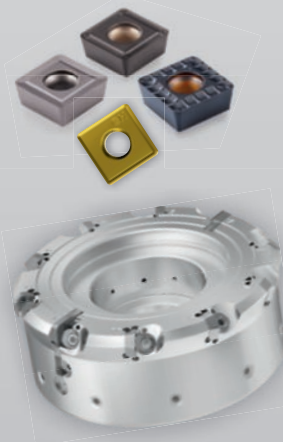
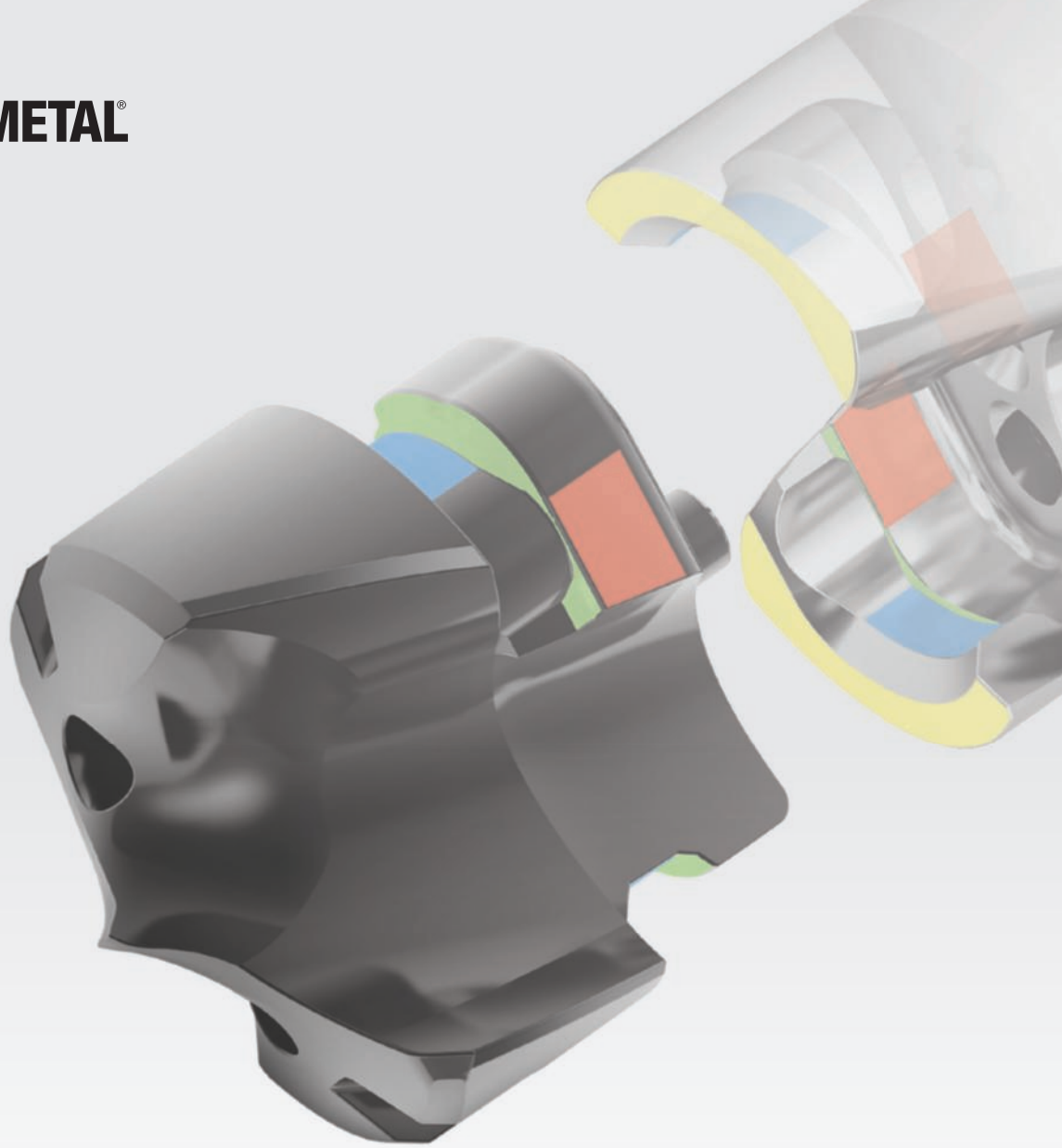




