

Kennametal India Limited

Annual Report

FY10

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Kennametal India Limited

Directors

Mr. M.N. Bhagwat
Chairman

Mr. Santanoo Medhi
Managing Director

Mr. Vinayak K. Deshpande

Mr. B. Anjani Kumar

Mr. Bernard North

Dr. Esat Kemal Yegenoglu

India Leadership Council (ILC)

Mr. Santanoo Medhi

Mr. Vikram Chopra

Mr. Nitin R. Deshpande

Mr. Vijay Kulhari

Mr. Vivek Maheshwari

Mr. A.C. Poovanna

Mr. D. Parameswara Reddy

Mr. D.Sarathy

Mr. K.Chandrashekhara Sharma

Company Secretary

Mr. A.C. Poovanna

Registered Office and Factory

8/9th Mile, Tumkur Road

Bangalore - 560 073

Phone : 91 (80) 28394321

Fax : 91 (80) 28397572

Auditors

M/s. Price Waterhouse

Chartered Accountants

5th floor, Tower "D", The Millenia

1 & 2 Murphy Road, Ulsoor

Bangalore - 560008

Bankers

Corporation Bank Limited

HDFC Bank Limited

ICICI Bank Limited

Standard Chartered Bank

Registrar & Share Transfer Agent

Alpha Systems Private Limited

30, 'Ramana Residency'

4th Cross, Sampige Road

Malleswaram, Bangalore -560 003

Phone : 91 (80) 23460815-818

Fax : 91 (80) 23460819

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45th Annual General Meeting

Tuesday, October 26, 2010 at 10.30 AM

at the Registered Office of the Company at

8/9th Mile, Tumkur Road, Bangalore -560 073

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NOTICE TO MEMBERS

NOTICE is hereby given that the Forty-fifth Annual General Meeting of Kennametal India Limited will be held on Tuesday, October 26, 2010 at 10.30 A.M. at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bangalore – 560 073, to transact with or without modifications, as may be permissible, the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at June 30, 2010, the audited Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To confirm the interim dividend of Rs.13/- per equity share (130%) on 21,978,240 equity shares of Rs.10/- each already paid as the final dividend for financial year 2009-2010 (year ended June 30, 2010).
3. To appoint a Director in place of Mr. Bernard North, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board to fix their remuneration. The retiring Auditors M/s. Price Waterhouse, Chartered Accountants, (Firm Registration No.007568S), being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to Article 129B of the Articles of Association of the Company and in conformity with the provisions of Section 260 of the Companies Act, 1956, Mr. Bidadi Anjani Kumar, who was appointed as an Additional Director of the Company by the Board of Directors, and who holds the office under the said Article and Section 260 of the Companies Act, 1956, only up to the date of this Annual General Meeting and in respect of

whom the Company has received a notice in writing along with a deposit of Rs. 500/- under Section 257 of the said Act from a member proposing the candidature of Mr. Bidadi Anjani Kumar for the office of Director, be and is hereby elected and appointed a Director of the Company, liable to retire by rotation.”

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

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

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269 & 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the approval of the shareholders be and is hereby accorded for the appointment of Mr. Santanoo Medhi as the Managing Director of the Company and payment of remuneration to Mr. Santanoo Medhi, for the period commencing from April 24, 2010 to April 23, 2013, as set forth herein below and on the other terms and conditions as per the agreement dated April 24, 2010:

- A) Salary: Rs. 6,038,400 /- (Rupees Six Million, Thirty Eight Thousand and

Four Hundred Only) per annum or Rs. 503,200/- (Rupees Five Hundred and Three Thousand and Two Hundred Only) per month with such increases as may be approved by the Board of Directors of the Company from time to time.

B) Special Allowance of Rs. 251,600/- (Rupees Two Hundred and Fifty One Thousand, Six Hundred Only) per month.

C) Discretionary Performance Payment– Mr.Santanoo Medhi shall be entitled to a discretionary performance payment once per annum equivalent to 25% of his target amount of Rs. 1,509,600/-, up to a maximum of 200% of target amount (200% of the target amount shall be Rs. 3,019,200/-) as may be approved by the Board of Directors of the Company in their sole discretion. The discretionary performance payment is in lieu of any commission that may be payable to Mr.Santanoo Medhi.

D) Perquisites:

- i. Housing – To be provided by the Company, upto a monetary limit of 50% of the salary per month or the Company shall pay the House Rent Allowance of 50% of the salary per month in lieu thereof.
- ii. Medical Reimbursement – Reimbursement of expenses incurred for self and family, subject to a limit of Rs. 18,000/- (Rupees Eighteen Thousand Only) per annum.
- iii. Leave on full pay and allowances, as per Company's rules.
- iv. Leave Travel Allowance (flat allowance) of Rs. 54,000/- (Rupees Fifty Four Thousand Only) per annum.
- v. Insurance – Coverage to be extended, as per Company's rules.

