

Kennametal India Limited
Annual Report
FY11



KENNAMETAL INDIA BOOTHS AT IMTEX - 2011



Kennametal India Limited

Directors

Mr. M.N. Bhagwat
Chairman

Mr. Santanoo Medhi
Managing Director

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

India Leadership Council (ILC)

Mr. Santanoo Medhi
Mr. Vikram Chopra
Mr. Dibesh Singh Deo
Mr. Kundan K. Lal
Mr. Vivek Maheshwari
Mr. Anil Kumar Murthy
Mr. Gururaj D Patil
Mr. Calvin Printer
Mr. D Parameswara Reddy
Mr. D Sarathy
Mr. K Chandrashekar Sharma

Company Secretary

Mr. Kundan K. Lal

Registered Office and Factory

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

Auditors

M/s. Price Waterhouse
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
The Hong Kong and Shanghai Banking Corporation Limited

Registrar & Share Transfer Agent

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

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46th Annual General Meeting

Wednesday, November 02, 2011 at 10.30 A M
at the Registered Office of the Company at
8/9th Mile, Tumkur Road, Bangalore - 560 073

NOTICE TO MEMBERS

NOTICE is hereby given that the Forty-sixth Annual General Meeting of Kennametal India Limited will be held on Wednesday, November 02, 2011 at 10.30 AM at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bangalore – 560 073, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at June 30, 2011, 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 ₹ 35/- per equity share (350%) on 21,978,240 equity shares of ₹ 10/- each already paid as the final dividend for financial year 2010-2011 (year ended June 30, 2011).
3. To appoint a Director in place of Mr. M. N. Bhagwat, 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, [FRN: 007568S] have expressed their unwillingness to be re-appointed. The Company has received a Special Notice from a member of the Company under Section 225 read with Section 190 of the Companies Act, 1956 signifying the intention to propose the following resolution:

“RESOLVED THAT M/s Price Waterhouse & Co, Chartered Accountants (Firm Registration No.007567S), be and are hereby appointed as Auditors of the Company from the conclusion of the 46th Annual General Meeting until the conclusion of 47th Annual General Meeting of the Company at such remuneration and other charges as shall be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting of the Company held on October 26, 2010 for the appointment of and remuneration payable to Mr. Santanoo Medhi as Managing Director and in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with

Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and other sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded to revision in the remuneration paid and payable to Mr. Santanoo Medhi, Managing Director, to take effect from October 01, 2010, for unexpired period of his term upto April 23, 2013, upon the terms and conditions as set out in the explanatory statement attached to the Notice convening this Annual General Meeting.

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

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

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT in accordance with the provisions contained in Article 129 of the Articles of Association of the Company and Section 262 and other applicable provisions, if any, of the Companies Act, 1956 Mr. John Chang be and is hereby appointed as a Director of the Company, liable to retire by rotation, to fill in the casual vacancy on the Board caused by the resignation of Dr. Esat Kemal Yegenoglu, the Company already having received a notice in writing along with a deposit of ₹ 500/- as required under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose Mr. John Chang, as a candidate for the office of Director, liable to retire by rotation.”

By Order of the Board of Directors
For Kennametal India Limited

Bangalore
August 12, 2011

Kundan Kumar Lal
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 46th 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 (6) set out above is annexed hereto. The documents relating to the items detailed in the Notice are available for inspection at the Registered office of the Company from Monday to Friday between 10.30 am to 12.30 pm, up to the date of the Annual General Meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from **October 29, 2011 to November 02, 2011** (both days inclusive) for the purpose of the AGM.
5. An interim dividend of ₹ 35/- per equity share of ₹ 10/- each [350% on the paid capital of the Company] was declared by the Board for the financial year ended June 30, 2011 and June 16, 2011 was fixed as Record Date for the said purpose. The said interim dividend was paid from June 23, 2011.
6. Under Section 205A read with Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of payment is required to be transferred to the Investors' Education and Protection Fund (IEPF) of the Central Government.

