



September 16, 2022

Ref: Sec/Sto/2022/09/04

**Corporate Relationship Department
BSE Limited**

Phiroze Jeejeebhoy Towers Dalal Street,
Mumbai – 400001

Subject: Transcripts for the Institutional Investors Meeting held on 14th September 2022.

**Ref : Kennametal India Limited - [Scrip code: 505890]
Our Letters No. Sec/Sto/2022/09/03 dated September 14, 2022 and no.
Sec/Sto/2022/05/09/02 dated September 12, 2022**

Dear Sirs,

In further to our above letters, we enclose herewith a copy of the Transcripts of video recording of the meeting held with Investors / Analysts viz., Mr. Suraj Nanda and Ms. Geetika Gupta, Fund Managers from ICICI Prudential which was held on Wednesday, September 14, 2022.

The said Transcripts is available on the Company's website at:
<https://www.kennametal.com/in/en/about-us/kil-financials/press-release---investor-calls.html>

Kindly take the same on record.

Thanking You.

Yours faithfully,
For **Kennametal India Limited**

Naveen Chandra P
General Manager – Legal & Company Secretary

Encl.: As above

Management – Kennametal India Limited	Mr. Vijaykrishnan Venkatesan, Managing Director
	Mr. Suresh Reddy, Chief Financial Officer
	Mr. Naveen Chandra P, GM – Legal & Company Secretary
ICICI Prudential	Mr. Suraj Nanda, Fund Manager
	Ms. Geetika Gupta, Fund Manager

NAVEEN CHANDRA:

With all your permission. I have started recording of the proceedings of this meeting. The meeting has just, yet to commence now, before we commence the meeting, I would like to read out the disclaimer to this investor meeting. We will not be making any forward-looking statements on this call, and we would be restricting our talk to publicly available information only. Nothing stated during this call should be inferred or construed as a forward-looking or outlook statement from the company. All details and data being talked will be strictly historical and market estimates is going to be based on publicly available reports. Any statements made during this call of construed as a forward-looking statement might involve risks and uncertainties in the participants in this meeting are cautioned not to place any undue reliance on these statements that speaks as of that date. With that, I request you to proceed Geetika you were saying something. Sorry.

VIJAYKRISHNAN VENKATESAN:

Why don't we first do the introductions before getting into the job?

NAVEEN CHANDRA:

I am the legal counsel. My name is Naveen Chandra. I'm the legal counsel and company secretary for Kennametal India. I have with me, Mr. Vijaykrishnan Venkatesan, our Managing Director of Kennametal India and we also have Mr. Suresh Reddy our CFO.

SURESH REDDY:

Hi, good afternoon, Geetika

VIJAYKRISHNAN VENKATESAN:

Good afternoon Geetika. Good afternoon, Suraj.

GEETIKA:

Hi. Hi. Good afternoon.

SURAJ:

Good afternoon good afternoon.

GEETIKA:

Yeah, So I will just quickly introduce myself. So, I'm Geetika I have Suraj, we are both working as fund managers with ICICI Prudential, and Suraj is also a key analyst who's tracking the company and your sector. So, I think Suraj has, you know has more questions. So, Suraj, please start off with the questions

SURAJ:

Yeah

GEETIKA:

and maybe I will come in later.

SURAJ:

Yeah, Hi, everyone. So, if you can you know, just since you know we do not do regular concalls or anything so the knowledge about the industry you know is kind of.

SURESH REDDY:

So so, Excuse me, Suraj. Your voice is very feeble. Maybe you have to be closer to the mic.

SURAJ:

Yeah. Can you hear me now?

SURESH REDDY:

Yeah, now it is clear.

SURAJ:

Yeah, so what I wanted to say is, you know, since we don't meet regularly, right, we don't have concalls. So, the knowledge of the industry for us is kind of pretty opaque. So, you know, if you can just throw some, you know, brief remarks or light on the metal cutting tools or cutting tool industry both global as well as domestic as well as on the industries sides, the competitive scenario, the segments where we are in yearly. The contribution different from the different sectors. We know that automobiles is a significant contributor and we're looking at getting into more into aerospace and other general engineering. So, if you can just give some remarks on that and then you know we'll get into maybe specifics from thereon. That helps.

VIJAYKRISHNAN VENKATESAN:

Suraj you are asking ah I think it is a plenty question in one question, right. And quite a few of what you are asking is not publicly available, right? So, I'll keep it at a high level and generic. What is we shared during an AGM or to other institutional investors, right? Now, since you said your new into the cutting tools, so you know cutting tools is pretty much a core engineering manufacturing consumable which goes into any metal working Industry right from manufacturing of let's say automobiles. When I say automobiles 2 Wheelers, 4 Wheelers, commercial vehicles, Earth moving equipment, your railway, ships any metal which is cut in terms of it being shaped into a different form, right, and you use a material which is harder than steel to do it. So, tungsten carbide has been around for many, many decades in the world, which is the most prevalent tool which is used now when you talk about Kennametal India, there are three businesses what we have or two business, how we report it, right. One is hard metals and other is the Mission Solutions group.