- vi. Club fees: Fee of one club membership.
- vii. Contribution to Provident Fund at 12% of the salary.
- viii. Gratuity as per Company's Rules.
- ix. Encashment of leave at the end of tenure as per Company's rules.
- x. Provision of car and telephone as per Company's rules.
- xi. Such other benefits, amenities, facilities and perquisites as per the rules of the Company, as applicable to senior executives, and as may be permitted by the Board of Directors of the Company.

Salary shall be reckoned as Rs. 503,200/- (Rupees Five Hundred and Three Thousand and Two Hundred only) per month for the purpose of calculation of performance pay and perquisites that are relatable to the salary.

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

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

“RESOLVED FURTHER THAT the remuneration of Mr.Santanoo Medhi as Managing Director, as determined and approved by the Directors, Shareholders and Central Government, as may be required and necessary, be incorporated in the employment agreement dated April 24, 2010”

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

“RESOLVED THAT pursuant to Article 129B of the Articles of Association of the Company and in conformity with the provisions of Section 260 of the Companies Act, 1956, Mr. Vinayak Kashinath Deshpande, who was appointed as an Additional Director of the Company by the Board of Directors, and who holds the office under the said Article and Section 260 of the Companies Act, 1956, only up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing along with a deposit of Rs. 500/- under Section 257 of the said Act from a member proposing the candidature of Mr. Vinayak Kashinath Deshpande for the office of Director, be and is hereby elected and appointed a Director of the Company, liable to retire by rotation.”

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

“RESOLVED THAT pursuant to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, (the Act) a sum not exceeding 1% of the net profits of the Company per annum computed in the manner prescribed in Section 198, 309, 349, 350 and all other applicable provisions, if any, of the Act, be paid to and distributed as commission amongst the Directors of the Company or some or any of them (including Alternate Directors, but other than the Managing Director / Wholetime Directors) in respect of the profits of the Company for each of the five financial years commencing July 01, 2010 in such amounts or proportion and in such manner as may be decided by the Board of Directors of the Company.”

By Order of the Board of Directors
For Kennametal India Limited

Bangalore
September 06, 2010

A.C. Poovanna
Deputy General Manager-Legal &
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the commencement of the 45th Annual General Meeting (AGM).
3. The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under items (5) to (9) set out above are annexed hereto. The documents relating to the items detailed in the Notice are available for inspection at the Registered office of the Company from Monday to Friday between 10.30 am to 12.30 pm, up to the date of the AGM.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from October 22, 2010 to October 26, 2010 (both days inclusive) for the purpose of the AGM.
5. Pursuant to sub-section 205A of the Companies Act, 1956 (hereinafter "the Act"), dividends for the financial year ended December, 2002 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date of transfer of the same to the unpaid dividend account as referred to in sub-section (1) of Section 205A of the Act, will be transferred to the Investor Education and Protection Fund of the Central Government established under sub-section (1) of Section 205C of the Act. According to explanation to sub-section (2) of Section 205C of the Act, no claims shall lie against the said fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.
6. Pursuant to Section 109A of the Companies Act, 1956, members holding shares in demat form may file nomination in the prescribed Form 2B (in duplicate) with the respective depository participant and in respect of shares held in physical form, such nomination may be filed with the Company's registrar and share transfer agent.
7. The Securities and Exchange Board of India (SEBI) vide Circular dated April 27, 2007, had made PAN mandatory for all securities market transaction. Thereafter, vide Circular dated May 20, 2009 it was clarified that, for securities market transactions and off market/ private transaction involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee (s) to furnish copy of PAN card to the Company/Registrar & Share Transfer Agents for registration of such transfer of shares. The shareholders are requested to furnish a copy of the PAN card in cases involving transfer of shares in physical form.
8. Members may address all matters relating to shares, demat, remat, annual report, etc. to the Company's Registrar & Share Transfer Agent at the following address:

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

For dividend queries and other general matters:

The Company Secretary
Kennametal India Limited
8/9th Mile, Tumkur Road,
Bangalore - 560 073.
Phone: 080-28394321 and 22198345
Fax: 080 28397572
e-mail: poovanna.ammataanda@kennametal.com
e-mail: in.investorrelation@kennametal.com
for the purpose of addressing investor complaints and also to take necessary follow-up action.

Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number in all correspondence.
9. The equity shares of the Company are mandated by the Securities and Exchange Board of India (SEBI) for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE717A01029.

