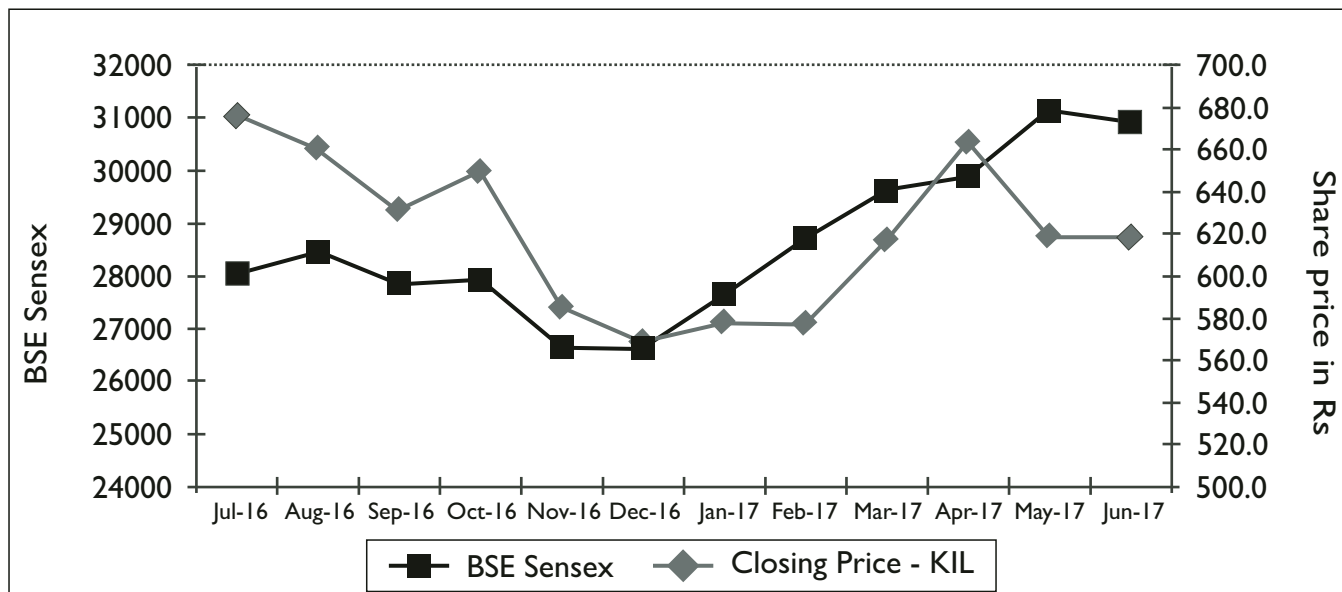
The Company has paid the Annual Custody / Issuer charges for the financial year 2017-18 to NSDL and CDSL.

Stock Price Data for the year 2016-17:

Market Price Data – High & Low on Bombay Stock Exchange (BSE) and Number of shares traded from July 01, 2016 to June 30, 2017, under review as follows:

Month & Year	High Price (in ₹)	Low Price (in ₹)	Close Price (in ₹)	No. of Shares traded
July-2016	708.7	660	676.2	32540
August-2016	715	650	660.7	41895
September-2016	692	610	631.2	25437
October-2016	687.7	626	650	47321
November-2016	661	575	585.05	46170
December-2016	596	555	568.75	34516
January-2017	636	564.2	577.55	56942
February-2017	640	555	576.95	147681
March-2017	625	563.05	616.85	148159
April-2017	694	608.25	663.75	86030
May-2017	693.95	597	618.9	86175
June-2017	660	610.2	618.55	68535

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

Share price performance in comparison with BSE Sensex*

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

Share Transfer Agents

Works related to both physical / demat shares are handled by Integrated Registry Management Services Private Limited as common Share Transfer Agent. All correspondence relating to share transfer, change of the address for shares held in physical form and dematerialization of shares etc. are to be addressed to Integrated Registry Management Services Private Limited, No.30, "Ramana Residency", 4th Cross, Sampige Road, Malleswaram, Bengaluru - 560003, Phone: 080 - 23460815 to 818. Fax: 080 - 23460819. E-mail: irg@integratedindia.in

Annexure II to the Board's Report

Share transfer system

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

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

Pattern of shareholding as on June 30, 2017 is as follows:

Category	No. of shares	Percentage (%)
A. Promoters (Foreign)		
• Meturit AG. - 11,208,840	16,483,680	75.00
• Kennametal Inc. - 5,274,840		
B. Public (Institutions)		
• Mutual Funds	3365043	15.31
• Financial Institutions/Banks	1040	0.01
• Bodies Corporate	--	--
C. Public (Non- Institutions)	2128477	9.68
Total (A+B+C)	21,978,240	100.00

Dematerialization of shares

The Company's shares are admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL] and the ISIN allotted for the Equity Shares of the Company is INE717A01029, 98.81% of the equity shares of the Company are held in demat form as on 30-06-2017.

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

Distribution of shares as on June 30, 2017 is as follows:

No. of shares	No. of shareholders	Shares held	% to Total
Upto 5000	6275	1386156	6.31
5,001 to 10,000	45	311034	1.42
10,001 to 20,000	28	392778	1.78
20,001 to 30,000	2	51899	0.24
30,001 to 40,000	0	0	0
40,001 to 50,000	1	42593	0.19
51,001 to 100,000	2	153474	0.70
100,001 and above	7	19640306	89.36
Total	6360	21978240	100.00

Plant location

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

Address for correspondence

Please write to us for any matters relating to shares, demat, remat, annual report, etc.

Integrated Registry Management Services Private Limited

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

For dividend queries and other general matters:

**The Company Secretary
Kennametal India Limited**

8/9th Mile,Tumkur Road,
Bengaluru - 560073
Karnataka,India

Phone: 080-28394321 and 080-22918345
Fax: 080 28397572

E-mail: in.investorrelation@kennametal.com

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

Annexure II to the Board's Report

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

To
**The Members of
Kennametal India Limited**
Bangalore

I have examined all the relevant records of Kennametal India Limited ('the Company') for the purpose of certifying the compliances of the conditions of Corporate Governance by the Company for the year ended 30th June, 2017 as stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations').

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

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

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

Place: Bengaluru
Date: August 24, 2017

Vijayakrishna KT
Practising Company Secretary
FCS-1788 & CP-980

Annexure IIA to the Board's Report**MD CERTIFICATION
(Code of Conduct for Directors and Senior Management)**

To
**The Members of
Kennametal India Limited**

I hereby confirm that all the Members of the Board of Directors and the Senior Management of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended June 30, 2017.

For Kennametal India Limited

Bengaluru
August 24, 2017

Bhagya Chandra Rao
Managing Director
DIN:00211127

Annexure IIB to the Board's Report

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

To

The Board of Directors,
Kennametal India Limited

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

- A. We have reviewed the financial statements and the cash flow statement for the year ended June 30, 2017 and that to the best of our knowledge and belief:
1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of Company's Code of Conduct (Kennametal code of business ethics and conduct).
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify such deficiencies.
- D. We have indicated to the Auditors and the Audit Committee
- (a) that there were no significant changes in internal control during the year other than those which have already been brought to the notice of the Audit Committee of Directors and the Statutory Auditors;
 - (b) that there were no significant changes in accounting policies during the year and that the same, if any, have been disclosed in the notes to the financial statements; and
 - (c) that there were no instances of significant fraud of which we have become aware and the involvement therein, if any of the management or an employee having a significant role in the company's internal control system over financial reporting.

We declare that all Board members and Senior Management personnel have affirmed compliance with the code of conduct for the year ended June 30, 2017.

Bhagya Chandra Rao
Managing Director

K.V. Suresh Reddy
Chief Financial Officer

Bengaluru
August 24, 2017

Annexure III to the Board's Report**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO (Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014)****A] Conservation of Energy**

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

i) Energy Conservation Measures implemented in FY 17

1. The Ventilation system replaced with 2 stage Energy Efficient Ventilation System.
2. The Compressed Air Audit was conducted and actions taken to reduce Compressed Air Consumption.
3. In Shop Floor 100 Tube lights were replaced with T-5 Lamps. New Office areas are provided with Energy efficient LED Lighting system.
4. Energy Audit of Chillers supplying the Cold water to process was done and actions were planned to replace the Chillers with Energy Efficient Chillers.
5. The Bus bar Distribution system Electrical Substation replaced with Sandwiched Busbar system to reduce line losses.
6. Energy Consumption in shop floors on Sundays and Holidays was reviewed with MIS Reports generated from Energy Management system and action taken to optimize Energy Consumption.

ii) Additional Investments and Proposals being made to reduce Energy Consumption in FY 18

1. To replace the Ventilation system in shop floors with Energy Efficient System with an investment of INR 110 Lakhs.
2. To replace the Chillers with Microprocessor Controlled Energy Efficient Chillers with Scroll Compressor with Investment of INR 70 Lakhs.
3. To replace the street lighting system with LED Lighting system.

4. Up gradation of Energy Management system with advance features which facilitates in conducting in depth analysis of Energy Consumption data.
5. To reduce Energy Bill, usage of Solar Power for the facility is planned

iii) Impact of the above measures

1. Due to the above said measures energy Conservation Projects the company conserved about 6 lakh Units in FY 17, hence energy bill reduced by INR. 50 Lakhs.
2. It helped in reducing the Electricity load by about 30 KW.

B] Technology Absorption**a) Research & Development (R&D)**

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

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

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

Annexure III to the Board's Report

- f) Support Kennametal Knowledge Centre to train Customers and Sales Engineers on cutting tool material.
- g) Rapid product development by conducting Benchmarking test and simulating field machining condition at Lab.
- h) Exploring new technologies in processes, materials & automation.

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

- i. Up-gradation of grades for P15, P25 and K20 turning application.
- ii. Development of grade for machining of alloy steels used in railway crossing
- iii. Established processing of global substrates and coatings
- iv. Improved manufacturing process of Ni-binder grade
- v. Value recovery of waste from carbide grinding.
- vi. Standardization of coatings.
- vii. Qualification of alternate suppliers for raw materials.
- viii. Improved manufacturing process for alloy binder grades.
- ix. Import substitution of hardmetal powder grades.
- x. Continued focus on basic research.
- xi. Development of Gage inserts for validation of manufactured tools.
- xii. Performance validation of customer feedback and customer relationship support activities.
- xiii. Support Pre Production Approval Process for Technology transfer

2. Benefits derived

Improvement of product quality, Process lead time, Cost reduction, New products and a good value proposition to customers by improvement in product performance & Global standardization.

3. Future plan of action

- i. Manufacturing process improvements
- ii. Develop grades for specific applications – Metal cutting, Metal forming and Mining
- iii. Continued efforts towards Quality enhancement, Evolution of new products aligned with customer needs and with reduction in costs and lead time
- iv. Global consolidation & standardization of Substrates & Coatings.
- v. Continued focus on basic research and Open Innovation.
- vi. Develop cutting tools for specific applications.
- vii. Work on advanced technology instrumentation for improving the quality of products and manufacturing processes.