The hard metals covers two aspects of product lines. One is all the tools what we supply and the other one is wear resistance solution or infrastructure business if you go into a Kennametal website, you'll see it as infrastructure business. Now the wear resistance solution is something where tungsten carbide material in various forms it could be in powder, it could be in rod form, it could be in a, in a fused coating form

which goes on to a base metal part to improve its performance because it reduces the wear and tear and thereby improves lives, right? So that's one piece of business. The cutting tool business forms, let's say a cutting inserts or you have round tools which is like drill bits again made of tungsten carbide. Now this is the larger piece of the business. The smaller piece of the business what we have is we make the large special purpose missions which is nothing but the CNC control large machines which are used in manufacturing of any of these components. So, this is the gist on what we play in.

Now we don't have very accurate estimates of the market size because it's not an industry which is tracked very closely or there is any syndicated data available, but at a high level, we can say the industry could hover in and around own plus or minus, let's say 250 crores should be around 4 to 4200 crores in India, this is only the tooling side I'm saying. Obviously, the machine tool industry is way larger. I'm talking about when I say machines, this is a capital equipment industry, that is much larger. It should be, uh. If I'm not wrong, could be in excess of a billion dollars in India. So that's tentatively how the market is given how our manufacturing sector is in India. If you look at the GDP contribution of manufacturing sector and within that how the pie is split right, you'll still have a larger portion coming from what we define as auto plus auto components. And similarly, let's say general engineering so. That is very similar to how a cutting tool market in terms of opportunity would be slipped. We don't. Again, let me qualify the statement. There is no research data available or syndicated data to clearly say what is the percentage split right. But it tracks very closely to the how the manufacturing, let's say, how you track an IPI or a GDP and you.

SURAJ:

Hmm.

VIJAYKRISHNAN VENKATESAN:

Get into the sub sectors of those. More or less, I think the industry would have a very similar consumption split. Because automotive is the largest output in terms of when I say automotive, I mean including the all the tiers of players too, right tier one, tier two, tier 3 to automotive OEMs. So all this put together, so that's how the industry is split but in terms of you asked about competition, I think it's all well known. There are many are global players who are in country, well known brands.

I don't have data on market share, but what I can share is some of the names because this is all publicly available, you have Sandvik, you have Walter, you have Seiko, you have Iscar, you have Taegutec, you have Tungaloy, you have Mitsubishi. There are quite a few. You have whole set off European manufacturers, your whole set of Japanese manufacturers, you have Korean manufacturers, and you also have brands out of China and it's a quite a few players and most global players are available do participate in the Indian market today.

I think those were the four broad areas which you covered in your questions.

SURAJ:

OK. OK, Thank you, Sir. And Sir on the industry wise, how much will be you said auto and auto components is pretty big contributor. Will it be like more than 50/60 % is auto and auto components in India specifically followed by the other sectors?

VIJAYKRISHNAN VENKATESAN:

Yeah. So again, it's not an accurate estimate. We don't have a very accurate estimate on that, but yes, and if you ask me a range. It would be between the 50 and 60 percentile mark.

SURAJ:

OK. And the?

VIJAYKRISHNAN VENKATESAN:

Again, Suraj, it's a, it's an estimate. I'm just cautioning you because there is no hard data, it's not an industry where reports are available, but it'll be fair to say it's above 50%.

SURAJ:

OK. OK. And if you divide the auto sector into, you know, two-Wheeler, four-Wheeler, tractors, you know of highway vehicles and all those how much? What will be the share of that roughly like how much will be two-Wheeler four-wheeler, the passenger car and the two Wheeler segment and how much will be the commercial vehicle tractor and you know the of Highway part because I just want to understand, you know, from the disruption point of view how much portion of that auto will get kind of disrupted due to EV or anything. So, if it is like 20% is getting disrupted then? 10 / 20%. Then we should not be that worried because the major contribution is from these EV and the tractors part, right?

VIJAYKRISHNAN VENKATESAN:

Yeah. So again, I can't give you a ballpark number. But see the bulk of the market will be linked with passenger vehicles. For two reasons, right, one is number of components which get machined in passenger vehicles into volume. So obviously if you take a commercial vehicle like a bus or a truck, the per vehicle penetration of a tooling industry will be significantly higher in terms of rupee or dollar value.

SURAJ:

Umm.

VIJAYKRISHNAN VENKATESAN:

Right. Because of the size and the number of components are much higher and the volume of metal which goes through machining.

