

***Kennametal India Limited
Annual Report
FY13***



Kennametal India booths at Indian Machine Tool Exhibition (IMTEX) 2013



ACCOLADES



FIE Foundation Award at IMTEX 2013 for best Fixture Design



Environmental Excellence Award 2012-13 received from
Karnataka State Pollution Control Board

Kennametal India Limited

Directors

Mr. M.N. Bhagwat
Chairman
Mr. Bhagya Chandra Rao
Managing Director
Mr. John Chang
Mr. Vinayak K. Deshpande
Mr. Gerald Goubau
Mr. B. Anjani Kumar

Management Team

Mr. Bhagya Chandra Rao
Mr. Vikram Chopra
Mr. Dibesh Singh Deo
Mr. D. Parameswara Reddy
Mr. D.Sarathy
Mr. K.Chandrashekhar Sharma

Company Secretary

Mr. Kundan Kumar Lal

Registered Office and Factory

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

Auditors

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

Bankers

Corporation Bank Limited
HDFC Bank Limited
ICICI Bank Limited
Standard Chartered Bank

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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48th Annual General Meeting

Tuesday, November 05, 2013 at 11.30 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-eighth Annual General Meeting of Kennametal India Limited will be held on Tuesday, November 05, 2013 at 11.30 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, 2013, 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 appoint a Director in place of Mr. John Chang, who retires from office by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Vinayak K. Deshpande, 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 & Co., Chartered Accountants, (Firm Regn.No.007567S) being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to the recommendation of the Remuneration Committee of Directors and the Board of Directors of the Company, the approval of the shareholders of the company be and is hereby accorded for the remuneration paid to Mr. Santanoo Medhi, the erstwhile Managing Director of the Company, for the period July 01, 2012 to September 17, 2012 upon the terms and conditions as set out in the explanatory statements attached to the Notice convening this Annual General Meeting, which had been approved by the Board of Directors on November 02, 2011 based on the authority vested in the Board by the resolution of the shareholders dated November 02, 2011.”

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

“RESOLVED THAT pursuant to the provisions of Section 258 of the Companies Act, 1956, the number of Directors on the Board of the Company be and is hereby increased to seven.”

By Order of the Board of Directors
For Kennametal India Limited

Kundan Kumar Lal
Deputy General Manager-Legal &
Company Secretary

Bangalore
August 16, 2013

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 48th 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 a.m. to 12.30 p.m. 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 31, 2013 to November 05, 2013** (both days inclusive) for the purpose of the AGM.
5. Pursuant to sub-section 205A of the Companies Act, 1956 (hereinafter "the Act"), dividends 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:

Integrated Enterprises (India) Limited
No.30, 'Ramana Residency',
4th Cross, Sampige Road, Malleswaram,
Bangalore 560003
Phone: (080) 23460815 – 818,
Fax: (080) 23460819,
e-mail:irg@integratedindia.in

For dividend queries and other general matters:

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

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

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

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.
10. The brief resume of directors seeking 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 **October 30, 2013** 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 30, 2013**.

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.
17. The Ministry of Corporate Affairs (MCA), Government of India, has undertaken a 'Green Initiative in the Corporate Governance' by allowing paperless compliances vide its circulars dated April 21, 2011 and April 29, 2011. Towards 'Green Initiative', soft copy of the Annual Report for FY13 will be sent to all members whose e-mail addresses registered with the Company/ Depository Participant(s) (DP) unless any member has requested for a physical copy of the same. All those members who have not yet registered their email address with the Company or their DP are requested to do the same at the earliest as your Company proposes to send communications/documents including Notices for General Meetings and Annual Reports from time to time in electronic mode to those members who have provided their e-mail addresses to the Company or their DP.
18. It may be kindly noted that even after registration for e-communication, members are entitled to receive such communication in physical form, upon request for the same, by post/courier free of cost. Annual Report for FY13 will also be available on the Company's website-link i.e. www.kennametal.com/kennametal/hi/about-us/kil-financials.htm.

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

Item No. 5

At the Annual General Meeting of the Company held on October 26, 2010, shareholders of the Company had approved by way of special resolution the appointment of Mr. Santanoo Medhi as a Managing Director with effect from April 24, 2010 for a period of three years on such remuneration, terms and conditions as stated in the notice convening the said meeting and the agreement dated April 24, 2010 executed by the Company with Mr. Santanoo Medhi. This was subsequently approved by the Central Government also.