4. Expenditure on R & D**(₹ in Lakhs)**

Particulars	2017	2016
a) Capital	367	-
b) Recurring	427	437
c) Total	794	437
d) Total R & D expenditure (as a percentage to turnover)	1.22%	1.07%

b) Technology absorption, adaptation and innovation

- 1. Efforts, in brief, made towards technology absorption, adaptation and innovation
 - Establishment of global substrates and coatings
 - Continued modernization of analytical techniques in Metallography lab, 3D micro coordinate measurement machine for micro-geometry measurement in Machining Technology Lab.
- 2. Benefits derived as a result of the above efforts.
 - Up-gradation of Products and process performance, increased alignment with Global Process standardization, supporting raw material qualification and basic research activities.
- 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

Annexure III to the Board's Report

Processes/Products	Technology From	Year	Status of Implementation/Absorption
Chemical Vapour Deposition Coatings, Pre- and Post-Coat treatments	Kennametal Inc.	2011-12	Full
End Mills	Hanita Metal Works Limited	2011-12	Full
Grades and Products	Kennametal Inc.	2012-13	Full
New Pre- and Post-Coat Treatments	Kennametal Inc.	2012-13	Full
New CVD Coatings	Kennametal Inc.	2012-13	Full
New CVD Coatings	Kennametal Inc.	2013-14	Full
New CVD Coatings	Kennametal Inc.	2014-15	Full
New CVD Coatings	Kennametal Inc.	2015-16	Full
New CVD Coatings	Kennametal Inc.	2016-17	Full

C. Foreign Exchange earnings and outgo

i. Activities relating to exports

Your Company registered a growth of 53% on exports mainly due to initiatives taken on earlier years to boost the export earnings.

Your Company will remain focused in this area and strengthen the following initiatives to boost the export markets.

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

- Localization of Hard Metal products at competitive price to cater the domestic and other export markets in Asia, Europe and America.
- Considering the global requirement few of the Hard metal product, capacity enhanced through Investment in Plant and Machinery and this yielded a positive result in increased Exports.
- Company will continue to explore the new export markets in Asia for its machine Ecogrind

iii. Total foreign exchange used and earned:

(₹ in Lakhs)

i) Foreign Exchange earned	8612
ii) Foreign Exchange used	35724

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

Bengaluru
August 24, 2017

Prakash M. Telang
Chairman
DIN: 00012562

Annexure IV to the Board's Report

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 30.06.2017

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

To
The Members,
KENNAMETAL INDIA LIMITED
 Bangalore

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kennametal India Limited (CIN: L27109KA1964PLC001546) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 30.06.2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Kennametal India Limited for the financial year ended on 30.06.2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

Annexure IV to the Board's Report

(vi) There are no specific laws applicable to the Company pursuant to the business carried by the Company.

(vii) The other general laws as may be applicable to the Company including the following:

(I) Employer/Employee Related laws & Rules:

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

Annexure IV to the Board's Report

(2) Environment Related Acts & Rules:

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

(3) Economic/Commercial Laws & Rules:

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

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

I further state that during the period under review and based on my verification of the records maintained by the Company and also on the review of compliance reports/statements by respective department heads/Chief Financial Officer/ Company Secretary taken on record by the Board of Directors of the Company, in my opinion, adequate systems and process and control mechanism exist in the Company to monitor and ensure compliance with applicable

Labour Laws, environmental laws and other applicable laws as mentioned above. Certain non-material findings made during the course of the audit relating to Labour Laws were addressed suitably by the Management.

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

I further report that

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

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

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

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

Place: Bengaluru
Date: 24.08.2017

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

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

Annexure IV to the Board's Report

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

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

Place: Bangalore
Date: 24.08.2017

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

Annexure V to the Board's Report

FORM NO.AOC – 2

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

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

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

(b) Nature of Contracts/arrangements/transactions-

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

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

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

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

Annexure V to the Board's Report

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

Sl. No.	Nature of Transactions	Transaction Value for the Financial Year 2016-17	Estimated Approved value of Transaction per annum for Financial Year 2016-17
1	Purchase	4430	6000
2	Sales	1455	1800
3	IT	1630	1900
4	Royalty	155	250
5	Cross Charge-Debits	164	200
6	Cross Charge-Revenue	145	200

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

Sl. No.	Nature of Transactions	Transaction Value for the Financial Year 2016-17	Estimated Approved value of Transaction per annum for Financial Year 2016-17
1	Purchase	17241	19000
2	Sales	3513	4600
3	Cross Charge-Revenue	-	5

(e) Date of approval by the Board, if any- August 09, 2016.

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

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

Bengaluru
August 24, 2017

Prakash M. Telang
Chairman
DIN: 00012562

Annexure VI to the Board's Report

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

1. The Board of Directors of the Company consists of: 1 Managing Director, 3 Non-executive Directors nominated by Promoter and 3 Non-Executive Independent Directors.
2. The Non-executive Directors nominated by promoter were not paid any remuneration. The Independent Directors were paid sitting fees and commission only. Details of the remuneration, Sitting fees and Commission paid to the Directors are provided under the Corporate Governance Report.
3. Disclosure as required under Rule 5(1) of the Companies (Appointment And Remuneration of Managerial Personnel) Rules, 2014:
 - (i) Ratio of the remuneration of the Managing Director to the median remuneration of the employees of the Company for the financial year 2016-17: 18.72
 - (ii) The percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary during the financial year 2016-17:
 - In the FY 17, there was an increase of 4% in the remuneration of the Managing Director/CEO of the Company.
 - There was an increase of 8% in the remuneration of Chief Financial Officer (CFO) of the Company.
 - (iii) The percentage increase in the median remuneration of employees in the financial year :

The median remuneration of employees of the Company during the Financial Year was ₹ 920763.91. There was an increase of 38.79% in FY17.
 - (iv) The number of permanent employees on the rolls of the Company: 793 as on June 30, 2017.
 - (v) Average percentage increase made in the salaries of employees other than the Key Managerial Personnel in the financial year 2016-17 was 8%.
 - (vi) The key parameters for any variable component of remuneration availed by the Managing Director is based on Company's and Parent Company's key performance metrics like Sales Growth, EBIT and EPS.
 - (vii) For the Financial Year under consideration, Mr. Bhagya Chandra Rao, Managing Director was paid the highest remuneration. No employee has received remuneration in excess of the Managing Director.
 - (viii) It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy for Directors, Key Managerial Personnel and other employees.

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

Prakash M. Telang
Chairman
DIN:00012562

Bengaluru
August 24, 2017

Annexure VII to the Board's Report

Information as per Section 197(12) of the Companies Act, 2013, read with Rule 5 (2) & (3) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the year ended June 30, 2017.

(₹ in Lakhs)

Name	Designation/ Nature of duties	Age (in years)	Qualifications	Experience (in years)	Date of Joining	Remuneration Received	Particulars of last employment held
Mr. Bhagya Chandra Rao	Managing Director	61	B.E. Mechanical	36	17-09-2012	172.40	Sandvik Asia Private Limited

Notes :-

- Designation of the employee indicates the nature of his/ her duties.
- Other terms and conditions are as per rules of the Company.
- None of above employees hold more than 2% equity share of the Company.
- None of these employees is relative of any Director of the Company.

Annexure VIII to the Board's Report

ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT

Applicability of the Companies Act, 2013

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

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

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

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

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

Kennametal focuses on these areas:

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

As part of our continued engagement with Sparsha Trust, your Company donated a 'Mini School Bus' to Sparsha Trust for transporting the underprivileged children of Nisarga Grama (Sparsha Trust) to nearby schools and colleges.

Your Company also donated an Ambulance to People Tree Foundation which will be used for Raghavendra People Tree Hospital in Dasarahalli which is in the vicinity of KIL. This Ambulance will be used to serve the poor patients in and around Jalahalli, Tumkur and other nearby villages.

People Tree Foundation is a Trust whose vision is to Touch, Move & Inspire A Billion People. The Mission of this Trust is to realize a disease & disability free India. To empower people to lead healthy and happy lives, by providing quality health care and education facilities for anyone, anywhere in our country.

Annexure VIII to the Board's Report

Strategic Goals of PeopleTree Foundation**By 2020, PeopleTree foundation will support :**

- 2020 complex free surgeries for the poor patients
- 2020 complex free surgeries at subsidized cost.
- 1020 deserving students to study medicine & allied Healthcare sciences.
- 120 bright students every year for primary education.
- 20 health awareness camps every year in the rural and tribal areas.
- 20 research projects on health care delivery

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

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

2 The Composition of the CSR Committee:

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

3 Average net profit of the company for last three financial years: ₹ 3348 Lakhs

4 Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above): ₹ 66.96 Lakhs

5 Details of CSR spent during the financial year.

(a) Total amount spent for the financial year: ₹ 66.96 Lakhs

(b) Amount unspent: NIL

(c) Manner in which the amount spent during the financial year is detailed below.

Kennametal India Limited
CSR Project and Expenses status as on Jun 30, 2017

Sl. No.	CSR project / activity identified	Sector in which the Project is covered	Projects / Programmes 1. Local area/others- 2. Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project/programs wise	Amount spent on the project /programs Subheads: 1. Direct expenditure on project, 2. Overheads	Cumulative spend up to the reporting period (in INR)	Amount spent: Direct / through implementing agency*
1	Support M/s. Prerana Resources "In the Community" programme /Support in arranging food for 120 disabled girls on continuous basis.	"In the Community" programme	Local area - Goraguntepalya, Yeshwantpur	Rs.360000 (Rs. 30000/- per month) for period upto June 30, 2017 for arranging food for 120 disabled poor girls under our "In the Community" programme	Direct expenditure on project	₹ 3,60,000	Direct
2	Enable India - Support post training internship for 20 people with disability	"In the Community" programme	Others Enable India (An Organization which empowers people with disabilities)	Supporting post training internship of 20 candidates with disability - cheque handed over on 2nd of Dec 2016	Direct expenditure on project	₹ 6,00,000	Direct

Annexure VIII to the Board's Report

Sl. No.	CSR project / activity identified	Sector in which the Project is covered	Projects / Programmes 1. Local area/others- 2. Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project/programs wise	Amount spent on the project /programs Subheads: 1. Direct expenditure on project, 2. Overheads	Cumulative spend up to the reporting period (in INR)	Amount spent: Direct / through implementing agency*
3	Support scholarship for poor students at PSG, Coimbatore (USD 7500 for PSG University)	"Promotion of education"	Others	₹ 5,13,000/- as scholarship amount for poor students - supported at PSG College of Technology, Coimbatore	Direct expenditure on project	₹ 5,13,000	Direct
4	Protect our Planet - Conduct Awareness session followed by Inter school Speech, Debate, Essay writing and Drawing Competitions	"Protect our Planet" programme	Local area - Govt High School, Bagalakunte (adjacent KIL)	Awareness session on "Protect our Planet" conducted followed by Inter school Speech, Debate, Essay writing and Drawing Competitions - around 150 students participated from various schools in and around Dasarahalli	Direct expenditure on project	₹ 86,316	Direct
5	Support the cause of Education and shelter for under privileged Girls - Provide Mini School Bus for transporting the children of Nisarga Grama (Sparsha Trust) to nearby schools/colleges	"In the Community" programme	Provide Mini School Bus for transporting the children of Nisarga Grama (Sparsha Trust) to nearby schools/colleges	Approx. ₹ 14,00,000 with Kennametal/ Widia Branding along with Sparsha Trust on the Mini School Bus	Direct expenditure on project	₹ 13,69,444	Direct
6	Provide an Ambulance to Raghavendra People Tree Hospital, Dasarahalli in the vicinity of KIL.	"In the Community" programme	Raghavendra People Tree Hospital, Dasarahalli, Tumkur Road	₹ 21,00,000 - Provided an Ambulance to Raghavendra People Tree Hospital in the vicinity of KIL.	Direct expenditure on project	₹ 20,82,000	Direct
7	Government Schools as 'Multi Dimensional Learning Space (MDLS)	"In the Community" programme	2 Schools in the vicinity of KIL. - 2 Schools in Hesaraghatta Rural (around 8 kms from KIL)	₹ 16,85,000 - 4 schools identified for this project of MDLS at the Government schools - Sparsha Trust students too are studying in this school, so they also can be benefited.	Expenditure and implementation through an NGO - ILP (India Literacy Program)	₹ 16,85,000	Through implementing agency - NGO - India Literacy Program
Total						₹ 66,95,760	

