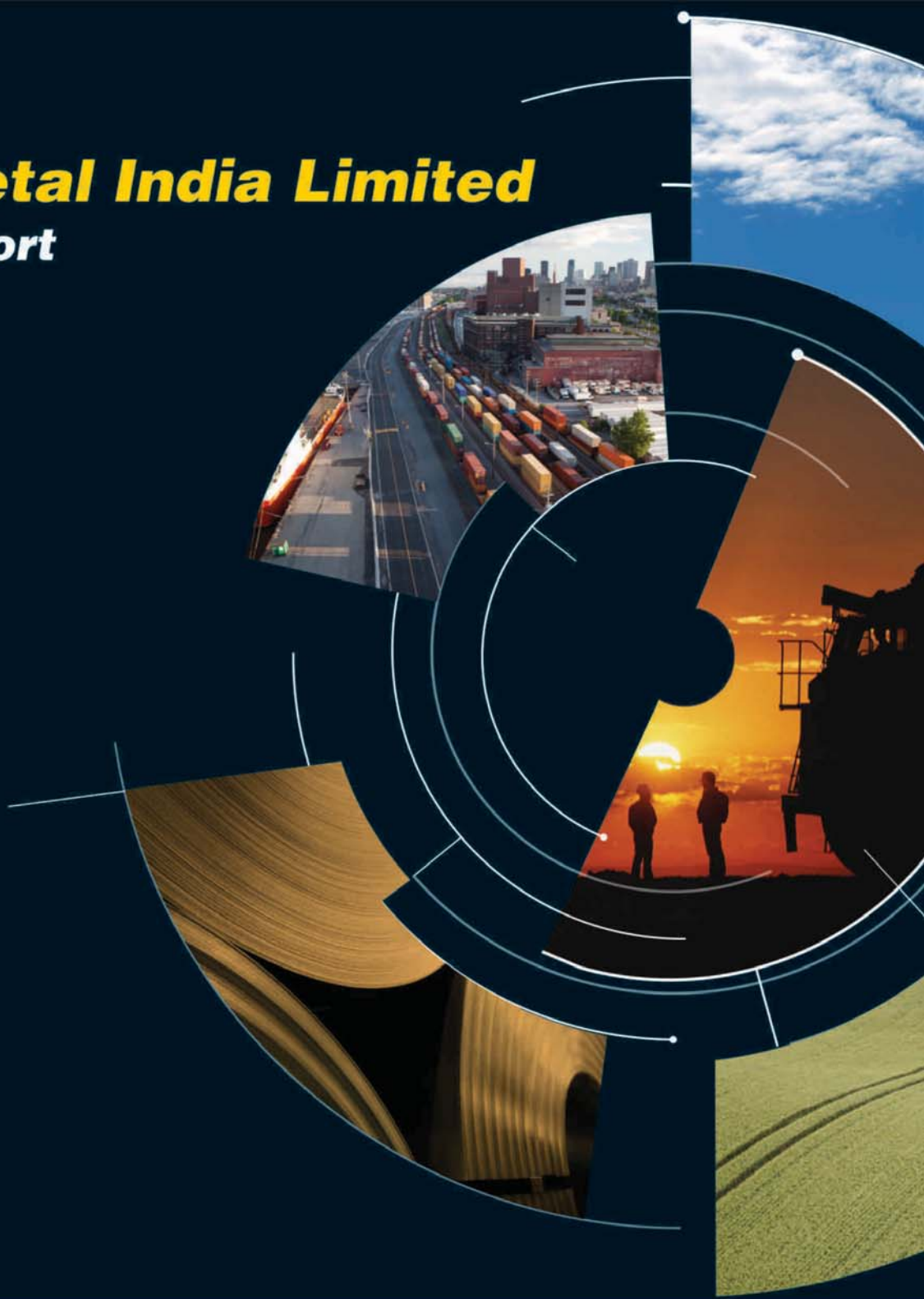


Kennametal India Limited
Annual Report
FY11



KENNAMETAL INDIA BOOTHS AT IMTEX - 2011



Kennametal India Limited

Directors

Mr. M.N. Bhagwat
Chairman
Mr. Santanoo Medhi
Managing Director
Mr. John Chang
Mr. Vinayak K. Deshpande
Mr. B. Anjani Kumar
Mr. Bernard North

India Leadership Council (ILC)

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

Company Secretary

Mr. Kundan K. Lal

Registered Office and Factory

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

Auditors

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

Bankers

Corporation Bank Limited
HDFC Bank Limited
ICICI Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited

Registrar & Share Transfer Agent

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

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46th Annual General Meeting

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

NOTICE TO MEMBERS

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

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at June 30, 2011, the audited Profit and Loss Account for the year ended on that date and the reports of the Directors and the Auditors thereon.
2. To confirm the interim dividend of ₹ 35/- per equity share (350%) on 21,978,240 equity shares of ₹ 10/- each already paid as the final dividend for financial year 2010-2011 (year ended June 30, 2011).
3. To appoint a Director in place of Mr. M. N. Bhagwat, who retires from office by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the Board to fix their remuneration. The retiring auditors M/s. Price Waterhouse, Chartered Accountants, [FRN: 007568S] have expressed their unwillingness to be re-appointed. The Company has received a Special Notice from a member of the Company under Section 225 read with Section 190 of the Companies Act, 1956 signifying the intention to propose the following resolution:

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

SPECIAL BUSINESS:

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

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

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

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

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

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

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

By Order of the Board of Directors
For Kennametal India Limited

Bangalore August 12, 2011
Kundan Kumar Lal
Deputy General Manager-Legal &
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the commencement of the 46th Annual General Meeting (AGM).
3. The relative explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under items (5) to (6) set out above is annexed hereto. The documents relating to the items detailed in the Notice are available for inspection at the Registered office of the Company from Monday to Friday between 10.30 am to 12.30 pm, up to the date of the Annual General Meeting.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from **October 29, 2011 to November 02, 2011** (both days inclusive) for the purpose of the AGM.
5. An interim dividend of ₹ 35/- per equity share of ₹ 10/- each [350% on the paid capital of the Company] was declared by the Board for the financial year ended June 30, 2011 and June 16, 2011 was fixed as Record Date for the said purpose. The said interim dividend was paid from June 23, 2011.
6. Under Section 205A read with Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of payment is required to be transferred to the Investors' Education and Protection Fund (IEPF) of the Central Government.

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

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

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

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

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

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

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

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

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

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

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

Company at least five days before the date of the meeting to enable the Company to keep the information ready.

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

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

Item No. 5

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

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

- A) Salary: ₹ 6,456,000/- (Rupees Six million four hundred fifty-six thousand only) per annum or ₹ 538,000/- (Rupees five hundred thirty-eight thousand only) per month with such increases as may be approved by the Board of Directors of the Company from time to time.
- B) Special Allowance of ₹ 3,240,000/- (Rupees three million, two hundred forty thousand only) per

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

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

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

Minimum Managerial Remuneration - In the absence or inadequacy of profits in any financial year, Mr. Medhi shall be paid as minimum managerial remuneration, the salary, discretionary performance pay, if applicable, and perquisites as stated above, subject to the applicable provisions of the Companies Act, 1956 and the rules made there under or any statutory modification or re-enactment thereof.

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

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

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

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

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

Item No. 6

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

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

The brief resume in relation to his experience, functional expertise and memberships on other companies' Boards and committees as required under Clause 49 of the listing agreement is set out in Annexure 'A' to this Notice. The Board considers that his association as Director will be beneficial to and in the interest of the Company.

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

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

By Order of the Board of Directors
For Kennametal India Limited

Bangalore
August 12, 2011

Kundan Kumar Lal
Deputy General Manager-Legal &
Company Secretary

Brief particulars of Directors seeking re-appointment/ appointment

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

DIRECTORS' REPORT

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

FINANCIAL RESULTS

(₹ in million)

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

DIVIDEND

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

OPERATING RESULTS

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

Your Company does not have any subsidiaries.

MATERIAL CHANGES AND COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

DIRECTORS

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

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

The Board at its meeting held on May 04, 2011

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

RECONSTITUTION OF THE AUDIT COMMITTEE OF DIRECTORS

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

FIXED DEPOSITS

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

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

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

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

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

AUDITORS

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

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

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

CORPORATE GOVERNANCE

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

PARTICULARS OF EMPLOYEES

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

entitled thereto. Any member interested in obtaining a copy of the statement containing the aforesaid information may write to the Company Secretary at the Registered Office of the Company and the same shall be provided by the Company. Shareholders may inspect the said Statement at the Registered Office of the Company between 10.30 am and 12.30 pm on any working day for the Company till the date of the forthcoming 46th Annual General Meeting.

RESEARCH & DEVELOPMENT (R &D)

The Research, Development and Engineering (RD&E) Department, works on new Product and Process Developments with specific focus on materials, coatings and design.

RD&E Department, Bangalore is a globally aligned matrix set-up and works for the global requirements of Kennametal Inc. with a continued specific focus on up-gradation of products, processes and technology.

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 217(1)(e) read with the Company's (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is set out in **Annexure III** to this report.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

Safety, Health and Environment protection have continued to gain increasing importance in your Company. Your Company has inculcated global best practices in safety and created a culture that accords pre-eminence to the safety of its employees. Your Company has committed itself to the safety of its employees and conservation of the environment by setting clear expectations, fixing responsibilities and accountabilities. Your Company recognizes its employees for EHS achievements and innovative EHS activities through awards programmes. Safety Policy and Safety Standards Conduct are issued to all employees of the Company.

Your Company continued its efforts in conserving water and harvested about 75 million liters of rain water during monsoon season which have recharged

the groundwater in factory premises and in surrounding villages as well. Your Company continued its efforts in treating the domestic effluent in Sewage Treatment plant and used treated water for gardening. An additional area of 20,000 Sq.ft of greenery was developed and 25 trees were planted in the factory premises during the year. Your Company has reduced its waste paper generation per day by 46 % by adopting many initiatives on protection of environment.

Your Company was conferred with the following awards (1) Certified as Energy Efficient Unit from Confederation of Indian Industries (CII), (2) Prerana Energy Conservation Initiative Award – 2010 from Centre for Sustainability Development, a non-government organisation(NGO), (3) recognized by CII for demonstrating leadership in EHS performance and innovative better practices implemented (4) CII awarded your Company (a) EHS Excellence Award, best in manufacturing industries and (b) EHS excellence award, second position in medium category industries, during the year under report.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility continues to assume an important role in the activities of the Company. Your Company has successfully implemented numerous initiatives in or near communities. These initiatives are focused on providing a meaningful, positive impact on people and the environment.

- **Partnership with Akshyapatra** - To provide a mid day meal for over 500 primary school students of the Government School behind your Company's premises. Your Company along with employees of the Company also donated to the said schools the books, stationery and sports equipments.
- **Ablishrayam orphanage** – Your Company has adopted over 20 children to provide them with books, clothes, computers, and personal care days spent at the orphanage, through contributions and personal time volunteered by its employees.
- **Protecting our Planet** – Sponsor of the Bangalore Walkathon on World Environment day in partnership with CII where over 100 employees

of your Company joined hands and walked in support of restoration of a lake in Bangalore.

FACTORY LAND AT TUMKUR ROAD

National Highway Authorities of India (NHAI) had acquired factory's land aggregating 14 guntas at Survey No.11, Nagasandra Village, in connection with construction work of Access Controlled Highway from 10 KM to 29.5 KM on Bangalore-Nelamangala section of NH4. NHAI had paid a sum of ₹ 6,210,600/-, excluding applicable taxes.

Further, the Company had received a notice from the Special Land Acquisition Officer, Karnataka Industrial Areas Development Board (KIADB) informing that a part (survey No. 11 facing Tumkur Road) of the Company's land to the extent of 34 guntas was required for Bangalore Metro Rail Project (BMRP). Your Company had submitted the documents with KIADB in April, 2011 as per their requirement for acquisition of land and since then the Company has not received any communication from them.

PERSONNEL/INDUSTRIAL RELATIONS

During the period under review, your Company

maintained healthy, cordial and harmonious industrial relations at all levels. The enthusiasm and unstinting efforts of the employees have enabled your Company to remain at the forefront of the industry. Your Directors record their appreciation for this hard work and efficiency.

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 place on record their gratitude to the Members for their continued trust, confidence and express their sincere appreciation to all the employees for their teamwork and contributions during the year.

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

Bangalore
August 12, 2011

M.N. Bhagwat
Chairman

MANAGEMENT DISCUSSION & ANALYSIS REPORT**a) Industry Structure and Developments / Opportunities & Threats**

Your Company is a leading manufacturer of hard metal products and machine tools which cater to the needs of a wide variety of manufacturing and other industries such as Transportation, General Engineering, Aerospace & Defense, Energy, and Earthworks. It seeks to provide a competitive edge to its customers through a wide variety of standard high quality products as well as items customized to their requirements such as special purpose machines, tools, customized tooling solutions and engineered products.

Your Company's mission is "to deliver productivity to customers seeking peak performance in demanding environments by providing innovative custom and standard wear-resistant solutions, enabled through its advanced material sciences, application knowledge and commitment to a sustainable environment".