Members who have not encashed the dividend warrant(s) so far for Financial year ended June 30, 2005 or any subsequent dividend payments are requested to make their claims to the Company/RTA immediately. Kindly note that as per Section 205C of the Companies Act, 1956, no claim shall lie against the Company or IEPF which remain unpaid for a period of seven years from the due date of payment and no payment shall be made in respect of any such claim.
7. Pursuant to Section 109A of the Companies Act, 1956, members holding shares in demat form may

file nomination in the prescribed Form 2B (in duplicate) with the respective depository participant and in respect of shares held in physical form, such nomination may be filed with the Company's registrar and share transfer agent.

8. The Securities and Exchange Board of India (SEBI) vide Circular dated April 27, 2007, had made PAN mandatory for all securities market transaction. Thereafter, vide Circular dated May 20, 2009 it was clarified that, for securities market transactions and off market/ private transaction involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee (s) to furnish copy of PAN card to the Company/Registrar & Share Transfer Agents for registration of such transfer of shares. The members are requested to furnish a copy of the PAN card in cases involving transfer of shares in physical form.
9. Members may address all matters relating to shares, demat, remat, annual report, etc. to the Company's Registrar & Share Transfer Agent at the following address:

Integrated Enterprises (India) Limited
Unit: Kennametal India Limited
No.30, 'Ramana Residency',
4th Cross, Sampige Road,
Malleswaram, Bangalore 560003
Phone: (080) 23460815 - 818
Fax: (080) 23460819,
E-Mail:alfint@vsnl.com

For dividend queries and other general matters:
The Company Secretary
Kennametal India Limited
8/9th Mile, Tumkur Road,
Bangalore - 560 073.
Phone: 080-28394321 and 080 22198345
Fax: 080 28397572
e-mail: kundana.lal@kennametal.com

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

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

10. The equity shares of the Company are mandated by the Securities and Exchange Board of India (SEBI) for compulsory trading in demat form by all investors. The Company's shares have been admitted into both the depositories viz. National Securities Depository

Limited [NSDL] and Central Depository Services (India) Limited [CDSL]. The ISIN allotted to the Company's equity shares is INE717A01029.

11. The brief resume of directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement is set out at "Annexure A" to this notice.
12. Bodies corporate intending to send their authorised representatives to attend the meeting are requested to send a duly certified copy of the Board Resolution or Power of Attorney authorising their representative to attend and vote on their behalf at the AGM.
13. Members / Proxy holders are requested to produce at the entrance of the venue the enclosed attendance slip duly signed.
14. Members are requested to bring their copies of the annual report to the AGM.
15. Every person holding equity shares of the Company and whose name is entered:
 - As a beneficial owner as at the end of business hours on **October, 28, 2011** 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, 28, 2011**

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

18. Members who desires to receive documents from the Company in electronic mode may provide their e-mail address to the Company through e-mail at **greeninitiatives@kennametal.com** mentioning the Folio Number/DPIL & Client ID.

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

Item No. 5

The members of the Company at the Annual General Meeting held on October 26, 2010 had approved the appointment of Mr. Santanoo Medhi, as Managing Director of the Company, for a period of three years effective from April 24, 2010 on such remuneration, terms and conditions as exhibited in the Notice convening the said Meeting and the Explanatory Statement thereto and as set out in the agreement dated April 24, 2010 entered between the Company and Mr. Medhi, which was subsequently approved by the Central Government pursuant to Section 269 and other applicable provisions of the Companies Act, 1956.

The Board of Directors at its meeting held on January 25, 2011 considered the proposal and approved the payment of increased salary and circulated the abstract of revised remuneration under Section 302 of the Companies Act, 1956 to all members of the Company. This being the first Annual General Meeting after the aforesaid revision, the consent of the members is now sought as required under the Companies Act, 1956. Details of revised remuneration paid/payable to Mr. Medhi effective October 01, 2010 for the remaining period of the tenure upto April 23, 2013 are as under:

- A) Salary: ₹ 6,456,000/- (Rupees Six million four hundred fifty-six thousand only) per annum or ₹ 538,000/- (Rupees five hundred thirty-eight thousand 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 ₹ 3,240,000/- (Rupees three million, two hundred forty thousand only) per

annum or ₹ 270,000/- (Rupees Two hundred seventy thousand only) per month.