6 In case the Company has failed to spend the two per cent of the average net profit of the last 3 financial years or any part there of, reasons for not spending the amount in its Board Report: **Not Applicable**

7 Responsibility statement of the CSR Committee:

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

Place: Bengaluru
Date: August 24, 2017

Prakash M. Telang
Chairman

Bhagya Chandra Rao
Chairman-CSR Committee
and Managing Director

Annexure IX to the Board's Report

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN as on financial year ended on 30.06.2017

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

I. REGISTRATION & OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
1	Hard Metal Products(Forging, pressing, stamping and roll-forming of metal; powder metallurgy)	2591	85%
2	Machine Tools (Manufacture of special-purpose machinery)	282	15%

III. PARTICULARS OF HOLDING ,SUBSIDIARY & ASSOCIATE COMPANIES

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

Annexure IX to the Board's Report

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

I) Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the period-01.07.2016				No. of Shares held at the end of the period-30.06.2017				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
A. Promoters										
(1) Indian	-	-	-	-	-	-	-	-		-
a) Individual/HUF	-	-	-	-	-	-	-	-		-
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-		-
c) Bodies Corporates	-	-	-	-	-	-	-	-		-
d) Bank/FI	-	-	-	-	-	-	-	-		-
e) Any other	-	-	-	-	-	-	-	-		-
SUB TOTAL:(A) (1)	-	-	-	-	-	-	-	-		-
(2) Foreign										-
a) NRI- Individuals	-	-	-	-	-	-	-	-		-
b) Other Individuals	-	-	-	-	-	-	-	-		-
c) Bodies Corp.	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
d) Banks/FI	-	-	-	-	-	-	-	-		-
e) Any other...	-	-	-	-	-	-	-	-		-
SUB TOTAL (A) (2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
B. PUBLIC SHAREHOLDING										
(1) Institutions										
a) Mutual Funds	3322572	-	3322572	15.12	3365043	-	3365043	15.31		0.19
b) Banks/FI	180	860	1040	0.00	180	860	1040	0.01		-
c) Central govt.	-	-	-	-	-	-	-	-		-
d) State Govt.	-	-	-	-	-	-	-	-		-
e) Venture Capital Fund	-	-	-	-	-	-	-	-		-
f) Insurance Companies	-	-	-	-	-	-	-	-		-
g) FIIS	-	-	-	-	-	-	-	-		-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-		-
i) Others (specify)	-	-	-	-	-	-	-	-		-
SUB TOTAL (B)(1):	3322752	860	3323612	15.12	3365223	860	3366083	15.32		0.19

Annexure IX to the Board's Report

(2) Non Institutions										
a) Bodies corporates										
i) Indian	190619	860	191479	0.87	106716	860	107576	0.48		-0.39
ii) Overseas	-	-	-	-	-	-	-	-		-
b) Individuals										
i) Individual shareholders holding nominal share capital upto Rs. 1 lakhs	1191627	212551	1404178	6.39	1285034	204151	1489185	6.78		0.39
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	439762	56560	496322	2.26	355885	56560	412445	1.88		-0.38
c) Others (specify)										
NRI	59303	150	59453	0.27	90149	150	90299	0.41		0.14
Clearing Member	13276	-	13276	0.06	22732	-	22732	0.10		0.04
Trust	-	-	-	-	-	-	-	-		-
Foreign National	6240	-	6240	0.03	6240	-	6240	0.03		-
SUB TOTAL (B)(2):	1900827	270121	2170948	9.88	1866756	261721	2128477	9.67		-0.19
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
Total Public Shareholding (B)= (B)(1)+(B)(2)	5223579	270981	5494560	25.00	5231979	262581	5494560	25.00		-
C. Shares held by Custodian for GDRs & ADRs										
Grand Total (A+B+C)	21707259	270981	21978240	100.00	21715659	262581	21978240	100.00		-

ii) SHAREHOLDING OF PROMOTERS

Sl. No.	Shareholders Name	Shareholding at the beginning of the period - 01.07.2016			Shareholding at the end of the period - 30.06.2017			% change in shareholding during the year
		No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Kennametal Inc.	5274840	24.00	-	5274840	24.00	-	-
2	Meturit Ag.	11208840	51.00	-	11208840	51.00	-	-
	Total	16483680	75.00	-	16483680	75.00	-	-

Annexure IX to the Board's Report

iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)

Sl. No.	Shareholders Name	Shareholding at the beginning of the period - 01.07.2016		Date	Increase/Decrease in Share Holding	Reason	Cumulative Shareholding during the period 30.06.2017		Reason
		No of shares	% of total shares of the company				No of Shares	% of total shares of the company	
1	Kennametal Inc.	5274840	24.00	-	-	-	5274840	24.00	-
2	Meturit Ag.	11208840	51.00	-	-	-	11208840	51.00	-

iv) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS AND HOLDERS OF GDRs and ADRs):

Sl. No.	Name of the Share Holder	Shareholding at the beginning of the period - 01.07.2016		Date	Increase/Decrease in Share Holding	Reason	Cumulative Shareholding during the period 30.06.2017	
		No of shares	% of total shares of the company				No of shares	% of total shares of the company
1	RELIANCE CAPITAL TRUSTEE CO. LTD A/C RELIANCE EQUITY OPPORTUNITIES FUND	596805	7.27	01.07.2016	0		1596805	7.27
				22.07.2016	6400	TRANSFER	1603205	7.29
				12.08.2016	5000	TRANSFER	1608205	7.32
				26.08.2016	2131	TRANSFER	1610336	7.33
				09.09.2016	4079	TRANSFER	1614415	7.35
				07.10.2016	2000	TRANSFER	1616415	7.35
				18.11.2016	4700	TRANSFER	1621115	7.38
				10.02.2017	8212	TRANSFER	1629327	7.41
				17.02.2017	8314	TRANSFER	1637641	7.45
				30.06.2017	0		1637641	7.45
2	RELIANCE CAPITAL TRUSTEE CO. LTD. - A/C RELIANCE TAX SAVER (ELSS) FUND	480687	2.19	01.07.2016	NO MOVEMENT DURING THE YEAR			
				30.06.2017	0		480687	2.19
3	IDFC PREMIER EQUITY FUND	388425	1.77	01.07.2016	0		388425	1.77
				02.09.2016	689	TRANSFER	389114	1.77
				30.06.2017	0		389114	1.77
4	DSP BLACKROCK MICRO CAP FUND	359184	1.63	01.07.2016	NO MOVEMENT DURING THE YEAR			
				30.06.2017	0		359184	1.63

Annexure IX to the Board's Report

5	SBI INFRASTRUCTURE FUND	260000	1.21	01.07.2016	0		260000	1.21
				28.10.2016	5000	TRANSFER	265000	1.21
				30.06.2017	25000	TRANSFER	290000	1.32

6	SBI TAX ADVANTAGE FUND SERIES	1120000	0.55	01.07.2016	0		120000	0.55
				12.05.2017	-4354	TRANSFER	115646	0.53
				19.05.2017	-472	TRANSFER	115174	0.52
				23.06.2017	-25000	TRANSFER	90174	0.41
				30.06.2017	0		90174	0.41

7	SAFINA TOWERS PRIVATE LIMITED	75331	0.34	01.07.2016	0		75331	0.34
				15.07.2016	-1084	TRANSFER	74247	0.34
				22.07.2016	-2218	TRANSFER	72029	0.33
				29.07.2016	-4608	TRANSFER	67421	0.31
				05.08.2016	-2023	TRANSFER	65398	0.30
				12.08.2016	-1000	TRANSFER	64398	0.29
				26.08.2016	-1150	TRANSFER	63248	0.29
				23.09.2016	-1600	TRANSFER	61648	0.28
				30.09.2016	-1641	TRANSFER	60007	0.27
				07.10.2016	-1600	TRANSFER	58407	0.27
				14.10.2016	-2000	TRANSFER	56407	0.26
				21.10.2016	-3100	TRANSFER	53307	0.24
				28.10.2016	-10154	TRANSFER	43153	0.20
				04.11.2016	-3818	TRANSFER	39335	0.18
				02.12.2016	-961	TRANSFER	38374	0.17
				09.12.2016	-3551	TRANSFER	34823	0.16
				16.12.2016	-2966	TRANSFER	31857	0.14
				23.12.2016	-1945	TRANSFER	29912	0.14
				31.12.2016	-2656	TRANSFER	27256	0.12
				06.01.2017	-3325	TRANSFER	23931	0.11
				13.01.2017	-7158	TRANSFER	16773	0.08
				20.01.2017	-4773	TRANSFER	12000	0.05
				27.01.2017	-1039	TRANSFER	10961	0.05
				03.02.2017	-1918	TRANSFER	9043	0.04
				10.02.2017	-9043	TRANSFER	0	0.00
				30.06.2017			0	0.00

Annexure IX to the Board's Report

8	HAJEE ABDULSATTAR SAIT	69675	0.3	201.07.2016	0		69675	0.32
				10.02.2017	-5925	TRANSFER	63750	0.29
				17.02.2017	-13230	TRANSFER	50520	0.23
				24.02.2017	-1040	TRANSFER	49480	0.23
				03.03.2017	-47174	TRANSFER	2306	0.01
				10.03.2017	-2306	TRANSFER	0	0.00

9	NALINKANT CHATURBHUI ASHER	63300	0.29	01.07.2016	NO MOVEMENT DURING THE YEAR			
				30.06.2017			63300	0.29

10	NANDI CYLINDERS PVT LTD	42593	0.19	01.07.2016	NO MOVEMENT DURING THE YEAR			
				30.06.2017	0		42593	0.19

11	KV CHINNARAJ	28720	0.13	01.07.2016	NO MOVEMENT DURING THE YEAR			
				30.06.2017	0		28720	0.13

12	SUNDARAM MUTUAL FUND A/C SUNDARAM SELECT MICROCAP SERIES VI	22119	0.10	01.07.2016	0		22119	0.10
				02.06.2017	1060	TRANSFER	23179	0.11
				30.06.2017	0		23179	0.11

(v) SHAREHOLDING OF DIRECTORS & KEY MANAGERIAL PERSONNEL

Sl. No	For Each of the Directors & KMP	Shareholding at the end of the year		Date	Increase/Decrease in Share Holding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No of shares	% of total shares of the Company
1	B.Anjani Kumar	10			-		10	
2	Prakash M Telang	-	-	-	1000	-	1000	0.001

V. INDEBTEDNESS

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

Annexure IX to the Board's Report

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL*

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

(₹ in Lakhs)

Sl. no.	Particulars of Remuneration	Mr. Bhagya Chandra Rao	Total
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	119.36	119.36
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	1.50	1.50
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL
2.	Stock Option – ESOP – Stock option granted by Kennametal Inc. Ultimate holding Company	29.75	29.75
3.	Sweat Equity	NIL	NIL
4.	Commission -as % of profit -others, specify.	NIL	NIL
5.	Others, please specify – Incentive (Performance Pay)	21.79	21.79
6.	Total (A)	172.40	172.40
7.	Ceiling as per the Act (Section-197) (@5% of Profit calculated under Section 198 of Companies Act, 2013)		186.45

B. Remuneration to other directors: (₹ in Lakhs)

Sl. No	Particulars of Remuneration	Name of Directors			Total Amount	
1	Independent Directors	Mr. Prakash M. Telang	Mr. Vinayak .K. Deshpande	Mr. B. Anjani Kumar		
	- Fee for attending Board/ committee meetings	5.00	3.70	5.50	14.20	
	- Commission	15.17	7.57	10.61	33.35	
	- Others, please specify	-	-	-	-	
	Total (1)	20.17	11.27	16.11	47.55	
2	Other Non-Executive Directors	Mr. John Henry Jacko Jr.*	Ms. Michelle R. Keating*	Mr. David Lee	Mr. Alexander Broetz	Ms. Colleen Wood Cordova
	- Fee for attending Board meetings	NIL	NIL	NIL	NIL	NIL
	- Commission					
	- Others, please specify					
	Total (2)	NIL	NIL	NIL	NIL	NIL
	Total (B)=(1+2)	20.17	11.27	16.11	47.55	
	Overall Ceiling on Commission as per the Act (Section-197) (@1 % of Profit calculated under Section 198 of Companies Act, 2013)				37.27	

* Mr. John Henry Jacko Jr. and Ms. Michelle R. Keating are ceased to be the Directors of the Company w.e.f. August 09, 2016.

