

Kennametal India Limited

CIN: L27109KA1964PLC001546

51st Annual Report ***FY16***



INDUSTRIAL

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
Mr. Alexander Broetz
Ms. Colleen Wood Cordova

Key Managerial Personnel

Mr. Bhagya Chandra Rao
Managing Director & CEO

Mr. K.V. Suresh Reddy
Chief Financial Officer

Mr. Kundan Kumar Lal
*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

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

Bankers

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

Registrar & Share Transfer Agent

Integrated Enterprises (India) Limited
30, 'Ramana Residency'
4th Cross, Sampige Road
Malleswaram, Bengaluru-560 003
Phone : + 91 (80) 23460815-818
Fax : + 91 (80) 23460819
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Contents	Page No.
Chairman's Message	02
Board's Report	04
Management Discussion & Analysis Report	12
Report on Corporate Governance	18
Annexure III to IX to the Board's Report	34
Independent Auditors' Report	56
Balance Sheet	64
Statement Profit and Loss	65
Cash Flow Statement	66
Notes to financial Statements	68

51st Annual General Meeting

Monday, November 14, 2016 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,

On behalf of the Board, it is our pleasure to present to you the 51st Annual Report and Audited Financial statements of Kennametal India Limited for the Financial year ended June 30, 2016.

In the face of a challenging economic environment, your Company was able to hold on to its total revenue with a marginal growth in FY16 despite the slowdown in international and domestic markets. However, the operating profit dropped by 23% due to challenging business environment and increase in manpower costs. Your company is closely monitoring the operating expenses and will take decisive steps to control the operating costs and working capital and improve the cash flows.

The data on national income released in May 2016 by the Central Statistical Organisation of the Government of India anticipated real GDP growth of 7.6% for 2015-16 up from 7.2% in the previous year. While still short of the 8% growth that India needs to achieve, on a steady state basis, this will be a creditable achievement given the challenging global economic scenario. Indeed, there have been early signs of an up-tick in both industrial and consumer demand. If the monsoons are as good as the meteorological forecast suggests, then the country ought to expect higher GDP growth in 2016-17.

The Government's recent initiatives such as Ease of Doing Business and 'SKILL INDIA' - a multi-skill development programme for promoting manufacturing sector augurs well for the economy. "Make in India" initiative aims a significantly higher order value capture in the Indian economy, creation of jobs, maximising revenue and enabling sustainable development. The Government has taken many initiatives for growth of the Country's economy such as setting-up of National Investment and Infrastructure Fund (NIIF), announcement of New Aviation Policy 2016 and implementation of GST. Also, the Ministry of Road Transport and Highways, and Shipping, has announced the Government's target of ₹ 25 Trillion investments in infrastructure over a period of three years. The transport and engineering sectors have shown overall growth in June quarter which will have positive impact on the industries.

Your Company serves to industries sectors such as transportation, general engineering, aerospace & defense, energy, power generation equipment, earthworks, mining & construction, and we believe that the aforesaid initiatives taken by the Government provide a range of opportunity for growth to your Company. With the process changes underway, we expect FY17 to be better year than the previous year.

In order to take advantage of the growth opportunities of WIDIA brand, Kennametal Inc. implemented a new operating structure at the start of fiscal 2017. A key attribute of the new structure is the focused approach on the WIDIA brand products. In order to better leverage the opportunities that lie in this business, in addition to being more agile and competitive in the marketplace, we are placing higher levels of focus, determination and leadership in the business. Your Company has planned to localize some of the tooling products and make capital investment 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 include and increase its share through new and cost effective products that will enable us to speed with the market. It would also help the Company in increasing export volume. We are also expanding the distribution channel network to cover all regions across the country for all the brands.

As a Company, we are committed to following best practices for good Corporate Governance and always strive to achieve an optimum level of shareholder involvement, board oversight and management reporting within the proper governance principles.

Your Company is committed to sustainable development that involves integrating economic health, safety and environmental aspects into our business decisions. Safety and Ethics are non-negotiable at Kennametal. Continuous drive to operate safely and responsibly, sets Kennametal apart.

Corporate Social Responsibility continues to be an important part in the activities of your Company. Three primary categories have been established for CSR activities which include the support of Secondary and Post-Secondary Educational opportunities with an emphasis on studies in the areas of technical engineering, Kennametal in the Community and Protecting Our Planet.

During FY16, in line with the previous year, your Company focused in the areas of Education, Health and Water Management to create measurable and lasting value for neighboring communities. Your Company has adopted a project “Nisarga Gram” which is being executed by Sparsha Trust for building a home for underprivileged children more specifically for girls and provided laboratory to nearby School for better education.

Your Company initiated in the neighborhoods cleanliness drive during Swachhata Pakhwada conducted by the Government of India in the month of June 2016. Majority of the employees of the Company volunteered in this activity. Swatchh Bharat Pledge, Awareness Sessions on waste management including E-waste were part of this drive.

On behalf of the Board of Directors, I would like to thank the employees for their aspiration, focus on customers, hard work, commitment and teamwork. I also place, on record, our sincere appreciation to the customers, distribution Partners, Vendors, Shareholders and Bankers for their continued support.

I would like to place special thanks to the unionized employees who supported us in various initiatives taken by the Company for meeting the quality and delivery requirements.

I thank the members of the Board, for their continued guidance in making our organization successful in every sphere. I wish the entire Kennametal team great success in their pursuit of excellence and in their journey for the growth of the Company.

Thank you,

Prakash M.Telang

Chairman

DIN:00012562

BOARD'S REPORT

Your Directors are pleased to present the 51st Annual Report and the Audited Financial Statements for the year ended June 30, 2016 (FY16).

FINANCIAL RESULTS

(₹ in Lakhs)

Particulars	FY16 Year ended June 30, 2016	FY15 Year ended June 30, 2015
Total Revenue	57919	57579
Profit before Tax	3071	3994
Add/Less-Exceptional items Income/(Expense)	-	647
Profit After Exceptional Items and Before Tax	3071	4641
Less: Provision for Tax		
Current Tax	1085	1581
Tax provision relating to earlier years	67	-
Deferred Tax (credit)/charge	(155)	(292)
Profit after Tax	2074	3352
Add: Balance brought forward from previous year	19072	16249
Total available for appropriation	21146	19601
Interim Dividend	(440)	(440)
Dividend Distribution Tax	(89)	(89)
Balance transferred to Balance Sheet	20617	19072

DIVIDEND & RESERVES

An interim dividend of ₹ 2/- per Equity Share of ₹ 10/- each (20% on the paid up capital of the Company) was declared by the Board for the financial year ended June 30, 2016 and May 20, 2016 was fixed as Record Date for the said purpose. The said interim dividend was paid on May 26, 2016. The Board of Directors has decided to treat the same as final dividend and therefore, no additional dividend is recommended for the year ended June 30, 2016.

The Company has not transferred any amounts to reserves for the year ended June 30, 2016.

The paid up share capital of the Company is ₹ 21,97,82,400/- divided into 2,19,78,240 equity shares of ₹ 10/- each. Your Company has not come out with any issue (public, rights or preferential) during the Financial Year.

OPERATING RESULTS

Your Company registered total revenue of ₹ 57919 Lakhs during FY16 with Sales and Other Income compared with ₹ 57579 Lakhs in the previous year.

Profit before Tax and before Exceptional items was ₹ 3071 Lakhs as compared to ₹ 3994 Lakhs in the previous year. The Company's performance for the year has not improved due to lack of growth in the industry segment and market where the Company serves. Stagnant sales, adverse product mix and annual wage increase impacted the current year profitability. The profitability declined despite various measures taken by your Company to curtail/minimize expenses.

Your Company does not have any subsidiaries.

MATERIAL CHANGES AND COMMITMENTS

There has been no material change and commitment, 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

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

DIRECTORS & KEY MANAGERIAL PERSONNEL

Mr. David Lee (DIN:07175442) was appointed on May 05, 2015 as a Non-Executive Director, due to casual vacancy caused by the resignation of Mr. Gerald Goubau on the same day. He is eligible for 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.

Mr. John H. Jacko Jr. (DIN: 06945511) resigned as Director with effect from August 09, 2016. Your Directors place on record their appreciation for the valuable contributions made by him to the Company during his tenure as Director.

The Board at its meeting held on August 09, 2016 approved the appointment of **Mr. Alexander Broetz (DIN:07568713)** filling the casual vacancy caused by the resignation of Mr. John H. Jacko Jr.

Profile of Mr. Alexander Broetz

Mr. Alexander Broetz is currently the Vice President of Kennametal Inc. and President of WIDIA. In this role, he is responsible for managing all business activities related to the WIDIA Business Segment.

He is associated with Kennametal Group for more than 10 years and has held several leadership positions like Director, Industrial Sales-EMEA for Kennametal Europe GmbH, Director of Widia as EMEA Development of a standalone sales organization in EMEA for WIDIA brand and development of a channel partner network.

Prior to joining Kennametal Inc., he served various organizations and handled various roles as President in Broevision Inc. and Director, Sales & Marketing in Tyrolit North America Inc. He has over 18 years of experience in the field of Sales and Marketing, General Management and Leadership.

Mr. Broetz holds a General Management Diploma and Certificate in Effective Management from St. Galler Business School, Switzerland.

Ms. Michelle R. Keating (DIN: 06721693) resigned as Director with effect from August 09, 2016. Your Directors place on record their appreciation for the valuable contributions made by her to the Company during her tenure as Director.

The Board at its meeting held on August 09, 2016 approved the appointment of **Ms. Colleen Wood Cordova (DIN:07568701)** filling the casual vacancy caused by the resignation of Ms. Keating.

Profile of Ms. Colleen Wood Cordova

Ms. Colleen Cordova is currently Vice President Global Heavy Industries, Industrial at Kennametal Inc. In the past years she has held various positions including Vice President and GM, North America Commercial Operations, Vice President of Global Product Management and Industrial Marketing, Vice President of Marketing EMEA and Vice President of Energy Infrastructure. She joined as a President of Conforma Clad, Division of Kennametal Inc. in the year 2006.

Prior to joining Kennametal Inc. she served with various organizations and handled various roles as Vice President- Marketing and GM of Toxicology in Gene Logic, as GM-Adsorbents in W.R. Grace and as Market Segment Leader in Allied Signal Inc. She has over 27 years of enriched experience in the fields of Sales and Marketing and General Management and makes time to mentor female employees in the Kennametal organization.

Ms. Cordova holds a Master of Science in Chemical Engineering from Virginia Polytechnic Institute and State University and also holds a Master of Business Administration (MBA) in International Marketing from University of Richmond-Robins School of Business.

She is also an Advisory Board Member on the Product Management Executive Board established by Sequent Learning Networks, United States and a recipient of the 2013 Woman in Manufacturing STEP Award presented by the Society of Manufacturing Engineers and the Manufacturing Institute.

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 Director being appointed / re-appointed as required under Regulation 36(3) of SEBI

(LODR) Regulations, 2015 is furnished along with the Notice convening 51st Annual General Meeting.

Mr. D. Parameswara Reddy ceased to be Chief Financial Officer (CFO) with effect from February 17, 2016, due to elevation to the role of Director - Finance Region in Kennametal Group Companies and Mr. K. V. Suresh Reddy was appointed as Chief Financial Officer of the Company with effect from June 15, 2016.

DIRECTORS' INTEREST

No Director was materially interested in any contracts or arrangements existing during or end of the period in relation to the business of the Company. No Director holds any shares in the Company as on June 30, 2016 except Mr. B. Anjani Kumar, Non-Executive Independent Director, who holds 10 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 FY16.

Accordingly, pursuant to 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, 2016 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 year, your Company has not invited/accepted any Public Deposits under 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. During the year, your Company has granted unsecured loan to Kennametal Shared Services Private Limited, a fellow Subsidiary. The Company has not provided any guarantees during the Financial Year.

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

During the 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 the 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 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 judgment, 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 programme 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 our 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 year, the Management provided various documents, background notes, presentations etc. to have a better insight of the Company. On February 04, 2016, the Management arranged a session on Corporate Governance which was facilitated through Mr. J. Sundharesan, Practising Company Secretary.

The Company also issues an appointment letter to the Independent Directors which incorporates their role, duties and responsibilities.

CORPORATE GOVERNANCE

Pursuant to Regulation 34 (3) read with Schedule V(c) of the SEBI (LODR) Regulations, 2015, a report on Corporate Governance and the certificate as required under Schedule V (E) of the Listing Regulations from Mr. Vijayakrishna K T, Practising Company Secretary, regarding compliance of conditions of Corporate Governance are 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 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 http://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 09, 2016 on the financial statements and the cash flow statement of the Company for the financial year ended June 30, 2016 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 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 at its meeting. 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.

The Kennametal Ethics Helpline

Anyone 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 & AUDITORS' REPORT

STATUTORY AUDITORS:

Messrs. Price Waterhouse & Co. Bangalore LLP, Chartered Accountants (FRN:007567S/S-200012) were appointed as Statutory Auditors at the Annual General Meeting held on November 04, 2014 for a period of 3 (three) years from conclusion of forty-ninth annual general meeting until the conclusion of fifty-second annual general meeting, subject to ratification at every annual general meeting of the Company. The Board recommends the ratification of their continuation as Auditors. The Company has received a confirmation from the Statutory Auditors to the effect that they would be eligible for such continuation.

The Independent Auditors' Report to the Members on the Accounts of the Company for the year ended June 30, 2016 does not contain any qualification, reservation or adverse remarks. The notes on financial statements referred to in the Independent Auditors' Report are self-explanatory and do not call for any further comments.

REPORTING OF FRAUDS

There was no instance of fraud during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or the Board, as required under Section 143(12) of the Act and Rules framed thereunder.

SECRETARIAL AUDITOR

Mr. Vijayakrishna K. T., Practising Company Secretary (FCS 1788) carried out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2015-16 and submitted his report, which is annexed to this report as “**Annexure IV**”.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

COST AUDITORS

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors of the Company upon recommendation of the Audit Committee has appointed Messrs. K. S. Kamalakara & Co., Cost Accountants (Firm Registration No: 0000296), as the Cost Auditors of the Company for the financial year 2016-17. As required under Section 148 of the Companies Act, 2013, the Shareholders' approval for the remuneration payable to Messrs. K. S. Kamalakara & Co., Cost Auditors is being sought at the ensuing Annual General Meeting.

INTERNAL FINANCIAL CONTROL

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report which is annexed as “**Annexure I**” and which forms part of this Report.

CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

Pursuant to Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (LODR) Regulations, 2015, the Related Party Transactions (RPTs) that were entered into during the financial year were on arm's length basis and in the ordinary course of business. Further, there are no material related party transactions during the year under review with the Directors or Key Managerial Personnel. All related party transactions are placed before the Audit Committee and the Board for approval as applicable under Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (LODR) Regulations, 2015.

The policy on RPTs as approved by the Board is uploaded on the Company's website at the link <http://www.kennametal.com/content/dam/kennametal/kennametal/hil/About%20Us/Company%20Profile/KIL%20Related%20Party%20Transactions%20Policy%2005052015%20.pdf>

The Particulars on RPTs in AOC 2 is annexed to the Report as “**Annexure V**”.

PARTICULARS OF DISCLOSURES AS REQUIRED UNDER SECTION 197 OF THE COMPANIES ACT, 2013

Pursuant to Section 197(12) of the Companies Act,

2013 read with Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, the ratio of the remuneration of each Director to the median employee's remuneration for the financial year and such other details as prescribed are set out in the "Annexure VI".

A statement showing details of employees of the Company throughout the year and employees employed for part of the year who were in receipt of remuneration of ₹ 102 Lakhs or more per annum/ ₹ 8.5 Lakhs or more per month is annexed herewith as "Annexure VII".

Prevention of Sexual Harassment

Your Company has an Internal Complaints Committee as required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

There was no complaint lodged by any employee to the Internal Complaint Committee or Ethics helpline under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, with the Company during the period under report.

INSURANCE

Your Company has sufficient insurance coverage on all its assets. They are renewed on time.

RESEARCH & DEVELOPMENT (R & D)

The Research, Development and Engineering (RD&E), department of the Company works on new Products and Process Developments with specific focus on materials, coatings and design.

RD&E, Bengaluru works on the market requirements in terms of new products, custom solutions, cost saving projects and basic research. It is also recognized by the Ministry of Science & Technology-Department of Scientific and Industrial Research-Government of India.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

Environmental, Health, and Safety (EHS) are fundamentals to your Company's business and its ability to **Deliver The Promise** to all the stakeholders, including its employees, customers, shareholders, and the public. Everyday, employees are empowered to demonstrate Kennametal EHS commitment by striving for:

100% Safe-pursuing a goal of zero injuries, illnesses,

and incidents by living the belief that all are preventable. Your Company is pursuing the goal of zero incidents through senior leader ownership of safety, preventative actions and processes, and by establishing leadership roles for employees in safety.

Protecting Our Planet - providing sustainable solutions by reducing the total environmental impact of our products and operations. Your Company has been working towards protecting our planet by continuously improving the management of energy and natural resources, promoting recycling and recovery of materials, and preventing pollution. Among other things, the following EHS activities/improvements were undertaken during the year:

Safety Performance:

- 63% reduction in Total Incident rate (TIR) compared to FY15.
- Zero DART incidents.
- A total 3,100 hours were spent on EHS training by employees of your Company.
- 12 Health Awareness programme was conducted covering 438 man-hours to create awareness and improve good health of the employees of the Company.
- 614 Find and Fix actions were implemented through employee involvement which helped in eliminating hazards, provide a safe working environment and ensure 100% compliance.
- Annual medical examination of employees was conducted to maintain good health.
- Your Company continued to monitor the hazardous and non-hazardous waste, according to waste stream and disposal route, with performance assessed on the basis of waste intensity.

To minimise risk and further improve safe working environment through the Hazard identification and Risk assessment tool, the following EHS Improvements were completed in FY16:

- Your Company continued the Management Based Safety (MBS) programme, a standard global safety process that has been the cornerstone of great improvement in safety culture.
- A Risk Finder Tool and an improved Daily Safety

Checklist are designed to strengthen every employee's ability to identify, document and eliminate hazards at their workplace.

- In General Stores, a scissor lift with movement is procured which will help to directly unload the Carbide rods box from the vehicle and move to the store. This has helped to eliminate Bending and Twisting and back injury.
- Industrial Hygiene Monitoring carried out to assess the exposure level to prevent occupational health hazards.
- Laser Radiation Hazard – Installed fully enclosed laser marking machine to minimise the risk from Class 4 laser to Class 2 laser.

Fire Safety

- Sprinkler system was installed in Production unit I to minimize the fire risk and property damage.
- Fire Escape Hydrants (FEH) installed in Office building for upper floors.

Hydrogen Cylinder Storage area:

- Installed Hydrogen gas sensors to alert any gas leakage and take quick action to avoid any Safety or Fire hazard .
- Fire Detection and alarm system installed for identified area based on the fire audit.

EHS Management System

- Designed and Developed EHS info site a web based application which provides flexible Solution to manage EHS. It provides automotive solutions to drive continual safety performance improvement with user-friendly interface. One platform to support and control all EHS process.

Loss Prevention Survey

- Fire and Associated Perils audit was conducted by an external agency to improve fire safety program.
- Thermography survey conducted for electrical system by an external agency to minimize the electrical fire hazards.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pursuant to Section 134(3)(o) of the Companies Act, 2013 and rules made thereunder, the Corporate Social

Responsibility policy of the Company and initiatives undertaken by the Company on CSR activities during the year ended June 30, 2016 are set out in “**Annexure VIII**” to this report in the format prescribed under the Companies (Corporate Social Responsibility Policy) rules, 2014.

PERSONNEL / INDUSTRIAL RELATIONS

During the year under review, your Company maintained cordial industrial relations at all levels. Your Directors record their appreciation for employees' contribution.

RISK MANAGEMENT

Enterprise Risk Management (ERM) at the Company is driven by the Risk Management Committee and Board of Directors through its routine oversight responsibilities. The Management team plays a primary role in identification, monitoring and minimizing risks as also to identify business opportunities and threats. As a process, the risk associated with the business is identified and prioritized based on severity, occurrence and effectiveness of detection. The Risks are being reviewed by the Management team periodically and reported to the Risk Committee bi-annually for their review. The department leaders have the responsibility to monitor and implement the ERM framework approved by the Risk Management Committee.

The Company has formulated a Risk Management Charter and a mechanism to inform the Risk Management Committee of the Board about risk assessment. The detailed Risk Management mechanism is provided in the Management Discussion and Analysis (MD&A) Report.

The Risk Management Committee is constituted with the Directors and senior executives as its members. Mr. Prakash M. Telang is the Chairman of the Committee.