The growth story of Indian economy continued in FY11 after a remarkable turnaround in FY10 from the global economic recession which began in late 2008. The Indian economy maintained the momentum from the prior year and witnessed a growth of 8.5% in 2010-11. This growth rate has been contributed by manufacturing as well as services sectors. While the fiscal stimulus measures pulled the economy out of recession in FY10, strong demand has strengthened the economy in FY11.

The rapid recovery in the economy has also brought forth higher inflation, which has been in double digits for quite some time now. The Reserve Bank of India (RBI) has been taking all monetary measures to curb inflation, which in a way, has been detrimental to the business. Significant surge in demand has led to challenges on the supply chain capacity of vendors. Thrust on Green and efficient transportation has led the Original Equipment Manufacturers to migrate towards usage of newer, lighter and advanced materials. As in the past, the management of your Company is continuously and closely watching these developments and taking appropriate steps to exploit new opportunities and overcome the challenges to retain its market leadership.

b) Operations:

During the recent global recession, the Company made some key decisions and even many

strategic investments in our business to reinvent ourselves as a true Customer-Facing Company. This meant leaning out and standardizing our processes; embracing standard SAP; and implementing a market sector approach to our structure. To our customers, this new structure means better service and partnership, and leverages our ability to provide Enterprise-wide solutions for their needs.

During FY11, your Company also pursued a Strategy of focusing customers clustered around common themes so as to bring relevant proven solutions to these customers in a strategic manner. The customers were grouped around the themes of Transportation, Aerospace & Defense, Energy, Earthwork and General Engineering. Special task forces with dedicated resources were created to pursue opportunity created by this focus.

In FY11, your Company rolled out a dual brand strategy to harness the full potential of both "KENNAMETAL" and "WIDIA" brands. Both the brands have grown in double digits in the year. Your Company intends to further leverage this strategy in coming years to serve the customers better by providing quality and innovative products under both the brands. As part of this strategy there have been numerous new launches in FY11 in both the brands which have helped the Company to consolidate its position in the market.

One of the key initiatives during the year was to start setting up of regional service centers strategically located across India to better serve our customers. One such center has already been started in Jamshedpur and few more would be put up in other industrial zones in the country.

Your Company believes that mind share of a Customer is critical to market share. As part of this initiative your Company participated in many important events and seminars such as IMTEX '11, Bauma India Show, and Wire India Show to name a few. Your Company also launched a dedicated website for the WIDMA Machine Tool brand to show case our capabilities in special purpose machine tools.

It has always been the endeavor of your Company to remain focused on improving operating efficiencies. Many Lean manufacturing initiatives were taken last year to strengthen the ability to

Annexure I to the Directors' Report

meet customer's expectation of better quality at lower cost. Lean initiatives are also being carried out in non-manufacturing functions like Finance, HR, etc. to reduce all forms of waste. These initiatives have ensured lower costs and coupled with Increased Sales have enabled the Company to achieve better margins during FY11.

During the year your Company has received KVBS global Lean Awards both in manufacturing and non-manufacturing categories. Both these awards demonstrate the commitment of the management to improve upon the operating efficiency and provide better customer service. Your Company is also committed to green initiatives and has been awarded 3 awards at national level for energy savings during the year.

c) Segment-wise performance:

The segments for financial reporting are:

- (i) Hard metal and hard metal products
- (ii) Machine Tools

Segmentation is primarily based on nature of the products and services provided by the segment and the business risks attached thereto. Each segment represents a business that offers different products and services, and serves different markets. 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. The details of segment wise results are given as part of the Annual Accounts as required under Accounting Standard 17 – Segment Reporting.

d) Company's outlook

While the macro economic outlook for the country remains positive, many factors such as high inflation in the country, weakening of the Rupee and potential financial crisis in Western world may impact respective economies. High oil prices pose a big threat to growth and inflation. Consequently, the business growth expectations require moderation since the growth levels witnessed in prior year may not be sustainable. Though the monsoon is on time and will impact the economy positively, rising commodity prices will throw challenges in terms of maintaining the profitability across the manufacturing sector. Operating margins may come under pressure due to higher input and operating costs.

The macro economic outlook is thus not so favorable and may impact demand and in turn likely to impact the growth rate for your Company. The focus of the Company would continue to be on improving productivity to customers by providing innovative customized and standard wear resistant solutions. With strong emphasis on new products we expect to maintain the leadership position in the marketplace.

e) Risks and concerns

There has been a steep increase in the prices of basic raw materials like APT and Tantalum which have gone up by 56% and 177% respectively and this has been a cause of concern for the Company. These unprecedented price increases bring in the challenge of passing on the escalations to customers in the form of price increase and may impact margins.

The Reserve Bank of India has been very aggressive with the monetary policy measures to control inflation. As a consequence the lending rates have been on rise continuously for more than 6 quarters. The increase in the interest rates will impact the demand in the Transportation segment from where your Company derives significant revenues.

Manpower attrition has been a major challenge for all the companies across the board. Your Company continues to focus on various initiatives (like Job Enhancement, Job Enrichment etc.) taken up during prior year to attract and retain key talent.

f) Internal control systems and their adequacy

Your Company carries out regular and rigorous reviews to monitor all assets including Fixed Assets, Investments and Primary Working Capital. Strict control of expenses coupled with control of working capital has ensured that your Company remains debt-free and profitable.

Your Company reviews its Risk Management policy at least bi-annually and presents its actions to the Board of Directors for review. The recommendations of the Board members are taken into account and implemented through necessary instructions/actions.

During the year, the Internal Audit department conducted 8 internal audit reviews and presented its reports to the Audit Committee. The Audit Committee and the Board also hold independent discussions with the Internal Auditors and the Statutory Auditors every quarter to make an

Annexure I to the Directors' Report

independent assessment of the internal control systems and there has been no report of any significant weakness in the Internal Control framework of the Company.

g) Financial performance

Your Company had a record financial performance in FY11. The total Income for FY 11 has grown by 36% as against 20% growth in the previous year. There has been a sharp increase in profitability of the Company with Profit after Tax at ₹ 885 Million is 17% of Total Income as against 13.5% in the prior year and with the higher Total Income in FY 11, the Company has achieved an increase of 70% in Net Profit over the previous year. The increase in profitability has been a result of volume growth coupled with efficient cost management. Productivity improvement, relentless cost control, active deployment of lean processes and price increases on a selective basis have significantly offset the unprecedented increase in raw material prices. The Sales per Employee has also gone up from ₹ 4 Million in FY10 to ₹ 5.8 Million in FY11 resulting in 45% improvement over the previous year.

All the segments lead by Transportation and General Engineering have achieved double digit growths over the prior year. The Machine Tool Business has grown by 29% in terms of Sales and witnessed a record order intake of ₹ 870 Million. Your Company continues to leverage the world class manufacturing facilities to ship more and more products to new Kennametal locations, primarily Asia and Brazil in addition to USA, Israel and Germany.

As in the past, Working Capital control has been one of the most focused areas in the Company. With improved working capital and profitability, Return on Invested Capital (RoIC) has significantly improved to 43% in FY11 as against 26% in FY10. The Balance sheet of the Company remains most healthy and the Company continues to be fully debt-free.

5 year charts for key financial indicators are also given separately in this report.

h) Material Developments in Human Resources and Industrial Relations

Your Company recognizes the Human Resources as important assets of the Company and it is constantly engaged in developing competencies of these resources to deliver performance to its

full potential.

Highlights of FY11:

- Human Capital Management Project was implemented where SAP HR got upgraded from 4.6c to 6.0.
- Project Next roll out was successfully completed where standardization of position titles was achieved. Employee Self Service functionality was introduced.
- Enterprise Compensation Management System was implemented along with the concept of Salary Bands and Market Reference Rates.
- Reward & Recognition Scheme was introduced for enhancing Employee Engagement.
- Talent acquisition process was enhanced by the introduction of the E-recruit portal. The employee strength of the Company as on June 30, 2011 was 923.
- Training and Learning Activities for Employees, Dealer Personnel and Customers continued to be an area of Focus through the Kennametal Knowledge Center.
- Industrial relations remained generally cordial and harmonious throughout the year. Wage settlement Agreement expired on June 30, 2011 and a new wage settlement is under process.

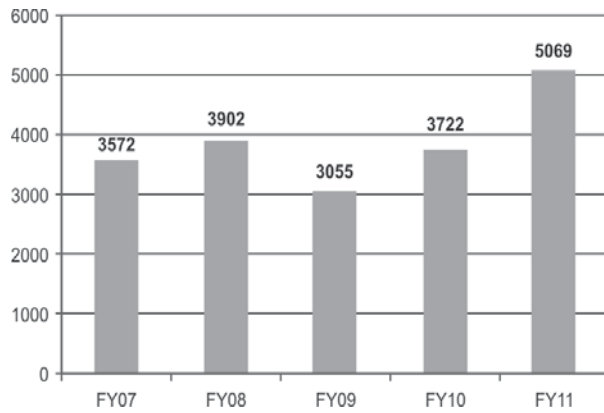
i) Cautionary Statement

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.

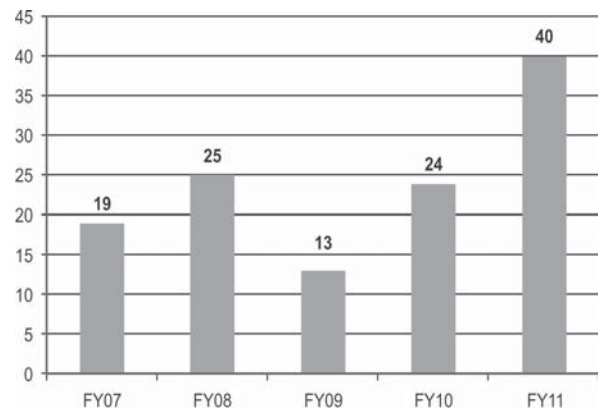
The information contained herein may not be disclosed, reproduced, or used in whole or in part for any purpose or furnished to any other person(s) without the express prior written permission of the Company.

FIVE YEAR CHARTS FOR KEY FINANCIAL INDICATORS

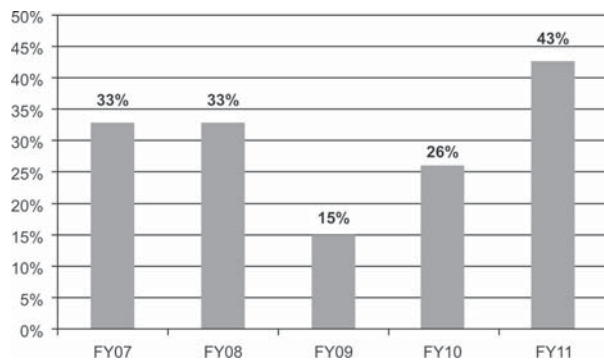
Net Sales (₹ in Million)



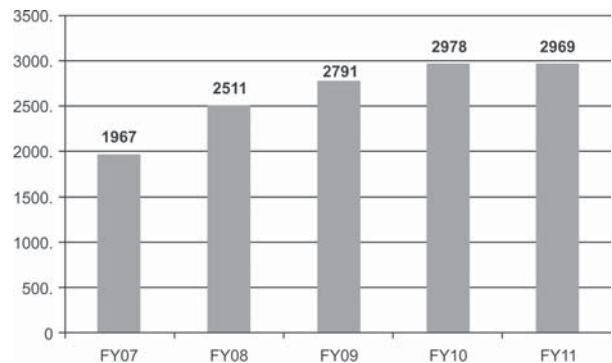
Earning Per Share (EPS) in ₹



Return On Capital Employed (ROCE) in percentage



Net worth (₹ in Million)



Annexure II to the Directors' Report

REPORT ON CORPORATE GOVERNANCE

Corporate governance philosophy and compliance

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, as detailed below:

1. Composition of the Board

The Board of Directors has 6 members (as on June 30, 2011), including the Managing Director and 5 non-executive directors who bring a wide range of experience and knowledge to the Board. The Company has a non-executive Chairman and the number of independent directors is one-third of the total number of Directors. The 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. The composition of the Board is in conformity with Clause 49 of the Listing Agreement. During the year under review, six meetings of the Board of Directors were held on the following dates: August 13, 2010, October 26, 2010, December 09, 2010, January 25, 2011, May 04, 2011 and June 06, 2011.

Table 1 : Particulars of directorships, membership of board committees and attendance at meetings

Name of the director	Other Directorships held*	Board Committees + (in other Companies)		Attendance at	
		Chairman	Member	Board Meetings	Last AGM
<i>Non-executive, Independent directors</i>					
Mr. M. N. Bhagwat, Chairman	3	2	1	6	Yes
Mr. Vinayak K. Deshpande ¹	2	-	-	4	Yes
Mr. Rakesh Makhija ²	-	-	-	1	Not applicable
<i>Managing Director</i>					
Mr. Santanoo Medhi	-	-	-	6	Yes
<i>Non-executive directors</i>					
Mr. John Chang ³	-	-	-	-	Not applicable
Mr. B. Anjani Kumar	-	-	-	6	Yes
Mr. Bernard North	-	-	-	2	Yes
Dr. Esat Kemal Yegenoglu ⁴	-	-	-	2	Not applicable

Mr. John Chang, Mr. Bernard North, Dr. Esat Kemal Yegenoglu and Mr. B. Anjani Kumar are the nominees of Kennametal Inc., the promoter. Except for Mr. B. Anjani Kumar, no sitting fees paid to non-executive Directors.