Annexure IX to the Board's Report

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

(₹ in Lakhs)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CFO	Company Secretary * (Up to 7th Oct 2016)	Company Secretary ** (From 13th Feb 2017)	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	56.01	12.73	12.35	81.09
		Nil	Nil	Nil	Nil
		Nil	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil	Nil
4.	Commission (Variable Compensation) -as % of Profit -others, specify	Nil	Nil	Nil	Nil
5.	Others, please specify	Nil	Nil	Nil	Nil
	Total	56.01	12.73	12.35	81.09

Note: *Mr. Kundan Kumar Lal ceased to be Company Secretary from October 08, 2016.

**Mr. Thulsidass TV was appointed as Company Secretary with effect from February 13, 2017.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: NIL

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

Bengaluru
August 24, 2017

Prakash M. Telang
Chairman
DIN: 00012562

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF KENNAMETAL INDIA LIMITED****Report on the Financial Statements**

1. We have audited the accompanying financial statements of Kennametal India Limited ("the Company"), which comprise the Balance Sheet as at June 30, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the afore said financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at June 30, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on June 30, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at June 30, 2017, on its financial position in its financial statements – Refer Notes 6 and 28;
 - ii. The Company has long-term contracts as at June 30, 2017 for which there were no material foreseeable losses. The Company did not have any derivative contracts as at June 30, 2017.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended June 30, 2017.
 - iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on audit procedures and relying on Management representation, we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by Management – Refer Note 46.

For Price Waterhouse & Co Bangalore LLP
Firm Registration Number: 007567S/S-200012
Chartered Accountants

Bengaluru
August 24, 2017

Shivakumar Hegde
Partner
Membership Number: 204627

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Kennametal India Limited on the financial statements for the year ended June 30, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Kennametal India Limited ("the Company") as of June 30, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at June 30, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For Price Waterhouse & Co Bangalore LLP
Firm Registration Number: 007567S/S-200012
Chartered Accountants

Bengaluru
August 24, 2017

Shivakumar Hegde
Partner
Membership Number:204627

Annexure B to Independent Auditors' Report

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Kennametal India Limited on the financial statements as of and for the year ended June 30, 2017

- 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 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) The title deeds of immovable properties, as disclosed in Note 10 on fixed assets to the financial statements, are held in the name of the Company.
- ii. Except for inventory lying with third parties, the other inventory has been physically verified by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act in respect of the loans given. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 of the Act.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and cess as at June 30, 2017 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty/ Service tax	52,450	January 1998 to September 2011	The Customs, Excise & service Tax Appellate Tribunal (CESTAT), Bangalore
		4,610,113 (*1)	April 2006 to June 2013	CESTAT, Bangalore
The Finance Act, 1994	Service tax	576,157 (*2)	April 2007 to March 2008	CESTAT, Bangalore
The Andhra Pradesh General Sales Tax Act, 1957	Sales tax	5,827,114 (*3)	April 2003 to March 2004	The Sales Tax Appellate Tribunal, Hyderabad
The Delhi Sales Tax Act, 1975	Sales tax	78,550 (*4)	April 2004 to March 2005	The Joint Commissioner (Appeals) of Special Zone Department of Trade and Taxes Government, Delhi
The Karnataka Tax on Entry of Goods Act, 1979	Entry tax	Nil (*5)	April 2010 to June 2017	The Commissioner of Commercial Tax, Bangalore
The Uttar Pradesh Value Added Tax Act, 2008	Sales tax	Nil (*6)	May 2011	The Joint Commissioner (Appeals) of Sales Tax, Sonabhadra, Uttar Pradesh
The Central Sales Tax Act, 1956	Sales tax	3,689,314 (*7)	April 2010 to March 2011	The Assistant Commissioner of Commercial Tax, Bangalore
		Nil (*8)	April 2011 to March 2012	The Assistant Commissioner of Commercial Tax, Bangalore
		Nil (*9)	April 2012 to March 2013	The Joint Commissioner of Commercial Tax (Appeals), Bangalore
		Nil(*10)	April 2013 to March 2014	The Assistant Commissioner of Commercial Tax, Bangalore
		41,899,707 (*11)	April 2014 to March 2015	The Joint Commissioner of Commercial Tax (Appeals), Bangalore
The Income Tax Act, 1961	Income tax	2,198,066	April 1999 to March 2001	The Supreme Court of India
		Nil (*12)	April 1993 to March 1994	The Income Tax Appellate Tribunal, Bangalore
		Nil (*13)	April 1999 to March 2001	The Commissioner of Income Tax (Appeals), Bangalore
		Nil (*14)	April 2007 to March 2008	The Commissioner of Income Tax (Appeals) LTU, Bangalore
		Nil (*15)	April 2008 to March 2009	
		3,376,830 (*16)	April 2009 to March 2010	
		Nil (*17)	April 2010 to March 2011	
		Nil (*18)	April 2011 to March 2012	
		Nil (*19)	April 2012 to March 2013	The Dispute Resolution Panel, Bangalore
The Customs Act, 1962	Customs duty	Nil (*20)	April 2009 to October 2013	CESTAT, Bangalore

- (*1) Net of ₹ 5,094,915 paid "under protest" by the Company.
 - (*2) Net of ₹ 576,227 paid "under protest" by the Company.
 - (*3) Net of ₹ 5,872,886 paid "under protest" by the Company.
 - (*4) Net of ₹ 78,550 paid "under protest" by the Company.
 - (*5) Net of ₹ 12,228,373 paid "under protest" by the Company.
 - (*6) Net of ₹ 404,400 paid "under protest" by the Company.
 - (*7) Net of ₹ 2,715,000 paid "under protest" by the Company.
 - (*8) Net of ₹ 2,141,073 paid "under protest" by the Company.
 - (*9) Net of ₹ 5,345,294 paid "under protest" by the Company.
 - (*10) Net of ₹ 3,963,243 paid "under protest" by the Company.
 - (*11) Net of ₹ 18,000,000 paid "under protest" by the Company.
 - (*12) Net of ₹ 750,375 paid "under protest" by the Company.
 - (*13) Net of ₹ 27,667,829 paid "under protest" by the Company.
 - (*14) Net of ₹ 54,009,650 paid "under protest" by the Company.
 - (*15) Net of ₹ 50,365,440 paid "under protest" by the Company.
 - (*16) Net of ₹ 53,038,036 paid "under protest" by the Company.
 - (*17) Net of ₹ 50,842,950 paid "under protest" by the Company.
 - (*18) Net of ₹ 19,639,356 paid "under protest" by the Company.
 - (*19) Net of ₹ 57,400,000 paid "under protest" by the Company.
 - (*20) Net of ₹ 15,908,015 paid "under protest" by the Company.
- viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
 - ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
 - x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
 - xi. The Company has paid for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
 - xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse & Co Bangalore LLP
Firm Registration Number: 007567S/S-200012
Chartered Accountants

Bengaluru
August 24, 2017

Shivakumar Hegde
Partner
Membership Number: 204627

BALANCE SHEET

(All amounts in ₹ Lakhs unless otherwise stated)

	Notes	As at June 30, 2017	As at June 30, 2016
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	3	2198	2198
Reserves and Surplus	4	37191	35510
NON-CURRENT LIABILITIES			
Other Long-term Liabilities	5	10	-
Long-term Provisions	6	1344	1237
CURRENT LIABILITIES			
Trade Payables	7		
Total outstanding dues of micro enterprises and small enterprises		226	162
Total outstanding dues of creditors other than micro enterprises and small enterprises		8116	6967
Other Current Liabilities	8	4039	4020
Short-term Provisions	9	616	611
		53740	50705
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets	10		
Tangible Assets	(A)	14638	10672
Intangible Assets	(B)	-	-
Capital Work-in-Progress		278	1640
Non-Current Investments	11	50	50
Deferred Tax Assets (Net)	12	619	1091
Long-term Loans and Advances	13	4747	4881
Other Non-Current Assets	14	4	4
CURRENT ASSETS			
Inventories	15	10726	11330
Trade Receivables	16	11016	11939
Cash and Bank Balances	17	9345	6604
Short-term Loans and Advances	18	2202	2242
Other Current Assets	19	115	252
		53740	50705

The accompanying notes are an integral part of these financial statements.

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

For Price Waterhouse & Co Bangalore LLP
Chartered Accountants
Firm Registration Number: 007567S/S-200012

Shivakumar Hegde
Partner
Membership Number: 204627

Bengaluru
August 24, 2017

For and on behalf of Board of Directors

Bhagya Chandra Rao
Managing Director
DIN - 00211127

KV Suresh Reddy
Chief Financial Officer

Prakash M. Telang
Chairman
DIN - 00012562

Thulsidass TV
Company Secretary

STATEMENT OF PROFIT AND LOSS

(All amounts in ₹ Lakhs unless otherwise stated)

	Notes	Year ended June 30, 2017	Year ended June 30, 2016
REVENUE			
Revenue from operations (gross)	20	69265	61241
(Less): Excise Duty		(4412)	(4212)
Revenue from operations (net)		64853	57029
Other Income	21	918	890
TOTAL REVENUE		65771	57919
EXPENSES			
Cost of Materials consumed	22	17479	16695
Purchase of Stock-in-trade	23	16936	14852
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-trade	24	(43)	(1436)
Employee benefits expense	25	12015	11101
Depreciation and amortisation expense	10	2826	2411
Other Expenses	26	12981	11225
TOTAL EXPENSES		62194	54848
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX		3577	3071
(Less): Exceptional items (Refer Note 47)		(550)	-
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE TAX		3027	3071
TAX EXPENSE			
Current Tax		791	1085
Minimum Alternate Tax (MAT) Entitlement (Refer Note 45)		(446)	-
Tax Adjustments relating to earlier years		-	67
Deferred Tax charge/(credit)		472	(155)
PROFIT FOR THE YEAR		2210	2074
Earnings per Equity Share [Nominal Value per share Rs.10 (2016: Rs.10)]	38		
- Basic		10.05	9.44
- Diluted		10.05	9.44

The accompanying notes are an integral part of these financial statements.