No, but the build could be like 15,000/20,000 thousand compared to a 4 lakh or 5 lakh of passenger vehicle. Hence, passing the vehicle forms a significant piece in the same analogy. Two-Wheeler is a very small, the volume of metal being used in two-wheeler is significantly smaller one. Two is Two Wheelers is aluminum. Most of the components are aluminum. It's not, heavy steel or something which has heavier or machining. Right.

SURAJ:

Hmm.

VIJAYKRISHNAN VENKATESAN:

So, I would say that passenger vehicles is one, Two Wheelers is two, then commercial vehicles. That's that would be the order. Again, this is my view. You are somebody else in the industry. But. They might have a different view.

SURAJ:

No, no, it we are just learning. OK, OK. But the content for vehicle will be very less in two-Wheeler and EV is what you're saying versus the content for vehicle in EV or tractors or the other?

VIJAYKRISHNAN VENKATESAN:

Yes. It's directly proportional, no, because for two reasons, how many components are there in 100 CC bike and what is the size of that component? And if there the size itself is small, how much will one machine see? Much tooling industry is depend on how much material you remove.

SURAJ:

Right.

VIJAYKRISHNAN VENKATESAN:

Right. One and two is how hard is the component, right. If you are doing a commercial vehicle or everything is cast iron and steel compared to aluminum components in two-Wheeler, right, which is cast to the final shape. Your whistling requirement is much lower in two-Wheeler. So hence the consumption will be lower.

SURAJ:

OK, OK. OK and Sir the. I'm not asking for exact numbers, but as you said about the industry like auto and auto components form like majority, is the same proportion you know for us also in terms of revenue. Currently.

VIJAYKRISHNAN VENKATESAN:

That's something which I can't say, Suraj. Because that's something which we are not published so far in any of our AGMs or other shareholders meeting. So, like I can give you some directional thing on the market, but on the revenue, we never published that.

SURAJ:

OK, OK. OK No. Because you know in the AGM as we are talking about, you know diversifying away towards, you know, aerospace, general engineering, maybe wind, right, so that is what I wanted to understand whether our proportion is similar to the, you know, the industry composition and hence we are looking at you know moving more towards the other segments to increase our content there.

VIJAYKRISHNAN VENKATESAN:

Yes, yes. Yes, so see, I can't give you the split between within the transportation industry, but what we are trying to do is see when the economy grows as general engineering and all the new sectors, aerospace is coming up pretty fast in the country while it's still very small. But it's a focus segment globally for Kennametal and you will see that in any publication of Kennametal, because it's a very strong position for Kennametal in US.

Now and it's a focus segment for us, you know, space is interesting energy again wind and non means both wind and regular turbines. It's again a good sector for us so most of when you are talking about diversification, it's a limiting the dependence on anyone sector or subsector, right and that's why we talked about in the AGM about diversifying beyond the course, the sectors which are traditional transportation.

SURAJ:

OK, OK Sir. as you said, you know, we are getting into aerospace general engineering. So is there anything specific for example, I don't know that, but I'm saying like for example auto. Yeah, for example, we are leaders, ok, there could be a Sandvik who could be a leader in maybe aerospace. There could be an Iscar who could be a leader in general engineering or maybe windmills or something. So how easy is it to, you know, move or take market share in the other sectors or aerospace, is it easier for the customer to ship from, you know, a Sandvik to Kennametal or does it take time or? But there is a high stickiness in that.

VIJAYKRISHNAN VENKATESAN:

So, I'll give you a very generic answer, right. So, when you look at a production shop flow irrespective of whether it's a somebody who's making uh, let's say an aerospace component or a regular general engineering shop. What they are looking at is a cutting tool which can deliver the right finish. Right, with the right value, which is, let's say cost per component along with the productivity what is required in a in a shop flow. Now for example I'll give you a little more technical a turning insert turning is it's an application, right? You have an insert; the part rotates and you turn now the turning application could exist in an energy sector. It could be a 2-Wheeler sector. It could be in a commercial vehicle, it could be in defense, it could be in wind, it could be in medical equipment, it can be in anything. Right now.

SURAJ:

Hmm.

VIJAYKRISHNAN VENKATESAN:

The relative strength so the customer can pick any competition for that application and if they find the suitability in terms of both quality, what they want to finish, the productivity, which is required and the cost per component which they want. Then usually that's where they go with, right? It's not very specific to a sector. It is more specific to an application.

SURAJ:

OK.

VIJAYKRISHNAN VENKATESAN:

Right. So, if and or the generic level, there are few global brands, I'm not taking away from anybody else, right? Some of the leading brands are all well positioned in the market and then you add to that about quality, cost, consistency of product speed of delivery turnaround times and all that. So, it's just not. Right, it's the customer experience we are talking about in the customer experience is good with a brand and that's where they go to. It's just not on the specifically on the product. It's much broader in terms of our customer experiences, the, the brand and if so, they shift it's a sum total of many other things other than just the product performance sometimes.