FY18

53rd ANNUAL REPORT



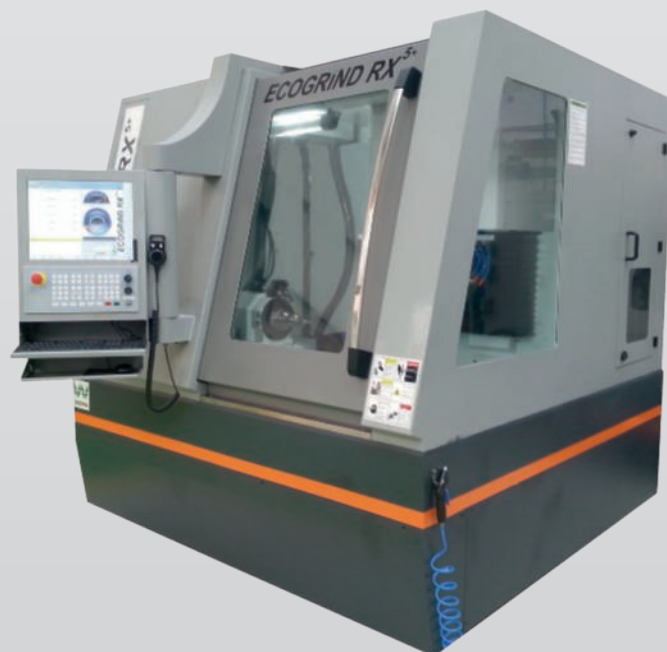
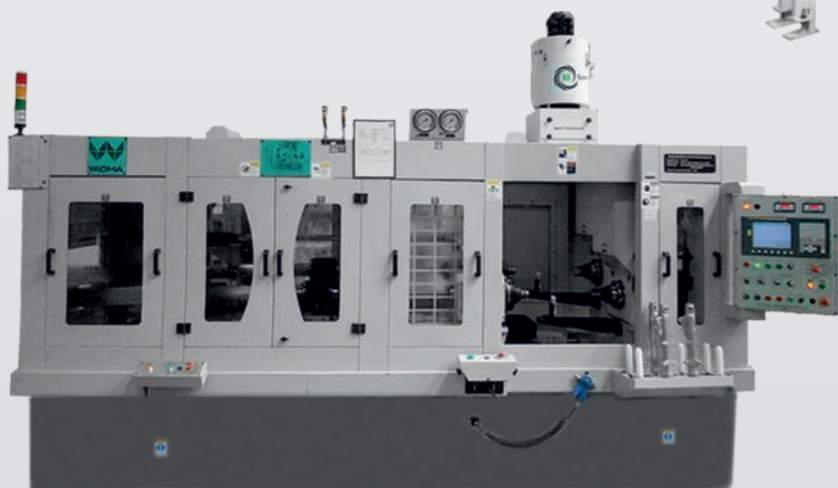
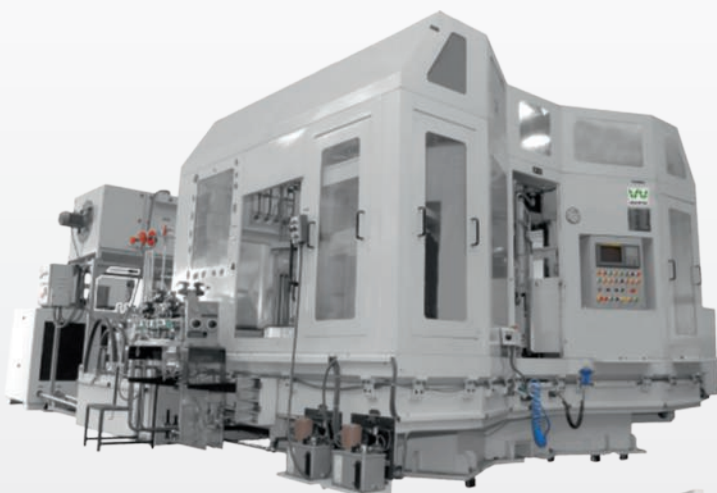