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

For Price Waterhouse & Co Bangalore LLP
Chartered Accountants
Firm Registration Number: 007567S/S-200012

Shivakumar Hegde
Partner
Membership Number: 204627

Bengaluru
August 24, 2017

For and on behalf of Board of Directors

Bhagya Chandra Rao
Managing Director
DIN - 00211127

KV Suresh Reddy
Chief Financial Officer

Prakash M. Telang
Chairman
DIN - 00012562

Thulsidass TV
Company Secretary

CASH FLOW STATEMENT

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2017	Year ended June 30, 2016
I CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	3577	3071
Adjustments for:		
Depreciation and amortisation expense	2826	2411
Liabilities no longer required written back	(11)	(18)
Provision for doubtful debts and deposits written back	(39)	-
Provision for product support	365	260
Provision for disputed taxes and duties	18	36
Fixed assets written off	6	3
Provision for loss on divestiture	-	100
Loss/ (Profit) on sale of tangible assets (net)	(37)	-
Interest Income	(23)	(13)
Unrealised Foreign Exchange (Gain)/ Loss (net)	(18)	(16)
Voluntary retirement and separation schemes compensation paid	(443)	-
Operating profit before working capital changes	6221	5834
Adjustment for working capital changes:		
Decrease/ (Increase) in Inventories	604	(1890)
Decrease/ (Increase) in Trade and Other Receivables	657	(1097)
Decrease/ (Increase) in Other Bank balances	(15)	(123)
(Decrease)/ Increase in Liabilities and Provisions	873	1051
Cash generated from Operations	8340	3775
Income Taxes paid (net of refunds)	(624)	(2031)
Net Cash from / (used in) Operating activities	7716	1744
2 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(5028)	(4346)
Purchase of Investments	-	(50)
Sale proceeds of Fixed assets	40	-
Loan to fellow subsidiary	(200)	(500)
Loan repayment from fellow subsidiary	700	-
Cash received as compensation for sale of free-hold land	-	647
Interest received on loan to fellow subsidiary	13	-
Interest received on bank deposits	16	13
Net Cash from / (used in) Investing activities	(4459)	(4236)
3 CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(440)	(440)
Dividend distribution tax	(89)	(89)
Unclaimed dividend paid	(1)	23
Net Cash from / (used in) Financing activities	(530)	(506)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	2727	(2998)
OPENING CASH EQUIVALENTS	6478	9476
CLOSING CASH EQUIVALENTS	9205	6478

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, 2017 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 (AS) 3 "Cash Flow Statement" and the reallocation required for this purpose are as made by the Company.
- 3 Cash equivalents at the end of the year :

	June 30, 2017	June 30, 2016
Cash and Bank balances	4204	1177
Short term highly liquid investments (Mutual Funds) (Refer note 35) *	5001	5301
Cash and Bank Balances at the end of the year (Refer note 17)	9205	6478

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

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

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

For Price Waterhouse & Co Bangalore LLP
Chartered Accountants
Firm Registration Number: 007567S/S-200012

Shivakumar Hegde
Partner
Membership Number: 204627

Bengaluru
August 24, 2017

For and on behalf of Board of Directors

Bhagya Chandra Rao
Managing Director
DIN - 00211127

Prakash M. Telang
Chairman
DIN - 00012562

K V Suresh Reddy
Chief Financial Officer

Thulsidass TV
Company Secretary

NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION

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

2. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on an accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7(1) of the Companies (Accounts) Rules, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

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

b) Fixed Assets

i) Tangible assets:

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

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

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

NOTES TO FINANCIAL STATEMENTS**a. Own assets**

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

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

b. Leased assets

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

ii) Intangible assets:

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

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

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

c) Impairment of Assets

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

d) Investments

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

e) Inventories

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

NOTES TO FINANCIAL STATEMENTS

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

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

f) Foreign Currency Transactions:

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

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

Foreign currency liabilities contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the Statement of Profit and Loss. All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains/ losses arising therefrom are adjusted to the Statement of Profit and Loss.

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

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

Forward exchange contracts outstanding as at the year end on account of firm commitment/ highly probable forecast transactions are marked to market and losses/ gains are recognised in the Statement of Profit and Loss in accordance with the Guidance Note on 'Accounting for Derivatives' issued by the Institute of Chartered Accountants of India effective from April 1, 2016.

g) Research and Development

Capital expenditure on Research and Development is capitalised as tangible fixed assets and depreciated in accordance with the depreciation policy of the Company. Revenue expenditure incurred during research phase is expensed as incurred and development expenditure is capitalised as an internally generated intangible asset only if it meets the recognition criteria under Accounting Standard (AS) 26 "Intangible Assets", which inter-alia includes demonstration of technical feasibility, generation of future economic benefits, etc. Revenue expenditure that cannot be distinguished between research phase and development phase is expensed as and when incurred.

h) Revenue Recognition

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

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

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

NOTES TO FINANCIAL STATEMENTS

l) 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 in accordance with the Payment of Gratuity Act, 1972. The Company has an Employees Gratuity Fund managed by Life Insurance Corporation of India and HDFC Life Insurance Company Limited. The Company accounts for the liability of gratuity benefit payable in future based on an independent actuarial valuation (using the projected unit credit method) at the Balance Sheet date.

iii) Provident Fund:

Contributions in respect of Provident Fund are made to a Trust administered by the Company. Interest rate payable to members of the Trust cannot be less than the statutory rate of interest declared by the Central Government under The Employees Provident Funds & Miscellaneous Provisions Act, 1952. The Company's liability is determined based on an independent actuarial valuation (using the projected unit credit method) at the end of the year and shortfall, if any, 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 for based on the number of days of unutilised leave at each balance sheet date on the basis of an independent actuarial valuation (using the projected unit credit method) determined at the end of the year.

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

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

j) Current and Deferred Tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

k) Minimum Alternate Tax

In accordance with the provisions of Section 115JAA of the Income Tax Act, 1961, the Company is allowed to avail credit equal to the excess of Minimum Alternative Tax ('MAT') over normal income tax for the assessment year for which MAT is paid. Currently, MAT credit so determined can be carried forward for setoff for fifteen succeeding assessment years for the year in which such credit becomes available. MAT credit can be set-off only in the year in which the Company is liable to pay tax as per the normal provisions of the Income Tax Act, 1961 and such tax is in excess of MAT for that year. The MAT credit asset is written down to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

l) Provisions and Contingent Liabilities

Provisions:

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

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

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

Contingent Liabilities:

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

m) Leases

As a lessee:

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 reward of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged to the Statement of Profit and Loss on a straight line basis over the lease term.

As a lessor:

The Company has leased certain tangible assets and such leases where the Company has substantially retained all the risks and rewards of ownership are classified as operating leases. Lease income on such operating leases are recognised in the Statement of Profit and Loss on a straight line basis over the lease term which is representative of the time pattern in which benefit derived from the use of the leased asset is diminished. Initial direct costs are recognised as an expense in the Statement of Profit and Loss in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS

n) Segment Reporting

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

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

o) Cash and Cash Equivalents

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

p) 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.

q) Exceptional items

Exceptional items are material items of income or expense that are disclosed separately due to the significance of their nature or amount, to provide further understanding of the financial performance of the Company.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2017	As at June 30, 2016
3. SHARE CAPITAL		
AUTHORISED SHARE CAPITAL	2198	2198
21,978,240 (2016: 21,978,240) Equity Shares of ₹10/- each		
ISSUED, SUBSCRIBED AND PAID UP CAPITAL	2198	2198
21,978,240 (2016: 21,978,240) Equity Shares of ₹10/- each		
	2198	2198

(a) Reconciliation of number of shares outstanding:

Equity Shares

Shares outstanding at the beginning of the year

Shares outstanding at the end of the year

As at June 30, 2017		As at June 30, 2016	
No. of Shares	Amount	No. of Shares	Amount
21978240	2198	21978240	2198
21978240	2198	21978240	2198

(b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any, in proportion to their shareholding.

(c) Shares held by ultimate holding company and holding company

Kennametal Inc. USA, the ultimate holding company

Meturit AG., Zug, Switzerland, the holding company

As at June 30, 2017		As at June 30, 2016	
No. of Shares	Amount	No. of Shares	Amount
5274840	527	5274840	527
11208840	1121	11208840	1121

(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

Meturit AG., Zug, Switzerland, the holding company

Reliance Capital Trustee Company Limited [Note below]

No. of Shares	%	No. of Shares	%
5274840	24.00%	5274840	24.00%
11208840	51.00%	11208840	51.00%
2118328	9.64%	2077492	9.45%

Note:

1,637,641 (2016: 1,596,805) shares are held by Reliance Equity Opportunities Fund comprising 7.45% (2016: 7.26%) of the shareholding and 480,687 (2016: 480,687) shares are held by Reliance Tax Saver (ELSS) Fund comprising 2.19% (2016: 2.19%) of the shareholding.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2017	As at June 30, 2016
4. RESERVES AND SURPLUS		
i) Securities Premium Account		
Balance as at the beginning of the year	9	9
Balance as at the end of the year	9	9
ii) General Reserve		
Balance as at the beginning of the year	14884	14884
Balance as at the end of the year	14884	14884
iii) Surplus in Statement of Profit and Loss		
Balance as at the beginning of the year	20617	19072
Add: Profit for the year	2210	2074
(Less): Appropriations		
Interim dividend on equity shares	(440)	(440)
Dividend distribution tax on interim dividend	(89)	(89)
Balance as at the end of the year	22298	20617
	37191	35510
5. OTHER LONG TERM LIABILITIES		
Deposit from customers	10	-
	10	-
6. LONG TERM PROVISIONS		
Provision for Employee benefits:		
Gratuity (Refer Note 37)	425	393
Leave Encashment/ Compensated Absences	666	646
Long Service Award	34	-
Other provisions (Refer Note 41)		
Provision for Product support	14	11
Provision for disputed taxes and duties	205	187
	1344	1237
7. TRADE PAYABLES		
Total outstanding dues of micro enterprises and small enterprises (Refer Note 34) and	226	162
Total outstanding dues of creditors other than micro enterprises and small enterprises	8116	6967
	8342	7129
8. OTHER CURRENT LIABILITIES		
Advances from customers	740	781
Creditors for capital goods		
Acceptances	-	4
Others	306	262
Unclaimed dividends *	25	26
Other liabilities:		
Employee benefits payable	1740	1308
Statutory dues (including provident fund and taxes deducted at source)	1103	1531
Others	125	108
	4039	4020
*There is no amount due and outstanding to be credited to Investor Education and Protection Fund.		
9. SHORT TERM PROVISIONS		
Provision for Employee benefits:		
Gratuity (Refer Note 37)	41	38
Leave Encashment/ Compensated Absences	236	260
Long Service Award	22	-
Other provisions (Refer Note 41)		
Provision for Product support	317	313
	616	611

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION/ AMORTISATION			NET BLOCK	
	July 1, 2016	Additions	Disposals	June 30, 2017	July 1, 2016	Additions	Disposals	June 30, 2017
Tangible Assets :								
<u>Own Assets:</u>								
Land	6	-	-	6	-	-	-	6
Buildings	1627	59	-	1686	773	73	-	840
Plant and Machinery:								
Data Processing Equipment	1370	103	-	1473	1051	178	-	244
Others	33231	6474	2209	37496	24188	2405	2200	13103
Furniture and Fixtures	534	11	-	545	456	32	-	57
Leasehold Improvements	57	-	-	57	57	-	-	-
Office Equipment	872	154	-	1026	525	134	-	367
<u>Leased Assets:</u>								
Buildings	49	-	-	49	24	4	-	21
TOTAL (A)	37746	6801	2209	42338	27074	2826	2200	14638
Intangible Assets:								
<u>Own Assets:</u>								
Software	492	-	-	492	492	-	-	492
TOTAL (B)	492	-	-	492	492	-	-	-
GRAND TOTAL (A+B)	38238	6801	2209	42830	27566	2826	2200	14638