SURAJ:

Ok, ok, ok and sir, in terms of how price sensitive is the customer in the sense I'm coming from the point of view, like is there a competition from, you know Chinese imports into India, is there an unorganized sector in India which is also there or big how I don't know how big it is. I'm just trying to understand.

VIJAYKRISHNAN VENKATESAN:

So, see there are. It's not a very unorganized segment, first of all because it's a little bit of it's an industrial consumable, which is also technical, so most of the either the brands which are supplying would help the customers in terms of technical know-how and how to arrive at a finish or a cost or productivity of a component when they are doing it or the shop floor team at the customers end right. They're all very seasoned, you're very experienced, you're talking about, let's say, a production head in a very large auto mode OEM like a Maruti Suzuki or Tata Motors who knows what it is right now it is that way it is very technical and well-known field. Hence you are very organized competition in the top of the heap.

Now there are product lines which we call performance value of value, right? I'm giving you in terms of marketing positioning where There is no differentiation required. Like I said, it's a regular component where somebody has to turn finishes normal. It's not super accurate finish then that is where a little bit of performance versus price comparison comes. There is also a sector which is, let's say somebody has two lathes. It's a very small workshop, right? Three lathes. It's a very small, small medium enterprise and the requirement is they just need to turn job. There it can be any brand and their price will play a larger role. But Kennametal as a company, we mostly play in the top end of the pyramid and the upper of the mid-tier.

SURAJ:

OK.

VIJAYKRISHNAN VENKATESAN:

Ok it's fair to say that we are all the brands. What I mentioned would operate pretty much in the technical value. Selling is what I would say.

SURAJ:

Got it, got it. Sir coming to the automotive part again, I just want to understand you know EV's understand. You know the requirement of tooling will go down as the number of parts reduced, because you know, Kennametal is a global company. Company must have seen, you know, penetration of EV in Europe or US then hydrogen. Some examples of hydrogen. Also, some examples of hybrid, for example in Japan. So how does the tooling, you know, vary across IC versus EV versus hydrogen versus hybrid? What have you seen in that case?

VIJAYKRISHNAN VENKATESAN:

See obviously it depends on number of components which have been getting machine right. EV's will definitely be a little lower. Hybrids actually is higher than the IC engines is what? Because the components are a little more so. Usually, you tend to see a higher consumption or at least on par with IC engines. So that is how we are seeing the consumption between EV. Existing IC engines and hydrogen slash or hybrid engines.

SURAJ:

But it is.

VIJAYKRISHNAN VENKATESAN:

In the last two years, I think I've answered this EV question a zillion time.

SURAJ:

No. Sir I wanted to understand more on the hybrid part also the hybrid or hydrogen, whether it will require more tool.

VIJAYKRISHNAN VENKATESAN:

Yeah. Hybrid. Yeah. Hybrid is either on par or slightly higher than the AC engine components.

SURAJ:

Got it, got it. Sir another point on the replacement cycle of these tools. How is it like, what is the replacement cycle generally for this?

VIJAYKRISHNAN VENKATESAN:

But it's very, very high. It depends on how much they turn right. The tools can be replaced in a shift in four hours in five days, depend on the volume. If you go to a big order component. A customer, right? And they will burn through the tools multiple times through a shift. It's a consumable.

SURAJ:

Ok, so more the manufacturing happens in India more.

VIJAYKRISHNAN VENKATESAN:

Yes. Yes, it's a consumable.

SURAJ:

Ok, it is a direct play on the manufacturing Activity

VIJAYKRISHNAN VENKATESAN :

Exactly. It's direct play on the manufacturing activity, it's a consumable.

SURAJ:

OK. Sir anything on the. If we continue with the IC only, anything if there is an emission norm change, for example BS4 to BS6, does that also increase the tooling requirement significantly? The change in emission norms?

VIJAYKRISHNAN VENKATESAN:

See, again. You're talking about Kennametal India, so I'll let me be specific again this we have spoken in last three AGM. So, when there was a change, so one of the business what we do is machines and fixtures, right? And fixtures is something which goes to hold a component in a machine which is getting machined. So, this is a fixture which is holds the large components and BS4 to BS6 happened. We had the unique opportunity of one-time sales right when the migration happened on the fixture sales to large

customers. So those are opportunities on fixture, site tooling because the component remains the same unless a level of machining goes up. It may not drive the consumption of tooling.

SURAJ:

Ok. And

VIJAYKRISHNAN VENKATESAN:

But that's in the past, Suraj. BS4 to BS6 happened three years back.

SURAJ:

Yeah. Yeah. Yeah, Ok and sir, another question on the electronics sector, we are seeing you know a lot of PLI related you know investments or announcements getting happened. As electronic sector also require, you know, a lot of machining and it could be the new leg of growth for the industry in India because in China I have read is it is kind of pretty big in the electronic side.