* Excluding office of alternate directors, non-profit associations, private & foreign companies.

+ Only the Audit and Shareholders' / Investors Grievance Committees are considered.

¹ Appointed as additional director with effect from September 06, 2010

² Ceased to be the director with effect from August 14, 2010

³ Appointed as director in casual vacancy with effect from May 04, 2011

⁴ Ceased to be the director with effect from February 11, 2011

2. Audit Committee

The terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreement with the Bombay Stock Exchange Limited read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

Consequent to the resignation of Mr. Rakesh Makhija, as Director of the Company with effect from August 14, 2010, his position as member of the Audit Committee was also vacated. The Board of Directors at its meeting held on October 26, 2010 reconstituted the Audit Committee to comprise (a) Mr. M. N. Bhagwat, (b) Mr. Vinayak K. Deshpande and (c) Mr. B. Anjani Kumar as its Members.

All members of the Audit Committee have the requisite accounting and financial management expertise. 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 Director	Number of meetings attended
Mr. M.N. Bhagwat Chairman, Non-executive, independent	5
Mr. Vinayak K. Deshpande ⁺ Non-executive, independent	4
Mr. Rakesh Makhija ⁺⁺ Non-executive, independent	1
Mr. B. Anjani Kumar Non-executive, non-independent	5

+ appointed as member with effect from September 06, 2010

++ ceased to be the member with effect from August 14, 2010

During the period under review, five meetings of the Audit Committee of Directors were held on the following dates: August 13, 2010, October 26, 2010, January 25, 2011, May 04, 2011 and June 06, 2011.

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.

Annexure II to the Directors' Report

3. Shareholders' / Investors Grievance Committee

The Committee met on August 13, 2010 during the year under review and the attendance of the members at the said meeting is provided in Table 3.

Table 3: Particulars of Shareholders' / Investors Grievance Committee of Directors and their attendance at the meeting:

Name of the Member	Attendance
1. Mr.M.N.Bhagwat, <i>Chairman</i>	Attended
2. Mr.Santanoo Medhi, <i>Member</i>	Attended

During the year under review, the Company received three complaints and all were redressed.

4. Directors' remuneration

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

Table 4 : Remuneration paid to Managing Director in respect of financial year 2010-2011.

Managing Director	Amount (₹)
Mr.Santanoo Medhi	16,622,133*

* includes salary, fixed allowance, housing, leave travel allowance medical reimbursement, contribution to retriial benefits, etc. The appointment is for a period of three years from April 24, 2010 upto April 23, 2013 terminable with a notice period of three months or such notice as may be mutually determined as per the agreement dated April 24, 2010. The Board of Directors of Company approved the revision in remuneration of Mr. Medhi effective from October 01, 2010 for the remaining period of his tenure i.e. upto April 23, 2013 as specified in the supplementary agreement dated January 25, 2011. 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-wholetime Directors	Commission (₹)*	Sitting fees (₹)
Mr. M. N. Bhagwat	1,320,000	230,000
Mr. John Chang	Nil	Nil
Mr. Vinayak K. Deshpande	550,000	160,000
Mr. B. Anjani Kumar	550,000	220,000
Mr. Rakesh Makhija	Nil	40,000
Mr. Bernard North	Nil	Nil
Dr. Esat Kemal Yegenoglu	Nil	Nil

* payable in financial year FY12

Annexure II to the Directors' Report

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. General Meetings

Date & time	Location	Special Resolutions passed
43 rd AGM – 2008 October 31, 2008, 10.30 AM	Registered Office at 8/9 th Mile, Tumkur Road, Bangalore – 560073	Nil
44 th AGM – 2009 October 29, 2009, 10.30 AM	Registered Office at 8/9 th Mile, Tumkur Road, Bangalore – 560073	Appointment of Mr.D.Sarathy as Manager of the Company as defined under Section 2(24) of the Companies Act, 1956.
45 th AGM – 2010 October 26, 2010, 10.30 AM	Registered Office at 8/9 th Mile, Tumkur Road, Bangalore – 560073	1. Appointment of Mr.Santanoo Medhi, as Managing Director and fixation of his remuneration. 2. Payment of Commission to non-executive Directors.

Postal Ballot

During the year, the Company conducted Postal Ballot exercise dated December 16, 2010 seeking consent of the Members for voluntary de-listing of the Equity Shares of the Company from Bombay Stock Exchange Limited as required under SEBI (Delisting

of Equity Shares) Regulations, 2009. Mr. Vijayakrishna K.T., Practicing Company Secretary, acted as the Scrutiniser.

The result of the postal ballot was announced on January 22, 2011 and the details of the voting pattern were as under:

Sl. No.	Particulars	No. of Postal Ballot	No. of Votes	% of Shares
a.	Total Postal Ballot / Votes received from the Shareholders	507	20,540,715	100%
	Less: Total No. of Ballot / Votes found invalid	37	34,833	0.17%
b.	Total No. of Valid Votes	470	20,505,882	100%
c.	Total Postal Ballot / Votes Assenting including promoters	205	20,127,556	98.16%
d.	The Postal Ballot from Promoters with assent	2	19,376,013	94.49%
e.	Total Public shareholders Postal Ballot/ Votes	468	1,129,869	100% (public shareholding only)
f.	Public Shareholder votes in favour of the resolution	203	751,543	66.515%
g.	Public Shareholder Votes cast against the resolution	265	378,326	33.485%

The Special Resolution as set out in the said Postal Ballot Notice had been duly passed by the members pursuant to the Companies Act, 1956. However, the provisions of Regulation 8(1) (b) of SEBI (Delisting of Equity Shares) Regulations, 2009 had not been satisfied and hence, the said Special Resolution was not acted upon.

6. Disclosures

- The Company has adopted a Code of Internal Procedures

and Conduct for Prevention of Insider Trading.

- 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 2010-2011.

- 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 Bombay Stock Exchange Limited, SEBI or any statutory authority on any matter relating to capital markets during the last three years.

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) notified under section 211(3C) of the Companies Act, 1956.
- 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 your Company.
- 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 Clause 49(V) of the listing agreement, for the year ended June 30, 2011.
- The Company does not have any subsidiaries.
- The Company has not made any capital issues during the year ended June 30, 2011.
- The Company has complied with all the mandatory requirements of Clause 49 of the listing agreement. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

Adoption of non-mandatory requirements

i) The Board

The Company reimburses the expenses towards the maintenance of the office of its non-executive, independent Chairman and also the expenses incurred in performance of his duties.

Annexure II to the Directors’ Report

ii) Shareholders’ right

The Company’s quarterly and half-yearly financial results are published in the newspapers and the results were also uploaded in 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.

iii) Audit qualifications

There are no qualifications in the Auditors’ Report on the Accounts for the year ended June 30, 2011.

iv) Others

The Company has not adopted the following clauses which are non-mandatory under Annexure 1D to Clause 49 of the listing agreement

- Clause (2) constitution of Remuneration Committee of Directors
- Clause (5) training of Board Members
- Clause (6) mechanism for evaluating non-executive Board Members

7. Means of Communication

- Quarterly / half-yearly / annual financial results of the Company were forwarded to the Bombay Stock Exchange Limited (where listed) immediately after the Board Meetings so as to enable hosting the same in 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.

- As per the latest amendment by SEBI the requisite details of the Company in terms of Clause 54 of the listing agreement are maintained in the website viz. www.kennametal.com under the icon ‘Company Profile’ (Kennametal India Financials).

The link is as follows:

http://www.kennametal.com/en-US/company_profile/KMT_India_financials.jhtml

- Management Discussion and Analysis Report is annexed to the Directors’ Report.

General shareholders’ information

Annual General Meeting:

The 46th Annual General Meeting of the Company is scheduled to be held at 10.30 a.m. on Wednesday,

Annexure II to the Directors' Report

Table 6: Financial calendar for the year 2011-12.

Event	Month (tentative)
Un-audited results for the quarter ending September 30, 2011	November, 2011
Un-audited results for the quarter ending December 31, 2011	January / February, 2012
Un-audited results for the quarter ending March 31, 2012	April / May, 2012
Audited results for the year ending June 30, 2012	July / August, 2012

November 02, 2011 at the Registered Office of the Company at 8/9th Mile, Tumkur Road, Bangalore -560073.

Book Closure:

The Register of Members and share transfer books

will remain closed from October 29, 2011 to November 02, 2011[both days inclusive]

Dividend :

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

Stock Exchange:

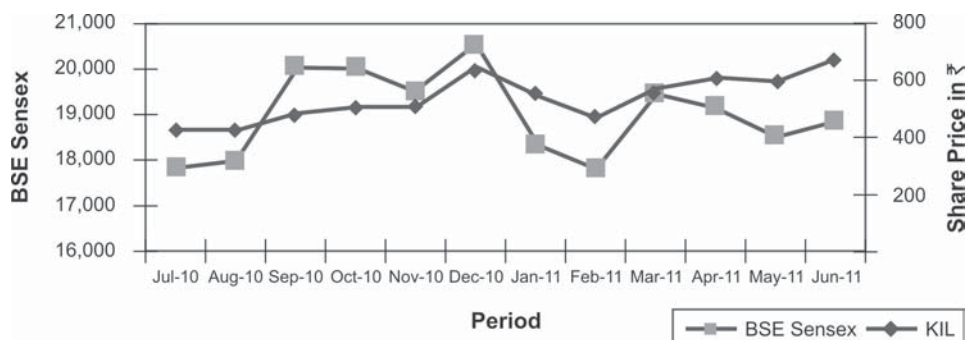
The equity shares of the Company are listed with Bombay Stock Exchange Limited, Mumbai. (scrip code : 505890) and the listing fee has been paid for the year 2011-2012.

Table 7: Market Price Data - High/Low [closing price] on BSE, during each month of the period under review

Month		High (₹)	Low (₹)
July	2010	485.00	411.05
August	2010	520.00	420.00
September	2010	539.00	411.00
October	2010	527.80	449.00
November	2010	576.95	493.25
December	2010	669.00	501.00
January	2011	684.80	516.00
February	2011	558.50	464.00
March	2011	584.40	469.25
April	2011	639.90	562.80
May	2011	629.90	577.20
June	2011	787.00	590.00

Source: Website of the Bombay Stock Exchange Limited - www.bseindia.com

Table 8 : Share price performance in comparison with BSE Sensex*



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

Annexure II to the Directors' Report

Share transfer agents

Work related to both physical / demat shares is handled by M/s Integrated Enterprises (India) Limited as common Share Transfer Agent. M/s Alpha Systems Private Limited, the then Registrar and Transfer Agent of the Company was merged with M/s Integrated Enterprises (India) Limited as per the scheme of merger approved by High Court of Karnataka and Tamilnadu. Therefore, in future all correspondence relating to share transfer, change of the address for shares held in physical form and dematerialisation of shares etc. are to be addressed to the M/s. Integrated Enterprises (India) Limited, No.30, "Ramana Residency", 4th Cross, Sampige Road, Malleswaram, Bangalore - 560003, Phone: 080 - 23460815 to 818. Fax: 080 - 23460819. e-mail: alfint@vsnl.com.

Share transfer system

The authority relating to transfer of shares has been delegated to a Share Transfer Committee consisting of the Managing Director as its Chairman, Vice President – Manufacturing and the Company Secretary as its members. The Committee meets fortnightly or as often as may be necessary to ensure that the transfer process is completed without delay.

Dematerialisation 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. 85% of the non-promoters equity shares of the Company are held in demat form.

There are no outstanding GDRs / ADRs / other convertible instruments.

Table 9 : Pattern of shareholding as on June 30, 2011

Category	No. of shares	Percentage (%)
Promoters		
Meturit AG. - 11,208,840		
Kennametal Inc. - 8,167,173	19,376,013	88.16
Public		
Mutual Funds	240,651	1.09
Financial Institutions/Banks	1,040	0.01
Foreign Institutional Investors	133,702	0.61
Bodies Corporate	206,943	0.94
Individuals & others	2,019,891	9.19
Total	21,978,240	100.00

Table 10 : Distribution of shares as on June 30, 2011

No. of shares	No. of shareholders	Shares held
1 – 5,000	4,639	1,292,390
5,001 – 10,000	50	350,980
10,001 – 20,000	24	331,131
20,001 – 30,000	6	143,080
30,001 – 40,000	0	0
40,001 – 50,000	1	47,593
50,001 – 100,000	1	63,300
100,001 and above	4	19,749,766
Total	4725	21,978,240

Annexure II to the Directors' Report

Plant location

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

Address for correspondence

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

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

For dividend queries and other general matters:

The Company Secretary
Kennametal India Limited
8/9th Mile, Tumkur Road,
Bangalore - 560 073.
Phone: 080-28394321 and 080 22918345
Fax: 080 28397572
[e-mail:kundan.lal@kennametal.com](mailto:kundan.lal@kennametal.com)
[e-mail: in.investorrelation@kennametal.com](mailto:in.investorrelation@kennametal.com) - for the purpose of addressing investor complaints and also to take necessary follow-up action.