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION/ AMORTISATION			NET BLOCK June 30, 2016	
	July 1, 2015	Additions	Disposals	June 30, 2016	July 1, 2015	Additions		Disposals
Tangible Assets :								
<u>Own Assets:</u>								
Land	6	-	-	6	-	-	-	6
Buildings	1405	225	3	1627	707	68	2	854
Plant and Machinery:								
Data Processing Equipment	1101	285	16	1370	910	157	16	319
Others	31469	2385	623	33231	22624	2040	476	9043
Furniture and Fixtures	518	23	7	534	426	36	6	78
Leasehold Improvements	57	-	-	57	57	-	-	-
Office Equipment	697	178	3	872	425	101	1	347
<u>Assets Leased:</u>								
Buildings	49	-	-	49	20	4	-	25
TOTAL (A)	35302	3096	652	37746	25169	2406	501	10672
Intangible Assets:								
<u>Own Assets:</u>								
Software	498	-	6	492	493	5	6	492
TOTAL (B)	498	-	6	492	493	5	6	-
GRAND TOTAL (A+B)	35800	3096	658	38238	25662	2411	507	10672

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2017	As at June 30, 2016																																																												
11. NON-CURRENT INVESTMENTS																																																														
Other Investments (Unquoted, valued at cost)																																																														
6% Rural Electrification Corporation Limited 54EC Bonds 2015-16 (500 bonds of face value ₹ 10,000 each with maturity period of three years)	50	50																																																												
	50	50																																																												
12. DEFERRED TAX ASSETS (NET)																																																														
The major components of Deferred Tax assets and liabilities arising on account of timing difference are as follows:																																																														
	<table border="1"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">ASSET</th> <th colspan="2" style="text-align: center;">(LIABILITY)</th> </tr> <tr> <th></th> <th style="text-align: right;">As at June 30, 2017</th> <th style="text-align: right;">As at June 30, 2016</th> <th style="text-align: right;">As at June 30, 2017</th> <th style="text-align: right;">As at June 30, 2016</th> </tr> </thead> <tbody> <tr> <td>Provision for gratuity, leave encashment, long service award</td> <td style="text-align: right;">493</td> <td style="text-align: right;">463</td> <td></td> <td></td> </tr> <tr> <td>Provision for product support</td> <td style="text-align: right;">114</td> <td style="text-align: right;">112</td> <td></td> <td></td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">35</td> <td style="text-align: right;">49</td> <td></td> <td></td> </tr> <tr> <td>Provision for non moving and obsolete inventory</td> <td style="text-align: right;">223</td> <td style="text-align: right;">222</td> <td></td> <td></td> </tr> <tr> <td>Voluntary retirement scheme/ employee separation</td> <td style="text-align: right;">121</td> <td style="text-align: right;">86</td> <td></td> <td></td> </tr> <tr> <td>Others</td> <td style="text-align: right;">35</td> <td style="text-align: right;">19</td> <td></td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">-</td> <td style="text-align: right;">140</td> <td style="text-align: right;">(402)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">1021</td> <td style="text-align: right;">1091</td> <td style="text-align: right;">(402)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Net Deferred Tax Asset/ (Liability)</td> <td style="text-align: right;">619</td> <td style="text-align: right;">1091</td> <td></td> <td></td> </tr> <tr> <td>Net Deferred Tax (Credit)/ Charge for the year</td> <td style="text-align: right;">472</td> <td style="text-align: right;">(155)</td> <td></td> <td></td> </tr> </tbody> </table>			ASSET		(LIABILITY)			As at June 30, 2017	As at June 30, 2016	As at June 30, 2017	As at June 30, 2016	Provision for gratuity, leave encashment, long service award	493	463			Provision for product support	114	112			Provision for doubtful debts	35	49			Provision for non moving and obsolete inventory	223	222			Voluntary retirement scheme/ employee separation	121	86			Others	35	19			Depreciation	-	140	(402)			1021	1091	(402)	-	Net Deferred Tax Asset/ (Liability)	619	1091			Net Deferred Tax (Credit)/ Charge for the year	472	(155)		
	ASSET		(LIABILITY)																																																											
	As at June 30, 2017	As at June 30, 2016	As at June 30, 2017	As at June 30, 2016																																																										
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Net Deferred Tax (Credit)/ Charge for the year	472	(155)																																																												
13. LONG-TERM LOANS AND ADVANCES (Unsecured, considered good unless stated otherwise)																																																														
Advance tax [net of provision ₹ 21338 (2016: ₹ 20992)]	3826	3993																																																												
MAT credit entitlement (Refer Note 45)	446	-																																																												
Balance with Statutory / Government Authorities	105	105																																																												
Capital Advances	223	632																																																												
Security Deposits	132	132																																																												
Advances to employees	7	12																																																												
Prepaid Expenses	8	7																																																												
	4747	4881																																																												
14. OTHER NON-CURRENT ASSETS (Unsecured, considered good unless stated otherwise)																																																														
Long term deposits with banks with maturity period more than twelve months(*)	4	4																																																												
	4	4																																																												
*Held as lien by bank against guarantees ₹ 4 (2016: ₹ 4)																																																														
15. INVENTORIES																																																														
Raw materials [includes in-transit ₹ 267 (2016: ₹ 296)]	1920	1953																																																												
Stores and spares	213	218																																																												
Work-in-progress	4306	4982																																																												
Finished goods	3072	3151																																																												
Traded goods [includes in-transit ₹ 269 (2016: ₹ 264)]	1215	1026																																																												
	10726	11330																																																												

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2017		As at June 30, 2016
16. TRADE RECEIVABLES			
(Unsecured, unless stated otherwise)			
Considered good			
Outstanding for a period exceeding six months from the date they are due for payment	204		453
Others	10812		11486
Considered doubtful			
Outstanding for a period exceeding six months from the date they are due for payment	97	138	
Others	-	-	138
(Less): Provision for doubtful debts	(97)		(138)
	11016		11939
17. CASH AND BANK BALANCES			
Cash and Cash Equivalents			
Cash on hand	1		5
Cheques on hand	202		216
Bank Balances			
Current accounts	4001		956
Short term highly liquid investments (Mutual Funds) (Refer note 35)	5001		5301
	9205		6478
Other Bank balances			
Deposits with maturity more than three months but less than twelve months (*)	115		100
Unpaid Dividend Account	25		26
	9345		6604
(*) Held as lien by bank against forward contracts ₹ 115 (2016: ₹ 100)			
18. SHORT TERM LOANS AND ADVANCES			
(Unsecured, considered good unless stated otherwise)			
Advances to employees	94		72
Other Loans and Advances :			
Advance to supplier	149		109
Loan to fellow subsidiary (*)	-		500
Balance with Statutory / Government Authorities	1811		1428
Prepaid Expenses	148		133
	2202		2242
(*) Loan given to Kennametal Shared Services Private Limited on interest and repayable within six months			
19. OTHER CURRENT ASSETS			
(Unsecured, considered good unless stated otherwise)			
Interest accrued on fixed deposits	8		14
Assets held for sale at lower of cost and net realisable value	-		48
Other receivables [including due from related parties ₹ 51 (2016: ₹ 117)]	97		180
Other deposits [including ₹ 5 (2016: ₹ 3) considered doubtful]	15	13	
(Less): Provision for doubtful deposits	(5)	(3)	10
	115		252

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	Year Ended June 30, 2017		Year Ended June 30, 2016
20. REVENUE FROM OPERATIONS			
Sale of Products			
Finished goods	43708		39530
Traded goods	24597		20855
Sale of services	902		827
Other Operating Revenue			
Sale of scrap	58		29
	69265		61241
21. OTHER INCOME			
Dividend Income	167		312
Interest Income on Bank Deposits	10		13
Interest Income on Loan to fellow subsidiary	13		-
Interest on Income tax refund	-		174
Liabilities no longer required written back	11		18
Provision for doubtful debts and deposits written back	39		-
Profit on sale of fixed assets (net)	37		-
Lease rentals	170		132
Export Incentives	219		49
Commission on order based sales	113		107
Support service charges from fellow subsidiary	96		64
Miscellaneous income	43		21
	918		890
22. COST OF MATERIALS CONSUMED			
Opening Inventory	1953		1562
Add: Purchases (net) (*)	17446		17086
(Less:) Inventory at the end of the year	(1920)		(1953)
Cost of Raw materials and components consumed	17479		16695
(*) Net of materials consumed for internal capitalisation: ₹ 464 (2016: ₹ 495)			
23. PURCHASE OF STOCK INTRADE			
Traded Goods	16936		14852
	16936		14852
24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK- IN- PROGRESS AND STOCK INTRADE			
Opening stock:			
Work-in-progress	4982	4166	
Finished goods	3151	2962	
Traded goods	1026	590	
	9159	7718	
Closing stock:			
Work-in-progress	4306	4982	
Finished goods	3072	3151	
Traded goods	1215	1026	
	8593	9159	
(Increase)/ Decrease in stocks	566		(1441)
Excise duty on opening stock of finished goods	(609)	(604)	
Excise duty on closing stock of finished goods	-	609	
Increase/ (Decrease) in excise duty	(609)		5
	(43)		(1436)
25. EMPLOYEE BENEFITS EXPENSE			
Salaries, wages and bonus	10224		9517
Contribution to provident and other funds	500		435
Gratuity	338		341
Stock compensation expense (Net) (Refer Note 44)	62		42
Staff welfare	891		766
	12015		11101

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	Year Ended June 30, 2017		Year Ended June 30, 2016
26. OTHER EXPENSES			
Power and fuel			
Consumption of stores and spare parts	913		832
Subcontracting charges	1825		1394
Repairs and maintenance:	1903		1522
Buildings			
Plant and machinery [includes stores and spares consumed ₹ 524 (2016: ₹ 488)]	-	3	
Rent (Refer Note 39)	1164	1164	982
Rates and taxes	88	979	92
Insurance	204		197
Travelling and conveyance	320		337
Legal and professional [Refer Note (a) below]	1011		1098
Communication	763		325
Directors' Sitting Fee	130		147
Expenditure towards Corporate Social Responsibility (CSR) [Refer Note (b) below]	14		16
Excise duty on trial and demo issues	67		60
Forwarding and freight	84		73
Provision for product support	1021		872
Royalty	365		260
Printing and stationery	258		225
Advertisement and sales promotion [Refer Note © below]	70		79
Commission on sales	230		34
Provision for loss on divestiture	114		191
Fixed assets written off	-		100
Information Technology services	6		3
Net loss on foreign currency transaction and translation	1565		1327
Miscellaneous expenses	-		113
	866		946
	12981		11225

(a) Payments to Auditors (excluding service tax) included under Legal and Professional above:

Statutory Audit	23		20
Audit of Tax Accounts and Tax Audit	6		6
Limited reviews	6		6
Other Audit related Services	31		34
Certification	3		3
Other Services	6		-
Out of pocket expenses	3		3

(b) Expenditure towards CSR:

Gross amount required to be spent by the Company during the year ₹ 67 (2016: ₹ 60)

Amount spent during the year on:

(i) Construction/ acquisition of any asset			
Paid in Cash	-		-
Yet to be paid in cash	-		-
(ii) On purposes other than (i) above			
Paid in Cash	67		60
Yet to be paid in cash	-		-

(c) Includes ₹ 196 (2016: Nil) relating to trade shows and exhibitions (incurred once every two years).