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10. The brief resume of directors seeking appointments/ re-appointment as required under Clause 49 of the listing agreement is set out at "Annexure A" to this notice.
11. Bodies corporate intending to send their authorised representatives to attend the meeting are requested to send a duly certified copy of the Board Resolution or Power of Attorney authorising their representative to attend and vote on their behalf at the AGM.
12. Members / Proxy holders are requested to produce at the entrance of the venue the enclosed attendance slip duly signed.
13. Members are requested to bring their copies of the annual report to the AGM.
14. Every person holding equity shares of the Company and whose name is entered:
 - As a beneficial owner as at the end of business hours on Thursday, October 21, 2010 as per the list to be furnished by NSDL and CDSL in respect of shares held in dematerialised form
 - As members in the register of members of the Company after giving effect to valid share transfers lodged with the Company, on or before October 21, 2010

shall only be entitled to attend the AGM in person or through his/ her proxy.
15. The identity / signature of the members holding shares in demat form are liable for verification with the specimen signatures furnished by NSDL/CDSL. Such members are advised to bring the Depository Participant (DP ID), account number (Client ID) and the relevant identity card to the AGM for easier identification and recording of attendance at the AGM.
16. Members requiring information or clarification with regard to the audited accounts and operations of the Company are requested to write to the Deputy General Manager- Legal & Company Secretary at the Registered Office of the Company at least five days before the date of the meeting to enable the Company to keep the information ready.

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

Item No. 5

Mr. Bidadi Anjani Kumar was appointed as an Additional Director by the Board (representing KMT Inc.) effective April 02, 2010 pursuant to the provisions contained in Article 129B of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. According to the provisions of the said Article and the relevant provisions of the Companies Act, 1956, Mr. Anjani Kumar holds office only upto the date of this AGM.

Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- proposing Mr. Anjani Kumar's candidature for the office of Director.

Mr. Anjani Kumar retired from the services of the Company after attaining the age of superannuation on March 31, 2010. He served the Company for seven fruitful years and was Vice President & CFO of the Company prior to his retirement.

The brief resume in relation to his experience, functional expertise and memberships on other companies' Boards and Committees as required under Clause 49 of the listing agreement is set out in Annexure 'A'. The Board considers that his association as Director will be beneficial to and in the interest of the Company and therefore, recommend the resolution relating to his appointment for the approval of the members.

None of the Directors except Mr. Anjani Kumar is interested in the Resolution.

Item No(s). 6 & 7

Mr. Santanoo Medhi joined Kennametal Inc. in January 2009, as the Regional Director- Sales, for the Asia Pacific Region. Prior to joining Kennametal Inc., Mr. Medhi held assignments with Oil India and Johnson Electric, Hong Kong. He has worked in India, Thailand, Hongkong, Singapore and Japan. He brings with him rich experience in manufacturing, sales, marketing and business development.

The shareholders are aware that Mr. Dinakar A, the former Managing Director of the Company resigned with effect from September 04, 2009. Since Mr. Santanoo Medhi has good experience in sales, marketing and business development, the Board of Directors thought it fit to appoint him as the Managing Director of the Company.

The Board of Directors at its meeting held on April 24, 2010, co-opted Mr. Santanoo Medhi as the Additional Director and at the same meeting appointed him as the Managing Director of the Company for a period of 3 years, commencing from April 24, 2010 till April 23, 2013. Further, the Company has entered into an Employment Agreement with Mr. Medhi listing out the terms of his appointment and remuneration.

Since Mr. Medhi did not reside in India for a period of 12 months prior to the date of his appointment, as per Schedule XIII of the Companies Act, 1956, an application has been made to the Central Government seeking its approval for appointment and payment of remuneration of Mr. Medhi.

Hence this resolution is placed before you for your approval and the Board recommends the adoption of the resolution in the best interest of the Company.

An abstract under Section 302 of the Companies Act, 1956 relating to the remuneration and the other terms of appointment of Mr. Medhi has already been circulated to the members and the present resolution along with the explanatory details may also be treated as such.

None of the Directors, except Mr. Medhi, is interested in the resolution

Item No. 8

Mr. Vinayak Kashinath Deshpande was appointed as an Additional Director by the Board effective September 06, 2010 pursuant to the provisions contained in Article 129B of the Articles of Association of the Company and Section 260 of the Companies Act, 1956. According to the provisions of the said Article and the relevant provisions of the Companies Act, 1956, Mr. Deshpande holds office only upto the date of this AGM.

Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956, along with a deposit of Rs.500/- proposing Mr. Deshpande's candidature for the office of Director.

Mr. Deshpande a Chemical Engineer from Indian Institute of Technology (IIT), Kharagpur, is the President – EPC & Construction business of Hindustan Construction Company Limited (HCC). Prior to joining HCC in 2008, Mr. Deshpande worked with Tata Group for 20 years. In his 20 years association with the Tata Group he has been the Managing Director of Tata Honeywell and Executive President – Operations, Tata Teleservices.