MD CERTIFICATION

To,

The Members
Kennametal India Limited

Pursuant to the Clause 49 of the listing agreement with Bombay Stock Exchange Limited, this is to confirm that all the Members of the Board and the Senior Management of the Company have confirmed compliance with the Code of Conduct of the Company for the year ended June 30, 2011.

For Kennametal India Limited

Santanoo Medhi
Managing Director

CERTIFICATE

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS

To the Members of Kennametal India Limited

Bangalore

I have examined the compliance of the conditions of Corporate Governance by Kennametal India Limited for the year ended 30th June, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited, Mumbai(BSE) in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's 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 above mentioned Listing Agreement.

I state that in respect of investors' grievances received during the year ended 30th June, 2011, no investor grievances are pending against the Company as on 30th June, 2011, as per the records maintained by the Company and as stated by the Registrar and Share Transfer Agent.

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: 12th August, 2011

Vijayakrishna K T
Practicing Company Secretary
FCS-1788 CP-980

Information under Section 217(1)(e) of the Companies Act, 1956 and Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

A] Conservation of Energy

Your Company continued to undertake various energy conservations initiatives during the year and won awards at State and National levels for energy conservations initiatives. Some of energy conservation measures taken by the Company are given below :

a) Energy conservation measures taken during the year

- Installed 1KW Wind mill/Solar power plant for generating energy which is used for lighting
- During the previous year, the Company had improved Heating System of Atomiser-1. During FY11, the Company improved the Heating system in Atomiser-2 by incorporating additional Oil / Gas heat exchanger to directly heat the process gas
- The Energy Audit of Lighting System was conducted and incorporated occupancy Sensors, replaced Fluorescent Lamps with T-5 Lamps in Shop Floors and CFL in Office areas with LED Lamps
- Continued replacement of street tube lights of 40W with energy efficient 18 W CFL to reduce electricity consumption
- The Energy Audit of Facility Cooling Water System was conducted and replaced the Centrifugal Pumps with Grundfoss Energy Efficient Pumps and incorporated VFDs (Variable Frequency Drive) with Closed Loop Pressure and Temperature Controls
- Compressed Air Audit was conducted by In House Encon Team and actions taken to arrest the leakages and modified the compressed Air Distribution system for reducing pressure losses in the system. Further continued improvement of compressed air system by installing

Annexure III to the Directors' Report

air booster and additional receivers in PU6 & PU7

- Modifications made in Coating Furnace to improve the Furnace Loading capacity.

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

- Installation of Harmonic Filter in the system
- Installation of Energy Efficient Dust Collectors which was earlier planned in FY11
- Development of Energy Efficient Furnace for Powder preparation
- Replacement of Tube Lights or CFL with LEDS in some areas to reduce electricity consumption.

c) Impact of the measures at (a) and (b) above, for reduction of energy consumption and consequent impact on the cost of production of goods:

- Due to Encon Projects conserved 6, 67, 000 Units
- Specific Power consumption reduced by 7.17 %
- Reduction of Load by 75 KW

d) Total energy consumption and energy consumption per unit of production as per Form -A annexure in respect of industries specified in the Schedule thereto

- Not applicable

B] Technology Absorption

a) Research & Development (R&D)

The Research, Development and Engineering (RD&E) department works on new Product and Process Developments with specific focus on materials, coatings and design. It works with a continued specific focus on up-gradation of products, processes and technology.

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

- i) Development of new grade for cold forming applications
- ii) Continued up-gradation of coatings for Milling applications
- iii) New insert geometry for profile turning
- iv) Quality improvement of current processes through six-sigma projects in the area of powder, sintering and coating
- v) Development of pressed to size inserts

2. *Benefits derived as a result of the above R & D*

- Improvement of product quality and efficiency
- Cost reduction
- Reduced Lead time by good manufacturing process control
- Product performance consistency
- Fast delivery time

3. *Future plan of action*

Continued efforts towards quality enhancement, evolution of new products aligned with customer needs and with reduction in costs and lead time.

4. *Expenditure on R & D*

₹ In Million

		2011	2010
a)	Capital	13.07	2.72
b)	Recurring	42.62	35.88
c)	Total	55.69	38.60
d)	Total R & D expenditure (as a percentage to turnover)	1.07	1.00%

b) Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation: Installation of State of the Art machinery and

Annexure III to the Directors' Report

process in powder compaction and green machining.

2. Benefits derived as a result of the above efforts: Increased product consistency 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).
 - i. Technology imported – NIL
 - ii. Year of import –Not applicable
 - iii. Has technology been fully absorbed-Not applicable
 - iv. If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action-Not applicable

C] Foreign Exchange earnings and outgo

- i) Activities relating to exports –

The company primarily exports its products to USA, Germany and Singapore. During the year the exports have been at Rs.387 Million mainly due to recovery from the recession in the aforesaid countries.

- ii) Initiatives taken to increase exports

It is our constant endeavour to explore new markets for export.

- iii) Development of new export markets for products and services

The Company is continuously exploring the possibility of increasing exports to USA and the Asia Pacific region.

- iv) Export plans

The Company is proposing to increase its exports by about 17% over FY11.

Total foreign exchange used and earned:

i)	Foreign exchange earned	₹ 342.70 million
ii)	Foreign exchange used	₹ 2,634.70 million

AUDITORS' REPORT

AUDITORS' REPORT TO THE MEMBERS OF KENNAMETAL INDIA LIMITED

1. We have audited the attached Balance Sheet of Kennametal India Limited (the "Company") as at June 30, 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956 of India (the 'Act') 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 a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have 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 account as required by law have been kept by the

Company so far as appears from our examination of those books;

- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
- (e) On the basis of written representations received from the directors, as on June 30, 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2011 from being appointed as a director in terms of clause (g) of subsection (1) of Section 274 of the Act;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2011;
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Price Waterhouse**
Firm Registration No.007568S
Chartered Accountants

Dibyendu Majumder

Partner

Bangalore
August 12, 2011

Membership Number: 057687

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kennametal India Limited on the financial statements for the year ended June 30, 2011]

1. (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 between the book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act and accordingly, paragraphs iii(b), iii(c) and iii(d) of the Order, are not applicable.
 - b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act and accordingly, paragraphs iii(f) and iii(g) of the Order, are not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangement referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, 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.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
 - (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess as at June

30, 2011 which have not been deposited on account of a dispute, are as follows:

10. The Company has no accumulated losses as at June 30, 2011 and it has not incurred any cash

Name of the statute	Nature of dues	Amount ₹ 000's	Period to which amount relates	Forum where the dispute is pending
The Central Excises and Salt Act, 1944	Excise Duty / Service Tax	1,259	November 2008 to March 2011	Additional Commissioner (Excise) large Tax Payer Unit, Bangalore
		426	January 2004 to March 2008	Commissioner Appeals (Excise & Service Tax) Large Tax Payer Unit, Bangalore
		238	September 2005 to November 2009	Large Tax Payer Unit, Bangalore
		112	January 1998 to September 2001	Customs, Excise & Service Tax Appellate Tribunal
		851	February 1992 to August 1993	Supreme Court of India
		4,135	April 2006 to September 2010	High Court of Karnataka
The Andhra Pradesh General Sales Tax Act	Sales Tax Matters	5,827	2003-04	Appellate Tribunal
Delhi Sales Tax Act	Sales Tax Matters	78	April 2004 to March 2005	Joint Commissioner, Appeals, Delhi
Karnataka Sales Tax Act	Sales Tax Matters	2,428	April 2006 to March 2010	Joint Commissioner, Appeals, Bangalore
The Income Tax Act	Income Tax Matters	65,392	2006-07	Dispute Resolution Board

losses in the financial year ended on that date or in the immediately preceding financial year

11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us,

there are no funds raised on a short-term basis which have been used for long-term investment.

18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year.
20. The Company has not raised any money by public issues during the year.
21. 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 fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

For **Price Waterhouse Firm Registration No.007568S**
Chartered Accountants

Dibyendu Majumder

Bangalore
August 12, 2011

Partner
Membership Number: 057687

BALANCE SHEET

(₹ in Thousands)

	Schedule	As at June 30, 2011	As at June 30, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	219,782	219,782
Reserves and Surplus	2	2,749,638	2,758,157
		<u>2,969,420</u>	<u>2,977,939</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	2,794,721	2,576,707
Less: Depreciation		1,728,133	1,535,100
Net Block		1,066,588	1,041,607
Capital Work in Progress		159,016	62,688
		<u>1,225,604</u>	<u>1,104,295</u>
Investments	4	681,753	1,200,288
Net Deferred Tax Asset [Schedule 16 Note 17]		9,733	9,169
Current Assets, Loans and Advances			
Inventories	5	742,275	448,867
Sundry Debtors	6	1,084,162	732,002
Cash and Bank Balances	7	199,931	156,491
Other Current Assets	8	4,892	4,420
Loans and Advances	9	139,978	79,764
		<u>2,171,238</u>	<u>1,421,544</u>
Less: Current Liabilities and Provisions	10		
Liabilities		958,312	597,359
Provisions		160,596	159,998
		<u>1,118,908</u>	<u>757,357</u>
Net Current Assets		<u>1,052,330</u>	<u>664,187</u>
		<u>2,969,420</u>	<u>2,977,939</u>
Notes on Accounts	16		

The Schedules referred to above and the notes thereon form an integral part of the Accounts.
This is the Balance Sheet referred to in our report of even date.

For **Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

Dibyendu Majumder
Partner
Membership Number: 057687

Bangalore
August 12, 2011

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

For and on behalf of Board of Directors
M. N. Bhagwat
Chairman
Santanoo Medhi
Managing Director

Kundan Kumar Lal
Company Secretary

PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Schedule	Year ended June 30, 2011	Year ended June 30, 2010
Income			
Sales (Gross)[Schedule 16 Note 1(ix)]	11	5,401,747	3,949,769
Less: Excise Duty		332,279	227,283
Sales (Net) [including sale of traded items]		5,069,468	3,722,486
Other Income	12	121,005	106,108
		<u>5,190,473</u>	<u>3,828,594</u>
Expenditure			
Materials	13	1,970,772	1,363,804
Manufacturing and Other Expenses	14	1,718,305	1,494,988
Depreciation		225,784	202,947
Interest	15	242	382
		<u>3,915,103</u>	<u>3,062,121</u>
Profit before Taxation		1,275,370	766,473
Provision for Taxation:			
Current Tax		401,903	238,000
Tax Adjustments relating to earlier years		(11,479)	-
Deferred Tax [Schedule 16 Note 17]		(564)	8,786
Profit after Taxation		885,510	519,687
Profit brought forward from previous year		1,425,864	1,291,348
Profit Available for Appropriations		<u>2,311,374</u>	<u>1,811,035</u>
Appropriations			
Transfer to General Reserve		88,600	52,000
Interim Dividend		769,239	285,717
(₹ 35 Per Share declared on June 6, 2011 (2010: ₹13 Per Share))			
Tax on Interim Dividend		124,790	47,454
Profit carried to Balance Sheet		1,328,745	1,425,864
		<u>2,311,374</u>	<u>1,811,035</u>
Basic/ Diluted Earnings Per Share		40.29	23.65
of nominal value of ₹ 10 Each [Schedule 16 Note 18]			
Notes on Accounts	16		

The Schedules referred to above and the notes thereon form an integral part of the Accounts.
This is the Profit and Loss referred to in our report of even date.