As an established practice, the Board of Directors are being updated on risks identification and steps taken to mitigate the same. Risk Management Charter is uploaded on the Company's website at the link <http://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Risk%20management%20committee%20charter.pdf>

LISTING AGREEMENT

The Company has entered into new/ revised Listing Agreement with BSE Limited, in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

DISCLOSURES UNDER THE COMPANIES ACT, 2013**Extract of the Annual Return**

An extract of the annual return as per Form MGT - 9 is enclosed in “**Annexure IX**” to the Board’s report.

Number of Board Meetings

The Board of Directors met five times during FY16. The details of the Board meetings and the attendance of the Directors are provided in the Corporate Governance Report.

Committees of Board of Directors

Details of memberships and attendance of various committee meetings of the Company are given in Corporate Governance Report.

GREEN INITIATIVES

Electronic copies of the Annual Report and the notice of the Fifty-first AGM are being sent to all such Members whose e-mail addresses are registered with the Company/ its Registrar and Transfer Agent.

To the other Members physical copies of the Annual Report and Notice of the Fifty-first AGM are being sent through the permitted modes of dispatch. However, Members who have received the said documents in electronic mode but seek physical copies of the same, can send their requests to the Company Secretary. The remote e-voting facility is being provided to the Members to enable them to cast their votes electronically on all resolutions set forth in the notice, pursuant to Section 108 of the Companies Act, 2013 read with Companies (Management and Administration) Amendment Rules, 2015. The instructions for the remote e-voting are provided in the notice.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support and assistance received from customers, investors, business associates, bankers, vendors, regulatory and governmental authorities. Your Directors also wish to place on record their gratitude to the Members for their continued trust, confidence and express its sincere appreciation to all employees for their teamwork and contributions during the year.

**For and on behalf of the Board of Directors of
Kennametal India Limited**

**Bengaluru
August 09, 2016**

Prakash M. Telang
Chairman
DIN: 00012562

MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. Industry Structure and Developments, Opportunities and Threats

Your Company is engaged in providing innovative wear resistant solutions across diverse sectors like transportation, earthworks, energy, infrastructure and aerospace. Kennametal solutions are built around industry-essential technology platforms, including precision-engineered metalworking tools and components, surface technologies and earth cutting tools that are mission-critical to customer operations battling extreme conditions associated with wear fatigue, corrosion and high temperatures. The Company's reputation for material and industrial technology excellence, as well as expertise and innovation in development of custom solutions and services, contributes to its leading position in its primary industrial and infrastructure markets. End users of the Company's products include manufacturers, metalworking suppliers, machinery operators and processors engaged in a diverse array of industries.

Our product offering includes a wide selection of standard and customized technologies for metalworking, such as sophisticated metal cutting tools, tooling systems and services, as well as advanced, high-performance materials, such as cemented tungsten carbide products, super alloys, coatings and investment castings to address customer demands. We offer these products through a variety of channels to meet customer-specified needs.

Your Company specializes in developing and manufacturing metalworking tools and wear-resistant engineered components and coatings using a specialized type of powder metallurgy. Metalworking tools are made of cemented tungsten carbides, ceramics, cermets and super-hard materials. Company also manufactures and markets a complete line of tool holders, tool-holding systems and rotary-cutting tools by machining and fabricating steel bars and other metal alloys. In addition, Company produces specialized compacts and metallurgical powders, as well as products made from tungsten carbide or other hard materials that are used for custom-engineered and challenging applications, including mining and highway construction, among others.

The Indian Economy continues to be challenging though various visible steps have been taken by the Central Government in order to improve the economic conditions in the country. The GDP grew at 7.6% in 2015-16 and was marginally better than prior year of 7.3%. IIP (Index for Industrial production) which is the barometer for manufacturing activity in the country has not been strong in the last few years. Minimal growth puts a blockage for capacity expansions at manufacturing OEM's and Tier-I industry which adversely affected the Machine Tool business during the year. The passenger vehicle market has shown gradual growth compared to the previous year. Medium and Heavy commercial vehicles (M&HCV) registered a double digit growth in current year which helped to recover the business partially despite the steep decrease in production volume for tractors industry and the oil and gas sector. The Indian Rupee has been ranging between ₹ 63-68 levels during the year and stabilized in the range of ₹ 66-67 levels during the last couple of months. Due to the challenging global economic environment and the slowdown in China, most of the commodity prices have shown a declining trend in international metal markets.

While the sentiment on the Indian economy continues to be optimistic there is a need to be realistic in terms of the government's ability to deliver on economic recovery. With approvals coming through on GST and other key reforms like increased government investment on infrastructure projects (including formation of SMART cities), modernization of Railways, increase of FDI in Aerospace and the defense sector, Make in India, focus on skill development and Digital India initiatives, newer opportunities for growth or likely to open up in the years to come.

2. Operations

Your Company was able to hold on to its total revenue with a marginal growth year over year despite the slowdown in international and domestic markets. However, the operating profit dropped by 23% due to the challenging business environment and increase in manpower costs. Your Company continues to leverage the dual brand strategy

Annexure I to the Board's Report

(i.e Kennametal & Widia) put in place in cutting tool market. In order to take advantage of the growth opportunities of WIDIA brand, Kennametal Inc. implemented a new operating structure at the start of fiscal 2017. A key attribute of the new structure is focused approach on the WIDIA brand products. Your Company now has two strong brands competing in the market and gaining share. The distributor network has been strengthened during the year and the focus is on continuing to enhance it further. New growth opportunities are opening up for Railways, Aerospace and Defense sectors. The focus is on deploying resources around growing existing and newer markets. Your Company continues to leverage the initiatives started in earlier years such as NOVO, Productivity optimization, Component specific solutions and D2C (direct delivery to customers of imported products).

As stated in our last Annual report, the initiatives taken to increase exports (including exploring the overseas market for Machine Tool business) has started yielding results and in this direction your Company is pleased to inform you that during the year export sales have grown by 17% year over year.

To grow in this difficult market, your Company is continuously focused on development of new products and initiatives to bring operational effectiveness as well as cost optimization and become competitive in the market place.

Few of them are worth noting:

Power purchase from exchange

Your Company has entered into an agreement with Indian Electricity Exchange (IEX) through an Independent Power Trader registered with the IEX for purchase of electricity through a bidding mechanism. Under this agreement, the sellers would be selling the surplus electricity generated by them to the buyers across India through a computerized platform. Through this initiative during the year, your Company has saved ₹ 139 Lakhs in Electricity costs.

Investments in augmentation of Capacity & Productivity

Your Company has augmented the production capacity in business areas which are growing currently and also positioned itself to meet the market demand in near term by investing ₹ 4346

lakhs in Plant & Machinery and expansion of Factory Building, during the year.

Regionalization of manufacturing activities

During the year, new regionalization initiatives linked with some of the capacity enhancement investments as mentioned above were undertaken to manufacture some of the product groups locally which were earlier imported. This would result in cost benefit and improved margins. The benefits with respect to this initiative will be realized in the coming years.

Launch of new product range

During the year, your Company launched a range of new products as "INNOVATIONS" for Kennametal brand.

The sales from such new products launched over the last five years today constitute 33% of current year Hard Metal Product sales.

3. Segment-wise performance/reporting

Your Company's business has been categorized into two broad segments in line with Accounting Standard 17 – Segment Reporting. The primary segments and secondary segments have been categorized based on the nature of the products and services offered by your Company and the business risks associated with the above products /services in markets served.

The primary segments for financial reporting continue to be :

- (i) Hard Metal Products
- (ii) Machine Tools / Machining Solution Group (MSG)

Apart from the primary business segments, the secondary segmental reporting is on the basis of the geographical locations of the customers viz. domestic and international. Common allocable costs are allotted to each segment to the extent of services utilized and activities involved.

4. Company's Outlook

For fiscal year 2017, your Company's outlook reflects ongoing market uncertainties in the capital goods market. However, with good monsoons your Company expects the tractor segment to have a double digit growth and a moderate growth expected in M&HCV and passenger vehicles.

Annexure I to the Board's Report

Considering the fact that there is not much leverage from economy, the management continues to focus around customer specific initiatives and focus on development of new products to drive the growth. Profitability improvement will remain a key focus area for FY17.

The declining trend in metal prices during FY16 has now halted and your Company see a gradual increase in the global metal prices. This trend is expected to continue for few more quarters. To mitigate this risk your Company is taking initiatives to improve the product market realizations. Your Company could also see some pressure on profitability on account of annual wage increases and the on going wage settlement with the unionized workforce.

5. Internal control systems and their adequacy

An elaborate and clear process has been put in place to ensure that your Company has appropriate and sufficient controls for efficient and effective conduct of business. The approach is broadly around three phases:

1. Identify and review the process universe
2. Assess each process's inherent risks
3. Define the frequency of evaluation and audit, keeping in view past findings and risks identified in phase 2. While deriving the frequency the high risk processes are covered every year and every process at least once in three years.

Further to the implementation of Internal control framework as per The Companies Act, 2013, an exhaustive testing on internal financial controls system over financial reporting (covering all the process) has been carried out by Management as well as Statutory Auditors. The Statutory Auditors have opined that your Company has, in all material respects, an adequate internal financial controls system over financial reporting and such controls were operating effectively during the year.

6. Risks and Concerns

Your Company has put in place an elaborate Enterprise Risk Management process wherein the risks faced by it are identified under four categories i.e Strategic Risks, Operating risks,

Reporting risks and Compliance risks. The risks and the actions to mitigate these risks are presented to the Risk Management Committee of the Board for its review and guidance twice in a year.

The Risk Management mechanism covers strategy to identify, assess, monitor and manage risks as applicable to the Company across each function. Policies and directions, where applicable, are in line with Kennametal Inc., (ultimate holding Company) and based on internationally accepted standards or best practices. These policies are evaluated periodically to be in line with changing developments and global best practices. Senior Management Team reports directly to the Managing Director and is responsible for identifying, defining risk and listing mitigation actions.

Quarterly Reporting and Certification by all Functional Heads ensure timely compliance of all Statutory and other applicable Laws. Independent processes such as internal audits, secretarial audit, quality audits and environmental compliance helps in identifying and mitigating financial and non-financial risks.

Significant Risks such as Slow Economic Recovery, Aggressive pricing and competition from Asian players are mitigated through focus on export Markets and continued localization efforts and cost control measures.

7. Financial performance

Your Company has delivered a sale of ₹ 57029 Lakhs in FY16.

Your Company delivered an Earnings Before Interest and Tax (EBIT) of ₹ 3171 Lakhs (excluding the divestiture loss of ₹ 100 Lakhs) which is down by 20% year over year. Stagnant sales, adverse product mix and higher employee costs (annual wage increase) impacted the current year profitability. The profitability of hard metals remains flat at 9% whereas Machine tools business dropped from 19% in FY15 to 8% in FY16. The drop in Machine tools business profitability is due to lower volume (due to depressed capital goods market) and lower price realizations from end market.

Your Company continues to maintain optimized working capital deployment into the business. The primary working capital as a % to sales went

Annexure I to the Board's Report

upto 20% in FY16 from 17% in FY15. This is mainly due to the strategic buildup of inventory on certain items to serve the end customer swiftly and to address export markets. DSO (Days of Sales Outstanding) has gone up from 58 days in prior year to 62 days in FY16 due to stringent liquidity position in market especially with direct key customers and OEM's. Your Company continues to have clean receivables and no incremental provisions for doubtful debts was required to be made during the year. Return on Capital Employed (without cash and bank balances) dropped during the year to 10% from 15% in FY15. Net operational cash flow generated during the year was ₹ 1767 Lakhs compared to ₹ 6070 Lakhs in FY15. This significant decline in the operating cash flows is mainly due to lower profitability, and adverse movement in working capital.

Your Company has been able to reward the share owners with a dividend of 20% and remain a debt free Company in FY16 as well. Your Company will strive to continue the prudence in financial management in forthcoming years as well.

8. Material Developments in Human Resources and Industrial Relations

A focus on performance is paramount to the success of any company. A strong performance culture is vital to leverage the full potential of our employees and achieve profitable growth. Your Company competes in challenging times and it needs to adapt in the best interest of it and all of its stakeholders. It is therefore imperative to have a highly motivated and competent employees to ensure that your Company is able to "Deliver the Promise" to its customers and ensure it adapts to the volatile & uncertain market situations quickly.

All the Human Resource Processes are focused towards attracting, developing, and retaining talent so as to drive high levels of employee engagement and ensuring a Performance driven culture.

Highlights for FY 16:

During the year, your Company also embarked on the HR Functional Excellence path. Kennametal's HR Team initiated and started implementing a number of projects through the year, which include technology upgrades, process improvements and

vendor partnerships, that will result in efficient, user-friendly applications and benchmarked best-practice services in the near future.

The "HR Transformation" process was not only to Standardize and Streamline processes, but also to incorporate best practices.

In Kennametal group, your Company was the first to "Go Live" successfully on the new time & attendance system. Your Company also automated / enhanced the payroll process to a technology which is intuitive and accessible, through a Global vendor partner.

Further, your Company has started moving its Human Resources Information System (HRIS) to Success Factors "One Team" module, which is a very user-friendly self-service tool and accessible at work, at home and on mobile devices. This will also empower Managers to access HR related information at all times.

Over the next 18 months, your Company will build this core by adding Goal Management, Talent Development & HR Analytics

Your Company continued to focus on driving a Performance Culture through its Performance Management System. In this regard, your Company also rolled out a simplified Performance Planning & Management process. The new process has been designed to help focus employees on fewer goals in a quarter, thus enabling better execution of Organization goals. It also mandates quarterly reviews & provides a format for open discussions and encourages dialogue on performance objectives and desired behaviors. The process brings in a lot of flexibility and is also designed to address the volatility of the markets, thus helping employees focus on the right priorities in each quarter.

- Your Company worked actively to attract and retain talented people and continued with the hiring strategy of having a Talent Pipeline for key front-line positions. Your Company's Internal Job Posting process has also ensured that it is able to tap and groom talent within the Organization. The focus was to ensure that the Lead times are within agreed limits and ensure Business continuity.

Annexure I to the Board's Report

- Building a Strong Knowledgeable and Technical Work force is an important part of your Company's growth strategy. It is critical to have all required key resources trained and competent to support our customers. The HR& Knowledge center function conducted 35 events through the year across locations, covering 950 participants including Sales teams, Distributor Engineers and End-customers. This was apart from the onsite events conducted at Aequs, Belgaum, ZF Wind power Coimbatore, Field Gun Factory, Kanpur, BHEL Haridwar, Bajaj Auto Aurangabad & M&M Mohali.
- Your Company has Leadership programs for managers at different levels, based on the Business strategy and its leadership model. During the year, your Company conducted a Supervisor Development Program, a Transforming Leaders Program for its Frontline & Mid-level Managers and a program on Distributor Management and Solution Selling for the Sales teams. These programs are aimed at developing the innate ability of the employees to develop themselves better as an individual and as a professional, thereby enabling them to drive a performance driven culture in the Organization.
- The Current Wage Contract has expired on June 30, 2015. Memorandum of Settlement for the

period effective from July 01, 2015 is referred to the Conciliation Officer and Management expects the Union would come forward to sign the settlement.

The total number of persons employed in your Company as on June 30, 2016 was 831.

Cautionary Statement

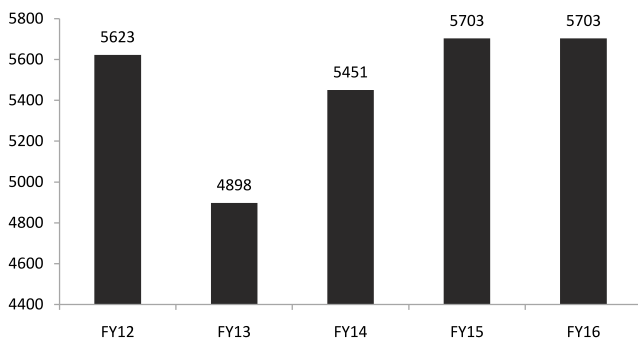
The information and opinion in this section consists of certain forward-looking statements, which the management believes to be true to the best of its knowledge at the time of its presentation based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.

The information contained herein may not be disclosed, reproduced, or used in whole or in part for any purpose or furnished to any other person(s) without the express prior written permission of the Company.

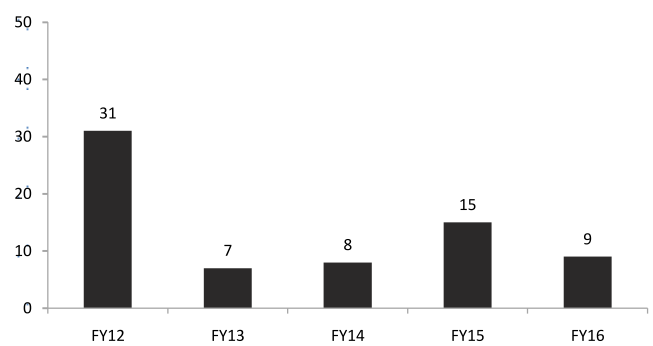
Annexure I to the Board's Report

FIVE YEAR CHARTS FOR KEY FINANCIAL INDICATORS

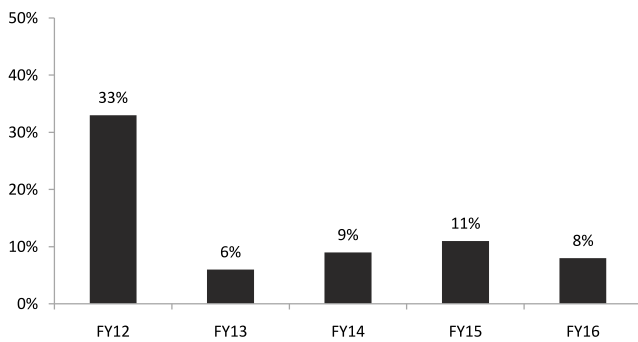
Net Sales (₹ in million)



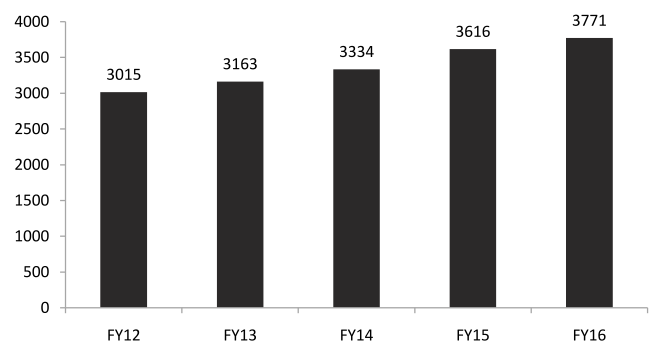
Earning Per Share (EPS) in ₹



Return On Capital Employed(ROCE) in percentage



Net worth (₹ in million)



Annexure II to the Board's Report

REPORT ON CORPORATE GOVERNANCE**Company's Philosophy on Code of Governance**

Your Company's philosophy is based on a belief that good Corporate Governance helps to enhance Stakeholders' value by focusing on long-term Stakeholder value creation without compromising on integrity, social obligations and regulatory compliances. The Company's Management firmly believes that good Corporate Governance should be internally driven and not be looked upon just as an issue of compliance dictated by statutory requirements. Your Company has complied with the mandatory and non-mandatory requirements relating to Corporate Governance prescribed under Clause 49 of the Listing Agreement with the Stock Exchange and also with the SEBI [Listing Obligations and Disclosure Requirements (LODR)] Regulations, 2015 after the same became applicable, as detailed below:

I. Composition of the Board of Directors

The Board of Directors has 7 members (as on June 30, 2016), including the Managing Director and 6 Non-Executive Directors including a Woman Director who bring in a wide range of skills and experience to the Board. The Company has a Non-Executive Chairman and the number of Independent Directors is more than one-third of the total number of Directors. Chairman is neither a Promoter of the Company nor is he related to any Promoter or person occupying Management positions at the Board level or at one level below the Board as defined under Regulation 17(1)(b) of the Listing Regulations, 2015. Thus, the composition of the Board is in conformity with the provisions of the Companies Act, 2013 and the Listing Regulations, 2015.

Table I: Particulars of Directorships, Memberships of Board Committees and attendance at meetings:

Name of the Director	Other Directorships held*	Board Committees+ (in other companies)		Attendance @	
		Chairman	Member	Board Meetings	Last AGM
Non-Executive, Independent Directors					
Mr. Prakash M. Telang <i>Chairman</i>	8	4	2	4	Yes
Mr. Vinayak K. Deshpande	5	1	1	4	Yes
Mr. B. Anjani Kumar <i>Managing Director</i>	3	-	1	5	Yes
Mr. Bhagya Chandra Rao <i>Non-Executive Directors</i>	1	-	-	5	Yes
Mr. John H. Jacko	-	-	-	3	Yes
Mr. David Lee	-	-	-	5	Yes
Ms. Michelle R. Keating	-	-	-	1	Yes

Mr. John H. Jacko, Ms. Michelle R. Keating and Mr. David Lee are the Nominees of Kennametal Inc., the Foreign Promoter. No sitting fees is paid to Non-Executive Non Independent Directors.