VIJAYKRISHNAN VENKATESAN:

Yeah, the electronics are what the in China, what they call the three C market. See, India is just evolving. Assembly will not have any applications, but if the code manufacturing of electronics start, yes it has a lot of tungsten carbide tools which go into it, but those are micro tools that market is I don't think it's just evolving India, but your question is addressed about the industry. If they if the electronics manufacturing including just not assembly right the manufacturing happens yes that will support the growth of the tooling industry as a whole.

SURAJ:

OK. OK

VIJAYKRISHNAN VENKATESAN:

But we need to see how much of manufacturing will happen in India, right? It's not. Assembly does not have any application. But if you make PLI's, right?

SURAJ:

Yeah. Yeah, obviously. PLI Is more about manufacturing, right? that I asked.

VIJAYKRISHNAN VENKATESAN:

If you're just assembling, getting all the CKD's and just assembling as no application.

SURAJ:

Yeah, that we were already know before

VIJAYKRISHNAN VENKATESAN:

Yes.

SURAJ:

Ok and does the energy segment. I just want to understand because you know the thermal capex cycle has not been there obviously over a long period of time. And I just want to understand from the last cycle

when there was a thermal capex, does that require you know a lot of machine? Or this cycle, maybe it will be not be thermal, it is only wind for us. I don't think in solar anything is required.

VIJAYKRISHNAN VENKATESAN:

You're right, because solar does not have any application again, it's an assembly. There's no metal or rather, there's nothing needs to be machined in a solar panel, wind and thermal. Yes, any turbine, any gearbox everything needs a machining. So that's what will drive it. And your data on that there are not but so it's Capex driven, right, it's going to be capex driven.

SURAJ:

Yeah, yeah. Ok, ok and sir, anything on the domestic I have understood anything on the export side where you know there has been obviously I have spoken it on the AGM also, on the outsourcing how we are focusing on because we are exporting to China. So are there other countries also you know which India can become a base for exports for these countries and is there any 4-5 year plan or whatever to increase the exports to a good percentage of the supply.

VIJAYKRISHNAN VENKATESAN:

Suraj, I'm going to split my answer into two parts, right. If you look at our annual reports, we are always the segments are hard metals and then MSG is the machining solutions group, right. Now our metals and we had explained this in many forums. Kennametal operates this as a global footprint, right? And based on the supply demand and where is the best quality, cost and delivery is available is when those locations are used for supplying or it's not a deliberate strategy from our side to look at exports on hard metals because it's a global footprint. And based on how the global enterprise looks at it. We get opportunities to export. While it comes to our machines business and when you talked about China, what we referred in that presentation was. Our exports of the machines into Chinese market because China has the world's largest machining machine market? And we are again as articulated, we are looking at opportunities within Asia Pacific region for the machines business. So, this does not cover the hard metals. OK, so this is for the machines.

SURAJ:

OK, OK. Got it

VIJAYKRISHNAN VENKATESAN:

Any further questions on market Kennametal India? Anything else?

GEETIKA:

Hey, I just wanted to your question on export. You know we're seeing a lot of sort of industrial consumable companies benefiting either from China plus one or you know maybe Europe as well. You know some of the companies where some. You know some components are moving to India, so wanted to check are there any trends there for our company as well where our maybe from an export perspective or from an import substitution perspective, we're seeing better opportunities for our company.

VIJAYKRISHNAN VENKATESAN:

Geetika we are a tier supplier to auto competence, right? we are not directly benefited by other strategy. What you said right off China plus one or whatever. But our customers if they are benefiting could be a driver for the industry's demand to go up.

GEETIKA:

Sure.

VIJAYKRISHNAN VENKATESAN:

Right, because the industry, what you just referred are all our customers.

GEETIKA:

Hmm OK.

VIJAYKRISHNAN VENKATESAN:

And hence there is a derived. Demand rival, not direct demand driver, but the derived demand driver, which impacts us.

GEETIKA:

OK. In terms of your end customers, are you seeing like are people talking of about, I mean of a higher order book or in terms of increase momentum, is that already visible in some of our customers?

VIJAYKRISHNAN VENKATESAN:

How do we answer that's a question?

GEETIKA:

I mean, yeah, I mean obviously don't want any numbers, but we want to understand broadly the trend because you know honestly

VIJAYKRISHNAN VENKATESAN:

Yeah. So let me give you a more confidence kind of an answer, right. I think across sectors. What we are seeing is there is a little more confidence in terms of driven by domestic demand. It's driven also by increase. These is a 2-sided answer right there is an increase in demand like what you said some companies could be benefiting from China plus one strategy. The flip side also is some of the global demand is weak currently due to the several issues which are running right COVID, geopolitical situations and all that. But there is confidence. What we see is there is confidence. The business confidence is better than what we have. What we have heard and probably during the COVID times, is how I would put it. Right, because I can't be talking about data which will lead to a little bit forward-looking. One and two is. Some of the data, even are customers would have not published right? It's confidential from their side. But business confidence, what we are seeing is business confidence is better.