For **Price Waterhouse**
Firm Registration Number: 007568S
Chartered Accountants

Dibyendu Majumder
Partner
Membership Number: 057687

Bangalore
August 12, 2011

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

For and on behalf of Board of Directors

M. N. Bhagwat
Chairman

Santanoo Medhi
Managing Director

Kundan Kumar Lal
Company Secretary

SCHEDULES TO ACCOUNTS

(₹ in Thousands)

	As at June 30, 2011	As at June 30, 2010
1. Capital		
Authorised		
21,978,240 (2010: 21,978,240) Equity Shares of ₹10/- each	<u>219,782</u>	<u>219,782</u>
Issued, Subscribed and Paid-up		
21,978,240 (2010: 21,978,240) Equity Shares of ₹ 10/- each	<u>219,782</u>	<u>219,782</u>
	<u>219,782</u>	<u>219,782</u>
Notes:		
1. Of the above shares, 250,560 (2010: 250,560) Equity Shares are allotted as fully paid-up pursuant to contracts without payments being received in cash.		
2. Of the above shares, 21,520,360 (2010: 21,520,360) Equity Shares are allotted as fully paid-up by way of bonus shares by capitalisation of reserves.		
3. Of the above shares, 11,208,840 (2010: 11,208,840) Equity Shares are held by Meturit A.G. Zug, Switzerland, the holding company.		
2. Reserves and Surplus		
i) Securities Premium	921	921
ii) General Reserve		
As per Opening Balance	1,331,372	1,279,372
Add: Transfer from Profit and Loss Appropriation Account	<u>88,600</u>	<u>52,000</u>
iii) Profit and Loss Account Balance	<u>1,328,745</u>	<u>1,425,864</u>
	<u>2,749,638</u>	<u>2,758,157</u>

SCHEDULE TO ACCOUNTS

3. Fixed Assets [Schedule 16 Note 1(ii), (iii) and (iv)] (₹ in Thousands)

Particulars	Gross Block (at Cost)			Depreciation			Net Block		
	July 1, 2010	Additions	Deletions / Adjustments	June 30, 2011	July 1, 2010	Additions	Deletions / Adjustments	June 30, 2011	July 1, 2010
Freehold Land (Note 1)	632	-	6	626	-	-	-	626	632
Buildings	66,196	-	-	66,196	46,119	4,855	-	15,222	20,077
Plant and Machinery:									
Data Processing Equipments	77,915	28,970	8,366	98,519	65,942	10,968	8,312	29,921	11,973
Others	2,324,878	202,735	24,893	2,502,720	1,341,662	200,323	22,962	983,697	983,216
Softwares	29,628	1,935	-	31,563	26,212	1,839	-	3,512	3,416
Furniture and Fixtures:									
Furniture and Fixtures	35,053	2,582	542	37,093	24,884	3,631	430	9,008	10,169
Lease hold Improvements	4,844	-	-	4,844	4,751	93	-	-	93
Office Equipments	29,339	1,066	1,075	29,330	23,495	2,078	1,047	4,804	5,844
Vehicles	3,335	-	-	3,335	1,971	667	-	697	1,364
Operating Lease									
Buildings	4,887	-	-	4,887	64	386	-	4,437	4,823
Plant and Machinery	-	15,608	-	15,608	-	944	-	14,664	-
2010	2,576,707	252,896	34,882	2,794,721	1,535,100	225,784	32,751	1,066,588	1,041,607
Capital Work-in-Progress [includes Capital Advances: ₹ 39,201 (2010: ₹ Nil)]	2,552,508	44,802	20,603	2,576,707	1,349,440	202,947	17,287	1,535,100	62,688
								159,016	62,688
								1,225,604	1,104,295

Notes:

- 1) Deletion of Land represents compulsory acquisition of 1417 square meters of Company's land under survey no. 11 in connection with road widening for Access Controlled Highway.
- 2) For details of Capital Assets relating to approved facilities in Bangalore which are eligible for weighted deduction under the Indian Income Tax Act, 1961 refer Schedule 16 Note 12 (b)

SCHEDULES TO ACCOUNTS

(₹ in Thousands)

	As at June 30, 2011	As at June 30, 2010
4. Investments [Schedule 16 Note 1(v)]		
Long Term - Unquoted		
Non-Trade - Investments in Government Securities		
6% NHAI 54EC Bonds 2010-11(Face Value of Rs. 10,000 each)*	5,000	-
6% NHAI 54EC Bonds 2011-12 (Face Value of Rs. 10,000 each)*	1,500	-
* Purchased during the year		
Current - Unquoted		
Non-Trade		
Units of Mutual Funds [Schedule 16 Note 14]	675,253	1,200,288
	<u>681,753</u>	<u>1,200,288</u>
5. Inventories (net of provision) [Schedule 16 Note 1(vi)]		
Raw materials [including goods in transit ₹ 36,010 (2010: ₹ 14,511)]	187,599	110,748
Stores and spares	21,442	21,190
Work-in-progress	297,183	160,634
Stock in trade:		
Finished goods	176,596	124,675
Traded goods	59,455	31,620
	<u>742,275</u>	<u>448,867</u>
6. Sundry Debtors		
(Unsecured, unless stated otherwise)		
Exceeding six months		
Considered good	1,622	2,835
Considered doubtful	9,529	9,091
Others:		
Considered good	1,082,540	729,167
	<u>1,093,691</u>	<u>741,093</u>
Less: Provision for doubtful debts	9,529	9,091
	<u>1,084,162</u>	<u>732,002</u>
7. Cash and Bank Balances		
Cash on hand	49	34
Cheques on hand	26,876	31,952
Balances with scheduled banks:		
Current accounts*	172,996	124,485
Term deposits**	10	20
	<u>199,931</u>	<u>156,491</u>
* Includes ₹ 1,159 (2010: ₹ 1,616) towards unclaimed dividends		
** Represents restricted cash		
8. Other Current Assets		
(Unsecured, considered good unless stated otherwise)		
Other deposits	4,892	4,420
	<u>4,892</u>	<u>4,420</u>

SCHEDULES TO ACCOUNTS

(₹ in Thousands)

	As at June 30, 2011	As at June 30, 2010
9. Loans and Advances		
(Unsecured)		
Considered good:		
Loans to employees	5,977	6,515
Advances recoverable in cash or in kind or for value to be received:		
Considered good	78,630	55,020
Considered doubtful	2,430	2,230
Balance with Customs, Port Trust and Excise Authorities etc.	55,371	18,229
	142,408	81,994
Less: Provision for doubtful advances	2,430	2,230
	139,978	79,764
10. Current Liabilities and Provisions		
A. Liabilities		
Sundry Creditors for goods, expenses and services [Schedule 16 Note 13]		
Dues to Micro, Small and Medium Enterprises	8,964	4,083
Dues to Others	555,785	342,896
Advances/ Deposits from customers	154,694	47,892
Unclaimed dividends *	1,159	1,616
Unclaimed fixed deposits	202	337
Other liabilities	237,508	200,535
	958,312	597,359
* There is no amount due and outstanding to be credited to Investor Education and Protection Fund		
B. Provisions		
Employee benefits:		
Gratuity [Schedule 16 Note 15(ii) and (iii)]	32,074	36,004
Leave Encashment/ Compensated Absences	65,381	59,834
Taxation (net)	39,541	50,160
Product support [Schedule 16 Note 21]	23,600	14,000
	160,596	159,998

SCHEDULES TO ACCOUNTS

(₹ in Thousands)

	Year ended June 30, 2011	Year ended June 30, 2010
11. Sales (Gross)		
Sales	5,347,117	3,913,104
Service Income	54,630	36,665
	<u>5,401,747</u>	<u>3,949,769</u>
12. Other Income		
Dividend Income - Non Trade - Current	69,095	41,042
Interest from Bank and Others [Gross]	190	280
[Tax deducted at source ₹ Nil (2010: ₹ Nil)]		
Provision no longer required written back	19,671	52,782
Sale of scrap	4,011	2,957
Profit on fixed assets sold (net)	7,054	-
Exchange gain (net)	4,663	-
Miscellaneous income	16,321	9,047
	<u>121,005</u>	<u>106,108</u>
13. Materials		
Raw materials and components consumed	1,213,914	820,452
Purchase of Traded goods	965,741	611,739
Movement in stocks:		
Opening stock:		
Work-in-progress	160,634	140,202
Finished goods	124,675	84,253
Traded goods	31,620	16,199
	<u>316,929</u>	<u>240,654</u>
Closing stock:		
Work-in-progress	297,183	160,634
Finished goods	176,596	124,675
Traded goods	59,455	31,620
	<u>533,234</u>	<u>316,929</u>
(Increase)/ Decrease in stocks	(216,305)	(76,275)
Excise duty on opening stock of finished goods	(19,376)	(11,488)
Excise duty on closing stock of finished goods	26,798	19,376
Increase/ (Decrease) in excise duty	7,422	7,888
	<u>1,970,772</u>	<u>1,363,804</u>

SCHEDULES TO ACCOUNTS

(₹ in Thousands)

	Year ended June 30, 2011	Year ended June 30, 2010
14. Manufacturing and Other Expenses		
Employee Cost:		
Salaries, wages and bonus [including provision for Leave encashment ₹ 22,119 (2010: ₹2,861)]	710,365	586,502
Contribution to provident and other funds [Including provision for gratuity ₹ 11,966 (2010: ₹ 2,131)]	40,684	26,539
Staff welfare expenses	<u>63,337</u>	<u>55,815</u>
	814,386	668,856
Power and fuel	109,377	88,954
Stores and spares consumed	124,445	95,986
Subcontracting charges	106,959	840,27
Repairs and maintenance:		
Buildings	10,562	11,388
Plant and machinery [includes stores and spares consumed ₹ 31,276 (2010: ₹ 58,321)]	<u>52,793</u>	<u>74,234</u>
	63,355	85,622
Rent	3,105	3,321
Bank charges	2,196	2,934
Rates and taxes [Schedule 16 Note 24]	20,893	52,701
Insurance	6,863	5,296
Travelling and conveyance	88,339	70,496
Vehicle expenses	1,003	2,634
Legal and professional charges [Schedule 16 Note 11]	14,225	11,775
Communication expenses	15,559	12,897
Directors' Sitting Fee	650	430
Excise duty on samples, free issues and others etc.	12,961	16,561
Packing, forwarding and freight	61,867	40,212
Provision for product support [Schedule 16 Note 21]	9,600	600
Printing and stationery	9,786	7,253
Advertisement and sales promotion	43,642	16,990
Discount and rebates	906	618
Provision for bad and doubtful debts	6,227	6,984
Provision for Doubtful Advances	200	733
Bad debts written off	2	159
Advances written off	-	1,267
Commission on sales	12,304	17,210
Assets written off	1,672	2,256
Information Technology services	119,338	129,739
Exchange loss (net)	-	708
Loss on fixed assets sold (net)	-	93
Miscellaneous [Schedule 16 Note 4(D)(b)]	68,445	67,676
	<u>1,718,305</u>	<u>1,494,988</u>
15. Interest		
Others	242	382
	<u>242</u>	<u>382</u>

SCHEDULES TO ACCOUNTS

16. Notes on Accounts

1. Statement on Significant Accounting Policies

i. Basis of accounting and preparation of Financial Statements

The Company adopts the historical cost concept and accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) for the preparation of its accounts and complies with the applicable Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

Use of estimate

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles (GAAP), requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenue and expenses during the reported period.

ii. Fixed Assets

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned.

Own manufactured assets are capitalized at cost.

Operating software is capitalized along with fixed asset. Application software is expensed off on acquisition except in case of major application software, having unit value exceeding ₹ 1,000 thousand or forming part of an overall project, which is amortized over its estimated useful life or project life.

iii. Leases

Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such leases are capitalized 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.

Assets acquired as leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

iv. Depreciation

Depreciation is provided from the month of capitalization on a Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956 except for the following where based on technical evaluation of the management, the rates are higher than Schedule XIV rates.

a) Owned assets

	% Per annum
Buildings :	
Factory	4.00
Non Factory	3.00
Plant and Machinery :	
Data processing equipments - Computers	33.33
Data processing equipments - Others	20.00
Furniture and Fixtures, Vehicles and Office Equipments	20.00

Leasehold improvements are depreciated over the primary lease period. Machinery spares of irregular usage are amortized over the estimated useful lives of the respective Plant and Machinery.

b) Leased assets

Assets taken on finance lease are depreciated over its estimated useful life or the lease term whichever is lower except in case of leased assets, where there is a reasonable certainty that the ownership of the assets will be obtained at the end of the lease term, which are depreciated over the estimated useful life.

SCHEDULE TO ACCOUNTS

16. Notes on Accounts ... contd.

v. Investments

Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments. Current Investments are stated at lower of cost and fair value.

vi. Inventories

Inventories are valued at lower of cost and net realisable value except in case of Stores and Spares which are valued at cost, after providing for the old, damages, obsolescence and other anticipated losses, wherever considered necessary.

The costs are, in general, ascertained as under:

Raw Materials and Components	:	Moving weighted average method, cost ascertained based on standard cost.
Stores and Spares	:	Moving weighted average method.
Work-in-Progress	:	Material cost plus appropriate manufacturing overheads.
Stock-in-trade:		
Finished Goods	:	On a first in first out basis, cost being ascertained based on standard cost.
Traded Goods	:	Moving weighted average method

vii. Foreign Currency Transactions

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

Liabilities / Assets in foreign currencies are reckoned 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 profit and loss account.

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 there from are adjusted to the Profit and Loss Account, except those covered by forward contracted rates where the premium or discount arising at the inception of such forward exchange contract is amortised as expenses or income over the life of the contract.

Exchange difference on forward contracts are recognised in the Profit and Loss Account 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.

viii. Research and Development

Revenue expenditure on research and development is charged under respective heads of account. Capital expenditure on research and development is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

ix. Revenue Recognition

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

Income from services rendered is recognised based on agreements / arrangements with customers. Interest and other income are accounted for on accrual basis.

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

x. Employee Benefits

Short term Employee Benefits:

All employee benefits falling due wholly within twelve months of rendering the services are classified as

SCHEDULE TO ACCOUNTS

16. Notes on Accounts ... contd.

short term employee benefits, which include benefits like salaries, wages, short term compensated absences and variable performance pay and are recognized in the period in which the employee renders related services.

Gratuity:

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The Company has an Employees Gratuity Fund managed by Life Insurance Corporation of India (LIC). The Company accounts for the liability of Gratuity Benefits payable in future based on an independent actuarial valuation using the projected unit credit method at the Balance Sheet date.