* Excluding office of Alternate Directors, non-profit associations, private & foreign companies.

+ Only the Audit and Stakeholders Relationship Committees are considered.

Annexure II to the Board's Report

None of the Directors is a Director in more than ten (10) Public Limited Companies or act as an Independent Director in more than seven (7) Listed Companies. Further, none of the Directors of the Board serve as a member of more than ten(10) committees or act as Chairman of more than five(5) Committees across all Public Limited Companies. There is no relationship amongst Directors *inter-se*.

As per the provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement, the Company had issued a formal letter of appointment to all the Independent Directors of the Company. The terms of appointment has also been disclosed on the website of the Company http://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/terms_conditions_appointment_indep_Directors.pdf

The Independent Directors are familiarized with the Company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model etc. The familiarization document is also disclosed on the website of the Company at http://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Familiarization_Program_for_Independent_Directors_2015.pdf

As required, a brief profile and other particulars of the Director seeking appointment/re-appointment is given in the Notice convening the 51st Annual General Meeting.

Number of Board Meetings held during the period along with the dates of the meetings:

During the year under review, five meetings of the Board of Directors were held on the following dates:

August 21, 2015, November 09, 2015, February 04, 2016, May 06, 2016 and June 21, 2016.

During the year, a separate meeting of the Independent Directors was held on February 04, 2016 without the attendance of non-independent Directors and members of the Management.

Compliance with the Code of Conduct and Ethics:

The Company has adopted the "KIL Code of Conduct and Ethics for Board Members and its Senior Management" and has framed a Whistle Blower Policy

aimed at better Corporate Governance and continued Vigil Mechanism which is available on the Company web link <http://www.kennametal.com/hi/about-us/kil-financials.html> or www.kennametal.com/kennametalindia/

In accordance with SEBI (Prevention and Prohibition of Insider Trading) Code, 2015, the Company has formulated the "KIL Code of Conduct for Regulating, Monitoring and Reporting of Trading in Securities by Employees and Other Connected Persons" which is available on the Company website www.kennametal.com/kennametalindia

The Company has adopted a Code of Internal Procedures and Conduct for Prevention of Insider Trading.

2. Audit Committee

The Audit Committee has the powers, role and terms of reference as per SEBI (LODR) Regulations, 2015 read with Section 177 of the Companies Act, 2013. The Company has setup a qualified and independent Audit Committee and the terms of reference of the Audit Committee are set out below:

1. The Audit Committee shall have minimum three Directors as members. Two-thirds of the members of the Audit Committee shall be Independent Directors.
2. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
3. The Chairman of the Audit Committee shall be an independent Director;
4. The Chairman of the Audit Committee shall be present at the Annual General Meeting to answer shareholder queries;
5. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Chief Financial Officer (CFO), the Internal Auditors and a representative of the Statutory Auditors may be present as invitees for the meetings of the Audit Committee;

Annexure II to the Board's Report

6. The Company Secretary shall act as the Secretary to the committee.
7. The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

Powers of the Audit Committee:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of Audit Committee

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management

- d. Significant adjustments made in the financial statements arising out of audit findings
- e. Compliance with listing and other legal requirements relating to financial statements
- f. Disclosure of any related party transactions
- g. Qualifications in the draft audit report
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up there on;
15. Reviewing the findings of any internal investigations by the internal auditors into

Annexure II to the Board's Report

matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower mechanism;
19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.
6. Statement of deviation:
 - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
 - b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

Composition and details of the Audit Committee Meeting during the financial year

As on June 30, 2016, the Audit Committee consists of three (3) Non-executive Independent Directors and all of them have financial and accounting knowledge. The members of the Committee are (i) Mr. B. Anjani Kumar, Chairman of the Committee (ii) Mr. Prakash M. Telang and (iii) Mr. Vinayak K. Deshpande.

The particulars of the members and their attendance at the meetings during the year under review are provided in Table 2.

Table 2: Particulars of the Audit Committee of Directors and their attendance at meetings:

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. B. Anjani Kumar Chairman, Non-Executive, Independent	5	5
Mr. Vinayak K. Deshpande Non-Executive, Independent	5	4
Mr. Prakash M. Telang Non-Executive, Independent	5	4

During the period under review, five meetings of the Audit Committee of Directors were held on the following dates: August 21, 2015, November 09, 2015, February 03, 2016, May 06, 2016 and June 21, 2016.

The Chief Financial Officer (CFO), Internal Auditors and the Statutory Auditors were invited to attend the meetings of the Audit Committee.

The Company Secretary is the Secretary to the Audit Committee.

3. Nomination and Remuneration Committee

In compliance with Section 178 of the Companies Act, 2013 and the Listing Regulations, the Board had formed the "Nomination and Remuneration Committee" of Directors. The terms of reference of the Committee *inter alia*, the following:

- I. The Committee shall comprise of at least three Directors;

Annexure II to the Board's Report

2. All Directors of the Committee shall be non-executive Directors and at least fifty percent of the Directors shall be Independent Directors.
3. The Chairman of the Committee shall be an Independent Director as may be elected by the members of the Committee.

The Nomination and Remuneration Committee has the following objectives:

- i. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- ii. Formulation of criteria for evaluation of Independent Directors and the Board.
- iii. Devising a policy on Board diversity.
- iv. Produce the Committee's report on the remuneration policy and evaluation criteria to be included in the Annual report of the Company.
- v. Identifying persons who are qualified to become Directors and who may be appointed in senior management roles in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.
- vi. whether to extend or continue the term of appointment of the independent Director, on the basis of the report of performance evaluation of independent Directors.

Remuneration Policy:

1. Policy relating to the Remuneration for the Whole-time Director, KMP, and Senior Management Personnel

General:

- a) The remuneration / compensation / performance pay/ Variable pay etc. of the Managing/Whole-time Director, KMP and Senior Management Personnel will be recommended by the Committee to the Board for approval. The remuneration / compensation / commission etc. of Directors shall be subject to the prior/post approval of the Shareholders of the Company

and Central Government, wherever required and within the limit permitted under the Companies Act, 2013 and rules made thereunder.

- b) The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Remuneration should be:
 - Market competitive
 - Driven by the role played by the individual
 - Reflective of the size of the Company, complexity of the industry in which it operates
 - Consistent with recognized best practices
 - Aligned to the regulatory requirements, if any.
- c) The Committee may recommend increments to the existing remuneration/ compensation structure to the Board which should be within the limit approved by the Shareholders in the case of Managing Director.
- d) Where any Director and officers liability (D&O) insurance is taken by the Company on behalf of its Directors, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

2. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

- a) Annual Guaranteed Cash/Fixed Remuneration and Performance Pay:

The Managing Director/Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the Annual Guaranteed Cash comprising of Basic Salary, Housing Allowance, Special allowance, LTA, Medical allowance and quantum of perquisites including, employer's contribution to PF, pension scheme,

Annexure II to the Board's Report

medical expenses, club fees and performance/Variable pay etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the Shareholders and Central Government, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing/Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

Statutory requirements:

- Section 197(1) of the Companies Act, 2013 provides for the total managerial remuneration payable by the Company to its Directors, including Managing Director and Whole time Director, and its Manager in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act.
- The Company may with the approval of the Shareholders authorise the payment of remuneration up to five percent of the net profits of the Company to its anyone Managing Director/Whole Time Director/Manager and ten percent in case of more than one such official.

c) Provisions for excess remuneration:

If any Managing/Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

3. Remuneration to Non- Executive / Independent Director:

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the provisions of the Companies Act, 2013 and rules made thereunder.

b) Sitting Fees:

The Independent/Non-Executive Directors may receive remuneration by way of fees for attending meetings of the Board or Committee thereof as approved by the Board. Provided that the amount of such fees shall not exceed the amount prescribed under the Companies Act, 2013 and rules/regulations/notification applicable thereunder.

c) Commission:

The Company may pay Commission to Independent Directors within the limit approved by shareholders and subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

d) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company or its promoter's company.

e) In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/Board Committee meetings, general meetings, court convened meetings, site visits, induction and training (as permitted by the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015) and obtaining professional advice from independent advisors in furtherance of his/her duties as Director.

Performance Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals (yearly) as

Annexure II to the Board's Report

per the performance management system of the Company.

Performance Evaluation Criteria

1. The NRC Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
2. A person should possess adequate qualifications, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether the qualifications, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
4. The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Remuneration should be:
 - Market competitive
 - Driven by role played by the individual
 - Reflective of size of the Company, complexity of the industry in which it operates
 - Consistent with recognized best practices
 - Aligned to the regulatory requirements, if any.

Board Diversity:

The Company believes that a diverse board will enhance the decision making ability of the Board by utilizing the different skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of services, and other distinguishing qualities of the members of the Board. Diversity will be considered in determining the optimum composition of the Board, and all appointments will be based on merit, having due regard to the overall effectiveness of the Board.

The Committee is responsible for reviewing and assessing the composition of the Board and will make recommendations to the Board on the appointment of new Directors. The Committee will also review the

structure, size and diversity of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's objectives and strategy.

The Nomination and Remuneration policy, Performance Evaluation and Policy on Board Diversity are available on the website of the Company weblink <http://www.kennametal.com/hi/about-us/kil-financials.html> or www.kennametal.com/kennametalindia

Composition and details of the Nomination and Remuneration Committee meeting during the financial year:

As on June 30, 2016, the Nomination and Remuneration Committee of the Company consists of three (3) Non-executive Directors. The members of the Committee are (i) Mr. Vinayak K. Deshpande, Chairman of the Committee (ii) Mr. B. Anjani Kumar and (iii) Ms. Michelle R. Keating.

The Committee met on August 20, 2015, September 15, 2015, February 03, 2016 and May 05, 2016 respectively during the year under review and the attendance of the members at the said meeting is provided in **Table 3**.

Table 3: Particulars of the Nomination and Remuneration Committee of Directors and their attendance at the meeting:

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. Vinayak K. Deshpande Chairman, Non-Executive, Independent	4	4
Mr. B. Anjani Kumar Non-Executive, Independent	4	4
Ms. Michelle R. Keating Non-Executive	4	Nil

4. Directors' remuneration

Remuneration paid to Directors for the year under review is provided in Table 4 and 5.

Table 4: Remuneration paid to Managing Director in respect of financial year 2015-2016.

Managing Director	Amount (₹ in Lakhs)*
Mr. Bhagya Chandra Rao	164.99

*includes salary, fixed allowance, housing, leave travel

Annexure II to the Board's Report

allowance, contribution to retiral benefits, etc. It also includes Stock options of ₹17.94 Lakhs granted by Kennametal Inc., (the ultimate holding company) and reimbursement of Medical Expenses of ₹5.16 Lakhs during the year. The appointment is for a period of five years from September 17, 2012 to September 16, 2017 terminable with a notice period of three months or such notice as may be mutually determined as per the agreement dated September 17, 2012. Performance pay is based on the results achieved against the targets and certain performance criteria as set out by the Board.

Table 5: Remuneration paid / payable to Non Whole-time Directors for the year under review:

Non-whole time Directors	Commission (₹in Lakhs)*	Sitting Fees (₹in Lakhs)
Mr. Prakash M. Telang	13.2	4.15
Mr. Vinayak K. Deshpande	6.6	4.60
Mr. B. Anjani Kumar	9.2	6.10
Mr. John H. Jacko	NIL	NIL
Mr. David Lee	NIL	NIL
Ms. Michelle R. Keating	NIL	NIL

* Payable in FY17

The criteria for determination of commission to Non-Executive Independent and Non-Independent Directors as approved by the Board, includes attendance at the meetings of the Board / Board Committees, Chairmanship of the Board / Committees of the Board, individual responsibilities and additional contribution to the Company.

The Company presently has no Employee Stock Option Plan.

5. Stakeholders' Relationship Committee

In compliance with the provisions of Section 178(5) of the Companies Act, 2013 and the provisions of the Listing Regulations, 2015 the Board had formed the "Stakeholders' Relationship Committee".

The terms of Reference/Role/Powers of the Committee are as under:

- 1) To look into matters connected with the redressal of grievances of shareholders, debenture holders and other security holders including complaints related to transfer of shares, non-receipt of Annual Report and non-receipt of declared dividends.

- 2) To oversee the performance of the Company's Registrar and Transfer Agents, recommend methods to upgrade the standard of services to Investors
- 3) To carry out any other function as is referred by the Board from time to time or enforced by any statutory notification / amendment or modification as may be applicable.

Composition and details of the Stakeholders Relationship Committee meeting during the financial year

The Board of Directors at its meeting held on February 04, 2016 co-opted Mr. B. Anjani Kumar as the Member of the Committee and reconstituted the Stakeholders Relationship Committee to comprise (a) Mr. Prakash M. Telang, Chairman (b) Mr. Bhagya Chandra Rao and (c) Mr. B. Anjani Kumar.

Mr. Kundan K. Lal, Company Secretary is the Compliance Officer of the Company.

During the year under review, three meetings of the Committee were held on November 09, 2015, February 04, 2016 and May 06, 2016 respectively. The particulars of the members and their attendance at the meetings are provided in **Table 6**.

Table 6: Particulars of The Stakeholders' Relationship Committee

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. Prakash M. Telang Chairman, Non-Executive, Independent	3	3
Mr. Bhagya Chandra Rao Managing Director	3	3
Mr. B. Anjani Kumar ¹ Non-Executive, Independent	3	1

¹Appointed as a member of the Committee with effect from February 04, 2016

During the year under review, the Company has not received any complaints.

Annexure II to the Board's Report

Share Transfer Committee

The Share Transfer Committee deals with matters relating to transfers/transmissions/ transposition/ consolidation/deletion of name/issue of share certificates in exchange for sub-divided/ consolidated/defaced share certificates/issue of duplicate share certificates, re-materialization of shares, etc.

The Board of Directors at its meeting held on May 06, 2016 co-opted Mr. B. Anjani Kumar as the member of the Committee and reconstituted the Committee to comprise (a) Mr. Bhagya Chandra Rao (b) Mr. B. Anjani Kumar and (c) Mr. Kundan K. Lal . Mr. D. Parameswara Reddy ceased to be the member of the Committee with effect from February 17, 2016. During the year, 11 meetings of the said Committee were held. The Minutes of the Share Transfer Committee Meetings were tabled and noted at the Board Meetings.

6. Corporate Social Responsibility Committee

The Board has constituted a Corporate Social Responsibility Committee (CSR) which shall formulate and recommend to the Board, a Corporate Social Responsibility Policy in terms of Schedule VII of the Companies Act, 2013; recommend the amount of expenditure to be incurred on the CSR activities; review the Corporate Social Responsibility Policy of the Company from time to time; and to act in terms of any consequent statutory modification(s)/amendment(s)/ revision(s) to any of the applicable provisions to the said Committee.

As on June 30, 2016, the Corporate Social Responsibility Committee was consisting of (i) Mr. Bhagya Chandra Rao, Chairman (ii) Mr. Prakash M. Telang (iii) Mr. B. Anjani Kumar and (iv) Mr. John H. Jacko Jr.

The Committee met on August 20, 2015 and February 03, 2016 during the year under review and the attendance of the members at the said meeting is provided in **Table 7**.

Table 7: Particulars of the Corporate Social Responsibility Committee of Directors

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. Bhagya Chandra Rao Chairman, Managing Director	2	2
Mr. Prakash M. Telang Non-Executive, Independent	2	1
Mr. B. Anjani Kumar Non-Executive, Independent	2	2
Mr. John H. Jacko Non-Executive	2	1

The Corporate Social Responsibility Policy is also disclosed on the website of the Company at http://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/KMT-India_corp_social_responsibility_policy.pdf

7. Risk Management Committee

The Committee met on August 20, 2015 and February 03, 2016 during the year under review and the attendance of the members at the said meeting is provided in **Table 8**.

Table 8: Particulars of the Risk Management Committee:

Name of the Committee Members	Number of meetings held	Number of meetings attended
Mr. Prakash M. Telang Chairman, Non-Executive, Independent	2	1
Mr. Bhagya Chandra Rao Managing Director	2	2
Mr. B. Anjani Kumar Non-Executive, Independent	2	2
Mr. D. Parameswara Reddy Member	2	2
Mr. Bhaskara Rao M. N. Member	2	2

* Mr. D. Parameswara Reddy ceased to be the member with effect from February 17, 2016

Annexure II to the Board's Report

8. General Meetings

Date & time	Location	Special Resolutions passed
48th AGM November 05, 2013 11.30 AM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	Approval of the remuneration paid to erstwhile Managing Director Mr. Santanoo Medhi
49th AGM November 04, 2014 12.00 Noon	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	Approval of material Related Party Transaction as per Clause 49 (VII) of the revised Listing Agreement with Kennametal Inc. and Kennametal Europe GmbH
50th AGM November 09, 2015 12.30 PM	Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073	None

9. Disclosures

- The Company has adopted a policy for determination of materiality for disclosure of Events or Information and a policy for preservation of documents and archival in accordance with SEBI (LODR) Regulations, 2015.
- The Company has in place a Code of Conduct applicable to the Board of Directors as well as the Senior Management. The Managing Director has confirmed and declared that all the members of the Board and Senior Management personnel have affirmed compliance with the Code of Conduct for the year 2015-2016.
- Mr. B. Anjani Kumar, Director holds 10 Equity Shares in the Company. No other Director holds any shares in the Company.
- No penalties were imposed or strictures passed on the Company by BSE Limited, SEBI or any statutory authority on any matter relating to capital markets during the last three years
- All the Equity Shares of your Company are listed.
- The Company places the requisite information about related party transactions before the Audit Committee from time to time. Please refer to Notes on Accounts for materially significant related party transactions. None of the said transactions were potentially in conflict with the interest of the Company at large.
- There has been no accounting treatment different from that prescribed in the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) or as notified under the Companies Act.
- The Company being a part of Kennametal Group ("the group") complies with the whistle blower policy of the group which is applicable to all employees of the group.
- The Senior Management personnel have declared to the Board of Directors that none of them or their relatives had any material, financial, commercial transactions that were potentially in conflict with the interests of the Company.
- The Managing Director and Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of the SEBI (LODR) Regulations, 2015 for the year ended June 30, 2016.
- The Company does not have any subsidiaries.
- The Company has not made any capital issues during the year ended June 30, 2016.
- The Company has complied with all the mandatory requirements of the Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

Annexure II to the Board's Report

Adoption of non-mandatory requirements

i) Shareholder Rights

The Company's quarterly and half-yearly financial results including summary of the significant events are published in the newspapers and the results were also uploaded on the Company's website. Therefore, no individual intimations were sent to the Shareholders. However, based on the requests from Shareholders, if any, the Company would provide them individually.

ii) Audit qualifications

There are no qualifications/ unmodified audit opinion in the Auditors' Report on the Accounts for the year ended June 30, 2016.

iii) Separate posts of the Chairman and the CEO

The Company has appointed separate persons to the post of the Chairman and the CEO.

iv) Reporting of Internal Auditor

The Internal Auditor / Audit Firm report directly to the Audit Committee.

10. Means of Communication

- a. Quarterly / half-yearly / annual financial results of the Company are uploaded on the BSE Listing Centre immediately after the Board Meetings so as to enable hosting the same on their website and the results were also published in Financial Express (English) and Sanjevani (Kannada) newspapers within 48 hours from the conclusion of the Board Meetings.

The Company had a Schedule of Analyst call with Infina Finance Pvt. Limited on May 19, 2016 to discuss published financials of the Company. However, the Company has not made any presentations to the Institutional Investors or to the Analysts.

- b. As per the SEBI (LODR) Regulations, 2015, the requisite details of the Company in terms of Regulation 46 are maintained on the website viz. www.kennametal.com/kennametalindia or <http://www.kennametal.com/hi/about-us/kil-financials.html>
- c. Management Discussion and Analysis Report is annexed to the Board's Report.

General shareholder information

Annual General Meeting:

The 51st Annual General Meeting of the Company is scheduled to be held on November 14, 2016 at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bengaluru – 560073.

Book Closure:

The Register of Members and share transfer books will remain closed from November 08, 2016 to November 14, 2016 (both days inclusive).

Table 9: Financial calendar for the year 2016-17.

Event	Month (tentative)
Un-audited results for the quarter ending September 30, 2016	November, 2016
Un-audited results for the quarter ending December 31, 2016	January / February, 2017
Un-audited results for the quarter ending March 31, 2017	April / May, 2017
Audited results for the year ending June 30, 2017	July / August, 2017

Stock Exchange:

The equity shares of the Company are listed with BSE Limited, Mumbai. (scrip code : 505890) and the listing fee has been paid for the year 2016-2017.