The brief resume in relation to his experience, functional expertise and memberships on other Companies' Boards and Committees as required under Clause 49 of the listing agreement is set out in Annexure 'A' to this Notice. The Board considers that his association as Non-Executive Independent Director will be beneficial to and in the interest of the Company and therefore, recommend the resolution relating to his appointment for the approval of the members.

None of the Directors except Mr. Deshpande is interested in the Resolution.

Item No 9:

At the Fortieth Annual General Meeting of the Company held on October 28, 2005, the members had, in terms of Section 309 of the Companies Act, 1956, approved payment of commission to Directors not in the whole-time employment of the Company upto an amount not exceeding 1% per annum of the net profits of the Company for each of the five financial years of the Company commencing from July 01, 2005. The said resolution is valid for the financial year ending June 30, 2010. It is proposed to renew this resolution for a further period of 5 years commencing from the financial year July 01, 2010. The said payment of 1% Commission per annum of net profits to the non whole time directors is in addition to the sitting fees and reimbursement of expenses, if any, that may be made to the Directors not in whole-time employment of the Company.

All the Directors except the Managing Director are interested in the resolution.

By Order of the Board of Directors
For Kennametal India Limited

Bangalore
September 06, 2010

A.C. Poovanna
Deputy General Manager-Legal &
Company Secretary

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Brief particulars of Directors seeking appointment /re-appointment

Annexure 'A'

Name of Director	Mr. Bernard North	Mr. Bidadi Anjani Kumar	Mr. Santanoo Medhi	Mr. Vinayak Kashinath Deshpande
Date of Birth	May 24, 1952	March 25, 1952	March 01, 1967	July 21, 1957
Relationship with Directors	None	None	None	None
Experience	With Kennametal Inc: 30 years With others : 8 years	With Kennametal India Limited: 07 years With others: 27 years	With Kennametal Inc: 1 year With others: 19 years	With Kennametal Inc: NIL With others 22 years
Expertise in specific functional area	Research, Development & Engineering	Finance & Accounts	Manufacturing & Operations, Sales & Marketing, General Management.	HCC - Managing the EPC & Construction business, Honeywell - successfully shaping the JV - now known as Honeywell Automation India, Tata Teleservices – responsible for business operations
Qualification	M.Sc- Physical Metallurgy and Science of Materials, University of Birmingham, UK MBA- University of Pittsburgh, USA	B.Com, B.G.L. & ACA	Master of Engineering in Industrial Engineering and Management, Thailand B.Tech – National Institute of Technology, Calicut Executive Diploma in Management, Hong Kong	Chemical Engineer, IIT Kharagpur
List of outside Directorships and Memberships of Board Committees in India	None	None	None	<p><i>Directorships in other companies</i></p> <p>NELCO Limited</p> <p><i>Memberships/Chairmanships of Committee of Directors</i></p> <p>NELCO Limited</p> <p>1. Audit Committee - Member</p> <p>2. Remuneration Committee - Chairman</p>
No. of shares held	Nil	10 equity shares of Rs.10/- each	Nil	Nil

DIRECTORS' REPORT

Your Directors are pleased to present the 45th Annual Report and Audited Accounts for the year ended June 30, 2010 (FY10).

FINANCIAL RESULTS

(Rs. in million)

PARTICULARS	FY10 Year ended June 30, 2010	FY09 Year ended June 30, 2009
Sales including other income	3,828.59	3,182.83
Profit Before Depreciation and Tax	969.42	599.33
Less: Depreciation	202.95	188.13
Profit Before Tax	766.47	411.20
Less: Provision for Tax		
Current Tax	238.00	169.82
Deferred Tax	8.79	(46.26)
Fringe Benefit Tax	-	7.50
Profit After Tax	519.68	280.14
Add: Balance brought forward from previous year	1,291.35	1,011.21
Profit available for appropriations	1,811.03	1,291.35
Transfer to General Reserve	52.00	0
Interim Dividend	285.72	0
Tax on Interim Dividend	47.45	0
Balance transferred to Balance Sheet	1,425.86	1,291.35

DIVIDEND

During the year, the Board of Directors declared and paid an Interim Dividend of Rs.13/- per equity share on 21,978,240 equity shares of Rs.10/- each (130% on the paid up capital of the Company) during May 2010. The total outgo on account of

dividend, inclusive of taxes, for FY10 was Rs.333.17 Million which represents a pay-out of 64% of the Company's profits. The Board of Directors have decided to treat the same as final dividend and therefore no additional dividend is recommended for the financial year ended June 30, 2010.