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 unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

Provident Fund:

Contributions in respect of Provident Fund, which is a defined contribution scheme, is recognised as an expense in the period in which employee renders related services. Provident fund contributions are made to a Trust administered by the Company. Interest rate payable to the members of the Trust shall not be lower than the statutory rate of interest declared by the Central Government under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, shall be made good by the Company. Refer Note 15 (i).

xi. Provisions and Contingent Liabilities

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 reviewed regularly and are adjusted where necessary to reflect the current estimates of the obligation. When the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, only when such reimbursement is virtually certain.

Contingent liability is disclosed when there is a present or possible obligation, the settlement of which may not involve an outflow of resources. No disclosure is made when the possibility of outflow of resources is remote.

xii. Taxation

Current and Deferred Tax :

Tax on income for the current year is determined on the basis of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

xiii. Segment Accounting

Segment Accounting Policies

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

- a) Segment revenue includes sales and other income directly identifiable with / allocable to the segment.
- b) Expenses that are directly identifiable with / allocable to segments are considered for determining segment results. The expenses, which relate to the Company as a whole and not allocable to segments, are included under "Unallocable Corporate Expenses".

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

- c) Income, which relates to the Company, as a whole and not allocable to segments is included in "Unallocable Corporate Income".
- d) 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.

Inter-Segment Transfer Pricing

Inter-segment transactions are not included in the segment revenue and are accounted at cost.

xiv. Earnings Per Share

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

xv. Impairment of Assets

At each balance sheet date, the Company assess 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 profit and loss account to the extent the carrying amount exceeds recoverable amount.

xvi. Product Support

The estimated liability for product support is recorded when products are sold. These estimates are established using historical information on the nature, frequency and average cost of product support claims and management estimates regarding possible future incidence based on corrective actions on product failures.

2. Commitments

Capital Commitments (net of advances) ₹ 210,020 (2010: ₹ 30,442)

3. Contingent Liabilities

Nature of Contingent Liability (Claims against Company not Acknowledged as Debts)	2011	2010
Income Tax	65,392	-
Excise Duty / Service Tax	7,021	2,319
Sales Tax	2,428	157
Total	74,841	2,476

Note: There are certain non-quantifiable industrial disputes pending before various judicial authorities.

4. Quantitative Information in respect of goods manufactured and sold by the Company:

A. Particulars of capacity and production:

Class of Goods	Unit	Licensed Capacity [Note (i)]	Installed Capacity [Note (ii)]	Production
Hard metal and hard metal products	MT	240	210	-
	Nos.	-	-	11,918,739
	Nos.	-	-	(9,744,187)
Machine tools:				
a) Special purpose machines including accessories	Nos.	200	150	63
	Nos.	(200)	(150)	(67)
b) Jigs and fixtures	₹ 000's	10,000	250,000	47,019
	₹ 000's	(10,000)	(250,000)	(24,622)

Notes:

- (i) The capacities specified under 'Licensed Capacity' are the capacities as per the carry on business

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

licenses, registration letters and industrial licenses, issued under the Industries (Development and Regulation) Act, 1951. However, licensing of products of the Company has since been discontinued.

- (ii) The Installed Capacity has been certified by the Company's management.
- (iii) Production has been arrived at on the basis of opening stock plus purchases less sales and closing stock after adjustment towards shortage/excess, write off, etc. Production includes goods manufactured for captive consumption.
- (iv) Figures in brackets relate to previous year.

B. Particulars of opening and closing stock of stocks in trade:

Class of goods	Unit	Opening stock		Closing stock	
		Quantity	Value	Quantity	Value
Hard metal and hard metal products including tools					
Manufactured	Nos.	1,067,516	124,578	1,231,779	176,596
		(851,426)	(83,981)	(1,067,516)	(124,578)
Traded	Nos.	95,485	31,205	226,319	58,793
		(59,772)	(15,814)	(95,485)	(31,205)
Machine tools	Nos.	2	-	-	-
		(2)	-	(2)	-
Others (individually less than 10% of the total stock)			512		662
			(657)		(512)
Total			156,295		236,051
			(100,452)		(156,295)

Note: 1. Figures in brackets relate to previous year.

2. Net of provisions.

C. Particulars of Sales (Net) :

Class of goods	Unit	Turnover	
		Quantity	Value
Hard metal and hard metal products including tools	Nos.	14,086,612	4,400,847
		(11,069,455)	(3,176,175)
Machine Tools	Nos.	63	470,022
		(67)	(389,712)
Jigs and Fixtures		-	143,969
			(83,980)
Others (individually less than 10% of the total turnover)		-	54,630
			(72,619)
Total			5,069,468
			(3,722,486)

Note: Figures in brackets relate to previous year.

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

D. Particulars of purchase of traded goods:

Class of goods	Unit	Quantity	Values
Hard metal and hard metal products including tools	Nos.	2,680,119 (1,810,100)	959,450 (605,849)
Others (individually less than 10% of the total purchases)			6,291 (5,890)
Total			965,741 (611,739)

Note: a) Figures in brackets relate to previous year.

b) Includes Trial and Development related materials consumption amounting to ₹ 25,773 (2010: ₹ 24,467) included under miscellaneous expenses [Refer Schedule 14]

5. Particulars of raw materials and components Consumed:

	Unit	2011		2010	
		Quantity	Value	Quantity	Value
Tungsten trioxide and ready mixed powder	MT	221.76	363,573	196.76	295,532
Tantalum niobium carbide	MT	3.43	28,644	2.86	24,101
Cobalt metal powder	MT	21.82	67,235	16.60	52,926
Steel	PCs	36.19	24,743	42.51	27,593
Components	PCs	742.39	375,231	696.88	238,917
Others (individually less than 10% of the total consumption)			354,488		181,383
			1,213,914		820,452
Whereof:		%	Value	%	Value
Imported		61	737,903	68	554,943
Indigenous		39	476,011	32	265,509
		100	1,213,914	100	820,452

6. Consumption of stores and spare parts:

	2011		2010	
	%	Value	%	Value
Imported	13	20,512	18	27,395
Indigenous	87	135,209	82	126,912
	100	155,721	100	154,307

Note: a) The value of raw material consumed (Note 5) and stores and spare parts consumed (Note 6) has been arrived at on the basis of opening stock plus purchases less closing stock.

b) Consumption therefore includes adjustment for shortage/ excess, write-off/(back) and provision for old/ damaged/ obsolete inventory of ₹ 12,018 [2010: ₹ (3,367)]

7. A) Managerial Remuneration

	2011	2010
i) Remuneration to Managing Director/Manager		
Salary and allowances	12,712	8,119
Contribution to provident and other funds	762	293
Perquisites	338	257
Incentive (Performance Pay)	2,810	607
	16,622	9,276
ii) Directors' sitting fee	650	430
iii) Commission to non-whole time directors	2,420	1,825

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

Note: a) Excluding provision for contribution to gratuity fund and provision for leave encashment, computed on overall basis.

b) The Managing Director is entitled to Stock options of the Holding Company. (Refer Note 23)

B) Computation of net profit in accordance with Section 198 of the Companies Act, 1956 and the commission payable to the Directors / Managing Director:

	2011	2010
Profit before taxation	1,275,370	766,473
Add:		
Depreciation as per books	225,784	202,947
Provision for Doubtful Advances	200	733
Provision for Bad and Doubtful Debts	6,227	6,984
Managerial remuneration	16,622	9,276
Loss on sale of fixed assets/ Assets written off	1,672	2,448
Directors' sitting fee	650	430
Commission to non-whole time directors	2,420	1,825
	1,528,945	991,116
Less:		
Depreciation as per section 350 of the Companies Act, 1956	225,784	202,947
Bad debts written off/written back	2	159
Profit on sale of fixed assets	6,339	-
Net profit as per section 198 of the Companies Act	1,296,820	788,010
Non whole-time directors commission @ 1 %	12,968	7,880
Managing Director's remuneration @ 5 %	64,841	39,400
Commission payable to non-whole time directors	2,420	1,825
% of net profit	0.19%	0.23%
Remuneration to Managing Director	16,622	9,276
% of net profit	1.28%	1.18%

8. Value of imports on C.I.F. basis:

	2011	2010
Raw materials	1,564,595	1,174,674
Stores and spares	203,544	48,088
Capital goods	132,678	43,260
Total	1,900,817	1,266,022

9. Expenditure in foreign currency (on accrual basis):

	2011	2010
Travelling	6,902	5,832
Information Technology Services	119,338	129,630
Miscellaneous expenses	15,699	4,903
Total	141,939	140,365

10. Earnings in foreign currency (on receipt basis):

	2011	2010
Export of goods calculated on F.O.B. basis	332,492	290,147
Others	10,204	19,762
Total	342,696	309,909

11. Auditors' remuneration* (Included under legal and professional charges in Schedule 14)

	2011	2010
Statutory audit	1,620	1,375
Tax audit fee	400	400
Other Audit related services	3,095	3,076
Out-of-pocket expenses	50	50
Total	5,165	4,901

* Excluding service tax

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

12. Particulars of research and development expenditure:

a. Revenue Expenditure

	2011	2010
Revenue expenditure debited to various heads of account (Note 1):		
Material Consumed	2,942	3,704
Employment Cost	24,155	21,114
Other Expenses	15,526	11,066
Total	42,623	35,884

b. Capital

Particulars of Capital Assets

Description	Manufacturing	Quality Control	R & D (Note)	Total
As on June 30, 2010	2,371,860	30,244	65,082	2,467,186
Additions / Adjustments during the year	221,643	636	13,074	235,353
Deletions / Adjustments during the year	25,293	735	8,849	34,877
As on June 30, 2011	2,568,210	30,145	69,307	2,667,662

Note: 1. Relating to Approved R & D facilities in Bangalore, which are eligible for the weighted deduction under the Indian Income Tax Act, 1961.

2. Excludes land and building.

13. Disclosure of dues / payments to Micro, Small and Medium enterprises to the extent such enterprises are identified by company.

	2011	2010
a. The principal amount remaining unpaid as at June 30, 2011	8.964	4,083
Interest due thereon remaining unpaid on June 30, 2011		
b. The amount of interest paid by the Company in terms of section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
(i) Delayed payments of principal beyond the appointed date during the entire accounting year	-	-
(ii) Interest actually paid under Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006		
c. The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	-	-
d. The amount of interest accrued and remaining unpaid on June 30, 2011 in respect of principal amount settled during the year	-	-
e. The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	-	-

Note: The information has been given in respect of such suppliers to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

14. Investments

A. Non -Trade (at the lower of cost and fair value including Dividend reinvested)

Value as on Year End

Name of the fund	2011	2010
Birla Sun Life Cash Plus - Institutional Premium - Daily Dividend Reinvestment	76,029	110,027
Canara Robeco Liquid Fund - Super Institutional Fund - Daily Dividend Reinvestment	76,029	110,035
DSP BlackRock Liquidity Fund - Institutional - Daily Dividend	76,027	–
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend	76,028	–
HSBC Cash Fund - Institutional Plus - Daily Dividend	50,007	110,028
IDFC Cash Fund - Plan C - Daily Dividend	121,039	110,025
ICICI Prudential Liquid Super Institutional Plan - Dividend - Daily	–	110,025
JP Morgan India Liquid Fund - Super Institutional Daily Dividend Reinvestment	46,022	110,027
Reliance Liquid Fund - Treasury Plan - Institutional Option - Daily Dividend Option	–	100,024
SBI Premier Liquid Fund - Super Institutional - Daily Dividend	–	110,025
TATA Liquid Super High Investment Fund - Daily Dividend	–	110,023
Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment	78,043	110,024
UTI Liquid Fund Cash Plan - Institutional Premium - Daily Dividend Reinvestment	76,029	110,025
TOTAL	675,253	1,200,288

B. Non-Trade Investments in Units of Mutual Funds

Number of Units

Name of the Fund	Opening July 1, 2010	During the year			Closing June 30, 2011
		Purchases	Dividend Reinvested	Sales	
ICICI Prudential Liquid Super Institutional Plan - Dividend Daily	1,100,011	1,599,638	28,978	2,728,627	–
TATA Liquid Super High Investment Fund - Daily Dividend	98,718	409,145	409,908	917,771	–
Tata Floater Fund - Daily Dividend	–	10,662,043	53,065	10,715,108	–
Birla Sun Life Cash Plus - Institutional Premium - Daily Dividend Reinvestment	10,981,293	54,693,348	740,822	58,827,376	7,588,087
JP Morgan India Liquid Fund - Super Institutional Daily Dividend Reinvestment	10,994,038	38,969,214	668,785	46,033,508	4,598,529
Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment	109,950	506,159	7,392	545,510	77,991
Templeton India Ultrashort Bond Fund - Super Institutional Plan - Daily Dividend Reinvestment	–	2,497,103	19,507	2,516,610	–
Canara Robeco Liquid Fund - Super Institutional - Daily Dividend Reinvestment	10,943,286	55,544,505	707,064	59,633,532	7,561,323