- C) Related increase to Housing, Contribution to Provident Fund and discretionary performance payment, consequent to increase in Salary.

Consequently, monetary values of those perquisites related to salary were also increased. The Company entered into a supplementary agreement dated January 25, 2011 for the revision in the remuneration. All other terms and conditions not specified in the supplementary agreement remain unchanged.

Minimum Managerial Remuneration - In the absence or inadequacy of profits in any financial year, Mr. Medhi shall be paid as minimum managerial remuneration, 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.

To enable the Board of Directors of the Company to revise the remuneration of Mr. Medhi from time to time during his term as Managing Director of the Company without any further reference to the general meeting, the members are requested to authorise the Board to consider and approve revision in salary and remuneration of Mr. Medhi from time to time within the limits specified in the applicable provisions of the Companies Act, 1956 read with Schedule XIII.

The Resolution as mentioned in this item of Notice is accordingly commended for acceptance of the Members.

Mr. Santanoo Medhi may be deemed to be concerned or interested in this resolution, since it relates to the terms and conditions of his appointment.

The statement read along with the resolution may be deemed as an abstract of the variation of the terms

of appointment required to be sent to the members of the Company in terms of Section 302 of the Companies Act, 1956.

Item No. 6

Mr. John Chang was appointed as Director on the Board at its meeting held on May 04, 2011, in the casual vacancy caused due to the resignation of Dr. Esat Kemal Yegenoglu, pursuant to provisions contained in Article 129 of the Articles of Association of the Company and Section 262 of the Companies Act, 1956 [hereinafter "the Act"]. According to the provisions of the said article and the Act, he holds office upto the date of this AGM.

As required under Section 257 of the Act, notice has been received from a member along with a deposit of ₹ 500/- signifying his intention to propose Mr. John Chang as candidate for the office of Director.

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 Director will be beneficial to and in the interest of the Company.

The Directors commend the passing of the resolution relating to his appointment for the approval of the members as set out at item No.6 in the accompanying Notice.

Mr. John Chang is interested in the resolution relating to his appointment.

By Order of the Board of Directors
For Kennametal India Limited

Bangalore
August 12, 2011

Kundan Kumar Lal
Deputy General Manager-Legal &
Company Secretary

Annexure 'A'

Brief particulars of Directors seeking re-appointment/ appointment

Name of Director	Mr. M. N. Bhagwat	Mr. John Chang
Date of Birth	June 04, 1932	May 15, 1961
Relationship with Directors	None	None
Experience	Significant experience in manufacturing industry including as Managing Director of Tata Honeywell Limited till 1997. Presently Mr. Bhagwat is serving as Member, Executive Committee, TQMS , a division of Tata Sons. He is also the Chairman of Honeywell Automation India Limited	With Kennametal Inc: 06 years With others: 20 years
Expertise in specific functional area	Manufacturing	Manufacturing & Operations, Sales & Marketing and General Management
Qualification	B.E. (Mechanical & Electrical) M.S. (Mechanical) (University of Illinois, USA)	M.Sc. – Mechanical Engineering, University of California at Berkeley, USA. Bachelor of Science in Mechanical Engineering, San Jose State University, USA.
List of outside Directorships and Memberships of Board Committees in India	Directorships in other companies 1. Honeywell Automation India Limited 2. Technopolis Knowledge Park Limited 3. Walchand People First Limited Memberships/ Chairmanships of Committee of Directors Walchand People First Limited 1. Audit Committee – Chairman 2. Remuneration Committee – Member Honeywell Automation India Limited 1. Remuneration Committee – Chairman 2. Audit Committee – Member 3. Shareholders' Grievance Committee – Chairman	None
No. of shares held	Nil	Nil

DIRECTORS' REPORT

Your Directors are pleased to present the 46th Annual Report and Audited Accounts for the year ended June 30, 2011 (FY11).