Subsequently, the remuneration fixed for Mr. Santanoo Medhi for FY 2010-11 was revised which was also approved by the shareholders by means of an ordinary resolution passed at the Annual General Meeting held on November 02, 2011. The revision of salary for Mr. Medhi for FY 2011-12 was approved by the Board as per the authority granted by the shareholders on November 02, 2011.

Mr. Santanoo Medhi resigned from directorship effective September 17, 2012. Upon finalization of accounts for the year ending June 30, 2013, it was observed that the remuneration of Mr. Medhi during the relevant financial year was in excess of 5% of the net profits of the Company on an annual prorated basis.

As per the Companies Act, 1956, the remuneration paid can be treated as minimum remuneration paid, only if the same is approved by the Remuneration Committee and the shareholders. Accordingly, a Remuneration Committee was constituted by the Board of the Directors.

Keeping in view the qualification and experience of Mr. Santanoo Medhi, the Remuneration Committee and the Board have recommended the remuneration as paid by the Company to Mr. Medhi during the period July 01, 2012 to September 17, 2012, subject to the approval of the shareholders of the Company. Details of the remuneration for Mr. Medhi approved by the Board on November 02, 2011 based on the authority vested in the Board by the resolution of the shareholders on November 02, 2011 were as under:

"A. Annual Guaranteed Cash :

- i) **Basic Salary:** ₹ 6,900,000/- (Rupees Six million nine hundred thousand only) per annum or ₹ 575,000/- (Rupees five hundred seventy five thousand only) per month with such increases as may be approved by the Board of Directors of the Company from time to time.

ii) **Housing (HRA)** : 50% of Basic Salary i.e. ₹ 3,450,000/- (Rupees three million, four hundred fifty thousand only) per annum or ₹ 287,500/- (Rupees Two hundred eighty seven thousand and five hundred only) per month.

iii) **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.

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

B. Performance Payment: Mr. Medhi shall be entitled to the performance payment once per annum, subject to achievement of business targets as per Company's scheme and approval of the Board of Directors of the Company. Target amount will be equivalent to 25% of Annual Guaranteed Cash (Annualised figures on Basic salary, HRA, Special Allowance and LTA) i.e. ₹ 3,411,000/-, up to a maximum of 200% (i.e. ₹ 6,822,000/-). The performance payment is in lieu of any commission that may be payable to Mr. Medhi.

C. Other Perquisites:

- i. Medical Reimbursement – Reimbursement of expenses incurred for self and family, subject to a limit of ₹ 18,000/- (Rupees Eighteen Thousand Only) per annum.
- ii. Leave on full pay and allowances, as per Company's rules.
- iii. Insurance – Coverage to be extended, as per Company's rules.
- iv. Club fees: Entrance/monthly subscription fees of one club membership as approved by the Board of Directors.
- v. Contribution to Provident Fund at 12% of the salary.
- vi. Gratuity as per Company's Rules.
- vii. Encashment of leave at the end of tenure as per Company's rules.
- viii. Chauffeur-driven Company maintained car to be provided.
- ix. Telephone as per Company's rules."

This explanatory statement together with the accompanying Notice is to be regarded as an Abstract of the terms of agreement and memorandum of concern or interest under Section 302 of the Companies Act, 1956.

The following additional information as required under Schedule XIII of the Companies Act, 1956 is given below :

I. General Information:

The Company is a leading manufacturer of hard metal products and machine tools which caters to the needs of a wide variety of manufacturing and other industries such as transportation, general engineering, aerospace & defence, energy, power generation equipment, earthworks, mining and construction. The Company is in business from 1964 onwards. The Company's total revenue for FY 12 & FY 13 was ₹ 572.78 Crores and ₹ 497.45 Crores respectively. The Profit after Tax for these years was ₹ 68.39 Crores and ₹ 14.85 Crores respectively.

The foreign exchange earned during the year ended June 30, 2013 was ₹ 54.85 Crores.

Kennametal Inc., USA (Promoter) held 75% of the total equity Capital of the company as of June 30, 2013.