27. CAPITAL AND OTHER COMMITMENTS:

Capital Commitments (net of advances) ₹ 1501 (2016: ₹ 549)

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

28. CONTINGENT LIABILITIES

Nature of Contingent Liability	2017	2016
Income Tax matters [Note (a)]	3517	2946
Excise Duty/ Service Tax matters under dispute	90	90
First loss default guarantee [Note (b)]	150	150

Notes:

- Mainly relates to transfer pricing adjustments/ disallowances relating to Research and Development expenditure made by the Income Tax Department for the tax assessment years 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, and 2013-14 which is disputed by the Company and the matter is lying under appeal with The Income Tax Appellate Tribunal, Bangalore/ The Commissioner of Income Tax (Appeals) LTU, Bangalore. The Company has paid "under protest" an aggregate of ₹ 3353 (2016: ₹ 2779) to the Income Tax Department in this regard.
- First loss default guarantee represents financial guarantee given to a banker for providing channel financing scheme to distributors.
- There are certain non-quantifiable disputes pending before labour tribunal/ court under labour laws, which are not expected to be material, based on management's assessment.
- Considering the very nature of the above contingent liabilities, the estimate/ timing of cash outflow, if any, is not readily ascertainable.

29. PARTICULARS OF MATERIALS AND STORES AND SPARES:

	2017		2016	
	%	Value	%	Value
Raw Materials and Components consumed				
- Imported	70	12207	64	10665
- Indigenous	30	5272	36	6030
Total	100	17479	100	16695

Stores and Spare parts

- Imported	22	517	12	219
- Indigenous	78	1832	88	1663
Total	100	2349	100	1882

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

	2017	2016
Raw materials	11295	10736
Stores and spares	681	557
Capital goods	3096	2159

31. EXPENDITURE IN FOREIGN CURRENCY:

	2017	2016
Travelling and Conveyance	143	153
Information Technology Services	1565	1327
Royalty	258	225
Other Expenses	514	460

32. EARNINGS IN FOREIGN CURRENCY:

	2017	2016
Revenue from exports on FOB basis	8612	5615

Note: The above excludes reimbursement of expenses from related parties ₹ 554 (2016: ₹ 593)

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

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

a) Revenue expenditure

	2017	2016
Revenue expenditure debited to various heads of account:		
Cost of materials consumed	83	77
Employee Benefits expense	291	325
Other Expenses	53	35
Total	427	437

b) Capital expenditure

Description	Manufacturing	R&D	Total
As at July 1, 2016	37214	1024	38238
Additions during the year	6434	367	6801
Deletions during the year	2201	8	2209
As at June 30, 2017	41447	1383	42830

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

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

	2017		2016	
	Non-current	Current	Non-current	Current
a) Principal amount due to suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and remaining unpaid as at year end	-	226	-	162
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	*	-	*
b) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	121	-	327
(i) Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-	-
(ii) Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	4	-	-
c) Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	-	-	3
d) Further interest remaining due and payable for earlier years	-	-	-	*

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

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

35. SHORT TERM HIGHLY LIQUID INVESTMENTS

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

Name of the fund	2017		2016	
	Units	Amount	Units	Amount
Birla Sun Life Cash Plus - Daily Dividend - Regular Plan	998305	1000	1098165	1100
Kotak Floater Short Term Fund - Daily Dividend	98874	1000	-	-
ICICI Prudential Liquid Plan - Dividend Daily	999260	1001	1099274	1101
Tata Money Market Fund Regular Plan - Dividend Daily	99872	1000	74886	750
HDFC Liquid Fund-Regular Plan- Dividend- Daily Reinvest	98080	1000	122571	1250
Reliance Liquid Treasury Institutional Plan- Dividend Daily	-	-	71978	1100
Total		5001		5301

NOTES TO FINANCIAL STATEMENTS

36. SEGMENT REPORTING

(All amounts in ₹ Lakhs unless otherwise stated)

The Company is in the business of manufacturing and trading of hard metal products and manufacturing of machine tools (also known as machining solutions), which have been identified as separate business segments for primary segment reporting as envisaged in AS 17 “Segment Reporting”. The Company’s products are sold in the domestic and export markets, which have been identified as geographic segments for secondary segment reporting.

A. Primary Segment Reporting

Business Segment	Machining Solutions		Hard Metal Products		Total	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net Sales / Income from Operations	9623	9311	55171	47689	64794	57000
Other Operating Income	-	-	59	29	59	29
Total Revenue	9623	9311	55230	47718	64853	57029
Result						
Segment Result	902	787	5480	4321	6382	5108
Unallocated Corporate Income					337	444
Unallocated Corporate Expense					(3165)	(2668)
Interest Income					23	187
Profit before tax and exceptional items					3577	3071
Exceptional Items					(550)	-
Profit before tax					3027	3071
Tax Expense					(817)	(997)
Profit after tax					2210	2074
<i>Other Information</i>						
Segment Assets	4930	5804	32604	31040	37534	36844
Unallocated Corporate Assets					16206	13861
Total Assets	4930	5804	32604	31040	53740	50705
Segment Liabilities	2570	2775	11601	9907	14171	12682
Unallocated Corporate Liabilities					180	315
Total Liabilities	2570	2775	11601	9907	14351	12997
Capital Expenditure	106	892	4768	3221	4874	4113
Unallocated Capital Expenditure					154	233
Total Capital Expenditure	106	892	4768	3221	5028	4346
Depreciation	186	130	2524	2203	2710	2333
Unallocated Depreciation					116	78
Total Depreciation	186	130	2524	2203	2826	2411
Non-cash expenditure	-	-	-	-	389	399

B. Secondary Segment Reporting: Geographic segments

	Revenue		Assets		Capital Expenditure	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
India	56241	51414	53740	50705	5028	4346
Germany	3513	2127	-	-	-	-
USA	1455	1172	-	-	-	-
China	2153	1108	-	-	-	-
Others	1491	1208	-	-	-	-
Total	64853	57029	53740	50705	5028	4346

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

37. EMPLOYEE BENEFITS

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

		Gratuity (Funded)		Provident Fund (Trust set up by employer)	
		2017	2016	2017	2016
I	Present Value of Defined Benefit Obligation				
a.	Obligation as at the beginning of the year	1953	1798	8604	7339
b.	Current Service Cost	320	276	1147	1576
c.	Interest Cost	127	127	581	536
d.	Actuarial (Gain)/Loss	16	66	(31)	25
e.	Benefits Paid	(338)	(314)	(827)	(872)
f.	Obligation as at the end of the year	2078	1953	9474	8604
II	Fair Value of Planned Assets				
a.	Fair Value of Plan Assets as at the beginning of the year	1522	1419	8832	7876
b.	Expected return on Plan Assets	107	109	1203	675
c.	Actuarial Gain/(Loss)	18	19	710	610
d.	Contributions	303	289	318	543
e.	Benefits Paid	(338)	(314)	(827)	(872)
f.	Fair Value of Plan Assets as at the end of the year	1612	1522	10236	8832
III	Assets and Liabilities recognised as liability				
a.	Present Value of Obligation as at the end of the year	2078	1953	9474	8604
b.	Fair value of Plan Assets as at the end of the year	(1612)	(1522)	(10236)	(8832)
c.	Amount recognised in the Balance Sheet	466	431	*	*
Recognised under:					
	Long term Provision	425	393		
	Short term provision	41	38		
	Total	466	431		
IV	Expense recognised in the Statement of Profit and Loss	Gratuity		PF Cost	PF Cost
a.	Current Service Cost	320	276	1147	1576
b.	Interest Cost	127	127	581	536
c.	Expected return on Plan Assets	(107)	(109)	(1203)	(675)
d.	Actuarial (Gain)/Loss	(2)	47	(741)	(585)
e.	Expense recognised during the year	338	341	*	*

* 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.

V.	Major Category of Planned Assets as % of total plan assets	2017	2016	2017	2016
	Government Securities (Central & State)	-	-	54%	52%
	Corporate Bonds	-	-	46%	48%
	Contributed to Fund managed by insurance company	100%	100%	-	-
VI.	Actuarial Assumptions				
a.	Discount Rate (per annum)	7.10%	7.76%	7.10%	7.76%
b.	Estimated Rate of return on Plan Assets (per annum)	7.10%	7.76%	8.65%	7.76%
c.	Rate of Escalation in Salary (per annum)	1% & 5%	1% & 5%	1% & 5%	1% & 5%

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

Employee Benefits (Contd....)

VII.	Amount recognised in current year and previous four years	Gratuity (Funded)				
		2017	2016	2015	2014	2013
	Gratuity					
a	Defined Benefit Obligation	2078	1953	1798	1494	1694
b	Plan Assets	1612	1522	1419	1271	1387
c	(Surplus)/ Deficit	466	431	379	223	307
d	Experience Gain / (Loss) adjustments on plan liabilities	16	66	45	67	97
e	Experience Gain / (Loss) adjustments on plan assets	18	19	8	1	15

VIII.	Provident Fund (Trust set up by employer)					
		2017	2016	2015	2014	2013
a.	Defined Benefit Obligation	9474	8604	7339	6329	5842
b.	Plan Assets	10236	8832	7876	6814	6613
c.	(Surplus)/ Deficit	(762)	(228)	(537)	(485)	(771)
d.	Experience Gain / (Loss) adjustments on plan liabilities	(31)	25	(36)	11	(32)
e.	Experience Gain / (Loss) adjustments on plan assets	710	610	225	1	123
f.	Actuarial Gain / (Loss) due to change in assumptions	16	15	-	-	60

The Guidance Note on implementation of AS 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India states that Provident Fund set up by employers that guarantee a specified rate of return and which require interest shortfall to be met by employer would be a defined benefit plan in accordance with the requirements of para (26b) of AS 15. Pursuant to the Guidance Note, the liability in respect of shortfall of interest earned by the Fund, if any, is determined on the basis of an independent actuarial valuation carried out as at June 30, 2017 and ascertained to be Nil (2016:Nil).

IX. Expected contribution to the funds in the next year

Particulars	Year ended	
	2017	2016
Gratuity	331	310
Provident Fund	369	295

- 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.
 - 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, 2017 an amount of ₹ 500 (2016: ₹ 435) as follows :

Benefit (Contribution to)	2017	2016
Provident Fund	363	305
Employees' Pension Scheme	127	124
Employees' State Insurance Scheme	10	6
Total	500	435

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

38. EARNINGS PER EQUITY SHARE

Particulars	2017	2016
Profit attributable to equity shareholders	2210	2074
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 (₹)	10.05	9.44

39. Disclosure for leases in accordance with AS 19 "Leases" is as follows:

As a Lessee:

Operating Leases:

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

Particulars	2017	2016
Lease payments recognised in Statement of Profit and Loss during the year [including minimum lease payments: ₹ 78 (2016: ₹ 47)]	88	92

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

Particulars	2017	2016
Future minimum lease payments:		
Not later than one year	40	63
Later than one year but not later than five years	12	38
Later than five years	-	-

As a Lessor:

Operating Leases:

The Company has given office facilities and plant and machinery on operating lease. These lease arrangements are over a period of eleven months and are cancellable by notice of 30 days by either side. Most of the leases are renewable for further period on mutually agreeable terms and also include escalation clauses.