FINANCIAL RESULTS

(₹ in million)

PARTICULARS	FY11 Year ended June 30, 2011	FY10 Year ended June 30, 2010
Sales and other income	5190.47	3828.59
Profit Before Depreciation and Tax	1501.15	969.42
Less: Depreciation	225.78	202.95
Profit Before Tax	1275.37	766.47
Less: Provision for Tax		
Current Tax	401.90	238.00
Deferred Tax	(0.56)	8.79
Fringe Benefit Tax	(11.48)	-
Profit After Tax	885.51	519.68
Add: Balance brought forward from previous year	1425.86	1291.35
Total available for appropriation	2311.37	1811.03
Transfer to General Reserve	88.60	52.00
Interim Dividend	769.24	285.72
Tax on Interim Dividend	124.79	47.45
Balance transferred to Balance Sheet	1328.74	1425.86

DIVIDEND

An interim dividend of ₹ 35/- per equity share of ₹ 10/- each [350% on the paid capital of the Company] was declared by the Board for the financial year ended June 30, 2011. June 16, 2011 was fixed as 'Record Date' for the said purpose. The said interim dividend was paid from June 23, 2011. The Board of Directors has decided to treat the same as final dividend and therefore no additional dividend payment is recommended for the year ended June 30, 2011.

OPERATING RESULTS

Your Company continued to improve its operating results during FY11 with Sales and Other Income increasing by 36% to ₹ 5,190.47 Million compared with ₹ 3,828.59 Million in the previous year. Profit after Tax was ₹ 885.51 Million as compared to ₹ 519.68 Million in the previous year, an increase of 70% over the previous year. The growth in Sales and Profit for the year was driven by strong demand of products and growth initiatives taken by the Company during the year under review.

Your Company does not have any subsidiaries.

MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments that occurred affecting the financial position of the Company between June 30, 2011 and the date of approval of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

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

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. M. N. Bhagwat retires by rotation, and being eligible, offers himself for re-appointment.

Dr. Esat Kemal Yegenoglu resigned as Director with effect from February 11, 2011. Your Directors place on record their appreciation of the valuable contribution made by him to the Company during his tenure as Director.

The Board at its meeting held on May 04, 2011

approved the appointment of Mr. John Chang to fill the casual vacancy caused by Dr. Yegenoglu. A member has served a notice in writing proposing Mr. Chang for the office of Director along with required deposit amount.

The brief profiles of respective Directors being appointed/reappointed as required under Clause 49 of the Listing Agreement, are furnished along with the Notice convening 46th Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

RECONSTITUTION OF THE AUDIT COMMITTEE OF DIRECTORS

The Audit Committee of Directors was reconstituted during the year, the details of which have been provided in the Corporate Governance Section of this Report.

FIXED DEPOSITS

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

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 205C of the Companies Act, 1956, the following amounts lied with the Company for a

period of seven years were transferred during the year under review to the Investor Education and Protection Fund :

Unclaimed fixed deposit	-	₹ 135,147
Unclaimed dividend	-	Nil

AUDITORS

M/s. Price Waterhouse (Firm Registration No. 007568S), Chartered Accountants, will retire as Statutory Auditors of the Company at the ensuing Annual General Meeting. However, they have expressed their unwillingness for re-appointment.

A member of the Company has proposed the appointment of M/s Price Waterhouse & Co, Chartered Accountants (Firm Registration No. 007567S) as the Statutory Auditors of the Company from the conclusion of 46th Annual General Meeting and till the conclusion of 47th Annual General Meeting. The Company has received a certificate from them to the effect that their appointment, if made, would be in accordance with Section 224 (1B) of the Companies Act, 1956. The Board recommends their appointment.

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

CORPORATE GOVERNANCE

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

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees forms part of this report. However, as per the provisions of Section 219(1) (b)(iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others