WIDIA ™



 **WIDMA®**



KENNAMETAL INDIA LIMITED

(CIN: L27109KA1964PLC001546)

Directors

Mr. Prakash M. Telang
Chairman
 Mr. Bhagya Chandra Rao
Managing Director
 Mr. B. Anjani Kumar
 Mr. Vinayak K. Deshpande
 Mr. David Lee (upto August 23, 2018)
 Mr. Alexander Broetz
 Ms. Colleen Wood Cordova
 Mr. D. Parameswara Reddy (from August 23, 2018)

Key Managerial Personnel

Mr. Bhagya Chandra Rao
Managing Director & CEO
 Mr. K.V. Suresh Reddy
Chief Financial Officer
 Mr. Thulsidass T V
General Manager – Legal & Company Secretary

India Leadership Council (ILC)

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

Registered Office and Factory

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

Auditors**Statutory Auditors**

Messrs Walker Chandio & Co. LLP
Chartered Accountants

Cost Auditors

Messrs K. S. Kamalakara & Co.
Cost Accountant

Secretarial Auditor

Vijayakrishna K. T.
Company Secretary

Bankers

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

Registrar & Share Transfer Agent

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

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53rd Annual General Meeting

Friday, November 9, 2018 at 12.30 p.m. at the
 Registered Office of the Company at 8/9th Mile, Tumkur Road, Bengaluru – 560 073

CHAIRMAN'S MESSAGE

Dear Shareholder

I am pleased to present to you, on behalf of the Board, the 53rd Annual Report and Audited Financial Statements of Kennametal India Limited for the financial year ended June 30, 2018.

It has been another year of stellar performance by your Company in a challenging environment which involved skillful handling of the risks posed by high raw material prices, transition to new GST and the transition from BS III to BS IV emission standards for automobiles.

Industrial production, which saw a low to moderate growth as we entered into FY18, has picked up of late, as the economy is showing clear signs of having overcome the combined impact of demonetization and GST implementation in the previous year. Major industrial segments namely, manufacturing, construction and utilities grew at 2%, 3% and 4% respectively. The IIP (Index of Industrial Production) grew by 8.4%, Inflation has remained under check below 4 percent for most of the year as stated in the economic survey 2018 with a broad-based decline in inflation across major commodity groups except housing and fuel. However, with the oil prices showing an increasing trend, the RBI inflation forecasts for H1 and H2 2018-19 are between 5.1 to 5.6% and 4.5 to 4.6% respectively which has already led to 2 interest rate hikes by RBI in as many months. Factors leading to increased inflation include increase in minimum support prices for agricultural produce, rising crude prices as well as improving growth rates.

There were some tail winds during the year in the form of GDP growth at 6.7%, continued government thrust in infrastructure and road construction and proliferation of logistics activities following GST implementation.

It is heartening to report that your Company was able to significantly improve its total revenue in FY18 with a growth of 14% over the previous year (growth of 22% after adjusting the excise duty in the previous year to make it comparable with the post-GST regime). Operating profit before exceptions recorded a phenomenal increase of 125% despite the challenging business environment, especially the increase in prices of raw material, as well as higher manpower costs and fierce competition from new and established Competitors. Despite the challenges, your Company has been successful in sustaining and growing market share across segments without sacrificing profitability on the back of the efforts of the last few years to strengthen the Company through the strategic emphasis on operational efficiency as well as placing renewed focus on both the Kennametal and WIDIA brand products to better leverage all possible opportunities for growth in the cutting tool market.