II. Information about the appointee :

Mr. Santanoo Medhi holds a B. Tech degree from the National Institute of Technology, Calicut and a Masters Degree in Industrial Engineering and management. He has worked in various countries such as Thailand, Hong King, Singapore, Japan and has around 20 years of experience in managing diverse business organisations in diverse businesses. Prior to his appointment in Kennametal India, Mr. Medhi held a senior leadership position in the parent Company's Asia Pacific HQ in Singapore.

Mr. Medhi was appointed as Managing Director on April 24, 2010 and had received remuneration as approved by the Members at the 45th and 46th Annual General Meeting for FY10 and FY11, and the Board of Directors, which comprised of salary, monetary value of perquisites, allowances, performance pay and contribution to retiral funds was as given hereunder:

July 01, 2010 to June 30, 2011 : ₹ 156 Lakhs

July 01, 2011 to June 30, 2012 : ₹ 166 Lakhs

July 01, 2012 to September 17, 2012: ₹ 58 Lakhs (inclusive of Performance pay for FY12, ₹ 13.75 Lakhs and Accumulated leave encashment of ₹ 14.25 Lakhs).

The remuneration package paid to Mr. Santanoo Medhi takes into account appropriately the size of the Company, Industry structure, International senior level experience, role and responsibilities etc.

Besides the remuneration paid to Mr. Medhi, he does not have any other pecuniary relationship with the Company or relationships with any other managerial personnel and Directors.

III. Other information :

Uncertainty in the Indian economy particularly in the Automobile industry has resulted in a drop in the Company's revenue during FY13. This decline in the revenues has led to underutilisation of manufacturing capacity. As a consequence of reduction in Revenues and underutilisation of capacity the Company generated inadequate profits during FY13 as per Schedule XIII to the Companies Act, 1956.

Various measures are taken by your Company to curtail/minimize expenses such as cost rationalization, better capacity utilisation through bulk orders, de-risking from transportation segment, focus on Machine Tool Business and sourcing of products from India by other Kennametal group entities.

These measures are likely to bring in a gradual increase in the revenue and the capacity utilisation resulting in improved profitability.

IV. Disclosures:

The information and disclosures of the remuneration package of the managerial personnel have been mentioned in the Corporate Governance Report of the Annual Report under the heading 'Directors' remuneration' for FY13.

In compliance with Section II of Part II of Schedule XIII to the Companies Act, 1956, consent of Shareholders is sought by way of a Special Resolution as specified at item (5) of the notice convening the AGM. The Board recommends the said resolution for your approval.

None of the directors are concerned or interested in the resolution.

ITEM NO. 6

It is proposed to strengthen the Board by increasing the number of Directors from the existing six to seven within the limits specified by the Articles of Association of the Company.

Hence, the resolution at item no. 6 seeking your approval for the increase in the number of directors in terms of Section 258 of the Companies Act, 1956. The Board recommends this resolution for your approval.

None of the Directors are concerned or interested in this resolution.

The Board recommends the resolution as set out at Item No. 6 of the Notice for your approval.

By Order of the Board of Directors
For Kennametal India Limited

Bangalore
August 16, 2013

Kundan Kumar Lal
Deputy General Manager-Legal &
Company
Secretary

Brief Particulars of Directors seeking re-appointment

Name of Director	Mr. V.K. Deshpande	Mr. John Chang
Date of Birth	July 21, 1957	May 15, 1961
Relationship with Directors	None	None
Experience	With Kennametal Inc.: Nil With others : 25 years	With Kennametal Inc: 08 years With others: 20 years
Expertise in specific functional area	Honeywell- successfully shaping the JV – now known as Honeywell Automation India, Tata Teleservices – responsible for business operations HCC- EPC & Construction Business Tata Projects – Managing Director since July, 2011	Manufacturing and Operations Sales and Marketing and General Management
Qualifications	Chemical Engineer, IIT Kharagpur	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	Memberships/Chairmanships/Committee of Directors 1. Tata Projects Limited 2. NELCO Limited 3. Artson Engineering Limited 4. Voltas Limited 5. TPL-TQA Quality Services South Africa (Proprietary) Limited 6. TPL-TQA Quality Services (Mauritius) Pty Limited NELCO Limited 1. Audit committee – Member 2. Remuneration Committee – Chairman	None
No. of shares held	NIL	NIL