Annual Custody / Issuer Charges:

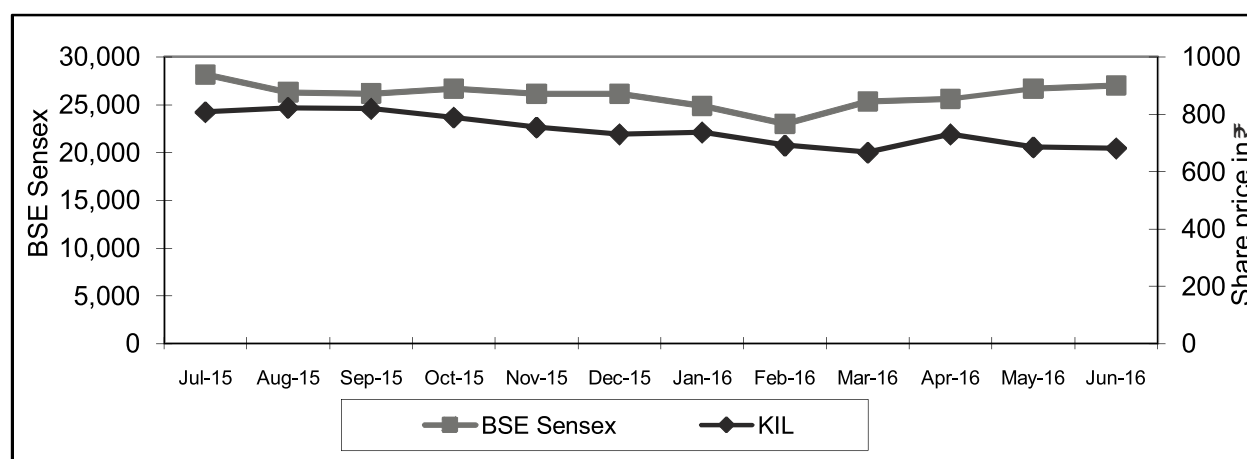
The Company has paid the Annual Custody / Issuer charges for the financial year 2016-17 to NSDL and CDSL.

Annexure II to the Board's Report

Table 10: Market Price Data - High/Low on BSE, during each month of the period under review

Month & Year	High (₹)	Low (₹)
July, 2015	850.00	750.00
August, 2015	923.50	762.25
September, 2015	849.00	765.25
October, 2015	837.75	720.00
November, 2015	807.00	725.00
December, 2015	774.00	715.00
January, 2016	752.00	675.25
February, 2016	745.00	651.50
March, 2016	719.00	652.00
April, 2016	745.00	660.00
May, 2016	775.25	670.00
June, 2016	713.00	656.00

Source: Website of the BSE Limited - www.bseindia.com

Table 11 : Share price performance in comparison with BSE Sensex*

*Based on BSE Sensex (close) / share price (close) on the last trading day of the month.

Share Transfer Agents

Works related to both physical / demat shares are handled by Integrated Enterprises (India) Limited as common Share Transfer Agent. All correspondence relating to share transfer, change of the address for shares held in physical form and dematerialization of shares etc. are to be addressed to Integrated Enterprises (India) Limited, No.30, "Ramana Residency", 4th Cross, Sampige Road, Malleswaram, Bengaluru - 560003, Phone: 080 - 23460815 to 818. Fax: 080 - 23460819. E-mail: irg@integratedindia.in

Annexure II to the Board's Report

Share transfer system

The authority relating to transfer/transmission/dematerialization of shares has been delegated to a Share Transfer Committee. The Committee meets fortnightly or as often as may be necessary to ensure that the transfer process is completed without any delay.

Additionally, an Independent Practising Company Secretary undertakes audit and scrutiny of the system quarterly and furnishes requisite reports / certificates which are submitted to the Stock Exchange subsequently.

Table 12: Pattern of shareholding as on June 30, 2016:

Category	No. of shares	Percentage (%)
Promoters		
Meturit AG. - 11,208,840	16,483,680	75.00
Kennametal Inc. - 5,274,840		
Public		
Mutual Funds	3322572	15.12
Financial Institutions/Banks	1040	0.005
Bodies Corporate	--	--
Individuals & others	2170948	9.88
Total	21,978,240	100.00

Dematerialization of shares

The Company's shares are admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL] and the ISIN allotted for the equity shares of the Company is INE717A01029.

98.77% of the equity shares of the Company are held in demat form as on June 30, 2016.

There are no outstanding GDRs / ADRs / Warrants or any other convertible instruments.

Table 13: Distribution of shares as on June 30, 2016

No. of shares	No. of shareholders	Shares held	% to Total
Upto 5000	5698	1289535	5.87
5,001 to 10,000	42	291538	1.33
10,001 to 20,000	26	358688	1.63
20,001 to 30,000	4	98799	0.45
30,001 to 40,000	0	0	0
40,001 to 50,000	1	42593	0.19
51,001 to 100,000	3	208306	0.95
100,001 and above	8	19688781	89.58
Total	5782	21978240	100.00

Annexure II to the Board's Report

Plant location

Kennametal India Limited
(CIN:L27109KA1964PLC001546)
8/9th Mile, Tumkur Road,
Bengaluru - 560 073
Karnataka, India

Address for correspondence

For all matters relating to shares, demat, remat, annual report, etc.

Integrated Enterprises (India) Limited

Unit: Kennametal India Limited
No. 30, "Ramana Residency", 4th Cross,
Sampige Road, Malleswaram,
Bengaluru - 560 003
Phone : 080 - 23460815 to 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,
Bengaluru - 560 073
Karnataka, India
Phone: 080-28394321 and 080-22918345
Fax: 080 28397572

e-mail: in.investorrelation@kennametal.com

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

Annexure II to the Board's Report

**CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF
CORPORATE GOVERNANCE AS REQUIRED UNDER CLAUSE 49 OF THE
LISTING AGREEMENT AND THE SEBI (LODR) REGULATIONS, 2015:**

To
**The Members of
Kennametal India Limited**
Bangalore

I have examined all the relevant records of Kennametal India Limited ('the Company') for the purpose of certifying the compliances of the conditions of Corporate Governance by the Company for the year ended 30th June, 2016 as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges for the period July 1, 2015 to November 30, 2015 and in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations') for the period December 1, 2015 to June 30, 2016.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement / the Listing Regulations.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place : Bangalore
Date : 09-08-2016

Vijayakrishna K T
Practising Company Secretary
FCS-1788 & CP-980

Annexure IIA to the Board's Report

**MD CERTIFICATION
(Code of Conduct for Directors and Senior Management)**

To
**The Members of
Kennametal India Limited**

I hereby confirm that all the Members of the Board of Directors and the Senior Management of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended June 30, 2016.

For Kennametal India Limited

Bengaluru
August 09, 2016

Bhagya Chandra Rao
Managing Director
DIN:00211127

Annexure IIB to the Board's Report

**CHIEF EXECUTIVE OFFICER (CEO) AND
CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

To
The Board of Directors,
Kennametal India Limited

This is to certify that, to the best of our knowledge and belief:

- i. We have reviewed the financial statements and the cash flow statement for the year ended June 30, 2016 and that to the best of our knowledge and belief:
 - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- ii. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of Company's Code of Conduct (Kennametal code of business ethics and conduct)
- iii. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify such deficiencies.
- iv. We have indicated to the Auditors and the Audit Committee
 - (a) that there were no significant changes in internal control during the year other than those which have already been brought to the notice of the Audit Committee of Directors and the Statutory Auditors
 - (b) that there were no significant changes in accounting policies during the year and that the same, if any, have been disclosed in the notes to the financial statements; and
 - (c) that there were no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

We declare that all Board members and Senior Management personnel have affirmed compliance with the code of conduct for the year ended June 30, 2016.

Bhagya Chandra Rao
CEO & Managing Director

K.V. Suresh Reddy
Chief Financial Officer

Bengaluru
August 09, 2016

Annexure III to the Board's Report

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO (Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014)

A] Conservation of Energy

Your Company continued to undertake various energy conservation initiatives during the year.

Some of the energy conservation measures taken by the Company are given below:

a) Energy conservation measures taken during the year -

- Three Numbers of Energy Efficient Dust Collectors were installed.
- Periodic review of Power consumption on holiday and weekend was done and engineering controls were incorporated which helped in conserving the energy
- Replacement of Electrical Heating system with Compact Heaters to reduce energy consumption.
- Replacement of conventional fluorescent lamps with Energy Efficient T-5 Lamps in Shop Floors and LED light fittings were installed in place of CFL Light in the office area.
- Periodic Maintenance of Light fixtures and measurement of Lux levels in shop floor facilitated optimum lighting consumption.
- Periodic Compressor air Audit and corrective actions to arrest air leakages facilitated in optimum energy consumption of compressed air.
- The Conventional Split Air conditioners were replaced with energy Efficient Star Rated Air conditioners.

In order to reduce the energy expenses, the Company started buying the electricity from the Power Exchange which resulted in reducing the energy bill by ₹140 Lakhs.

b) Additional investment and proposals, being made to reduce energy consumption:

The following proposals with an investment of ₹140 Lakhs would be considered for implementation in FY17 which in turn expected to reduce energy consumption by 5%:

- To replace the Air cooling Ventilation systems in Shop Floors with Energy efficient Ventilation System.
 - To replace the Chiller Units of reciprocating type with energy Efficient Chiller Units.
- c) Impact of the measures taken above for reduction in energy consumption and consequent impact on the cost of production of goods:**
- Due to the aforesaid energy conservation projects the Company saved approximately 8 Lakhs units in FY16 and the energy bills of the Company was reduced by ₹ 190 Lakhs.
 - It helped in reducing the electricity load of 40 KW (approx.)

B] Technology Absorption**a) Research & Development (R&D)**

The Research, Development and Engineering (RD&E) of your Company continues in its endeavor to indigenize products and develop with specific focus on materials, coatings and design in collaboration with the parent company- Kennametal Inc., to reduce cost, improve product efficiency and enhance performance of its products.

RD & E department of your Company has the following objectives:

- a) Development of new range of products contributing to better market penetration, conversion and retention.
- b) New Process Development & Improvement in Powder Manufacturing, Pressing, Sintering and Coating.
- c) Support to Manufacturing for Improved Quality and reduced cost of production for better customer experience.
- d) Support Marketing for developing custom solution products by leveraging the combination of Kennametal's strength in substrates, coatings and engineering.
- e) Support Kennametal Knowledge Centre to train

Annexure III to the Board's Report

Customers and Sales Engineers on cutting tool material.

- f) Rapid product development by conducting Benchmarking test and simulating field machining condition at Lab.
- g) Proposal of tooling solution for projects at customers end.
- h) Exploring new technologies in processes, materials & automation.

1. Specific areas in which R&D is carried out

- i. Up-gradation of CVD grades for P, M & K applications through global offering & consolidation.
- ii. Development of carbide anvil for electrical upsetting of engine valves
- iii. Raw material cost reduction of a grade used for wire drawing application
- iv. Import substitution of mining grade
- v. Consolidation of grades for Milling application
- vi. Focus on basic research

2. Benefits derived

- Improvement of product quality, Process lead time, Cost reduction, New products and a good value proposition to customers by improvement in product performance & Global standardization.

3. Future plan of action

- i. Focus on marketing of Cold Forging Products
- ii. Scaling up Dry milling process for Powder Manufacturing
- iii. Continued efforts towards Quality enhancement, Evolution of new products aligned with customer needs and with reduction in costs and lead time
- iv. Global consolidation & standardization of Substrates & Coatings.
- v. Continued focus on basic research.

4. Expenditure on R & D

(₹ in Lakhs)

	2016	2015
a) Capital	-	105
b) Recurring	437	503
c) Total	437	608
d) Total R & D expenditure (as a percentage to turnover)	0.77%	1.07%

b) Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation
 - Establishment of global substrates and coatings
 - Continued modernization of analytical techniques in Metallography lab
2. Benefits derived as a result of the above efforts.
 - Up-gradation of Products performance and increased alignment with Global Process standardization
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

Annexure III to the Board's Report

Processes/Products	Technology From	Year	Status of Implementation/ Absorption
Chemical Vapour Deposition Coatings, Pre- and Post-Coat treatments	Kennametal Inc.	2011-12	Full
End Mills	Hanita Metal Works Limited	2011-12	Full
Grades and Products	Kennametal Inc.	2012-13	Full
New Pre- and Post-Coat Treatments	Kennametal Inc.	2012-13	Full
New CVD Coatings	Kennametal Inc.	2012-13	Full
New CVD Coatings	Kennametal Inc.	2013-14	Full
New CVD Coatings	Kennametal Inc.	2014-15	Full
New CVD Coatings	Kennametal Inc.	2015-16	Full

C] Foreign Exchange earnings and outgo

i. Activities relating to exports-

Your Company registered a growth of 20% on exports mainly due to initiatives taken on earlier years to boost the export earnings. Your Company will remain focused in this area and strengthen the following initiatives to boost the export markets.

ii) Initiatives taken to increase exports : Development of new export markets for products and services; Export Plans :

Localization of Hard Metal products at competitive price to cater the domestic and other export markets in Asia, Europe and America.

Considering the global requirement few of the Hard metal products capacity enhanced through investment in Plant and Machinery and this yielded a positive result in increased Exports.

Continue to explore the new export markets in Asia for Eco grind Machines.

iii. Total foreign exchange used and earned:

(₹ in Lakhs)

i) Foreign Exchange earned	5,615
ii) Foreign Exchange used	25,690

Annexure IV to the Board's Report

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 30.06.2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To

The Members,
Kennametal India Limited
 Bangalore

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kennametal India Limited (CIN: L27109KA1964PLC001546) (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 30.06.2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Kennametal India Limited for the financial year ended on 30.06.2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

Annexure IV to the Board's Report

- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (vi) There are no specific laws applicable to the Company pursuant to the business carried by the Company.
- (vii) The other general laws as may be applicable to the Company including the following:

(I) Employer/Employee Related laws & Rules:

- i. Industries (Development & Regulation) Act, 1951
- ii. The Factories Act, 1948 (in case of manufacturing companies, where applicable)
- iii. The Employment Exchanges (Compulsory notification of Vacancies) Act, 1959
- iv. The Apprentices Act, 1961
- v. The Employees Provident Fund & Miscellaneous Provisions Act, 1952
- vi. The Employees State Insurance Act, 1948
- vii. The Workmen's Compensation Act, 1923
- viii. The Maternity Benefits Act, 1961
- ix. The Payment of Gratuity Act, 1972
- x. The Payment of Bonus Act, 1965
- xi. The Industrial Disputes Act, 1947
- xii. The Trade Unions Act, 1926
- xiii. The Payment of Wages Act, 1936
- xiv. The Minimum Wages Act, 1948
- xv. The Child Labour (Regulation & Abolition) Act, 1970
- xvi. The Contract Labour (Regulation & Abolition) Act, 1970
- xvii. The Industrial Employment (Standing Orders) Act, 1946
- xviii. Equal Remuneration Act, 1976
- xix. The Sexual Harassment of Women at Work Place (Prevention, Prohibition & Redressal) Act, 2013
- xx. Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1996
- xxi. Dangerous Machines (Regulation) Act, 1983
- xxii. Indian Boilers Act, 1923
- xxiii. The Karnataka Shops & Establishments Act, 1961
- xxiv. The Industrial Establishments (National and Festival Holidays) Act, 1963
- xxv. The Labour Welfare Fund Act, 1965
- xxvi. The Karnataka Daily Wage Employees Welfare Act, 2012
- xxvii. For majority of Central Labour Laws the State has introduced Rules [names of each of the Rules is not included here]

Annexure IV to the Board's Report

(2) Environment Related Acts & Rules:

- i. The Environment Protection Act, 1986
- ii. The Water (Prevention & Control of Pollution) Act, 1974
- iii. The Air (Prevention & Control of Pollution) Act, 1981
- iv. Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.

3) Economic/Commercial Laws & Rules:

- i. The Competition Act, 2002
- ii. The Indian Contract Act, 1872
- iii. The Sales of Goods Act, 1930
- iv. The Forward Contracts (Regulation) Act, 1952
- v. The Indian Stamp Act, 1899
- vi. The Transfer of Property Act, 1882

I have also examined compliances with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India on the Board and General Meetings i.e. SS - 1 and SS - 2 (applicable from 1st July, 2015).
- (ii) The Listing Agreements entered into, by the Company with the BSE Limited (BSE) and the SEBI (LODR) Regulations, 2015, wherever applicable.

I further state that during the period under review and based on my verification of the records maintained by the Company and also on the review of compliance reports/statements by respective department heads/Chief Financial Officer/ Company Secretary taken on record by the Board of Directors of the Company, in my opinion, adequate systems and process and control mechanism exist in the Company to monitor and ensure compliance with applicable Labour Laws, environmental laws and other applicable laws as mentioned above. Certain non material findings made during the course of the audit relating to Labour Laws were addressed suitably by the Management.

Further I report that with regard to financial and taxation matters, I have relied on the Audit Report, Limited Review Report and the Internal Audit Report provided by the Statutory/Internal Auditor as the case may be.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors which took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes as per the practice followed. However, during the period under report, there was no such case instance.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Annexure V to the Board's Report

FORM NO.AOC.2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis : NIL
2. Details of material contracts or arrangement or transactions at arm's length basis
 - (a) Name(s) of the related party and nature of relationship:
 1. KENNAMETAL INC., USA, Ultimate Holding (Parent) Company of the Company
 2. KENNAMETAL EUROPE GmbH, Switzerland
 - (b) Nature of Contracts/arrangements/transactions-

Sl.No.	Nature of Transactions
1	Purchase
2	Sales
3	IT
4	Royalty
5	Cross Charge-Debits
6	Cross Charge-Revenue

The above transactions are in the ordinary course of business and on arm's length basis.

- (c) Duration of the Contracts/arrangements/transactions- ongoing, will be continuous year after year.
- (d) Salient terms of the Contracts or arrangements or transactions including the value, if any:

Sl.No.	Nature of Transactions	Salient terms
1	Purchase	Payment in respective country currency made within 30 days from date of receipt of material
2	Sales	Billing in country currency; Within 21 days from end of the month billing
3	IT	Payment in respective country currency made within 30 days of issue of debit note
4	Royalty	Payment in respective country currency made within 60 days of issue of credit note
5	Cross Charge-Debits	Payment in respective country currency made within 60 days of issue of debit note
6	Cross Charge-Revenue	Billing in country currency; Within 21 days from end of the month billing

Annexure V to the Board's Report

1) Particulars of Transactions with KENNAMETAL INC., USA

(₹ In Lakhs)

Sl. No.	Nature of Transactions	Transaction Value for the Financial Year 2015-16	Estimated Approved value of Transaction per annum for Financial Year 2015-16
1	Purchase	4338	5500
2	Sales	1172	1800
3	IT	1327	1400
4	Royalty	155	220
5	Cross Charge-Debits	133	70
6	Cross Charge-Revenue	81	35

2) Particulars of Transactions with KENNAMETAL EUROPE GMBH

(₹ In Lakhs)

Sl. No.	Nature of Transactions	Transaction Value for the Financial Year 2015-16	Estimated Approved value of Transaction per annum for Financial Year 2015-16
1	Purchase	15880	15500
2	Sales	2127	1850
3	Cross Charge-Debits	0	35

(e) Date of approval by the Board, if any- August 21, 2015.

(f) Amounts paid as advances, if any: Nil

For and on behalf of the Board of Directors

Bengaluru
August 09, 2016Prakash M.Telang
Chairman
DIN: 00012562

Annexure VI to the Board's Report

Annexure VI to the Board's Report
Statement Pursuant to Section 197(12) of the Companies
Act, 2013 Read with Rule 5(1) of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. The Board of Directors of the Company consists of: 1 Managing Director, 3 Non-executive Directors nominated by Promoter and 3 Non-Executive Independent Directors.
2. The Non-executive Directors nominated by promotor were not paid any remuneration. The Independent Directors were paid sitting fees and commission only. Details of the remuneration, Sitting fees and Commission paid to the Directors are provided under the Corporate Governance Report.
3. Disclosure as required under Rule 5(1) of the Companies (Appointment And Remuneration of Managerial Personnel) Rules, 2014:
 - (i) Ratio of the remuneration of the Managing Director to the median remuneration of the employees of the Company for the financial year 2015-16: 22.57
 - (ii) The percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary during the financial year 2015-16:
 - In the FY 16, there was an increase of 7.01% in the remuneration of the Managing Director/CEO of the Company.
 - There was an increase of 21.26% in the remuneration of the General Manager-Legal & Company Secretary of the Company. The increase was due to enhancement of role and responsibilities of the Company Secretary.
 - (iii) The percentage increase in the median remuneration of employees in the financial year :
 The median remuneration of employees of the Company during the Financial Year was ₹6,63,440.89 .There was an increase of 5.40% in FY16.
 - (iv) The number of permanent employees on the rolls of the Company: 831 as on June 30, 2016.
 - (v) Average percentage increase made in the salaries of employees other than the Key Managerial Personnel in the financial year 2015-16 was 8%.
 - (vi) The key parameters for any variable component of remuneration availed by the Managing Director is based on Company's and Parent Company's key performance metrics like Sales Growth, EBIT and EPS.
 - (vii) For the Financial Year under consideration, Mr. Bhagya Chandra Rao, Managing Director was paid the highest remuneration. No employee has received remuneration in excess of the Managing Director.
 - (viii) It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy for Directors, Key Managerial Personnel and other employees.