GEETIKA:

Hmm. So I think, I mean, compared to COVID, I mean there's definitely. You know better confidence, you know, on the manufacturing space, but not only compared to COVID, right? Because those two were really bad, even if we were to compare it to pre COVID levels. When we talk, when we are talking to like

auto ancillary companies, companies related to private capex, industrial capex, we're actually seeing a very healthy momentum which is better than free.

VIJAYKRISHNAN VENKATESAN:

Yes, You're right, that would have been my answer, and I'm not going to give you a number because it's again not published, but it's something which you will be able to get as analyst if you look at the manufacturing sector, machine buying pattern, right that see any capex which is coming in and the sign of manufacturing sector growth is based on the new machines being installed or orders which is being placed by the Indian Manufacturing Inc as a collective. If that is growing at a very fast pace. It's as part of 12 to 18 months the demand for consumables goes up. Right, right. And that that shows the confidence because that's when capital expenditure is invested either it's. Upgradation of lines or expansion of capacity. And if you can look at the data, all I can say is it's in a very healthy state.

GEETIKA:

Right, right.

VIJAYKRISHNAN VENKATESAN:

Right. And that that's why I linked to the business confidence, because this is more hard data which is supporting the business confidence.

GEETIKA:

And I think what you mentioned earlier was that we largely grow in line with the industry, right? We're not looking at market share gains in the Indian market because you are global competitors are also present in A equal or or in a decent. Decent level right, so there no market share gains that one should expect.

VIJAYKRISHNAN VENKATESAN:

I won't say. yes or no our aspiration, our aspiration would be to grow faster than the market. Right. And again, looking back at the published data over the last eight quarters or let's say last five to six quarters, if you look at our quarterly performance.

GEETIKA:

Hmm.

VIJAYKRISHNAN VENKATESAN:

Our top line growth would be faster than the market growth.

GEETIKA:

OK.

VIJAYKRISHNAN VENKATESAN:

Right. And I'm talking about what is already available with you right in terms of our data, we look at our growth rates of Kennametal India Limited top line, it would be in certain multiple of the market growth.

GEETIKA:

Sure.

VIJAYKRISHNAN VENKATESAN:

Right. I'm not answering your question directly, but you should be able to connect the dots there.

GEETIKA:

Hmm. When you say market, I mean because machining market is obviously there's they're numbers available, so.

VIJAYKRISHNAN VENKATESAN:

Yeah, it's a derived our. So what one does is one of the higher level.

GEETIKA:

Should this be auto/auto sector growth as a base

VIJAYKRISHNAN VENKATESAN:

No, it need not be. IPI is where one could start as an aggregate right manufacturing IPI, not the mining and electrical utilities and all the just the manufacturing IPI is one parameter that's at a higher level than because the market is an aggregate of automotive, energy, general engineering. Now general engineering pretty much would follow very close to IPA because it's very broad based. Right. It's extremely broad based. Now if you do a collision Sure of it and you look at the last six quarters of Kennametal, India, you should be able to see the multiplier of the growth.

GEETIKA:

Ok. Ok, Sure. So, that's helpful. Thanks.

VIJAYKRISHNAN VENKATESAN:

Actually, that's a question you shouldn't be asking me because you guys are. This is what you do, right?

GEETIKA:

No, I mean, yeah, we do that, but we also need to understand how much of that is sustainable in terms of competition I think the kind of questions that Suraj was asking you earlier, right, so there is a definite momentum in the market and you know we are, you know, our job is to identify the people who are benefiting much more than you know just the industry growth rate that that's what I understand this.

VIJAYKRISHNAN VENKATESAN:

See the growth that we look at three aspects Geetika one is market growth. Right, which is a tailwind or a headwind depending on which year you are in second is pricing.

GEETIKA:

Sure.

VIJAYKRISHNAN VENKATESAN:

Right, that's pricing is a strategy for growth, right? So that's the second one. Third one is market share gains. It could come either from new products or new accounts so its depends. So, these three buckets is what would drive the total growth, right? That pricing is an element which is very important when you're looking at top line growth.

GEETIKA:

Right. Got it.

SURAJ:

And sir I have one more doubt on the auto industries. I can ask.

VIJAYKRISHNAN VENKATESAN:

Again, Suraj, we you're not clear again, you might have to

SURAJ:

Yeah, yeah.

VIJAYKRISHNAN VENKATESAN:

come closer to the mic.

SURAJ:

Yeah. Can you hear me now?

VIJAYKRISHNAN VENKATESAN:

Yes.

SURAJ:

Yeah. So, I had one more doubt. So, what we are seeing you know across you know the MNC companies which are there in India especially in the auto bearings or I think so the commentary has been that you know. IC Indian related products. You know, in Europe for example, because there has been adoption towards EV. So, the factory is there, you know. Are operating or will operate at a lower utilization and hence the factories will become unviable and hence most of that mature technology which is I see is getting shifted to India. Yeah, seen it in commentaries across the MNC companies. So, do you see that kind of benefiting us also? As those.