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

B. Non-Trade Investments in Units of Mutual Funds ... contd.

Number of Units

	Opening July 1, 2010	During the year			Closing June 30, 2011
		Purchases	Dividend Reinvested	Sales	
Canara Robeco Treasury Advantage Fund Institutional - Daily Divided Reinvestment	-	2,417,970	11,689	2,429,659	-
SBI Premier Liquid Fund - Super Institutional - Daily Dividend	10,966,900	-	70,817	11,037,717	-
HSBC Cash Fund - Institutional Plus - Daily Dividend	10,996,683	26,785,000	366,738	33,150,512	4,997,909
IDFC Cash Fund - Plan C - Daily Dividend	10,999,788	76,630,842	730,068	76,259,863	12,100,835
Reliance Liquid Fund - Treasury Plan Institutional Option - Daily Dividend Option	6,542,842	15,734,270	148,785	22,425,897	-
Reliance Medium Term Fund - Daily Dividend Plan	-	2,047,274	2,111	2,049,385	-
Reliance Liquid Fund - Cash Plan - Daily Dividend Option	-	9,000,868	52,683	9,053,551	-
Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan	-	156,785	1,043	157,828	-
UTI Liquid Fund Cash Plan - Institutional Premium - Daily Dividend Reinvestment	107,926	583,651	7,068	624,066	74,579
UTI Treasury Advantage Fund - Institutional Premium - Daily Dividend Reinvestment	-	8,998	172	9,170	-
DSP Black Rock Liquidity Fund - Institutional Daily Dividend	-	514,838	3,315	442,150	76,003
BNP Paribas Overnight Fund - Institutional Daily Dividend Reinvestment	-	33,739,878	309,314	34,049,192	-
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend	-	19,001,950	43,383	11,481,528	7,563,805

Note: Units sold includes units cumulated upto the date of sale through dividend reinvestment

15. Employee Benefits

- i) The company has recognised in the profit and loss account for the year ended June 30, 2011 an amount of ₹ 28,466 (2010: ₹ 23,433) expenses under defined contribution plans

Benefit (Contribution to)	2011	2010
Provident Fund	21,401	17,479
Employees Pension Scheme	5,839	5,954
	27,240	23,433

The Company's Provident Fund is exempted under Section 17 of Employees' Provident Fund Act, 1952. As per Note 1(x), Shortfall of ₹ 1,226 (2010: ₹ Nil) arising on account of interest earned on investments being lower than the interest payable to its members at statutory rate declared by the Central Government under Employee Provident Fund Scheme, 1952 has been provided during the year.

- ii) The company operates post retirement defined benefit plan for retirement gratuity which is funded.

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

iii) Details of the post retirement gratuity plan are as follows:

I Reconciliation of opening and closing balances of obligation	2011	2010
a. Obligation as at the beginning of the year	121,156	118,025
b. Current Service Cost	10,734	7,524
c. Interest Cost	9,755	9,413
d. Actuarial (Gain)/ Loss	(440)	(7,890)
e. Benefit Paid	(14,119)	(5,916)
f. Obligation as at the end of the year	127,086	121,156
II Change in Plan Assets (Reconciliation of opening and closing balances)		
a. Fair Value of Plan Assets as at the beginning of the year	85,152	66,964
b. Expected return on Plan Assets	7,357	5,939
c. Actuarial Gain/ (Loss)	726	977
d. Contributions	15,896	17,188
e. Benefits Paid	(14,119)	(5,916)
f. Fair Value of Plan Assets as at the end of the year	95,012	85,152
III Reconciliation of fair Value of assets and obligation		
a. Present Value of Obligation as at the end of the year	127,086	121,156
b. Fair Value of Plan Assets as at the end of year	(95,012)	(85,152)
c. Amount recognised in the Balance Sheet	32,074	36,004
IV Expense recognised during the year		
a. Current Service Cost	10,734	7,524
b. Interest Cost	9,755	9,413
c. Expected return on Plan Assets	(7,357)	(5,939)
d. Actuarial (Gain)/ Loss	(1,166)	(8,867)
e. Expense recognised during the year	11,966	2,131
The expense is disclosed in the line item - Contribution to provident and other funds		
V Investment Details		
% invested insurer Managed Funds	100%	100%
VI Assumptions		
a. Discount Rate (per annum)	8.55%	8.18%
b. Interest Rate (per annum)	8.55%	8.18%
c. Estimated Rate of return on Plan Assets (per annum)	8.55%	8.18%
d. Rate of Escalation in Salary (per annum)	1% & 5%	1% & 5%

Experience Adjustments

	2011	2010	2009	2008	2007
a. Defined Benefit Obligation at the end of the period	127,086	121,156	118,025	105,633	90,342
b. Plan Assets at the end of the period	95,012	85,152	66,964	62,794	56,892
c. Unfunded	32,074	36,004	51,061	42,839	33,450
d. Experience Gain/(Loss) adjustments on plan liabilities	(343)	(5,364)	(535)	(422)	(1,412)
e. Experience Gain / (Loss) adjustments on plan assets	726	977	431	861	(350)
f. Actuarial Gain / (Loss) due to change on assumptions	(97)	(2,526)	(250)	-	-

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

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

composition of plan assets held, assessed risk of asset management, historical results of the 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.

16. Segment Reporting

The Company is manufacturing

- (i) Hard metal and hard metal products and
(ii) Machine Tools

for the domestic and export markets. Accordingly, the primary segmental reporting is based on the products manufactured while the secondary segmental reporting is restricted to the domestic sales and exports.

A. Primary Segmental Reporting

Business Segment	Machine Tools		Hard Metal & Hard Metal Products		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
External Sales (Gross)	681,466	521,857	4,724,292	3,430,870	5,405,758	3,952,727
Less: Excise Duty	60,263	41,483	272,016	185,800	332,279	227,283
External Sales (Net)	621,203	480,374	4,452,276	3,245,070	5,073,479	3,725,444
Other Income (excluding Interest Income)	478	8,602	39,923	48,519	40,401	57,122
Total Revenue	621,681	488,976	4,492,199	3,293,589	5,113,880	3,782,566
Result						
Segment Result	69,827	53,779	1,369,088	882,568	1,438,915	936,347
Unallocated Corporate Expenses (Net of Income)	—	—	—	—	232,588	210,814
Operating Profit/(Loss)	—	—	—	—	1,206,327	725,533
Add: Interest Income	—	—	—	—	69,285	41,322
Less: Interest Expenses	—	—	—	—	242	382
Less: Income Tax - Deferred	—	—	—	—	(564)	8,786
Less: Income Tax - Current	—	—	—	—	390,424	238,000
Less: Fringe Benefit tax	—	—	—	—	—	—
Net Profit / (Loss)	—	—	—	—	885,510	519,687
Other Information						
Segment Assets	289,546	155,853	2,857,240	2,165,057	3,146,786	2,320,910
Unallocated Corporate Assets	—	—	—	—	941,542	1,414,385
Total Assets	289,546	155,853	2,857,240	2,165,057	4,088,328	3,735,295
Segment Liabilities	192,078	79,488	879,164	619,069	1,071,242	698,557
Unallocated Corporate Liabilities	—	—	—	—	47,666	58,800
Total Liabilities	192,078	79,488	879,164	619,069	1,118,908	757,357
Capital Expenditure	23,291	3,840	308,219	86,570	331,510	90,410
Unallocated Capital Expenditure	—	—	—	—	17,715	5,657
Total Capital Expenditure	23,291	3,840	308,219	86,570	349,225	96,067
Depreciation	11,414	9,401	210,087	189,633	221,501	199,034
Unallocated Depreciation	—	—	—	—	4,283	3,913
Total Depreciation	11,414	9,401	210,087	189,633	225,784	202,947

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

B. Secondary Segmental Reporting

Geographical Segment	Revenue		Carrying amount of segment assets		Capital Expenditure	
	2011	2010	2011	2010	2011	2010
India	4,726,222	3,496,906	4,088,328	3,735,295	349,225	96,067
Outside India	387,658	285,660	–	–	–	–
Total	5,113,880	3,782,566	4,088,328	3,735,295	349,225	96,067

17. Taxation

Accounting for taxes on income disclosure as per AS-22

Major components of Deferred Tax Assets and Liabilities on account of timing difference as at June 30, 2011 are:

	Asset		Liability	
	2011	2010	2011	2010
a. Expenses allowable for tax purposes when paid	52,121	63,181		
b. Provision for doubtful debts/advances	3,165	3,020	–	–
c. Provision for non-moving and surplus inventory	17,331	13,338	–	–
d. Depreciation	–	–	62,884	70,370
	72,617	79,539	62,884	70,370
Net Deferred Tax Asset / (Liability)	9,733	9,169		
Net Deferred Tax (Credit) / Debit for the year	(564)	8,786		

The tax impact for the above purpose has been arrived by applying a tax rate of 32.45% (2010: 33.22%) being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.

18. Earnings Per Equity Share

	2011	2010
Profit attributable to equity shareholders	885,510	519,687
Weighted average number of equity shares outstanding during the year (Nos.)	21,978,240	21,978,240
Nominal value of Equity share (₹)	10	10
Basic and diluted earnings per share (₹)	40.29	23.65

19. Accounting for Lease has been made in accordance with the Accounting Standard – 19 notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act 1956.

Operating Lease:

i. Company as Lessee:

The Company has various operating leases for motor vehicles, equipments, office facilities, residential premises for employees etc. Such leases are generally with options of renewal against increased rent and premature termination of agreement through notice period of 1 to 3 months. The particulars of these leases are as follows:

	2011	2010
Minimum lease payments debited to various heads of accounts	19,844	20,425

ii. Company as Lessor:

The Company has entered into agreements for lease of office premises, and plant and machinery. The lease agreements are for a period of one to two years. The future minimum lease is as under:

Particulars	2011	2010
Income from lease	5,300	3,240
Minimum lease rent not later than one year	1,900	–
Minimum lease rent later than one year but not later than five years	950	–
Minimum lease payments later than five years	–	–

There are no contingent rents.

SCHEDULE TO ACCOUNTS

16. Notes on Accounts ... contd.

20. Related Party disclosures

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

	Parties where Control Exist [B(a)]						Fellow Subsidiaries [B(b)]			Key Management Personnel [B(c)]			Total			
	2011		2010		2011		2010		2011		2010		2011		2010	
Sales - Total	196,211	152,634	186,510	135,401	-	-	-	-	-	-	-	382,721	288,035			
In excess of 10%																
Kennametal Europe GmbH, Germany	104,558	91,513	-	-	-	-	-	-	-	-	-	104,558	91,513			
Kennametal Inc., USA	91,653	61,121	-	-	-	-	-	-	-	-	-	91,653	61,121			
Hanita Metal Works Ltd	-	-	-	32,412	-	-	-	-	-	-	-	32,412	-			
Kmt Distribution Services Asia Pte. Ltd.	-	-	93,057	53,357	-	-	-	-	-	-	-	93,057	53,357			
Kennametal DO Brasil LTDA	-	-	39,747	-	-	-	-	-	-	-	-	39,747	-			
Services Rendered- Others	-	-	7,080	5,790	-	-	-	-	-	-	-	7,080	5,790			
Services Rendered Others - in excess of 10%																
Kennametal Shared Services Private Limited	-	-	7,080	5,790	-	-	-	-	-	-	-	7,080	5,790			
Reimbursement of Expenses	839	6,195	7,380	12,480	-	-	-	-	-	-	-	8,219	18,675			
Reimbursement of Expenses - in excess of 10%																
Kennametal Extrude Hone Corporation	-	-	2,034	1,921	-	-	-	-	-	-	-	2,034	1,921			
Kennametal Technologies GmbH	-	-	-	5,305	-	-	-	-	-	-	-	-	5,305			
Kmt Distribution Services Asia Pte. Ltd.	-	-	4,597	4,154	-	-	-	-	-	-	-	4,597	4,154			
Kennametal Inc., USA	839	4,992	-	-	-	-	-	-	-	-	-	839	4,992			
Finance	-	-	6	-	-	-	-	-	-	-	-	6	-			
Interest on Loan - Others in excess of 10%																
Interest on Loan Received from KSSPL	-	-	6	-	-	-	-	-	-	-	-	6	-			
Dividend Paid	678,160	251,888	-	-	-	-	-	-	-	-	-	678,160	251,888			
Interim Dividend Paid																
Meturit A.G. Zug, Switzerland	392,309	145,715	-	-	-	-	-	-	-	-	-	392,309	145,715			
Kennametal Inc., USA	285,851	106,173	-	-	-	-	-	-	-	-	-	285,851	106,173			
Managerial Remuneration	-	-	-	-	-	-	-	-	-	16,622	9,276	16,622	9,276			
Purchases - Total	942,104	522,976	342,037	260,513	-	-	-	-	-	-	-	1,284,141	783,489			
Purchase of Goods- Capital Goods	13,839	635	-	2,075	-	-	-	-	-	-	-	13,839	2,710			
Purchase of Capital Goods- Others in excess of 10%																
Kennametal Europe GmbH, Germany	12,374	635	-	-	-	-	-	-	-	-	-	12,374	635			
Kennametal (China) Co Ltd	-	-	-	2,075	-	-	-	-	-	-	-	-	2,075			
Kennametal Inc., USA	1,465	-	-	-	-	-	-	-	-	-	-	1,465	-			
Purchase of Goods- Others	928,265	522,340	342,037	258,439	-	-	-	-	-	-	-	1,270,302	780,779			
Purchase of Goods- Others in excess of 10%																
Kennametal Europe GmbH, Germany	567,716	289,441	-	-	-	-	-	-	-	-	-	567,716	289,441			
Kennametal Inc., USA	360,549	232,899	-	-	-	-	-	-	-	-	-	360,549	232,899			
Kmt Distribution Services Asia Pte. Ltd.	-	-	322,911	243,095	-	-	-	-	-	-	-	322,911	243,095			
Services Received / Recharge of Expenses - Total	122,064	133,091	9,862	-	-	-	-	-	-	-	-	131,926	133,091			
Services Received - Information Technology services	119,338	129,739	-	-	-	-	-	-	-	-	-	119,338	129,739			
Services Received - Information Technology Services in excess of 10%																
Kennametal Inc., USA	119,338	129,739	-	-	-	-	-	-	-	-	-	119,338	129,739			
Recharge of Expenses	2,726	3,352	9,862	-	-	-	-	-	-	-	-	12,588	3,352			
Recharge of Expenses in excess of 10%																
Kennametal Inc., USA	2,726	3,352	-	-	-	-	-	-	-	-	-	2,726	3,352			
Outstanding Receivables - Trade + Others	39,169	10,851	36,442	11,943	-	-	-	-	-	-	-	75,611	22,794			
Trade Receivables	39,169	10,438	35,787	11,256	-	-	-	-	-	-	-	74,956	21,694			
Outstanding Receivables - Others	-	413	655	687	-	-	-	-	-	-	-	655	1,100			
Outstanding Payables - Trade	130,069	45,878	23,830	36,971	-	-	-	-	-	-	-	153,899	82,849			