For and on behalf of the Board of Directors

Bengaluru
August 09, 2016

Prakash M. Telang
Chairman
DIN: 00012562

Annexure VII to the Board's Report

**Information as per Section 197(12) of the Companies Act, 2013, read with Rule 5 (2) & (3)
of The Companies (Appointment and Remuneration of Managerial Personnel)
Rules, 2014 for the year ended June 30, 2016.**

(₹ in Lakhs)

Name	Designation/ Nature of duties	Age (in years)	Qualifications	Experience (in years)	Date of Joining	Remuneration Received	Particulars of last employment held
Bhagya Chandra Rao	Managing Director	60	B.E. Mechanical	35	17-09-2012	164.99	Sandvik Asia Private Limited

Notes :-

- ✓ Designation of the employee indicates the nature of his/ her duties.
- ✓ Other terms and conditions are as per rules of the Company.
- ✓ None of above employees hold more than 2% equity share of the Company.
- ✓ None of these employees is relative of any Director of the Company.

ANNUAL REPORT ON CSR ACTIVITIES

Applicability of the Companies Act, 2013

Pursuant to Section 135 of the Companies Act, 2013 and the rules made thereunder, your Company has constituted a Corporate Social Responsibility (CSR) Committee to effectively monitor CSR activities of the Company. Further, the Companies (Corporate Social Responsibility Policy) Rules, 2014 lays down the framework and approach for carrying out CSR activities which are specified in Schedule VII of the Act.

I. Brief Outline of the Company's CSR Policy:

Your Company's CSR policy is in line with the CSR activities permitted by the Companies Act, 2013 and rules made thereunder.

Kennametal India's Corporate Social Responsibility strategy is in line with the guidelines adopted by our ultimate holding Company Kennametal Inc. Kennametal has several policies and standards in place in line with its core values, covering business ethics and governance, the Code of Conduct, and policies such as Environment, Health, and Safety (EHS); Quality; Living Our Values, Protecting our Planet.

Your Company's Corporate Social Responsibility is focused on enhancing the lives of the local community in which it operates. This takes shape by way of providing new skills and in general, creating a better quality of life for the people in the communities in which the company operates. We strongly believe in contributing towards the betterment of society and endeavor to create a positive impact, while achieving our business goals.

Kennametal focuses on these areas:

- a. **TechEdNet towards promotion of education:** Includes the support of Secondary and Post-Secondary Educational opportunities with an emphasis on studies in the areas of technical engineering, machine skill training and materials and environmental sciences.
- b. **Kennametal in the Community:** We focus on the importance of our employees volunteering in the communities where they live and work. We encourage and recognize volunteerism as a key component of our culture. The goal is to create a partnership in which a community organization may be supported monetarily by the Company when it offers a significant volunteer opportunity for our employees.
- c. **Protecting Our Planet:** providing sustainable solutions by reducing the total environmental impact of our products and operations. We will protect our planet by continuously improving our management of energy and natural resources, promoting recycling and recovery of materials, and preventing pollution across our global footprint.
- d. Kennametal Employees actively volunteer in the activities of Sparsha Trust. "NERALU" is an NGO which has brought new hope and opportunities for a bright future into the lives of around 500 underprivileged kids in the past 5 years. Kennametal has joined hands with this organization to attain the aims and objectives of:
 - Eradication of Child Labor
 - Helping poor children to get access to quality education
 - Empowerment of street children and women by providing them with education and skills-oriented training.
 - Providing Medical support to poor families in the surrounding areas

Kennametal India supports the project "Nisarga Grama" (A permanent shelter for minimum 500 underprivileged children) which is nearing to completion. The Sparsha trust received a State award as "Best NGO Award 2014" from Chief Minister on June 12, 2014.

The Company's detailed CSR policy can be accessed at:

http://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/KMT-India_corp_social_responsibility_policy.pdf or www.kennametal.com/kennametalindia/

Annexure VIII to the Board's Report

- 2 The Composition of the CSR Committee:
 - i. Mr. Bhagya Chandra Rao, Chairman
 - ii. Mr. Prakash M. Telang, Member
 - iii. Mr. B. Anjani Kumar, Member and
 - iv. Mr. John H. Jacko, Member
- 3 Average net profit of the company for last three financial years: ₹ 2977 Lakhs
- 4 Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above): ₹ 59.50 Lakhs
- 5 Details of CSR spent during the financial year.
 - (a) Total amount spent for the financial year: ₹ 59.50 Lakhs
 - (b) Amount unspent: NIL
 - (c) Manner in which the amount spent during the financial year is detailed below.

Kennametal India Limited
CSR Project and Expenses status as on June 30, 2016

(Amount in ₹)

Sl. No.	CSR project / activity identified	Sector in which the Projects is covered	Project / Programmes 1. Local area/others- 2. Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project / programs wise	Amount spent on the project / programs Subheads: 1. Direct expenditure on project, 2. Overheads	Cumulative spend up to the reporting period (in INR)	Amount spent: Direct / through implementing agency*
1	Support M/s. Prerana Resources "In the Community" programme/ Support in arranging food for 120 disabled girls on continuous basis.	"In the Community" programme	Local area Goraguntepalya, Yeshwantpur	₹ 360000 (₹ 30000/- per month for period upto June 30, 2016 for arranging food for 120 disabled poor girls under our "In the Community" programme	Direct expenditure on project	₹ 360,000	Amount spent through Prerana Resources Centre, NGO, Bengaluru
2	Ambulance sponsored by the Company to 'People Tree Foundation for Paediatric ICU and neo-natal care	"In the Community" programme	Local area - Goraguntepalya, very close to KIL	Upgrade in medical fittings for the Ambulance provided - ₹ 4,29,000	Direct expenditure on project	₹ 429,000	Direct

Annexure VIII to the Board's Report

(Amount in ₹)

Sl. No.	CSR project / activity identified	Sector in which the Projects is covered	Project /Programmes 1. Local area/others- 2. Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project / programs wise	Amount spent on the project / programs Subheads: 1. Direct expenditure on project, 2. Overheads	Cumulative spend up to the reporting period (in INR)	Amount spent: Direct / through implementing agency*
3	Support Sparsha Trust - "In the Community" programme/ Support in Building home for under-privileged girls.	"In the Community"	"Nisarga Grama" project - grant of ₹15,00,000/- (Rupees Fifteen Lakhs) to Sparsha Trust towards construction of Home for underprivileged children, specially girls.	Issued letter and a cheque for Grant of ₹15,00,000/- on Nov 21, 2015.	Direct expenditure on project	₹ 1,500,000	Amount spent through Sparsha Trust, NGO, Bengaluru
4	Enable India - Support post training internship for 20 people with disability	"In the Community"	Others Enable India (An Organization which empowers people with disabilities)	Supporting post training internship of 20 candidates with disability - cheque handed over on 9th of Dec 2015	Direct expenditure on project	₹ 600,000	Amount spent through Enable India
5	2 Bus Stops before signal at Hesaraghatta, Tumkur Road (on both sides of the Road).	"In the Community"	Local area - Hesaraghatta, Tumkur Road (on both sides of the Road).	Bus stop facility for passengers waiting to board a Bus	Direct expenditure on project	₹ 787,875	Direct
6	Support scholarship for poor students at NITK, Suratkal and PSG, Coimbatore (USD 7500 for each University)	"Promotion of education"	Others	₹10,22,640/- as scholarship amount for poor students - supported at NITK Suratkal and PSG College of Technology, Coimbatore	Direct expenditure on project	₹ 1,022,640	Direct

Annexure VIII to the Board's Report

(Amount in ₹)

Sl. No.	CSR project / activity identified	Sector in which the Projects is covered	Project /Programmes 1. Local area/others- 2. Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project / programs wise	Amount spent on the project / programs Subheads: 1. Direct expenditure on project, 2. Overheads	Cumulative spend up to the reporting period (in INR)	Amount spent: Direct / through implementing agency*
7	Science Lab & Audio Video Room to aid in learning for Government High School (adjacent KIL)	"Promotion of Education	Local area - Govt High School, Bagalakunte (adjacent KIL)	Provide Science Lab & Audio Visual Room to aid in learning for Government High School (adjacent KIL)	Direct expenditure on project	₹ 640,000	Direct
8	Protect our Planet - Conduct Awareness session followed by Inter school Quiz competitions, Essay writing and Drawing Competitions	"Protect our Planet" programme	Local area - Govt High School, Bagalakunte (adjacent KIL)	Awareness session on "Protect the Planet" conducted followed by Inter school Quiz competitions, Essay writing and Drawing Competitions - around 150 students participated from various schools in and around Dasarahalli	Direct expenditure on project	₹ 72,273	Direct
9	Donated to Prime Minister's "Swachh Bharat Kosh" for Clean India Initiative	"Protect our Planet" & "In the Community" programme	Others	Donation to Prime Minister's "Swachh Bharat Kosh" for Clean India Initiative	Direct expenditure on project	₹ 525,000	Direct

Annexure VIII to the Board's Report

(Amount in ₹)

Sl. No.	CSR project / activity identified	Sector in which the Projects is covered	Project /Programmes 1. Local area/others- 2. Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project / programs wise	Amount spent on the project / programs Subheads: 1. Direct expenditure on project, 2. Overheads	Cumulative spend up to the reporting period (in INR)	Amount spent: Direct / through implementing agency*
10	Swachh Bharat - Clean India initiative undertaken at the adjacent Govt School as part of Swacch Bharat Pakhwada - June 16 - 30, 2016	"In the Community" programme	Local area - Govt High School, Bagalakunte (adjacent KIL)	Employees from Kennametal India and Govt High school students took part in Swachh Bharat - Clean India initiative drive by KIL as part of Swacch Bharat Pakhwada - June 16-30, 2016	Direct expenditure on project	₹ 13,212	Direct
	Amount spent for CSR activities till end June, 2016					₹ 5,950,000	

6 In case the Company has failed to spend the two per cent of the average net profit of the last 3 financial years or any part thereof, reasons for not spending the amount in its Board Report: Not Applicable

7 Responsibility statement of the CSR Committee:

CSR Committee confirmed that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

Bengaluru
August 09, 2016

Prakash M. Telang
Chairman
DIN: 00012562

Bhagya Chandra Rao
Chairman-CSR Committee
DIN: 00211127

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN as on financial year ended on 30.06.2016

Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company
(Management & Administration) Rules, 2014.**I. REGISTRATION & OTHER DETAILS:**

i	CIN	L27109KA1964PLC001546
ii	Registration Date	SEPTEMBER 21, 1964
iii	Name of the Company	KENNAMETAL INDIA LIMITED
iv	Category/Sub-category of the Company	COMPANY LIMITED BY SHARES
v	Address of the Registered office & contact details	8/9 TH MILE, TUMKUR ROAD, BENGALURU – 560073
vi	Whether listed company	YES
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	INTEGRATED ENTERPRISES (INDIA) LIMITED, NO-30, RAMANA RESIDENCY, GR FLOOR, 4TH CROSS, SAMPIGE ROAD, MALLESWARAM, BANGALORE-560003

2. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sl. No	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the company
1	Hard Metal Products(Forging, pressing, stamping and roll-forming of metal; powder metallurgy)	2591	84%
2	Machine Tools (Manufacture of special-purpose machinery)	282	16%

3. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sl. No	Name & Address of the Company	CIN/GLN	Holding/Subsidiary Company	% of Shareholding	Applicable Section
	Kennametal Inc 1600, Technology Way, Latrobe, PA 15650, USA	Foreign Company	Ultimate Holding	24%	2(46)
	Meturit Ag. 6300, Zug, Switzerland	Foreign Company	Holding	51%	2(46)

Annexure IX to the Board's Report

IV. SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

I Category-wise Share holding:

Category of Shareholders	No. of Shares held at the beginning of the period-01.07.2015				No. of Shares held at the end of the period-30.06.2016				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
A. Promoters										
(1) Indian	-	-	-	-	-	-	-	-		-
a) Individual/HUF	-	-	-	-	-	-	-	-		-
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-		-
c) Bodies Corporates	-	-	-	-	-	-	-	-		-
d) Bank/Fl	-	-	-	-	-	-	-	-		-
e) Any other	-	-	-	-	-	-	-	-		-
SUB TOTAL:(A)(1)	-	-	-	-	-	-	-	-		-
(2) Foreign										-
a) NRI- Individuals	-	-	-	-	-	-	-	-		-
b) Other Individuals	-	-	-	-	-	-	-	-		-
c) Bodies Corp.	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
d) Banks/Fl	-	-	-	-	-	-	-	-		-
e) Any other...	-	-	-	-	-	-	-	-		-
SUB TOTAL (A)(2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00		-
B. PUBLIC SHAREHOLDING										
(1) Institutions										
a) Mutual Funds	3264086	-	3264086	14.85	3322572	-	3322572	15.12		0.27
b) Banks/Fl	180	860	1040	0.01	180	860	1040	0.01		-
c) Cenntalgovt	-	-	-	-	-	-	-	-		-
d) State Govt.	-	-	-	-	-	-	-	-		-
e) Venture Capital Fund	-	-	-	-	-	-	-	-		-
f) Insurance Companies	-	-	-	-	-	-	-	-		-
g) FIIS	-	-	-	-	-	-	-	-		-

Annexure IX to the Board's Report

h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	3264266	860	3265126	14.86	3322752	860	3323612	15.13		0.27
(2) Non Institutions										
a) Bodies corporates										
i) Indian	217995	860	218855	1.00	190619	860	191479	0.87		-0.13
ii) Overseas	-	-	-	-	-	-	-	-		-
b) Individuals										
i) Individual shareholders holding nominal share capital upto Rs. 1 lakhs	1222372	216121	1438493	6.55	1191627	212551	1404178	6.39		-0.16
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	440852	56560	497412	2.26	439762	56560	496322	2.26		-
c) Others (specify)										
NRI	53004	150	53154	0.24	59303	150	59453	0.27		0.03
Clearing Member	15280	-	15280	0.07	13276	-	13276	0.06		-0.01
Trust	-	-	-	-	-	-	-	-		-
Foreign National	6240	-	6240	0.03	6240	-	6240	0.03		-
SUB TOTAL (B)(2):	1955743	273691	2229434	10.14	1900827	270121	2170948	9.88		0.26
Total Public Shareholding (B)= (B)(1)+(B)(2)	5220009	274551	5494560	25.00	5223579	270981	5494560	25.00		-
C. Shares held by Custodian for GDRs & ADRs										
Grand Total (A+B+C)	21703689	274551	21978240	100.00	21707259	270981	21978240	100.00		-

ii) Shareholding of Promoters

Annexure IX to the Board's Report

Sl No.	Shareholders Name	Shareholding at the beginning of the period - 01.07.2015			Shareholding at the end of the period - 30.06.2016			% change in share holding during the year
		NO of shares	% of total shares of the company	% of shares pledged encumbered to total shares	NO of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Kennametal Inc	5274840	24.00	-	5274840	24.00	-	-
2	Meturit Ag.	11208840	51.00	-	11208840	51.00	-	-
	Total	16483680	75.00	-	16483680	75.00	-	-

iii) Change in Promoters' Shareholding (please specify if there is no change)

Sl. No.	Shareholders Name	Shareholding at the beginning of the Period - 01.07.2015			Date	Increase/Decrease in Share Holding	Reason	Cumulative Share holding during the Period - 30.06.2016		Reason
		No. of Shares	% of total shares of the company	No of shares				% of total shares of the company		
1	Kennametal Inc	5274840	24.00	-	-	-	5274840	24.00	-	
2	Meturit Ag.	11208840	51.00	-	-	-	11208840	51.00	-	

iv) Shareholding pattern of Top Ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

SL NO	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE PERIOD - 01.07.2015			Date	Increase/Decrease in Share Holding	Reason	CUMULATIVE SHAREHOLDING DURING THE PERIOD - 30.06.2016	
		No. of Shares	% of Total Shares of the Company	No Of Shares				% of Total Shares of the Company	
1	RELIANCE CAPITAL TRUSTEE CO. LTD A/C RELIANCEEQUITY OPPORTUNITIES FUND	1562390	7.11	01.07.2015	0		1562390	7.11	
				11.09.2015	550	TRANSFER	1562940	7.11	
				15.01.2016	4597	TRANSFER	1567537	7.13	
				22.01.2016	6237	TRANSFER	1573774	7.16	
				29.01.2016	4831	TRANSFER	1578605	7.18	
				12.02.2016	2950	TRANSFER	1581555	7.20	
				19.02.2016	11300	TRANSFER	1592855	7.25	
				26.02.2016	2800	TRANSFER	1595655	7.26	
				04.03.2016	750	TRANSFER	1596405	7.26	
				11.03.2016	400	TRANSFER	1596805	7.27	
				30.06.2016	0		1596805	7.27	

Annexure IX to the Board's Report

2	RELIANCE CAPITAL TRUSTEE CO. LTD. - A/C RELIANCE TAX SAVER (ELSS) FUND	480687	2.19	01.07.2015	NO MOVEMENT DURING THE YEAR			
				30.06.2016	0		480687	2.19
3	IDFC PREMIER EQUITY FUND	388425	1.77	01.07.2015	NO MOVEMENT DURING THE YEAR			
				30.06.2016	0		388425	1.77
4	DSP BLACKROCK MICRO CAP FUND	359184	1.63	01.07.2015	NO MOVEMENT DURING THE YEAR			
				30.06.2016	0		359184	1.63
5	SBI INFRASTRUCTURE FUND	260000	1.18	01.07.2015	NO MOVEMENT DURING THE YEAR			
				30.06.2016	0		260000	1.18
6	SBI TAX ADVANTAGE FUND SERIES I	120000	0.55	01.07.2015	NO MOVEMENT DURING THE YEAR			
				30.06.2016	0		120000	0.55
7	SAFINA TOWERS PRIVATE LIMITED	84863	0.39	01.07.2015	0		84863	0.39
				09.10.2015	-4349	TRANSFER	80514	0.37
				16.10.2015	-1183	TRANSFER	79331	0.36
				23.10.2015	-4000	TRANSFER	75331	0.34
				30.06.2016	0	TRANSFER	75331	0.34
8	HAJEE ABDULSATTAR SAIT	69675	0.32	01.07.2015	NO MOVEMENT DURING THE YEAR			
				30.06.2016	0		69675	0.32
9	NALINKANT CHATURBHUI ASHER	63300	0.29	01.07.2015	NO MOVEMENT DURING THE YEAR			
				30.06.2016			63300	0.29
10	NANDI CYLINDERS PVT LTD	42593	0.19	01.07.2015	NO MOVEMENT DURING THE YEAR			
				30.06.2016	0		42593	0.19
11	SBI MAGNUM GLOBAL FUND	90000	0.41	01.07.2015	0		90000	0.41
				20.11.2015	-90000	TRANSFER	0	0.00
				30.06.2016	0	TRANSFER	0	0.00

Annexure IX to the Board's Report

v) Shareholding of Directors and Key Managerial Personnel

Sl. No	For Each of the Directors & KMP	Shareholding at the end of the year		Date	Increase/ Decrease in Share Holding	Reason	Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company				No of shares	% of total shares of the company
I	B.Anjani Kumar	10			-		10	

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment: NIL

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in lakhs)			
Sl. no.	Particulars of Remuneration	Mr. Bhagya Chandra Rao Managing Director	Total
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	145.56 1.49 NIL	145.56 1.49 NIL
2.	Stock Option	NIL	NIL
3.	Sweat Equity	NIL	NIL
4.	Commission - as % of profit - others, specify...	NIL	NIL
5.	Others (please specify) Stock option granted by Kennametal Inc., Ultimate holding company	17.94	17.94
6.	Total (A)	164.99	164.99
7	Ceiling as per the Act(Section-197) (@5% of Profit calculated under Section 198 of Companies Act, 2013)		169.41

Annexure IX to the Board's Report

B. Remuneration to other directors:

(₹ in lakhs)

Sl. No	Particulars of Remuneration	Name of Directors			Total Amount
1	Independent Directors	Mr. Prakash M.Telang	Mr. Vinayak .K. Deshpande	Mr. B. Anjani Kumar	
	-Fee for attending Board/committee meetings	4.15	4.60	6.10	14.85
	-Commission	13.20	6.60	9.20	29.00
	- Others, please specify				
	Total(1)	17.35	11.20	15.30	43.85
2	Other Non-Executive Directors	Mr. John Henry Jacko Jr.	Ms. Michelle R. Keating	Mr. David Lee	
	-Fee for attending Board meetings	NIL	NIL	NIL	NIL
	-Commission				
	- Others, please specify				
	Total(2)	NIL	NIL	NIL	NIL
	Total (B)=(1+2)	17.35	11.20	15.30	43.85
	Overall Ceiling as per the Act(Section-197) (@1 % of Profit calculated under Section 198 of Companies Act, 2013)				33.88

C. REMUNERATION TO KEY MANAGERIAL PERSONAL OTHER THAN MD/MANAGER/WTD

(₹ in Lakhs)

Sl. no.	Particulars of Remuneration	Key Managerial Personnel			Total Amount
		CFO* (Upto February 17, 2016)	CFO** (from June 15, 2016)	Company Secretary	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	61.35 NIL NIL	3.82 NIL NIL	34.02 NIL NIL	99.20 NIL NIL
2.	Stock Option	NIL	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL	NIL
4.	Commission -as % of Profit -others, specify	NIL	NIL	NIL	NIL
5	Others, please specify	NIL	NIL	NIL	NIL
	Total	61.35	3.82	34.02	99.20

Note: * Mr. D. Parameswara Reddy ceased to be CFO from February 17, 2016

** Mr. K. V. Suresh Reddy was appointed as CFO with effect from June 15, 2016.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES: NIL

INDEPENDENT AUDITORS' REPORT

To the Members of Kennametal India Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Kennametal India Limited (“the Company”), which comprise the Balance Sheet as at June 30, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the Accounting Standards and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India (ICAI). Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and

fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at June 30, 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of accounts required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on June 30, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2016 from being appointed as a director in terms of Section 164(2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
 - (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at June 30, 2016, on its financial position in its financial statements – Refer Note 27.
 - ii. The Company has long-term contracts as at June 30, 2016 for which there were no material foreseeable losses. The Company did not have any long term derivative contracts as at June 30, 2016.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended June 30, 2016.