VIJAYKRISHNAN VENKATESAN:

Ohh see again I there is. I don't know what is the source of this. I think you should be able to access this information. There is a 10-year growth trend for India's IC engines versus EV. I don't remember the source of the data, but I'm sure that you'll be able to get this IC engine as expected, continued in terms of volume growth in the country, and this could be one of the factors what you just mentioned. right? Because IC Engine just in assure volume while EV's will as a ratio of the total market will keep growing but IC engines start plateauing after few years, it's not plateauing any time soon in India. Now what you explained is could be one of the drivers of it.

SURAJ:

Yeah. So basically, they're looking at India as an export base for the mature technology or the technology which is

VIJAYKRISHNAN VENKATESAN:

Could be and again, that's a derived demand for an industry being. like ours.

SURAJ:

Yes, that OK, that is what I want.

VIJAYKRISHNAN VENKATESAN:

So, it's a demand driver, it's a demand driver, yes.

SURAJ:

Yeah, yeah.

GEETIKA:

May I know the direct benefits like, it's not like for Kennametal globally that India is factoring out more favorably within Kennametal globally, right there are no such trends that we're seeing for ourself. Why does the moon look like mastery? Sorry, I'm not. So that's. I don't know how to look at it.

VIJAYKRISHNAN VENKATESAN:

So maybe you're clarify the question. What's your question, Geetika?

GEETIKA:

So, you don't like what you were, what we were discussing for some of our end customers. And I think what Suraj was also asking you that some of the components are moving to India, right? It would be IC related or it could be some other kind of components because India's more favorably positioned from a cost and an engineering capability perspective.

VIJAYKRISHNAN VENKATESAN:

Correct, correct.

GEETIKA:

So, one is the benefit that we get because our end customers are benefiting right

VIJAYKRISHNAN VENKATESAN:

Yes.

GEETIKA:

But for us like Kennametal India. In Kennametal Global scheme of things. Is there any change out there as well how India is position for Kennametal globally?

SURAJ:

How is the parent thinking about Kennametal? Yeah.

VIJAYKRISHNAN VENKATESAN:

Yes. India is a. See that again, votable? Let me answer one side of it. India's focus market for the corporation, right, because it's a it's an attractive growth market and we have a good infrastructure as a company, right? We have engineering, we have manufacturing, we are one of those unique plans which can make every product line which is required by the market. Hence whether. Indians are focused. Answer is yes. India is a focus market for the corporation. Now. There is the hidden question in what I heard in your question is whether we will be looked at as a global sourcing hub, right? That's one of the

questions you're talking that's related to the. And that's an answer we have been consistently giving us. The sourcing is addition based on the global capacity available and also the quality cost and delivery speed. What a plant can do on a product line. We have multiple product lines. So that is more a global supply chain strategy than an intended strategy to look at India, right? So that would be my answer.

SURAJ:

Got it. Got it, and sir, one more question on the product introductions. Like you had said on previous calls that the new product introduction which has happened over the last you know three to five years has started contributing to the top line around 15 to 20%. So I just want to understand are there

VIJAYKRISHNAN VENKATESAN:

Yes.

SURAJ:

Are there any further you know product gaps which are there on new product introductions which will happen over the next two to three years which will you know contribute to the org. So, there is an organic growth because the market is growing. plus, there are growth from the new products, which will sustain that kind of top line once you know organic growth kind of slows down.

VIJAYKRISHNAN VENKATESAN:

Suraj Kennametal, as you know, is one of the leaders in this industry, right? And we go into many years of innovation now, for example, you talked about EV. Oh, there are products which have been designed specifically to machine EV components. Because these are software models in different materials for the innovation is done in two parts, right? One is our customers or the industries. What we serve these evolving. Now if you look at the web, we have a tie up with G on the other two manufacturing. This is a US agreement right now you're into the directive manufacturing speaks into the 3D printing space because that's required for very much applications in markets, be it medical. It could be in the space of aerospace. Now these are all new products which are based on evolving needs of the market, and we keep pace in terms of innovation to support the new requirements which are coming or call or materials which are new to the world, right. Today you're not talking about anymore regular steel for machining. There are much more complex hybrid materials which are coming, which are higher strength, lower weight ratios. Right. And also based on sustainability requirements and materials are changing. Since the innovation has to support these kinds of machines one and two is customers continuously looking at productivity and cost per component and they are automation that means lot of sensors, it's IOT devices. So, the tools have to collect data. There are lot of data which the customers are tracking in terms of let's say thermal variations to all that. Now the innovation one could be on new opportunities which are emerging could be an electronic space, could be in medical, could be in 3D printing space and all that or new materials which needs to be machined. Other is productivity and all that so bad that is something which continues renounce new products every year.