NOTES TO FINANCIAL STATEMENTS

40. RELATED PARTY DISCLOSURES

A) Names of related parties and description of relationship:

a) Parties where control exists:

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

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 Asia China Management Company,
 China
 Kennametal Widia Produktions GmbH & Co. KG,
 Germany*
 Kennametal (Singapore) Pte. Ltd., Singapore
 Kennametal Korea Ltd., Korea
 Kennametal Japan Ltd., Japan
 Kennametal Do Brasil LTDA, Brazil
 Kennametal Hard Point (Shanghai) Co. Ltd., China
 Kennametal Distribution Services Asia Pte. Ltd.,
 Singapore
 Kennametal Shared Services Pvt Ltd., India
 Kennametal (China) Co Ltd., China
 Hanita Metal Works Ltd., Israel
 Kennametal Shared Services GmbH, Germany
 Kennametal Extrude Hone Corporation, USA#
 Kennametal Extrude Hone Ltd., England#
 Kennametal Extrude Hone GmbH, Germany#
 Extrude Hone Shanghai Co. Ltd., China#
 Kennametal (Xuzhou) Company Ltd., China
 Kennametal Deutschland GmbH., Germany*
 Kennametal (Malaysia) Sdn. Bhd., Malaysia
 Kennametal (Thailand) Co., Ltd., Thailand
 Kennametal Stellite GmbH, Germany*
 Kennametal Stellite India Pvt. Ltd., India##
 Kennametal Stellite L.P, USA
 Kennametal Italia S.P.A, Italy*

c) Key Management Personnel

Managing Director

Bhagya Chandra Rao

* No transaction during the year

Relation with party ceased on November 30, 2015

Relation with party ceased on July 22, 2015

NOTES TO FINANCIAL STATEMENTS

RELATED PARTY DISCLOSURES

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

(All amounts in ₹ Lakhs unless otherwise stated)

	PARTIES WHERE CONTROL EXIST [A(a)]		FELLOW SUBSIDIARIES [A(b)]		KEY MANAGEMENT PERSONNEL [A(c)]		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
REVENUE - TOTAL	4968	3299	3397	2060			8365	5359
In excess of 10%								
Kennametal Inc. USA	1455	1172					1455	1172
Kennametal Europe GmbH, Switzerland	3513	2127					3513	2127
Kennametal HardPoint (Shanghai) Ltd., China			1932	1005			1932	1005
Kennametal Distribution Services Asia Pte. Ltd., Singapore			539	575			539	575
OTHER INCOME - TOTAL			323	239			323	239
In excess of 10%								
Kennametal Shared Services Private Ltd., India			209	139			209	139
Kennametal Stellite L.P. USA			114	100			114	100
REIMBURSEMENT OF EXPENSES (Credit) - TOTAL	145	81	409	451			554	532
In excess of 10%								
Kennametal Inc. USA	145	81					145	81
Kennametal Shared Services Private Ltd., India			102	90			102	90
Kennametal Distribution Services Asia Pte. Ltd., Singapore			287	328			287	328
Kennametal Extrude Hone GmbH, England			-	18			-	18
LOAN GIVEN DURING THE YEAR - TOTAL			200	500			200	500
Kennametal Shared Services Private Ltd., India			200	500			200	500
LOAN RECOVERED DURING THE YEAR - TOTAL			700	-			700	-
Kennametal Shared Services Private Ltd., India			700	-			700	-
INTEREST INCOME ON LOAN - TOTAL			13	-			13	-
In excess of 10%								
Kennametal Shared Services Private Ltd., India			13	-			13	-
OTHER INCOME - TOTAL			13	*			13	*

NOTES TO FINANCIAL STATEMENTS

RELATED PARTY DISCLOSURES

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

(All amounts in ₹ Lakhs unless otherwise stated)

	PARTIES WHERE CONTROL EXIST [A(a)]		FELLOW SUBSIDIARIES [A(b)]		KEY MANAGEMENT PERSONNEL [A(c)]		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
DIVIDEND PAID - TOTAL	330	330					330	330
INTERIM DIVIDEND PAID								
Meturit A.G. Zug, Switzerland	224	224					224	224
Kennametal Inc., USA	106	106					106	106
MANAGERIAL REMUNERATION- TOTAL								
Bhagya Chandra Rao					172	165	172	165
PURCHASES - TOTAL	21671	20219	726	490			22397	20709
PURCHASE OF CAPITAL GOODS								
In excess of 10%	51	-					51	-
Kennametal Inc., USA	39	-					39	-
Kennametal Europe GmbH, Switzerland	12	-					12	-
PURCHASE OF GOODS- OTHERS								
In excess of 10%	21620	20219	726	490			22346	20709
Kennametal Inc., USA	4391	4339					4391	4339
Kennametal Europe GmbH, Switzerland	17229	15880					17229	15880
SERVICES RECEIVED / RECHARGE OF EXPENSES - TOTAL	1967	1615	317	75			2284	1690
INFORMATION TECHNOLOGY SERVICES - In excess of 10%								
Kennametal Inc., USA	1565	1327					1565	1327
PROFESSIONAL FEES (TECHNICAL SERVICES) - In excess of 10%								
Kennametal Inc., USA	65	-	186	-			251	-
Kennametal Shared Services Private Ltd., India (Technical Services)	65	-	186	-			65	-
ROYALTY PAYMENTS - In excess of 10%								
Kennametal Inc., USA	173	155	85	70			258	225
Hanita Metal Works Ltd., Israel	173	155	85	70			173	155
RECHARGE OF EXPENSES - In excess of 10%								
Kennametal Inc., USA	164	133	46	5			210	138
Kennametal Shared Services Private Limited, India	164	133	29	5			164	133

NOTES TO FINANCIAL STATEMENTS

RELATED PARTY DISCLOSURES

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

(All amounts in ₹ Lakhs unless otherwise stated)

	PARTIES WHERE CONTROL EXIST [A(a)]		FELLOW SUBSIDIARIES [A(b)]		KEY MANAGEMENT PERSONNEL [A(c)]		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
OUTSTANDING RECEIVABLES - TRADE AND OTHERS								
TRADE RECEIVABLES - TOTAL								
In excess of 10%								
Kennametal Inc., USA	621	614	853	290			1474	904
Kennametal Europe GmbH, Switzerland	610	564	813	226			1423	790
Kennametal (Singapore) Pte Ltd, Singapore	269	159					269	159
Kennametal Hardpoint (Shanghai) Ltd, China	341	405	266	-			341	405
OUTSTANDING RECEIVABLES - OTHERS - TOTAL								
In excess of 10%								
Kennametal Inc., USA	11	50	40	64			51	114
Kennametal Distribution Services Asia Pte. Ltd., Singapore	11	50					11	50
Kennametal Stellite L.P. USA			24	38			24	38
Kennametal Shared Services Private Limited, India			10	9			10	9
OUTSTANDING LOAN RECEIVABLE - TOTAL								
Kennametal Shared Services Private Ltd., India			-	500			-	500
OUTSTANDING PAYABLES - TRADE								
In excess of 10%								
Kennametal Inc., USA	2966	2677	469	73			3435	2750
Kennametal Europe GmbH, Switzerland	1318	828					1318	828
ADVANCE RECEIVED								
Kennametal Inc., USA	-	48					-	48
	-	48					-	48

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

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

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

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

Particulars	As at July 1, 2016	Addition	Utilisation	Reversal	As at June 30, 2017
Product Support [Note (a)]	324	365	358	-	331
	(360)	(260)	(296)	(-)	(324)
Disputed Taxes and Duties [Note(b)]	187	18	-	-	205
	(151)	(36)	(-)	(-)	(187)

Notes:

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

42. Dividends remitted in foreign exchange to non-resident shareholders:

	Year ended June 30, 2017	Year ended June 30, 2016
Interim dividend paid during the year	330	330
Number of non-resident shareholders	2	2
Number of equity shares held by such non-resident shareholders	16483680	16483680
Year to which the dividend relates to	2016-17	2015-16

43. a) Particulars of derivative instruments:

Particulars	Purpose	As at					
		June 30, 2017			June 30, 2016		
		Foreign Currency	Amount	Foreign Currency	Amount		
Forward contracts to buy	Hedge of firm commitment	USD	-	-	USD	3	203
		EUR	-	-	EUR	_*	25
Total			-			228	

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

- b) Particulars of unhedged foreign currency exposures:

Particulars	As at June 30, 2017			As at June 30, 2016		
	Foreign Currency	Amount	Foreign Currency	Amount		
Trade receivables	USD	13	846	USD	7	507
	EUR	5	355	EUR	5	409
	SGD	6	272	SGD	-	-
	BRL	1	2	BRL	1	22
	Others	-	7	Others	-	9
		1502			947	

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

Particulars	As at June 30, 2017			As at June 30, 2016		
	Foreign Currency		Amount	Foreign Currency		Amount
Trade payables	USD	12	797	USD	7	471
	EUR	4	259	EUR	5	382
	CHF	1	37	CHF	3	178
	JPY	26	15	JPY	102	67
	Others	-	14	Others	-	8
			1122			1106

c) Mark-to-Market losses

Particulars	As at June 30, 2017	As at June 30, 2016
Mark-to-Market losses provided for	-	*

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

44. The Company does not have a scheme for grant of stock options to employees for the shares issued in India. However, the Managing Director and certain senior management employees of the Company under the long term incentive plan are granted restricted stock units (RSUs) in a share based compensation plan of Kennametal Inc. USA, the ultimate holding company. The RSUs vests over 3 years or 4 years depending on the scheme and year of grant. With respect to the RSUs the ultimate holding company has recharged stock compensation expense amounting to ₹ 62 (2016: ₹ 42 [net]) for all the open RSUs. These plans are assessed, managed and administered by the ultimate holding company and the information to the extent available has been disclosed here as envisaged in the Guidance Note on Accounting for Employee Shared Based Payments issued by the Institute of Chartered Accountants of India.

45. Particulars of Minimum Alternate Tax (MAT) Credit (Entitlement)/ utilisation:

	2017	2016
Current year MAT credit (entitlement)/ utilisation	(446)	-
Add: MAT credit utilised in the return of income in earlier years and adjusted in the books in the current year	-	-
(Less): MAT credit from earlier years written off	-	-

46. Disclosures relating to Specified Bank Notes* (SBNs) held and transacted during the period from November 8, 2016 to December 30, 2016.

Particulars	SBNs*	Other denomination notes	Total
Closing cash in hand as on November 8, 2016	5	1	6
(+) Permitted receipts	-	5	5
(-) Permitted payments	-	(4)	(4)
(-) Amount deposited in Banks	(5)	-	(5)
Closing cash in hand as on December 30, 2016	-	2	2

(* Specified Bank Notes (SBNs) mean the bank notes of denominations of the existing series of the value of five hundred rupees and one thousand rupees as defined under the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs no.S.O.3407(E), dated November 8, 2016.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

47. Exceptional items debited to the Statement of Profit and Loss comprises of:

	Year ended June 30, 2017	Year ended June 30, 2016
i. The Company announced a voluntary retirement scheme (VRS) for its workmen. Several workmen opted for the VRS and the aggregate expenditure incurred in this regard has been fully charged to the Statement of Profit and Loss in accordance with AS-15 "Employee Benefits"	239	-
ii. The Company also has a severance / separation scheme for certain employees in the officers and associate category, and the aggregate compensation paid in accordance with the said scheme has been fully charged to the Statement of Profit and Loss	311	-
Total	550	-

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

For PriceWaterhouse & Co Bangalore LLP
Chartered Accountants
Firm Registration Number: 007567S/S-200012

For and on behalf of Board of Directors

Shivakumar Hegde
Partner
Membership Number: 204627

Bhagya Chandra Rao
Managing Director
DIN – 00211127

Prakash M. Telang
Chairman
DIN – 00012562

Bengaluru
August 24, 2017

K.V. Suresh Reddy
Chief Financial Officer

Thulsidass TV
Company Secretary

CSR ACTIVITIES



Donated Mini School Bus for transporting the underprivileged children of Nisarga Grama (Sparsha Trust) to nearby schools/colleges



Handed over an Ambulance to People Tree Foundation for use at Raghavendra People Tree Hospital, Dasarahalli



Kennametal sponsored the post-training internship costs of Rs. 6,00,000/- for 20 disabled candidates as part of its support to Enable India, an organization which empowers people with disabilities.



Visit to M/s. Prerana Resources, Home for physically challenged women at Goraguntepalya to handover cheque of Rs. 3,60,000/- for providing food for the physically challenged women.



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