For the future, it is encouraging to note that the green shoots of economic growth resulting from the many transformational actions of the Government are gradually beginning to yield results. The process of formalizing the economy is well under way with the transformational Goods and Services Tax (GST) showing signs of stabilizing during the year. Similarly, a good beginning has been made in addressing the long pending problem of bad loans and stressed assets by enacting the Insolvency and Bankruptcy Code (IBC) under which the major stressed companies are being referred

for resolution while simultaneously implementing a major recapitalization package to strengthen the balance sheet of the major public-sector banks.

The Monsoon is also expected to be near normal this year, in most parts of the country, which along with the higher minimum support prices for farm produce announced by the Government is expected to boost rural income and lead to good rural demand especially for tractors and transport equipment. This should augur well for your company since your Company's products are substantially used in transportation, general engineering, aerospace & defense, energy, power generation equipment, earthworks, mining & construction sectors. Our expectation is that any revival of the investment and manufacturing activities in both the public and private sectors would yield significant opportunities for growth for your Company in FY19 and beyond.

The sustained economic recovery in the global markets is another positive development while the risk of high global oil prices and the protectionist trends sweeping through the leading economies has started casting a shadow on the prospects of sustaining the recovery in global trade. Along with the significant investments by the Government in infrastructure, the expectation of revival of the private sector investment cycle offers hope for an uptick in manufacturing activities, especially in infrastructure, defense and aerospace sectors under the Make in India initiative which would result in the overall growth of the economy.

The Operating structure of your Company, involving dual brands in metal cutting tools business independently competing in the market has begun yielding positive results and is being driven more forcefully to make the Company more agile and competitive in the marketplace. As part of this effort your Company has initiated steps for incorporation of a Wholly-owned subsidiary for sale of "WIDIA" brand products. Your Company continues to localize tooling products and make capital investments to meet the quality standard and demand, both at domestic and international levels.

Your Company is continuously monitoring the market and pro-actively taking various steps to increase its market share through new and cost-effective products. We are also expanding the distribution channel network to cover all regions across the country for all the brands.

Your Company has been continuously evaluating the need for capacity expansion and pro-actively making substantial investments to address the growing needs of the domestic and export markets.

Your Company places the highest value on good Corporate Governance practices, compliances and proactively enables proper Board oversight, management reporting and maximum shareholder involvement. Other essential values which define Kennametal are our commitment to Safety and Ethics as well as to ensuring sustainable development while integrating economic, health, safety and environmental aspects into each of the business decisions.

The emphasis on Corporate Social Responsibility is increasing by the day and your Company's efforts in this area continue to be focused on the

three primary categories that have been established for CSR activities with an emphasis on. Support for Education, Kennametal in the Community and Protecting Our Planet.

During FY18, your Company focused on the areas of Education, Health and Environment to create measurable and lasting value for neighboring communities. Your Company sponsored the installation of rain water harvesting structure, solar water heaters, mosquito screens at "Nisarga Grama", a home for underprivileged children, particularly girls. Your Company has also expanded the coverage of the India Literacy Project aimed at improving the quality of education in Government Schools in the Company's neighborhood, to some more schools during the year under review. In addition, your Company is also providing support for Secondary and Post-Secondary Educational opportunities by means of scholarships to deserving candidates.

On behalf of the Board of Directors, I would like to extend my special thanks to all Kennametal employees for their tireless efforts, relentless focus on customers, unwavering commitment and teamwork which brought the success of the previous years and seek their continuing commitment and hard work in reaching our goals in future.

I would also be remiss in my duty if I did not acknowledge the contribution of our loyal customers, distribution partners, vendors, shareholders and bankers in our growth and success.

I would like to record our special thanks to the unionized employees who have extended support to us in the various initiatives taken by the Company for meeting the safety, quality and delivery requirements.

Finally, I would like to convey my heartfelt gratitude to my esteemed colleagues on the Board for their valuable contributions in making our organization successful by providing timely advice and guidance. I wish the entire Kennametal team continued success in the years to come and seek the support of all stakeholders in our quest to make Kennametal a truly great institution.

Thank you.

Prakash M. Telang

Chairman

DIN: 00012562

BOARD'S REPORT

Your Directors are pleased to present the 53rd Annual Report and the Audited Financial Statements for the financial year ended June 30, 2018.