SURAJ:

OK, OK.

VIJAYKRISHNAN VENKATESAN:

And that's like a rhythm calendar, what we maintain globally.

SURAJ:

OK, OK. And there are some products which kind of expire out also like no more it can't be used anymore.

VIJAYKRISHNAN VENKATESAN:

See, we track no it might, but there are products which are would still there for 30-40 years because machines are the same. Somebody will have a late which is 40 years old. It's the same tool which goes on that you can't change it. Right.

But there would be. But what we say as new products as products, what we launch in the last five years

SURAJ:

Got it Got it And Sir, I just.

VIJAYKRISHNAN VENKATESAN:

You might be up probably on the last question or something ok, because I think you are on the time.

NAVVEN CHANDHRA:

Yeah, 3 minutes to go.

SURAJ:

Yeah, Yeah. So just on the capacity utilization and what kind of, you know Capex are we? Yeah, let's trouble the CEO.

VIJAYKRISHNAN VENKATESAN:

Exactly the moment you said capex I pointed out at him?

SURAJ:

So, on the capacity you will soon currently and you know what kind of capex plans do we have for the next 2-3 years?

SURESH REDDY:

So, Suraj again. Let's will not get into the forward-looking statements or investments. But of course, where we have demand to meet the demand, we will continue to invest. We have invested in the past some of in buildings which will accommodate for the growth expansions, but incremental investment in machinery will depend upon the demand that we see. So those all will come in as a regular capex plan as we go year on year. There will always be some capex for the growth that we will be seeing it.

VIJAYKRISHNAN VENKATESAN:

We also want to see how much we invested in the last 4-5 years. I think you have that,

SURESH REDDY:

Absolutely so close to around INR 350 crores in the last four years plus this year also will continue to invest because there are some projects which we are investing further and any new investments now it will not be a major, but it will not be incremental to the growth that we need especially in addition of machinery.

SURAJ:

And how much of that three? INR 350-400 Crores, which is saying is more about, you know, productivity related like automation and how much is related to you know capacity expansion actually.

SURESH REDDY:

Most of it is a capacity, and of course, as we bring in newer machines, it will also bring in productivity because they are the new technology machines. It will be automated presses earlier. We were using manual presses, it would be replaced with automated presses.

VIJAYKRISHNAN VENKATESAN:

Suraj again, just to add to that, if you looked at the last three years or four years of commentary of the Kennametal Inc earnings call, we always talk about the one major initiative which we embarked four or five years back, which is a modernization and simplification. The modernization is about the old technology, upgradation of Yeah. our manufacturing lines and that's what Suresh was talking about, a CFO in terms of some of our automated machines which so over the last out of these INR 350 crores of what we invested while it also went into infrastructure expansion to accommodate capacity expansion, significant portion of money has gone into modern machines because that would deliver higher quality at a lower cost. And that was a global direction. Like it? Think that modernization simplification was also done for Bangalore.

SURAJ:

Got it. Got it. And so, the capacities fungible, for example, we want to generate, uh, create a tool for aerospace versus a tool for a four-Wheeler, the capacities fungible across sectors or there is a specific like you know this much capacity for aerospace or this?

SURESH REDDY:

No. Again it is a product lines, Suraj. So, we will not have all the manufacturing capabilities here. So, depending upon the volumes and where the capability is, whether see each investment, sometimes each of the machinery will run into \$ 1 to 2 million. If the volumes are too low, then there is no point investing in India. Rather I would import it from a location outside and then sell it and feed the market here.

SURAJ:

Got it, got it. Got.

VIJAYKRISHNAN VENKATESAN:

Suraj just to add to that what we determine when we are all this is what is the best way to service a customer, right? If the best quality product at the right cost and the speed of delivery has to come from any one of our global locations. Let's say it's US or Germany. Then that would be the best way to meet the customer requirement, right? And also the adequate margins we have to make if let's say just to make like it doesn't make business sense if this is a theoretical answer, OK, if I'm importing and making 50% margin and I will invest in a large press which is \$2,000,000 and the depreciation itself will kill my margins and I make 10%. It doesn't make any sense. Yeah, right.

SURAJ:

Got it, the opportunity has to be big for you to invest.

VIJAYKRISHNAN VENKATESAN:

Exactly. And we do that prioritization every year and that's how the incremental capex comes in.

SURAJ:

Yeah. Got it.

Thank you Thank you Sir. Thanks a lot for your time.

NAVEEN CHANDRA:

Thank you, Suraj.

SURAJ:

Was really helpful to understand more on the industry and the company.

NAVEEN CHANDRA:

Sure. Thanks for your time, Geetika.

VIJAYKRISHNAN VENKATESAN:

Thank you.

SURESH REDDY:

Thank you.

GEETIKA:

Thank you.

SURAJ:

Thank you. Thank you, Sir.