SCHEDULE TO ACCOUNTS**16. Notes on Accounts ... contd..****B) Names of related parties and description of relationship:****a) Parties where control exists:**

(i) Holding Company	Meturit A.G. Zug, Switzerland
(ii) Ultimate Holding Company	Kennametal Inc, USA
(iii) Enterprises holding, directly or indirectly, substantial interest in Meturit A.G. Zug	Kennametal Widia GmbH Co. KG, Germany * (Formerly Widia GmbH, Germany) Kennametal Europe Holding GmbH, Germany * Kennametal Hertel Europe Holding GmbH, Germany* Kennametal Holding GmbH, Germany * Kennametal Europe GmbH, Germany Kennametal Europe L.P., Bermuda * Kennametal Holdings Europe Inc, USA * Kennametal Widia Produktions GmbH & Co. KG*

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

Fellow Subsidiaries	Kennametal Australia Pty Ltd Kennametal Produktions GmbH & Co. KG Kennametal (Singapore) Pte. Ltd. Kennametal Korea Co., Ltd. Kennametal Japan Ltd. Kennametal Ltd. Kennametal South Africa (Pty) Ltd. Kennametal Engineered Products B.V. Kennametal (Thailand) Co., Ltd.* Kennametal (Malaysia) SDN. Bhd. Kennametal DO Brasil LTDA Kennametal Hard Point (Shanghai) Ltd Kmt Distribution Services Asia Pte. Ltd., Kennametal Shared Services Pvt Ltd. (KSSPL) Kennametal (China) Co Ltd Kennametal AMSG GmbH Hanita Metal Works Ltd. Kennametal Shared Services GmbH Hanita - I P G* Kennametal Extrude Hone Corporation Santanoo Medhi – Managing Director
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c) Key Management Personnel

* No transaction during the year

Note: The above information has been determined to the extent such parties have been identified on the basis of information provided by the company. The above does not include related party transactions with retiral funds, as management personnel who are trustees of funds cannot individually exercise significant influence on the retiral funds transactions.

SCHEDULE TO ACCOUNTS

(₹ in Thousands)

16. Notes on Accounts ... contd.

21. In accordance with Accounting Standard 29 on "Provisions, Contingent Liabilities and Contingent Assets" as notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act 1956, certain classes of liabilities have been identified as under:

Particulars	As at June 30, 2010	Additions	Utilisation	Reversals	As at June 30, 2011
Product support	14,000 (13,400)	9,600 (600)	– –	– –	23,600 (14,000)

Note: Figures in bracket relates to previous year

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 the management that are reviewed annually. These matters involve quick settlements not exceeding a period of two to three years in most cases.

22. Remittance in Foreign currency during the year on account of Dividends to Non-Resident Shareholders.

No. of Shareholders	No. of Shares	Particulars	2011	2010
2	19,376,013	Interim Dividend	678,160	251,888

23. Company does not have a scheme for grant of its Stock options either to the Executive Directors or Employees for the shares issued in India. However the Managing Director and certain senior management employees of the company are granted stock options in a share based compensation plan of Kennametal Inc., the ultimate holding company.

These plans are assessed, managed and administered by the ultimate holding company and no cross charges/debits have been made on the company.

24. The company had obtained licenses under the EPCG scheme for importing capital goods at a concessional rate of custom duty. The scheme required the company to manufacture and export goods equivalent to eight times the duty saved within a period of 8 years from the date of respective Licenses. During the previous year, after evaluating various options, the company was of the opinion that it will not be able to meet the said export obligation within the stipulated time period and decided to close the pending licenses on payment of duty saved and interest.

Accordingly during the year the company has paid duty saved amount of ₹ 57,313 [Customs duty ₹ 22,072 and Counter Vailing Duty of ₹ 35,241] and interest of ₹ 47,585 and discharged all the pending export obligation. Such Customs Duty paid is capitalized and Cenvat Credit availed on the Counter Vailing Duty. Interest to the extent of ₹ 45,241 was provided during previous year and the balance of ₹ 2,344 charged during the year.

25. During the year, Company has changed the rate of Depreciation charged on Computers, forming part of Data Processing Equipments under Plant and Machinery, from 20% to 33.33% with retrospective effect, resulting in additional depreciation charge for the year by ₹ 4,122 and decrease in the profit for the year to the same extent.

26. Previous year's figures have been reclassified / regrouped, wherever necessary.

For and on behalf of Board of Directors

For **Price Waterhouse**

Firm Registration Number: 007568S

Chartered Accountants

Dibyendu Majumder

Partner

Membership Number: 057687

Bangalore

August 12, 2011

John Chang

Vinayak K. Deshpande

B. Anjani Kumar

Bernard North

Directors

M. N. Bhagwat

Chairman

Santanoo Medhi

Managing Director

Kundan Kumar Lal

Company Secretary

CASH FLOW STATEMENT

(₹ in Thousands)

	Year ended June 30, 2011	Year ended June 30, 2010
1 CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation, before exceptional items	1,275,370	766,473
Adjustments for:		
Depreciation	225,784	202,947
Provision no longer required	(19,671)	(52,782)
Provision for product support	9,600	600
Bad debts written off	2	159
Provision made for doubtful debts	6,227	6,984
Provision for Doubtful Advances	200	733
Advances written off	-	1,267
Assets written off	1,672	2,256
Loss/(Profit) on sale of Fixed assets	(7,054)	93
Interest Expense	242	382
Unrealised Foreign Exchange (Gain)/ Loss	2,377	(1,807)
Operating profit before working capital changes	1,494,749	927,305
Adjustment for working capital changes		
Decrease/(Increase) in inventories	(293,408)	(98,390)
Decrease/(Increase) in Trade and Other receivables	(410,410)	(223,433)
(Decrease)/Increase in Current liabilities and provisions	319,013	203,411
Cash Generated from Operations	1,109,944	808,893
Income Taxes paid (net of refunds)	(401,044)	(231,722)
Net Cash generated from Operating Activity	708,900	577,171
2 CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(296,781)	(83,635)
Purchase of Bonds	(6,500)	-
Sale of Fixed assets	7,514	967
Net Cash from/(used) in Investing Activities	(295,767)	(82,668)

CASH FLOW STATEMENT

(₹ in Thousands)

	Year ended June 30, 2011	Year ended June 30, 2010
3 CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(242)	(382)
Unclaimed dividend paid during the year	(457)	-
Dividend paid during the year	(769,239)	(284,914)
Tax on Interim dividend	(124,790)	(47,454)
Net Cash from/(Used) in Financing activities	(894,728)	(332,750)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (1+2+3)	(481,595)	161,753
OPENING CASH EQUIVALENTS	1,356,779	1,195,026
CLOSING CASH EQUIVALENTS (refer note 3 below)	875,184	1,356,779
	(481,595)	161,753

Notes:

- 1 The Cash flow statement has been compiled from and is based on the Balance sheet as at June 30, 2011 and the related Profit and Loss account for the year ended on that date.
- 2 The Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 on Cash flow statement as notified under section 211(3C) of the Companies Act, 1956 and reallocation required for this purpose are as made by the company.
- 3 Cash equivalents at the end of the period :

	June 30, 2011	June 30, 2010
Cash and Bank balances include ₹ 1,159 (2010: ₹ 1,616) in dividend accounts and ₹ 10 (2010: ₹ 20) of term deposits which are restrictive in nature	199,931	156,491
Current investments in mutual funds*	675,253	1,200,288
	875,184	1,356,779

* Current Investments in debt based Mutual Funds are readily convertible into cash and have insignificant risk of changes of value have been included in Cash and Cash Equivalents

- 4 Figures in bracket indicate cash outgo, except for adjustments for operating activities.
- 5 Previous 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**
Firm Registration Number: 007568S
Chartered Accountants

Dibyendu Majumder
Partner
Membership Number: 057687

Bangalore
August 12, 2011

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

For and on behalf of Board of Directors
M. N. Bhagwat
Chairman
Santanoo Medhi
Managing Director

Kundan Kumar Lal
Company Secretary

SCHEDULE TO ACCOUNTS

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. Registration details			
Registration no. L27109KA1964PLC001546		State code	08
Balance Sheet date	June 30, 2011		
2. Capital raised during the period :(Amount in ₹ Thousands)			
Public issue	Nil	Rights issue	Nil
Bonus issue	Nil	Private Placement	Nil
3. Position of mobilisation and deployment of funds :(Amount in ₹ Thousands)			
Total liabilities	4,088,328	Total assets	4,088,328
		(including deferred tax Assets ₹ 9,733)	
Source of funds			
Paid up capital	219,782	Reserves and surplus	2,749,638
Application of Funds			
Net fixed assets	1,225,604	Investments	681,753
Deferred Tax Asset	9,733	Net current assets	1,052,330
4. Performance of Company : (Amount in ₹ Thousands)			
Turnover	5,190,473	Total expenditure	3,915,103
(including other income ₹ 121,005)			
Profit before tax	1,275,370	Profit after tax	885,510
		{after deferred tax (₹ 564)}	
Earnings per share ₹	40.29	Dividend rate %	350%
5. Generic names of three principal products/services of Company (as per monetary terms)			
A) Item code no.	82 09		
Product description	Tungsten carbide tips / inserts		
B) Item code no.	82 07		
Product description	Interchangeable tools		
C) Item code no.	84 59		
Product description	Machine tools		

For and on behalf of Board of Directors

M. N. Bhagwat
ChairmanSantanoo Medhi
Managing DirectorJohn Chang
Vinayak K. Deshpande
B. Anjani Kumar
Bernard North
DirectorsKundan Kumar Lal
Company SecretaryBangalore
August 12, 2011



KENNAMETAL INDIA LIMITED

Registered Office : 8/9th Mile, Tumkur Road, Bangalore - 560073

ATTENDANCE SLIP

Regd. Folio No./ DP ID and Client ID :

Name of the Member/Proxy :

Number of shares held :

I Certify that I am a registered Member/Proxy for the registered Member(s) of the Company. I hereby record my presence at 46th Annual General Meeting of the Company on November 02, 2011 at the registered office of the Company at 8/9th Mile, Tumkur Road, Bangalore - 560073.

Signature of the Member/ Proxy present :

Name of Proxy holder (where applicable) Mr./Ms.

Notes:

1. Member (s) / Proxy holder(s) are requested to bring this attendance slip with them when they come to the meeting and hand it over at the registration counter after completing and affixing their signature on it.
2. Member (s) / Proxy holder(s) who come to attend the meeting are requested to bring the copy of Annual Report.



KENNAMETAL INDIA LIMITED

Registered Office : 8/9th Mile, Tumkur Road, Bangalore - 560073

PROXY FORM

I/We
ofbeing
a Member(s) of the above named Company, hereby appointof
or failing
him / her of as my/our Proxy to attend and
vote for me / us on my / our behalf at the 46th Annual General Meeting of the Company to be held on November
02, 2011 at 10.30 a.m. at the registered office of the Company at 8/9th Mile, Tumkur Road, Bangalore - 560073
and at any adjournment(s) thereof.

Signed this dayof2011

Regd. Folio No. /DP & Client ID :

Affix ₹ 1/- Revenue Stamp

.....
Signature of the Member(s)

Notes:

1. The Proxy Form duly completed and signed should be deposited at the registered office of the company not less than 48 hours before the time of the meeting.
2. In case of joint shareholding, the Proxy Form is required to be signed by all the members.

ACCOLADES



CII Award for Excellence in Environment, Health & Safety



Prerana Energy Conservation Initiative Award - 2010 received by Mr. Santanoo Medhi, MD on behalf of the Company

BOOK-POST

If undelivered, please return to:

Kennametal India Limited

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