Financial Results

(₹ in Lakhs)

| Particulars | Financial Year ended 30-Jun-18 | *Financial Year ended 30-Jun-17 |
|--|-----------------------------------|------------------------------------|
| Total Revenue | 80148 | 70183 |
| Profit before exceptional items and tax | 8070 | 3586 |
| Add/Less-Exceptional Items Income/(Expense) | (770) | (550) |
| Profit after exceptional items and before Tax | 7300 | 3036 |
| Less: provision for tax | | |
| Current tax | 2044 | 795 |
| Minimum alternate tax (MAT) entitlement | | |
| Tax adjustment relating to earlier years | (460) | - |
| Deferred tax (credit)/charge | 490 | (196) |
| Profit after Tax | 5226 | 2437 |
| Other comprehensive income for the year, net of tax | (206) | 1 |
| Total comprehensive income for the year | 5020 | 2438 |
| Add: balance brought forward from previous year | 22268 | 20359 |
| Total available for appropriation | 27288 | 22797 |
| Interim dividend | (440) | (440) |
| Dividend distribution tax | (90) | (89) |
| Balance transferred to Balance Sheet | 26758 | 22268 |

* The previous period figures have been regrouped and/or reclassified wherever necessary to confirm with the current period presentation in compliance with Ind AS requirement.

DIVIDEND AND RESERVES

An interim dividend of ₹2/- per Equity Share of ₹10/- each (20% on the Paid-up Share Capital of the Company) was declared by the Board for the financial year ended June 30, 2018 and May 21, 2018 was fixed as Record Date for the said purpose. The said Interim Dividend was paid on May 28, 2018. The Board of Directors has decided to treat the same as Final Dividend and therefore, no additional Dividend is recommended for the financial year ended June 30, 2018.

The Company has not transferred any amounts to reserves for the financial year ended June 30, 2018.

The Paid-up Share Capital of the Company is ₹219782400/- divided into 21978240 Equity Shares of ₹10/- each.

OPERATING RESULTS

Profit before Exceptional items and Tax was ₹8070/- Lakhs as compared to ₹3586/- Lakhs in the previous financial year. The Company's performance for the year has shown substantial improvement in comparison with the previous year.

Your Company does not have any subsidiaries.

CHANGES IN SHARE CAPITAL

There were no changes in the Share Capital of the Company during the financial year.

Capital Structure of the Company

The Authorized Share Capital of the Company as on date is ₹219782400 (Rupees Twenty One Crores Ninety Seven Lakhs Eighty Two Thousand and Four hundred only) divided into 21978240 (Two Crores Nineteen Lakhs Seventy Eight Thousand Two Hundred and Forty only) Equity Shares of ₹10/- (Rupees Ten only) each.

The Issued, Subscribed and Paid up Share Capital of the Company as on date is ₹219782400 (Rupees Twenty One Crores Ninety Seven Lakhs Eighty Two Thousand and Four Hundred only) divided into 21978240 (Two Crores Nineteen Lakhs Seventy Eight Thousand Two Hundred and Forty only) Equity Shares of ₹10/- (Rupees Ten only) each.

Disclosure regarding Issue of Equity Shares with Differential Voting Rights

During the financial year under review, the Company has not issued Shares with Differential Voting Rights.

Disclosure regarding issue of Employee Stock Options

During the financial year under review, the Company has not issued Employee Stock Options.

Disclosure regarding issue of Sweat Equity Shares

During the financial year under review, the Company has not issued Sweat Equity Shares.

Disclosure regarding Buy Back of Shares

During the financial year under review, the Company has not done Buy Back of Shares.

MATERIAL CHANGES AND COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

During FY18, the total revenue of the Company was ₹80148/- Lakhs compared with ₹70183/- Lakhs in the previous financial year.