For **Price Waterhouse & Co Bangalore LLP**
 Firm Registration Number (FRN): 007567S/S-200012
 Chartered Accountants

Place: Bangalore
 Date: August 9, 2016

Shivakumar Hegde
 Partner
 Membership Number: 204627

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Kennametal India Limited on the financial statements for the year ended June 30, 2016

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Kennametal India Limited ("the Company") as of June 30, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external

purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at June 30, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For **Price Waterhouse & Co Bangalore LLP**
Firm Registration Number: 007567S/S-200012
Chartered Accountants

Place : Bangalore
Date : August 09, 2016

Shivakumar Hegde
Partner
Membership Number: 204627

Annexure B to Independent Auditors' Report

Referred in paragraph 9 of the Independent Auditors' Report of even date to the member of Kennametal India Limited on the financial statements as of and for the year ended June 30, 2016

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) The title deeds of immovable properties, as disclosed in Note 9 on fixed assets to the financial statements, are held in the name of the Company.
- ii. Except for inventory lying with third parties, the other inventory has been physically verified by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Act in respect of the loans given. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 of the Act.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, except for dues in respect of service tax, the Company is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, profession tax, income tax, wealth tax, sales tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. The extent of the arrears of service tax outstanding as at June 30, 2016, for a period of more than six months from the date they became payable, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Due date	Date of Payment
The Finance Act, 1994	Service tax	567,772	November 2015	December 6, 2015	August 2, 2016

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax, service tax, duty of excise, duty of customs and value added tax as at June 30, 2016, which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Period to which the amount relates	Forum where the dispute is pending
The Central Excise Act, 1944	Excise duty/ Service tax	52,450	January 1998 to September 2011	The Customs, Excise & service Tax Appellate Tribunal (CESTAT), Bangalore
		4,610,113 (*1)	April 2006 to June 2013	CESTAT, Bangalore
The Finance Act, 1994	Service tax	576,157 (*2)	April 2007 to March 2008	CESTAT, Bangalore
The Andhra Pradesh General Sales Tax Act, 1957	Sales tax	5,827,114 (*3)	April 2003 to March 2004	The Sales Tax Appellate Tribunal, Hyderabad
The Delhi Sales Tax Act, 1975	Sales tax	78,550 (*4)	April 2004 to March 2005	The Joint Commissioner (Appeals), Delhi
The Karnataka Tax on Entry of Goods Act, 1979	Entry tax	Nil (*5)	April 2010 to June 2016	The Commissioner of Commercial Tax, Bangalore
The Uttar Pradesh Value Added Tax Act, 2008	Sales tax	Nil (*6)	May 2011	The Joint Commissioner (Appeals), Sonabhadra, Uttar Pradesh
The Karnataka Value Added Tax Act, 2003	Sales tax	Nil (*7)	April 2011 to March 2012	The Joint Commissioner of Commercial Tax (Appeals), Bangalore
		Nil (*8)	April 2012 to March 2013	
		4,444,126 (*9)	April 2013 to March 2014	
		41,899,707 (*10)	April 2014 to March 2015	
The Income Tax Act, 1961	Income tax	2,198,066	April 1999 to March 2001	The Supreme Court of India
		Nil (*11)	April 1993 to March 1994	The Supreme Court of India
		Nil (*12)	April 1999 to March 2001	The Commissioner of Income Tax (Appeals), Bangalore
		Nil (*13)	April 2006 to March 2007	The Income Tax Appellate Tribunal, Bangalore
		Nil (*14)	April 2007 to March 2008	The Commissioner of Income Tax (Appeals)LTU, Bangalore
		Nil (*15)	April 2008 to March 2009	
		3,376,830 (*16)	April 2009 to March 2010	
		Nil (*17)	April 2010 to March 2011	
		Nil (*18)	April 2011 to March 2012	
		Nil (*19)	April 2012 to March 2013	
The Customs Act, 1962	Customs duty	Nil (*20)	April 2009 to October 2013	The Principal Commissioner-Customs, Bangalore

- (*1) Net of ₹ 5,094,915 paid "under protest" by the Company.
- (*2) Net of ₹ 576,227 paid "under protest" by the Company.
- (*3) Net of ₹ 5,872,886 paid "under protest" by the Company.
- (*4) Net of ₹ 78,550 paid "under protest" by the Company.
- (*5) Net of ₹ 9,541,900 paid "under protest" by the Company.
- (*6) Net of ₹ 404,400 paid "under protest" by the Company.
- (*7) Net of ₹ 2,141,073 paid "under protest" by the Company.
- (*8) Net of ₹ 5,345,294 paid "under protest" by the Company.
- (*9) Net of ₹ 6,905,000 paid "under protest" by the Company.
- (*10) Net of ₹ 18,000,000 paid "under protest" by the Company.
- (*11) Net of ₹ 750,375 paid "under protest" by the Company.
- (*12) Net of ₹ 27,667,829 paid "under protest" by the Company.
- (*13) Net of ₹ 69,776,571 paid "under protest" by the Company.
- (*14) Net of ₹ 54,009,650 paid "under protest" by the Company.
- (*15) Net of ₹ 50,365,440 paid "under protest" by the Company.
- (*16) Net of ₹ 53,038,036 paid "under protest" by the Company.
- (*17) Net of ₹ 50,842,950 paid "under protest" by the Company.
- (*18) Net of ₹ 19,639,356 paid "under protest" by the Company.
- (*19) Net of ₹ 301,466 paid "under protest" by the Company.
- (*20) Net of ₹ 15,908,015 paid "under protest" by the Company.
- viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

- xv. The Company has not entered into any non cash transactions with its directors or persons connected with them. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **PriceWaterhouse & Co Bangalore LLP**
Firm Registration Number:007567S / S-200012
Chartered Accountants

Place : Bangalore
Date : August 09, 2016

Shivakumar Hegde
Partner
Membership Number: 204627

BALANCE SHEET

(All amounts in ₹ Lakhs unless otherwise stated)

	Notes	As at June 30, 2016	As at June 30, 2015
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	3	2198	2198
Reserves and Surplus	4	35510	33965
NON CURRENT LIABILITIES			
Long-term Provisions	5	1237	1146
CURRENT LIABILITIES			
Trade Payables	6		
Total outstanding dues of micro enterprises and small enterprises		162	52
Total outstanding dues of creditors other than micro enterprises and small enterprises		6967	6098
Other Current Liabilities	7	4020	3809
Short-term Provisions	8	611	567
		50705	47835
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets	9		
Tangible Assets	(A)	10672	10133
Intangible Assets	(B)	-	5
Capital Work-in-Progress		1640	586
Non-Current Investments	10	50	-
Deferred Tax Assets (Net)	11	1091	936
Long-term Loans and Advances	12	4749	3677
Other Non-Current Assets	13	136	185
CURRENT ASSETS			
Inventories	14	11330	9440
Trade Receivables	15	11939	11088
Cash and Bank Balances	16	6604	9479
Short-term Loans and Advances	17	2242	1532
Other Current Assets	18	252	774
		50705	47835

The accompanying notes are an integral part of these financial statements.

This is the Balance Sheet referred to in our report of even date

For **Price Waterhouse & Co Bangalore LLP**

Chartered Accountants

Firm Registration Number: 007567S/S-200012

Shivakumar Hegde

Partner

Membership Number: 204627

Bangalore

August 09, 2016

For and on behalf of Board of Directors

Bhagya Chandra Rao

Managing Director

DIN - 00211127

K.V. Suresh Reddy

Chief Financial Officer

Prakash M. Telang

Chairman

DIN - 00012562

Kundan Kumar Lal

Company Secretary

STATEMENT OF PROFIT AND LOSS

(All amounts in ₹ Lakhs unless otherwise stated)

	Notes	Year ended June 30, 2016	Year ended June 30, 2015
REVENUE			
Revenue from operations (Gross)	19	61241	61267
(Less): Excise Duty		(4212)	(4242)
Revenue from operations (Net)		57029	57025
Other Income	20	890	554
TOTAL REVENUE		57919	57579
EXPENSES			
Cost of Materials consumed	21	16695	16775
Purchase of Stock in trade	22	14676	12949
Changes in Inventories of Finished goods, Work in progress and Traded goods	23	(1260)	116
Employee benefits expense	24	11101	10161
Depreciation and amortisation expense	9	2411	2565
Other Expenses	25	11225	11019
TOTAL EXPENSES		54848	53585
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX		3071	3994
Add: Exceptional items - Income	45	-	647
PROFIT AFTER EXCEPTIONAL ITEMS AND BEFORE TAX		3071	4641
TAX EXPENSE			
Current Tax		1085	1581
Tax adjustments relating to earlier years		67	-
Deferred Tax charge/(credit)		(155)	(292)
PROFIT FOR THE YEAR		2074	3352
Earnings per Equity Share [Nominal Value per share ₹10 (2015: ₹10)]	37		
- Basic		9.44	15.25
- Diluted		9.44	15.25

The accompanying notes are an integral part of these financial statements.

This is the Statement of Profit and Loss referred to in our report of even date

For **Price Waterhouse & Co Bangalore LLP**
Chartered Accountants
Firm Registration Number: 007567S/S-200012

For and on behalf of Board of Directors

Shivakumar Hegde
Partner
Membership Number: 204627

Bhagya Chandra Rao
Managing Director
DIN - 00211127

Prakash M. Telang
Chairman
DIN - 00012562

Bangalore
August 09, 2016

K.V. Suresh Reddy
Chief Financial Officer

Kundan Kumar Lal
Company Secretary

CASH FLOW STATEMENT

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2016	Year ended June 30, 2015
I CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and exceptional items	3071	3994
Adjustments for:		
Depreciation and amortisation expense	2411	2565
Liabilities no longer required written back	(18)	-
Provision for doubtful debts and deposits written back	-	(2)
Provision for product support	260	308
Provision for Disputed taxes and duties	36	19
Bad debts written off	-	27
Fixed assets written off	3	14
Provision for Loss on divestiture	100	-
Loss/ (Profit) on sale of tangible assets (net)	-	(16)
Interest Income	(13)	(5)
Unrealised Foreign Exchange (Gain)/ Loss	(16)	9
Operating profit before working capital changes	5834	6913
Adjustment for working capital changes		
Decrease/ (Increase) in Inventories	(1890)	123
Decrease/ (Increase) in Trade and Other Receivables	(1097)	(722)
Decrease/ (Increase) in Other Bank balances	(100)	-
(Decrease)/ Increase in Liabilities and Provisions	1051	1723
Cash generated from Operations	3798	8037
Income taxes paid, net of refunds	(2031)	(1967)
Net cash from Operating activities	1767	6070
2 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed Assets	(4346)	(1743)
Purchase of Investments	(50)	-
Loan to fellow subsidiary	(500)	-
Sale proceeds of fixed assets	-	16
Cash received as compensation for sale of free-hold land	647	-
Interest received	13	5
Net cash from/ (used in) Investing activities	(4236)	(1722)
3 CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(440)	(440)
Dividend distribution tax	(89)	(89)
Unclaimed dividend paid	23	-
Net cash from/ (used in) financing activities	(506)	(529)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	(2975)	3819
OPENING CASH EQUIVALENTS	9479	5660
CLOSING CASH EQUIVALENTS	6504	9479

CASH FLOW STATEMENT

(All amounts in ₹ Lakhs unless otherwise stated)

Notes :

- The Cash Flow Statement has been compiled from and is based on the Balance Sheet as at June 30, 2016 and the related Statement of Profit and Loss for the year ended on that date.
- The Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard 3 on "Cash Flow Statement" and the reallocation required for this purpose are as made by the Company.
- Cash equivalents at the end of the year :

	June 30, 2016	June 30, 2015
Cash and Bank balances [including ₹ 26 (2015: ₹ 3) in dividend accounts]	1203	1077
Short term highly liquid Investments in Mutual Funds (*)	5301	8402
	6504	9479

(*) Current Investments in debt based Mutual Funds that are readily convertible into cash and having insignificant risk of change of value have been included in Cash and Cash Equivalents.

- Prior year's figures have been reclassified / regrouped, wherever necessary.

This is the Cash Flow Statement referred to in our report of even date

For **Price Waterhouse & Co Bangalore LLP**

Chartered Accountants

Firm Registration Number: 007567S/S-200012

Shivakumar Hegde

Partner

Membership Number: 204627

Place: Bangalore

August 9, 2016

For and on behalf of Board of Directors

Bhagya Chandra Rao

Managing Director

DIN - 00211127

K.V. Suresh Reddy

Chief Financial Officer

Prakash M. Telang

Chairman

DIN - 00012562

Kundan Kumar Lal

Company Secretary

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kennametal India Limited (“the Company”) incorporated under The Companies Act, 1956, is in the business of manufacturing and trading of hard metal products and machine tools. The Company has its registered office and manufacturing facility at Bangalore and sells its products and services through sales and support offices. The Company is a public limited company listed on the Bombay Stock Exchange (BSE).

2. STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on an accrual basis. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, till the standards of accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) [Companies (Accounting Standards) Rules, 2006, as amended] and other relevant provisions of the Companies Act, 2013.

The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. The said notification read with Rule 3(2) of the Companies (Accounting Standards) Rules, 2006 is applicable to the accounting period commencing on or after the date of notification i.e., April 1, 2016.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current – non current classification of assets and liabilities.

b) Fixed Assets

i) Tangible assets:

Tangible assets are stated at acquisition cost, net of accumulated depreciation and accumulated impairment loss, if any.

Own manufactured assets are capitalised at cost. Cost comprises of purchase price, including import duties and other non-refundable taxes or levies and directly attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditure related to an item of fixed asset are added to book value only if they increase the future benefit from existing asset beyond its previously assessed standard of performance.

Losses arising from the retirement of, and gains or losses arising from disposal of fixed assets which are carried at cost or revalued amount are recognised in the Statement of Profit and Loss.

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful life of the assets, which are different from useful life indicated in Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets. The estimates of useful life of the assets, based on a technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013.

NOTES TO FINANCIAL STATEMENTS

a. Own assets

Asset	Estimate useful life (in years)
Buildings	25-33
Plant and Machinery :	
Data Processing equipment	3-5
Others	5-10
Office Equipment	5
Furniture and Fixtures	5

Leasehold improvements are depreciated over the useful life of the asset or primary lease period, whichever is lower. Machinery spares of irregular usage are amortised over the estimated useful life of the respective Plant and Machinery. Individual assets costing up to ₹ 5,000 is fully depreciated in the year of acquisition.

b. Leased assets

Assets taken on finance lease are depreciated over its estimated useful life or the lease term, whichever is lower.

ii) Intangible assets:

Intangible assets are recognised only if it is probable that future economic benefits that are attributable to the assets will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised over their estimated useful life.

Operating software is capitalised along with related tangible asset. Application software is expensed off on purchase, except in case of major application software having unit value exceeding rupees ten lakhs or forming part of an overall project, which is amortised over its estimated useful life or project life not exceeding three years.

The amortisation period used for intangible assets are reviewed at each financial year end.

c) Impairment of Assets

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the assets exceeds its recoverable amount, an impairment loss is recognised in the Statement of Profit and Loss to the extent the carrying amount exceeds recoverable amount.

d) Investments

Investments that are readily realisable and are intended to be held for not more than one year, from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at cost or fair value, whichever is lower. Long term investments are carried at cost. However, provision of diminution is made to recognise a decline, other than temporary, in the value of investments, such reduction being determined and made for each investment individually.

e) Inventories

Inventories are stated at the lower of cost and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, whenever considered necessary. The cost of raw materials, stores and spares, work in

NOTES TO FINANCIAL STATEMENTS

progress and traded goods is determined on a weighted average basis, whereas manufactured goods are ascertained on a first in first out method.

Manufactured goods and work in progress include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

f) Foreign Currency Transactions:

Transactions in foreign currency are recognised at the rate of exchange ruling on the date of the transaction.

Liabilities/Assets in foreign currencies are recognised in the accounts as per the following principles:

Foreign currency liabilities contracted for acquiring fixed assets are restated at the rates ruling at the year end and all exchange differences arising as a result of such restatement are adjusted to the Statement of Profit and Loss.

All monetary assets and liabilities denominated in foreign currency are restated at the rates ruling at the year end and all exchange gains/ losses arising therefrom are adjusted to the Statement of Profit and Loss.

As at the reporting date, non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Premium or discount arising at the inception of a forward exchange contract entered into to hedge an existing asset/liability is amortised as expense or income over the life of the contract. Exchange differences on forward contracts are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward contracts is recognised as income or expense for the year.

Forward exchange contracts outstanding as at the year end on account of firm commitment/ highly probable forecast transactions are marked to market and the losses, if any, are recognised in the Statement of Profit and Loss and gains are ignored in accordance with the Announcement of Institute of Chartered Accountants of India on 'Accounting for Derivatives' issued in March 2008.

g) Research and Development

Capital expenditure on Research and Development is capitalised as tangible fixed assets and depreciated in accordance with the depreciation policy of the Company. Revenue expenditure incurred during research phase is expensed as incurred and development expenditure is capitalised as an internally generated intangible asset only if it meets the recognition criteria under Accounting Standard (AS) 26 "Intangible Assets", which inter-alia includes demonstration of technical feasibility, generation of future economic benefits, etc. Revenue expenditure that cannot be distinguished between research phase and development phase is expensed as and when incurred.

h) Revenue Recognition

Revenue from sale of products is recognised when risk of loss, title and insurable risk have transferred to the customer, which in most cases coincides with shipment of the related products. Revenue from sale of machine tools is recognised upon customer acceptance and despatch. Sales are recognised net of sales returns, trade discount, sales tax and service tax but gross of excise duty, wherever applicable.

Income from services is recognised as the services are rendered based on agreements/ arrangements with customers. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

NOTES TO FINANCIAL STATEMENTS

Dividend income is accounted for in the year in which the right to receive the same is established.

i) Employee Benefits

i) Short term Employee Benefits:

All employee benefits falling due wholly within twelve months of rendering the services are classified as short term employee benefits, which includes benefits like salaries, wages, short term compensated absences and variable performance pay and are recognised in the period in which the employee renders related services.

ii) Gratuity:

The Company has an obligation towards gratuity, a defined benefit post-employment plan covering eligible employees in accordance with the Payment of Gratuity Act, 1972. The Company has an Employees Gratuity Fund managed by Life Insurance Corporation of India (LIC) and HDFC Life Insurance Company Limited (HDFC). The Company accounts for the liability of Gratuity benefit payable in future based on an independent actuarial valuation (using the projected unit credit method) at the Balance Sheet date.

iii) Provident Fund:

Contributions in respect of Provident Fund are made to a Trust administered by the Company. Interest rate payable to members of the Trust cannot be less than statutory rate of interest declared by the Central Government under The Employees Provident Funds & Miscellaneous Provisions Act, 1952. The Company's liability is determined based on an independent actuarial valuation (using the projected unit credit method) at the end of the year and any short fall in the fund size maintained by the Trust set up by the Company is additionally provided for.

iv) Leave Encashment/ Compensated Absences:

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment/ availment. The liability is provided based on the number of days of unutilised leave at each balance sheet date on the basis of an independent actuarial valuation (using the projected unit credit method) determined at the end of the year.

v) Actuarial gains or losses comprise experience adjustments and the effect of changes in the actuarial assumption, which are recognised immediately in the Statement of Profit and Loss as income or expense.

vi) Termination benefits are recognised only when the Company is demonstrably committed either to terminate the employment of an employee or a group of employees before the normal retirement age. In the case of an offer made to encourage voluntary redundancy, a liability and an expense is recognised if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

j) Current and Deferred Tax

Taxes on income for the current year are determined on the basis of provisions of the Income Tax Act, 1961.

Tax expense for the year, comprising current year tax and deferred tax, are included in the determination of the net profit or loss for the year. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the prevailing taxation laws.

Deferred tax is recognised for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty or virtual certainty, as may be applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. At each Balance Sheet date, the Company reassesses unrecognised deferred tax assets, if any.

NOTES TO FINANCIAL STATEMENTS

k) Provisions and Contingent Liabilities

Provisions:

Provisions are recognised when the Company has a present obligation as a result of past obligating events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date and are not discounted to present value.

When the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset, only when such reimbursement is virtually certain.

Contingent Liabilities:

Contingent liability is disclosed when there is a possible obligation, arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made.

l) Leases

As a lessee:

Finance Leases:

Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

Operating Leases:

Assets acquired on lease where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged to the Statement of Profit and Loss on a straight line basis over the lease term.

As a lessor:

The Company has leased certain tangible assets and such leases where the Company has substantially retained all the risks and rewards of ownership are classified as operating leases. Lease income on such operating leases are recognised in the Statement of Profit and Loss on a straight line basis over the lease term which is representative of the time pattern in which benefit derived from the use of the leased asset is diminished. Initial direct costs are recognised as an expense in the Statement of Profit and Loss in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS

m) Segment Reporting

Segment accounting policies are in conformity with the accounting policies of the Company. Further, the following specific accounting policies have been followed for segment reporting:

- i) Segment revenue includes sales and other income directly identifiable with or allocable on a reasonable basis to the segment. Inter-segment transactions are not included in segment revenue and are accounted for at cost.
- ii) Expenses that are directly identifiable with or allocable to segments on a reasonable basis are considered for determining segment results. The expenses, which relate to the Company as a whole and not allocable to segments, are included under “Un allocable Corporate Expenses”.
- iii) Income that relates to the Company as a whole and not allocable to segments is included in “Unallocable Corporate Income”.
- iv) Segment assets and liabilities include those directly identifiable with respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment.

n) Cash and Cash Equivalents

In the Cash Flow Statement, cash and cash equivalents include cash on hand, demand deposits with banks, and other short term highly liquid investments with original maturities of three months or less.

o) Earnings Per Share

Earnings (basic and diluted) per equity share is arrived at based on Profit/ (Loss) after taxation to the weighted average (basic and diluted) number of equity shares.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2016	As at June 30, 2015		
3. SHARE CAPITAL				
AUTHORISED SHARE CAPITAL				
21,978,240 (2015: 21,978,240) Equity Shares of ₹10 each	2198	2198		
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
21,978,240 (2015: 21,978,240) Equity Shares of ₹10 each	2198	2198		
	2198	2198		
(a) Reconciliation of number of shares outstanding:				
	As at June 30, 2016		As at June 30, 2015	
Equity Shares	No. of Shares	Amount	No. of Shares	Amount
Shares outstanding at the beginning of the year	21978240	2198	21978240	2198
Shares outstanding at the end of the year	21978240	2198	21978240	2198
(b) Rights, preferences and restrictions attached to shares	<p>The Company has only one class of equity shares having a par value of ₹10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any, in proportion to their shareholding.</p>			
(c) Shares held by ultimate holding company and holding company	As at June 30, 2016		As at June 30, 2015	
	No. of Shares	Amount	No. of Shares	Amount
Kennametal Inc. USA, the ultimate holding company	5274840	527	5274840	527
Meturit AG., Zug, Switzerland, the holding company	11208840	1121	11208840	1121
(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company	No. of Shares	%	No. of Shares	%
Kennametal Inc. USA, the ultimate holding company	5274840	24.00%	5274840	24.00%
Meturit AG., Zug, Switzerland, the holding company	11208840	51.00%	11208840	51.00%
Reliance Capital Trustee Company Limited [Note below]	2077492	9.45%	2043077	9.30%
Note:	<p>1,596,805 (2015:1,562,390) shares are held by Reliance Equity Opportunities Fund comprising 7.26% (2015: 7.11%) of the shareholding and 480,687 (2015: 480,687) shares are held by Reliance Tax Saver (ELSS) Fund comprising 2.19% (2015: 2.19%) of the shareholding.</p>			

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2016	As at June 30, 2015
4. RESERVES AND SURPLUS		
i) Securities Premium Account		
Balance as at the beginning of the year	9	9
Balance as at the end of the year	9	9
ii) General Reserves		
Balance as at the beginning of the year	14884	14884
Balance as at the end of the year	14884	14884
iii) Surplus in Statement of Profit & Loss		
Balance as at the beginning of the year	19072	16249
Add: Profit for the year	2074	3352
(Less): Appropriations:		
Interim dividend on equity shares	(440)	(440)
Dividend distribution tax on interim dividend	(89)	(89)
Balance as at the end of the year	20617	19072
	35510	33965
5. LONG TERM PROVISIONS		
Employee benefits:		
Gratuity	393	345
Leave Encashment/ Compensated Absences	646	578
Product support	11	72
Disputed taxes and duties	187	151
	1237	1146
6. TRADE PAYABLES		
Total outstanding dues of micro enterprises and small enterprises (Refer Note 33)	162	52
Total outstanding dues of creditors other than micro enterprises and small enterprises	6967	6098
	7129	6150
7. OTHER CURRENT LIABILITIES		
Advances/ Deposits from customers	781	924
Creditors for capital goods		
Acceptances	4	-
Others	262	23
Unclaimed dividends (*)	26	3
Other liabilities:		
Employee benefits payable	1308	1043
Statutory dues (including provident fund and tax deducted at source)	1531	1658
Others	108	158
	4020	3809
(*) There is no amount due and outstanding to be credited to Investor Education and Protection Fund.		
8. SHORT TERM PROVISIONS		
Employee benefits:		
Gratuity	38	34
Leave Encashment/ Compensated Absences	260	245
Product support	313	288
	611	567

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION/ AMORTISATION			Net Block		
	July 1, 2015	Additions	Deletions	June 30, 2016	July 1, 2015	Additions	Deletions	June 30, 2016	June 30, 2015
Tangible Assets :									
<u>Own Assets:</u>									
Land	6	-	-	6	-	-	-	-	6
Buildings	1405	225	3	1627	707	68	2	773	698
Plant and Machinery:									
Data Processing Equipment	1101	285	16	1370	910	157	16	1051	191
Others	31469	2385	623	33231	22624	2040	476	24188	8845
Furniture and Fixtures	518	23	7	534	426	36	6	456	92
Leasehold Improvements	57	-	-	57	57	-	-	57	-
Office Equipment	697	178	3	872	425	101	1	525	272
<u>Assets Leased:</u>									
Buildings	49	-	-	49	20	4	-	24	29
TOTAL (A)	35302	3096	652	37746	25169	2406	501	27074	10133
Intangible Assets:									
<u>Own Assets:</u>									
Software	498	-	6	492	493	5	6	492	5
TOTAL (B)	498	-	6	492	493	5	6	492	5
GRAND TOTAL (A+B)	35800	3096	658	38238	25662	2411	507	27566	10138

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

Particulars	GROSS BLOCK (AT COST)			DEPRECIATION/ AMORTISATION			Net Block	
	July 1, 2014	Additions	Deletions	July 1, 2014	Additions	Deletions	June 30, 2015	June 30, 2014
Tangible Assets :								
<u>Own Assets:</u>								
Land	6	-	*	-	-	-	6	6
Buildings	1405	-	-	643	64	-	698	762
Plant and Machinery:								
Data Processing Equipment	1121	17	37	787	160	37	191	334
Others	30453	1130	114	20543	2181	100	8845	9910
Furniture and Fixtures	503	32	17	403	40	17	92	100
Leasehold Improvements	57	-	-	54	3	-	-	3
Office Equipment	586	112	1	347	79	1	272	239
<u>Assets Leased:</u>								
Buildings	49	-	-	16	4	-	29	33
TOTAL (A)	34180	1291	169	22793	2531	155	10133	11387
Intangible Assets:								
<u>Own Assets:</u>								
Software	492	6	-	459	34	-	493	33
TOTAL (B)	492	6	-	459	34	-	493	33
GRAND TOTAL (A+B)	34672	1297	169	23252	2565	155	10138	11420

* Amount is below the rounding off norm adopted by the Company and this relates to land acquired by Bangalore Metro Rail Corporation Limited (BMRCL). (Refer Note 45)

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	As at June 30, 2016		As at June 30, 2015
15. TRADE RECEIVABLES			
(Unsecured, unless stated otherwise)			
Considered good			
Exceeding six months from the date they are due for payment	453		403
Others	11486		10685
Considered doubtful			
Exceeding six months from the date they are due for payment	138	138	
Others	-	-	138
(Less): Provision for doubtful debts	(138)		(138)
	11939		11088
16. CASH AND BANK BALANCES			
Cash and Cash Equivalents			
Cash on hand	5		3
Cheques on hand	216		100
Bank Balances			
Current accounts	956		971
Short term highly liquid investments (Mutual Funds) (Refer note 34)	5301		8402
Other Bank balances			
Deposits with maturity more than three months but less than twelve months (*)	100		-
Unpaid Dividend Account	26		3
	6604		9479
(*) Held as lien by bank against forward contracts ₹100 (2015: Nil)			
17. SHORT TERM LOANS AND ADVANCES			
(Unsecured, considered good unless stated otherwise)			
Advances to employees	72		71
Other Loans and Advances :			
Loan to fellow subsidiary (**)	500		-
Advance to supplier	109		56
Balance with Government Authorities	1428		1248
Prepaid Expenses	133		157
	2242		1532
(**) Loan given to Kennametal Shared Services Private Limited on interest and repayable within six months			
18. OTHER CURRENT ASSETS			
(Unsecured, considered good unless stated otherwise)			
Interest accrued on Current Investments	14		4
Assets held for sale at lower of cost and net realisable value (Refer Note 44)	48		-
Other receivables [including due from related parties ₹117 (2015: ₹ 70) and Compensation Nil (2015: ₹ 647) on sale of free-hold land to BMRCL] (Refer Note 45)	180		757
Other deposits [including ₹ 3 (2015: ₹ 3) considered doubtful]	13	16	
(Less): Provision for doubtful deposits	(3)	(3)	13
	252		774

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2016	Year ended June 30, 2015
19. REVENUE FROM OPERATIONS		
SALE OF PRODUCTS		
Finished goods	39530	40946
Traded goods	20855	19373
OTHER OPERATING REVENUE		
Service Income	827	925
Sale of scrap	29	23
	61241	61267
20. OTHER INCOME		
Dividend Income	312	317
Interest from Bank	13	5
Interest on Income tax refund	174	-
Liabilities no longer required written back	18	-
Provision doubtful debts and deposits written back	-	2
Profit on sale of fixed assets (net)	-	16
Lease rentals	132	113
Export Incentives	49	-
Commission on order based sales	107	-
Miscellaneous income	85	101
	890	554
21. COST OF MATERIALS CONSUMED		
Opening Inventory	1562	1730
Add: Purchases (*)	17262	16607
(Less:) Closing Inventory	(2129)	(1562)
Cost of Raw materials and components consumed	16695	16775
(*) Net of materials consumed for internal capitalisation: ₹ 495 (2015: Nil)		
22. PURCHASE OF STOCK IN TRADE		
Traded Goods	14676	12949
	14676	12949

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2016		Year ended June 30, 2015
23. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK- IN- PROGRESS AND TRADED GOODS			
Opening stock:			
Work-in-progress	4166	4598	
Finished goods	2962	2663	
Traded goods	590	472	
	<u>7718</u>	<u>7733</u>	
Closing stock:			
Work-in-progress	4982	4166	
Finished goods	3151	2962	
Traded goods	850	590	
	<u>8983</u>	<u>7718</u>	
(Increase)/ Decrease in stocks	(1265)		15
Excise duty on opening stock of finished goods	(604)	(503)	
Excise duty on closing stock of finished goods	609	604	
Increase/ (Decrease) in excise duty	5		101
	(1260)		116
24. EMPLOYEE BENEFITS EXPENSE			
Salaries, wages and bonus	9517		8685
Contribution to provident and other funds	435		412
Gratuity	341		360
Stock compensation expense (Net) (Refer Note 43)	42		-
Staff welfare	766		704
	<u>11101</u>		<u>10161</u>

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

	Year ended June 30, 2016		Year ended June 30, 2015
25. OTHER EXPENSES			
Power and fuel	832		957
Stores and spares consumed	1394		1414
Subcontracting charges	1522		1297
Repairs and maintenance:			
Buildings	3	10	
Plant and machinery [includes stores and spares consumed ₹ 488 (2015: ₹ 607)]	979	1039	1049
Rent	81		63
Rates and taxes	197		147
Insurance	337		298
Travelling and conveyance	1098		968
Legal and professional [Refer Note (a) below]	325		381
Communication	147		138
Directors' Sitting Fee	16		6
Expenditure towards Corporate Social Responsibility (CSR) [Refer Note (b) below]	60		99
Excise duty on trial and demo issues	73		68
Forwarding and freight	872		898
Provision for product support	260		308
Royalty	225		266
Printing and stationery	79		53
Advertisement and sales promotion [Refer Note (c) below]	34		379
Bad debts written off	-		27
Commission on sales	191		172
Provision for loss on divestiture (Refer Note 44)	100		-
Fixed assets written off	3		14
Information Technology services	1327		1145
Net loss on foreign currency transaction and translation	113		38
Miscellaneous expenses	957		834
	11225		11019

(a) Payments to Auditors (excluding service tax) included under Legal and Professional above:

Statutory Audit	20		20
Audit of Tax Accounts and Tax Audit	6		6
Limited reviews	6		6
Other Audit related Services	34		34
Audit fee relating to prior year	-		4
Certification	3		3
Out of pocket expenses	3		3

(b) Expenditure towards CSR:

Gross amount required to be spent by the Company during the year ₹ 60 (2015: ₹ 99)

Amount spent during the year on:

(i) Construction/ acquisition of any asset			
Paid in Cash	-		-
Yet to be paid in cash	-		-
(ii) On purposes other than (i) above			
Paid in Cash	60		99
Yet to be paid in cash	-		-

(c) Includes Nil (2015: ₹ 322) relating to trade shows and exhibitions (incurred once every two years).

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

26. CAPITAL AND OTHER COMMITMENTS:

Capital Commitments (net of advances) ₹ 549 (2015 ₹ 1005)

27. CONTINGENT LIABILITIES

Nature of Contingent Liability	2016	2015
Income Tax matters [Note (a)]	2946	2804
Excise Duty/ Service Tax matters under dispute	90	101
Sales Tax matters under dispute	-	65
First loss default guarantee	150	-

Notes:

- Mainly relates to transfer pricing adjustments made by the Income Tax Department for the tax assessment years 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12, which is disputed by the Company and the matter is lying under appeal with The Income Tax Appellate Tribunal, Bangalore/ The Commissioner of Income Tax (Appeals) LTU, Bangalore. The Company has paid "under protest" an aggregate of ₹ 2779 (2015: ₹ 2271) to the Income Tax Department in this regard.
- There are certain non-quantifiable disputes pending before labour tribunal/ court under labour laws.
- Considering the very nature of the above contingent liabilities, the estimate/ timing of cash outflow, if any, is not readily ascertainable.

28. PARTICULARS OF MATERIALS AND STORES AND SPARES:

	2016		2015	
	%	Value	%	Value
Raw Materials and Components consumed				
-Imported	64	10665	60	10107
-Indigenous	36	6030	40	6668
Total	100	16695	100	16775

Stores and Spares consumed

-Imported	12	219	22	454
-Indigenous	88	1663	78	1567
Total	100	1882	100	2021

29. VALUE OF IMPORTS ON C.I.F. BASIS:

	2016	2015
Raw materials	10736	11856
Stores and spares	557	1544
Capital goods	2159	155

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

30. EXPENDITURE IN FOREIGN CURRENCY:

	2016	2015
Travelling and Conveyance	153	158
Information Technology Services	1327	1145
Royalty	225	266
Other Expenses	460	227

31. EARNINGS IN FOREIGN CURRENCY :

	2016	2015
Export of goods calculated on F.O.B. basis	5615	4698

Note: The above excludes reimbursement of expenses from related parties ₹ 593 (2015 : ₹ 359)

32. PARTICULARS OF RESEARCH AND DEVELOPMENT (R&D) EXPENDITURE (Note):

a) Revenue expenditure

	2016	2015
Revenue expenditure debited to various heads of account :		
Cost of materials consumed	77	36
Employee Benefits expense	325	387
Other Expenses	35	80
Total	437	503

b) Capital expenditure

Description	Manufacturing	R&D	Total
As at June 30, 2015	34672	1128	35800
Additions during the year	3096	-	3095
Deletions during the year	554	104	658
As at June 30, 2016	37214	1024	38238

Note :

The above disclosure is based on requirements stipulated by the Department of Scientific & Industrial Research (DSIR), Ministry of Science and Technology, Government of India.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

33. DISCLOSURE OF DUES / PAYMENTS TO MICRO, SMALL AND MEDIUM ENTERPRISES TO THE EXTENT SUCH ENTERPRISES ARE IDENTIFIED BY THE COMPANY

	2016		2015	
	Non-current	Current	Non-current	Current
a) Principal amount due to suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and remaining unpaid as at year end	-	162	-	52
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	-	*	-	*
b) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	327	-	-
(i) Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-	-
(ii) Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-	-
c) Interest due and payable towards suppliers registered under MSMED Act, for payments already made	-	3	-	*
d) Further interest remaining due and payable for earlier years	-	*	-	-

* Amount is below the rounding off norm adopted by the Company.

Note:

The information has been given in respect of such suppliers to the extent they could be identified as “Micro” or “Small” enterprises on the basis of information available with the Company.

34. SHORT TERM HIGHLY LIQUID INVESTMENTS

The details of short term highly liquid investments comprising of debt based mutual funds are as below:

Name of the fund	2016		2015	
	Units	Amount	Units	Amount
Birla Sun Life Cash Plus - Daily Dividend - Regular Plan	1098165	1100	1796990	1801
Reliance Liquid Treasury Institutional Plan - Dividend Daily	71978	1100	98151	1500
ICICI Prudential Liquid Plan - Regular - Dividend Daily	1099274	1101	2099012	2100
Tata Money Market Fund Regular Plan - Dividend Daily	74886	750	-	-
HDFC Liquid Fund -Regular Plan - Dividend - Daily Reinvest	122571	1250	-	-
Franklin India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment	-	-	149940	1501
IDFC Cash Fund - Daily Dividend - (Regular Plan)	-	-	149977	1500
Total		5301		8402

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

35. EMPLOYEE BENEFITS

- a) The Company operates defined benefit plans in the nature of post-employment gratuity, which is funded, and in the post retirement provident fund (which is managed by a Trust set up by the Company) where interest shortfall, if any, is met by the Company. The disclosure as per AS-15 "Employee Benefits" is given below:

		Gratuity (Funded)		Provident Fund (Trust set up by employer)	
		2016	2015	2016	2015
I	Present Value of Defined Benefit Obligation	2016	2015	2016	2015
a.	Obligation as at the beginning of the year	1798	1494	7339	6329
b.	Current Service Cost	276	314	1576	943
c.	Interest Cost	127	115	536	502
d.	Actuarial (Gain)/Loss	66	45	25	(36)
e.	Benefits Paid	(314)	(170)	(872)	(399)
f.	Obligation as at the end of the year	1953	1798	8604	7339
II	Fair Value of Planned Assets				
a.	Fair Value of Plan Assets as at the beginning of the year	1419	1271	7876	6814
c.	Expected return on Plan Assets	109	106	675	446
d.	Actuarial Gain/(Loss)	19	8	610	225
e.	Contributions	289	204	543	790
f.	Benefits Paid	(314)	(170)	(872)	(399)
g.	Fair Value of Plan Assets as at the end of the year	1522	1419	8832	7876
III	Assets and Liabilities recognised as liability				
a.	Present Value of Obligation as at the end of the year	1953	1798	8604	7339
b.	Fair value of Plan Assets as at the end of the year	(1522)	(1419)	(8832)	(7876)
c.	Amount recognised in the Balance Sheet	431	379		
	Recognised under:				
	Long term Provision	393	345		
	Short term provision	38	34		
	Total	431	379		
IV	Expense recognised in the Statement of Profit and Loss	Gratuity		PF Cost *	PF Cost *
a.	Current Service Cost	276	314	1576	943
b.	Interest Cost	127	115	536	502
c.	Expected return on Plan Assets	(109)	(106)	(675)	(446)
d.	Actuarial (Gain)/Loss	47	37	(585)	(261)
e.	Expense recognised during the year	341	360	852	738

* Surpluses relating to Provident Fund is not recognised in Statement of Profit and Loss as the Plan Assets belong to the Trust

V.	Major Category of Planned Assets as % of total plan assets	2016	2015	2016	2015
	Government Securities (Central & State)	-	-	52%	52%
	Corporate Bonds	-	-	48%	48%
	Contributed to Fund managed by insurance company	100%	100%	-	-
VI.	Actuarial Assumptions				
a.	Discount Rate (per annum)	7.76%	8.20%	7.76%	8.20%
b.	Estimated Rate of return on Plan Assets (per annum)	7.76%	8.20%	7.76%	8.20%
c.	Rate of Escalation in Salary (per annum)	1% & 5%	1% & 5%	1% & 5%	1% & 5%

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

VII.	Amount recognised in current year and previous four years	Gratuity (Funded)				
		2016	2015	2014	2013	2012
	Gratuity					
a	Defined Benefit Obligation	1953	1798	1494	1694	1377
b	Plan Assets	1522	1419	1271	1387	1065
c	(Surplus)/ Deficit	431	379	223	307	312
d	Experience Gain/ (Loss) adjustments on plan liabilities	66	45	67	97	72
e	Experience Gain/ (Loss) adjustments on plan assets	19	8	1	15	3
VIII	Provident Fund (Trust set up by employer)					
		2016	2015	2014	2013	2012
a.	Defined Benefit Obligation	8604	7339	6329	5842	4936
b.	Plan Assets	8832	7876	6814	6613	5265
c	(Surplus)/ Deficit	(228)	(537)	(485)	(771)	(329)
d	Experience Gain/ (Loss) adjustments on plan liabilities	25	(36)	11	(32)	(12)
e	Experience Gain/ (Loss) adjustments on plan assets	610	225	1	123	13
f	Actuarial Gain/ (Loss) due to change in assumptions	15	-	-	60	-

The Guidance Note on implementation of AS 15 - "Employee Benefits" issued by the Institute of Chartered Accountants of India states that Provident Fund set up by employers that guarantee a specified rate of return and which require interest shortfall to be met by employer would be a Defined Benefit plan in accordance with the requirements of para(26b) of AS 15. Pursuant to the Guidance Note, during the year the liability in respect of the shortfall of interest earning by the Fund if any is determined on the basis of actuarial valuation carried out as at June 30, 2016 and ascertained to be Nil (2015:Nil).