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

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Shareholders at the 52nd Annual General Meeting held on November 7, 2017 approved the appointment of Mr. Alexander Broetz (DIN: 07568713) filling the casual vacancy caused by the resignation of Mr. John H. Jacko Jr. He retires by rotation and being eligible, offers himself for re-appointment as Director liable to retire by rotation in the ensuing Annual General Meeting. Your Directors recommend the same for your approval. A notice has been received from a member along with the prescribed deposit of ₹1 Lakh proposing his appointment as a Director at the ensuing Annual General Meeting of the Company.

The Board at its Meeting held on August 23, 2018 has also approved the appointment of Mr. D Parameswara Reddy (DIN: 03450016) to fill the casual vacancy caused by the resignation of Mr. David Lee (DIN: 07175442). Your Directors recommend the same for your approval. A notice has been received from a member along with the prescribed deposit of ₹1 Lakh proposing his appointment as a Director at the ensuing Annual General Meeting of the Company. Your Directors take this opportunity to place on record the Board's appreciation for the valuable contribution of Mr. David Lee during his term as Director of the Company.

Declarations from the Independent Directors

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

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

A brief profile of the Directors being appointed / re-appointed as required under Regulation 36(3) of SEBI (LODR) Regulations, 2015 is furnished along with the Notice convening 53rd Annual General Meeting.

DIRECTORS' INTERESTS

No Director was materially interested in any contracts or arrangements existing during or at the end of the year in relation to the business of the Company; however, Mr. David Lee, Mr. Alexander Broetz,

Mr. D. Parameswar Reddy and Ms. Colleen Wood Cordova, being Nominees of Kennametal Inc. on the Board of the Company may be deemed to be interested in some of the contracts with Related Parties though not personally. No Director holds any shares in the Company as on June 30, 2018 except Mr. Prakash M. Telang, Chairman & Non-Executive Independent Director, who holds 2,000 Equity Shares of ₹10/- each, Mr. B. Anjani Kumar, Non-Executive Independent Director, who holds 10 Equity Shares of ₹10/- each and Mr. Bhagya Chandra Rao, Managing Director, who holds 300 Equity Shares of ₹10/- each in the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the Statutory Auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee and Risk Management Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the FY18.

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

- the applicable accounting standards have been followed in the preparation of the financial statements, along with proper explanations relating to material departures, if any;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2018 and of the profit of the Company for the year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis;
- they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DEPOSITS

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The details of Loans and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the Notes to the Financial Statements forming part of Annual Report. The Company has not provided any loans and guarantees during the Financial Year.

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

During the financial year under review, there were no significant and

material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its future operations.

EVALUATION OF THE BOARD'S PERFORMANCE

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

FAMILIARIZATION PROGRAMME

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

The Board of Directors has complete access to the information within the Company. Presentations are regularly made to the Board of Directors and all Committees of the Board on various matters, where Directors get an opportunity to interact with Senior Management. Presentations made by the Senior Management of the Company, *inter alia*, cover the Company's strategy, business model, operations, markets, organization structure, product offerings, finance, risk management framework, quarterly and annual results, human resources, technology, quality and such other areas as may arise from time to time.

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

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

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE CODE OF CONDUCT

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

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

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

CEO/CFO CERTIFICATE

A Certificate from the Chief Executive Officer and the Chief Financial Officer dated August 23, 2018 on the Financial Statements and the Cash Flow Statement of the Company for the financial year ended June 30, 2018 is annexed as "Annexure IIB" and forms part of this report.

WHISTLE BLOWER POLICY/VIGIL MECHANISM

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

The Kennametal Ethics Helpline

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

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

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

AUDITORS & REPORT OF STATUTORY AUDITORS

As per the provisions of Section 139 of the Companies Act, 2013 read with the Rules made there under, no Listed Company and such other Companies as prescribed under the Companies Act, 2013 can appoint or re-appoint any audit firm as Auditors for more than two terms of five consecutive years.

In view of the same, the Company has appointed Messrs Walker Chandio & Co. LLP, Chartered Accountants (FRN: 001076N/N500013) who were appointed as Statutory Auditors at the 52nd Annual General Meeting held on November 07, 2017 for a period of 5 (Five) years to hold the office until the conclusion of 57th Annual General Meeting.