IX. Expected contribution to the funds in the next year

Particulars	Year ended	
	2016	2015
Gratuity	310	304
Provident Fund	295	329

- i) The discount rate is based on the prevailing market yield on Government securities as at the balance sheet date for the estimated term of obligations.
 - ii) The expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets held, assessed risk of asset management, historical results of return on plan assets, and the company's policy for plan asset management.
 - iii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.
- b) The Company has recognised in the Statement of Profit and Loss for the year ended June 30, 2016 an amount of ₹435 (2015: ₹ 412) as follows :

Benefit (Contribution to)	2016	2015
Provident Fund	305	295
Employees' Pension Scheme	124	111
Employees' State Insurance Scheme	6	6
Total	435	412

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

36. SEGMENT REPORTING

The Company is in the business of manufacturing and trading of hard metal products and machine tools, which have been identified as separate business segments for primary segment reporting as envisaged in AS 17 "Segment Reporting". The Company's products are sold in the domestic and export markets, which have been identified as geographic segments for secondary segment reporting.

A. Primary Segment Reporting

Business Segment	Machine Tools		Hard Metal Products		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue						
Revenue from operations (Gross)	10355	11437	50886	49830	61241	61267
(Less:) Excise Duty	1044	1121	3168	3121	4212	4242
Revenue from operations (Net)	9311	10316	47718	46709	57029	57025
Other Income	18	6	241	59	259	65
Total Revenue	9329	10322	47959	46768	57288	57090
Result						
Segment Result	787	1974	4321	4137	5108	6111
Unallocated Corporate income					444	430
Unallocated Corporate expenses					(2668)	(2552)
Operating Profit/(Loss)					2884	3989
Exceptional Income					-	647
Interest Income					187	5
Income Tax - Deferred					(155)	(292)
Income Tax - Current					1152	1581
Profit after Tax					2074	3352
Other Information						
Segment Assets	5804	4143	31040	28048	36844	32191
Unallocated Corporate Assets					13861	15644
Total Assets	5804	4143	31040	28048	50705	47835
Segment Liabilities	2775	3294	9907	7937	12682	11231
Unallocated Corporate Liabilities					315	441
Total Liabilities	2775	3294	9907	7937	12997	11672
Capital Expenditure	892	242	3221	1487	4113	1729
Unallocated Capital Expenditure					233	14
Total Capital Expenditure	892	242	3221	1487	4346	1743
Depreciation	130	151	2203	2330	2333	2481
Unallocated Depreciation					78	84
Total Depreciation	130	151	2203	2330	2411	2565

B. Secondary Segment Reporting

Secondary segment disclosures are based on geographical location of customers, which includes the domestic market (India), Europe (comprising Germany), USA and Rest of the World.

Geographical Segment	Revenue		Assets	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
India	51414	52327	50705	47835
Europe	2127	1616	-	-
USA	1172	1557	-	-
Rest of the World	2316	1525	-	-
Total	57029	57025	50705	47835

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

37. EARNINGS PER EQUITY SHARE

Particulars	2015	2015
Profit attributable to equity shareholders	2074	3352
Weighted average number of equity shares outstanding during the year (Nos.)	21978240	21978240
Nominal value of Equity share (₹)	10	10
Basic and diluted earnings per share (₹)	9.44	15.25

38. Disclosure for leases in accordance with AS 19 "Leases" is as follows:

As a Lessee:

Operating Leases:

The Company has operating leases for premises, motor vehicles and office facilities. These lease arrangements range for a period between eleven months and five years, which include both cancellable and non-cancellable leases. Non-cancellable lease arrangements are for periods of upto 36 months. Cancellable leases are generally with options of renewal against increased rent and premature termination of agreement through notice period of 1 to 3 months.

Particulars	2016	2015
Lease payments recognised in Statement of Profit and Loss during the year [including minimum lease payments: ₹ 47 (2015: ₹ 22)]	92	74

With respect to non-cancellable operating leases, the future minimum lease payments are as follows:

Particulars	2016	2015
Future minimum lease payments:		
Not later than one year	63	34
Later than one year but not later than five years	38	44
Later than five years	-	-

As a Lessor:

Operating Leases:

The Company has given premises and plant and machinery on operating lease. These lease arrangements are over a period of eleven months are cancellable by notice of 30 days by either side. Most of the leases are renewable for further period on mutually agreeable terms and also include escalation clauses.

NOTES TO FINANCIAL STATEMENTS

39. RELATED PARTY DISCLOSURES

A) Names of related parties and description of relationship:

a) Parties where control exists:

- | | |
|-------------------------------------|---|
| (i) Ultimate holding company | Kennametal Inc, USA |
| (ii) Intermediate holding companies | Kennametal Widia GmbH Co. KG, Germany
Kennametal Holding GmbH, Germany
Kennametal Europe GmbH, Switzerland
Kennametal Luxembourg Holding S.A.R.L
Kennametal Holdings , LLC, Luxembourg S.C.S
Kennametal Holdings Europe Inc, USA |
| (iii) Immediate holding company | Meturit A.G. Zug, Switzerland |

b) Parties under common control with whom transactions have taken place during the year:

- | | |
|---------------------|--|
| Fellow Subsidiaries | Kennametal Australia Pty Ltd, Australia
Kennametal Produktions GmbH & Co. KG, Germany
Kennametal (Baotou) Co. Ltd, China
Kennametal Widia Produktions GmbH & Co. KG, Germany
Kennametal (Singapore) Pte. Ltd., Singapore
Kennametal Korea Ltd., Korea
Kennametal Japan Ltd., Japan
Kennametal Do Brasil LTDA, Brazil
Kennametal Hard Point (Shanghai) Co. Ltd., China
Kennametal Distribution Services Asia Pte. Ltd., Singapore
Kennametal Shared Services Pvt Ltd., India
Kennametal (China) Co Ltd., China
Hanita Metal Works Ltd. (P), Israel
Kennametal Shared Services GmbH, Germany
Kennametal Extrude Hone Corporation, USA
Kennametal Extrude Hone Ltd., England
Kennametal Extrude Hone GmbH, Germany
Extrude Hone Shanghai Co. Ltd., China
Kennametal (Xuzhou) Company Ltd., China
Kennametal Deutschland GMBH., Germany
Kennametal (Malaysia) Sdn. Bhd., Malaysia
Kennametal Stellram SARL, Italy
Kennametal Stellram SARL, USA
Kennametal Stellite GmbH, Germany
Kennametal Stellite India Pvt. Ltd., India
Kennametal Stellite L.P, USA
Kennametal Italia S.P.A, Italy |
|---------------------|--|

c) Key Management Personnel Managing Director

Bhagya Chandra Rao

Note :

The above does not include related party transactions with retiral funds, as management personnel of the Company who are trustees of funds cannot individually exercise significant influence on the retiral funds transactions.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

B) Summary of the transactions with related parties is as follows

	PARTIES WHERE CONTROL EXIST [A(a)]		FELLOW SUBSIDIARIES [A(b)]		KEY MANAGEMENT PERSONNEL [A(c)]		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
REVENUE - TOTAL	3299	3173	2060	1433			5359	4606
In excess of 10%								
Kennametal Inc., USA	1172	1557					1172	1557
Kennametal Europe GmbH, Switzerland	2127	1616					2127	1616
Kennametal HardPoint (Shanghai) Ltd., China			1005	344			1005	344
Kennametal Distribution Services Asia Pte. Ltd., Singapore			575	571			575	571
OTHER INCOME - TOTAL	-	-	239	104			239	104
In excess of 10%								
Kennametal Shared Services Private Limited, India			139	104			139	104
Kennametal Stellite L.P. USA			100	-			100	-
REIMBURSEMENT OF EXPENSES (Credit) - TOTAL	81	9	451	406			532	415
In excess of 10%								
Kennametal Inc., USA	81	9					81	9
Kennametal Shared Services Private Limited, India			90	74			90	74
Kennametal Distribution Services Asia Pte. Ltd., Singapore			328	233			328	233
Kennametal Extrude Hone GmbH, England			18	59			18	59
LOAN GIVEN DURING THE YEAR - TOTAL	-	-	500	-			500	-
Kennametal Shared Services Private Limited, India			500	-			500	-
INTEREST INCOME - TOTAL								
In excess of 10%								
Interest Income - Kennametal Shared Services Private Limited, India			*	-			*	-
DIVIDEND PAID - TOTAL	330	330	-	-			330	330
INTERIM DIVIDEND PAID								
Metruit A.G. Zug, Switzerland	224	224					224	224
Kennametal Inc., USA	106	106					106	106
MANAGERIAL REMUNERATION- TOTAL							165	117
Bhagya Chandra Rao							165	117

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

B) Summary of the transactions with related parties is as follows

	PARTIES WHERE CONTROL EXIST [A(a)]		FELLOW SUBSIDIARIES [A(b)]		KEY MANAGEMENT PERSONNEL [A(c)]		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
PURCHASES - TOTAL	20219	18144	490	516			20709	18660
PURCHASE OF GOODS- OTHERS								
In excess of 10 %								
Kennametal Inc., USA	4338	4693					4338	4693
Kennametal Europe GmbH, Switzerland	15880	13451					15880	13451
SERVICES RECEIVED / RECHARGE OF EXPENSES - TOTAL	1615	1362	75	99			1690	1461
SERVICES RECEIVED - INFORMATION TECHNOLOGY SERVICES	1327	1145	-	-			1327	1145
In excess of 10%								
Kennametal Inc., USA	1327	1145					1327	1145
ROYALTY PAYMENTS	155	185	70	80			225	265
In excess of 10%								
Kennametal Inc., USA	155	185					155	185
Hanita Metal Works Ltd. (P), Israel			70	80			70	80
RECHARGE OF EXPENSES -TOTAL	133	32	5	19			138	51
In excess of 10%								
Kennametal Inc., USA	133	32					133	32
Kennametal Shared Services Private Limited, India				5			-	5
Kennametal Extrude Hone Corporation, USA				7			-	7
Kennametal Shared Services GmbH, Germany				4			-	4
OUTSTANDING RECEIVABLES - TRADE + OTHERS	614	434	291	226			905	660
TRADE RECEIVABLES	564	433	226	193			790	626
Trade Receivables in excess of 10%								
Kennametal Inc., USA	159	305					159	305
Kennametal Europe GmbH, Switzerland	406	128					406	128
Kennametal Distribution Services Asia Pte. Ltd., Singapore			55	65			55	65
Kennametal Hardpoint (Shanghai) Ltd, China			138	61			138	61

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

B) Summary of the transactions with related parties is as follows

	PARTIES WHERE CONTROL EXIST [A(a)]		FELLOW SUBSIDIARIES [A(b)]		KEY MANAGEMENT PERSONNEL [A(c)]		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
OUTSTANDING RECEIVABLES - OTHERS								
Other Receivables in excess of 10% Kennametal Inc., USA	49	1	65	33			115	34
Kennametal Distribution Services Asia Pte. Ltd., Singapore	49	1	38	18			49	1
Kennametal Extrude Hone GmbH, England			-	2			-	2
Kennametal Shared Services Private Limited, India			18	11			18	11
OUTSTANDING LOAN RECEIVABLE-TOTAL								
	-	-	500	-			500	-
Kennametal Shared Services Private Limited, India	-	-	500	-			500	-
OUTSTANDING PAYABLES - TRADE								
	2677	1818	73	72			2750	1890
TRADE PAYABLES								
Trade Payables in excess of 10%	2677	1818	73	72			2750	1890
Kennametal Inc., USA	828	448					828	448
Kennametal Europe GmbH, Switzerland	1849	1370					1849	1370
ADVANCE RECEIVED								
	48	-	-	-			48	-
Kennametal Inc., USA	48	-	-	-			48	-

* Amount is below the rounding off norm adopted by the Company.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

40. In accordance with AS 29 “Provisions, Contingent Liabilities and Contingent Assets”, the disclosure with respect to certain classes of provisions are as under:

Particulars	As at June 30, 2015	Addition	Utilisation	Reversal	As at June 30, 2016
Product Support [Note (a)]	360	260	296	-	324
	(329)	(308)	(277)	(-)	(360)
Disputed Taxes and Duties [Note(b)]	151	36	-	-	187
	(132)	19	-	-	(151)

Notes:

- a) The Company sets up and maintains provisions for trade and other demands when a reasonable estimate can be made. These provisions are made based on estimates made by Management that are reviewed annually. These matters involve settlements not exceeding a period of two to three years in most cases.
- b) Relates to provision toward disputed taxes and duties. Considering the very nature of such disputes, the timing of cash outflow is not readily ascertainable.
- c) Figures in brackets relate to prior year.
41. Remittance in foreign currency during the year on account of dividends to non-resident shareholders:

	Year ended June 30, 2016	Year ended June 30, 2015
Interim dividend paid during the year	330	330
Number of non-resident shareholders	2	2
Number of equity shares held by such non-resident shareholders	16483680	16483680
Year to which the dividend relates to	2015-16	2014-15

42. a) Particulars of outstanding forward contracts:

Particulars	Purpose	As at					
		June 30, 2016			June 30, 2015		
		Foreign Currency	Amount		Foreign Currency	Amount	
Forward contracts to buy	Hedge of firm commitment	USD	3	203	USD	3	192
		EUR	.*	25	CHF	-	-
Total				228			192

* Amount is below the rounding off norm adopted by the Company

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

b) Particulars of unhedged foreign currency exposures:

Particulars	As at June 30, 2016			As at June 30, 2015		
	Foreign Currency		Amount	Foreign Currency		Amount
Trade receivables	USD	7	507	USD	8	484
	EUR	5	409	EUR	2	128
	BRL	1	22	BRL	1	14
	Others	-	9	Others	-	46
			947			672
Trade payables	USD	7	471	USD	2	136
	EUR	5	382	EUR	4	292
	CHF	3	178	CHF	1	45
	JPY	102	67	JPY	203	104
	Others	-	8	Others	-	23
			1107			600

c) Mark -to-Market losses

Particulars	As at June 30, 2016	As at June 30, 2015
Mark -to-Market losses provided for	*	1

* Amount is below the rounding off norm adopted by the Company

In accordance with the Institute of Chartered Accountants of India announcement dated March 28, 2008 on 'Accounting for Derivatives' the Company has accounted for mark -to-market losses on forward contracts taken on firm commitments.

43. The Company does not have a scheme for grant of stock options to employees for the shares issued in India. However, the Managing Director and certain senior management employees of the Company under the long term incentive plan are granted restricted stock units (RSU's) in a share based compensation plan of Kennametal Inc. USA, the ultimate holding company. The RSU's vests over 4 years or 3 years depending on the scheme and year of grant. With respect to the RSU's granted up to June 30, 2015, there was no recharge of costs to the Company. However, the ultimate holding company has recharged stock compensation expense pertaining to current year, amounting to ₹ 42 [net] (2015: Nil) for all the open RSU's. These plans are assessed, managed and administered by the ultimate holding company and the information to the extent available has been disclosed here as envisaged in the Guidance Note on Accounting for Employee Shared Based Payments issued by the Institute of Chartered Accountants of India.
44. Pursuant to a global decision to divest the "Extrude Hone" business, an agreement was entered into with Madison Industrial Solutions Corporation, USA on Oct 30, 2015 (with effective date of November 30, 2015) by Kennametal Inc, USA, the ultimate holding company. In line with the Board of Directors approval in the meeting held on November 9, 2015, the Company has given effect to the above divestiture and identified certain assets for sale relating to the aforesaid business (which was part of the Hard Metal Products segment), which has been disclosed under "Assets held for sale". As part of the sale proceeds, the Company has received ₹48 (2015: Nil) from the ultimate holding company, and the resultant loss on account of this divestiture amounting to ₹100 (2015: Nil) has been disclosed under Other Expenses in Note 25.

NOTES TO FINANCIAL STATEMENTS

(All amounts in ₹ Lakhs unless otherwise stated)

45. Exceptional items debited to the Statement of Profit and Loss comprises of :

	Year ended June 30, 2016	Year ended June 30, 2015
i. A small portion of the Company's land was acquired for metro rail project by Bangalore Metro Rail Corporation Limited (BMRCL) (a Government of India Undertaking) based on notification issued by Karnataka Industrial Area Development Board (KIADB). However, KIADB vide its order dated March 5, 2012 referred the matter to Bangalore City Civil Court as certain third parties raised objection on awarding of compensation and ownership to land. The Bangalore City Civil Court passed a judgement in June 2014 accepting the claim of the Company over the compensation amount it is entitled to in respect of the said land. Subsequently, the Company filed an application for release of the land compensation amount and submitted the indemnity bond and bank guarantee as required by the Bangalore City Civil Court with a validity period of one year. The Company received the compensation amount on August 19, 2015 from the Bangalore City Civil Court (net of withholding tax of ₹ 56)	-	555
ii. With respect to (i) above, interest on delay in disbursement of compensation amount was received subsequent to the year end	-	92
Total	-	647

46. Prior year's figures have been reclassified/ regrouped, wherever necessary.

For **Price Waterhouse & Co Bangalore LLP**
Chartered Accountants
Firm Registration Number: 007567S/S-200012

Shivakumar Hegde
Partner
Membership Number: 204627

Bangalore
August 09, 2016

For and on behalf of Board of Directors

Bhagya Chandra Rao
Managing Director
DIN – 00211127

K.V. Suresh Reddy
Chief Financial Officer

Prakash M. Telang
Chairman
DIN – 00012562

Kundan Kumar Lal
Company Secretary

CSR ACTIVITIES



SWACHH BHARAT' CLEANING INITIATIVE UNDERTAKEN AT GOVT. HIGH SCHOOL, BAGALAKUNTE, BENGALURU BY CORPORATE VOLUNTEERS OF KENNAMETAL INDIA LIMITED AS PART OF 'SWACHH BHARAT' PAKHWADA



SWACHH BHARAT' PLEDGE UNDERTAKEN BY EMPLOYEES AT KENNAMETAL INDIA LIMITED BENGALURU, INDIA



Handed over cheque of Rs.15,00,000/- during Nov'15 to Sparsha NGO for Building Home for underprivileged children specially girls.



Science Lab sponsored by KIL, to the adjacent Government High School, Bagalkunte.



In the Community program' - 2 Bus Shelters provided in the vicinity of KIL - Hesaraghatta Signal (both left and right side of the Highway), Tumkur Road.



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