**Kennametal India Limited**
CIN: L27109KA1964PLC001546
8/9th Mile, Tumkur Road, Bangalore 560073, INDIA
T +91 80 43281 444/215 | F + 91 80 43281137
k-in-kil@kennametal.com
www.kennametal.com

**October 14, 2022**

Ref: Sec/Sto/2022/10/02

**Corporate Relationship Department**
**BSE Limited**
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400001

**Subject**: **57th Annual General Meeting of the Company**
**Ref:** [Scrip code: 505890] - Kennametal India Limited

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Dear Sir / Madam,

We hereby inform you that:

1. The 57th Annual General Meeting ('**AGM**') of the Company will be held on Friday, November 11, 2022, at 12:00 Noon through Video Conferencing ("**VC**") / other Audio-Visual Means ("**OAVM**").

2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, November 05, 2022, to Thursday, November 11, 2022 (both days inclusive) for the purpose of the AGM.

3. The e-voting period commences on November 8, 2022 (09.00 A.M.) and ends on November 10, 2022 (05.00 P.M.) (both days inclusive).

4. The Company has entered into an arrangement with Central Depository Services Limited in support with the Registrar and Share Transfer Agents, viz., Integrated Registry Management Services Private Limited for facilitating e-voting, through CDSL's e-voting platform i.e., https://www.evotingindia.com.

5. The voting rights of the Members shall be in proportion to the extent of shares held by them on the cut-off date viz., November 4, 2022, subject to the provisions of the Companies Act, 2013, as amended from time to time.

6. In compliance with the MCA and SEBI Circulars, Annual Report for the year 2021-22 along with the Notice calling the 57th AGM indicating the process and manner of e-Voting are being sent only through electronic mode to those Members whose email addresses are registered with the Company / Depositories. For those Members whose email id is not registered with the Company / Depositories, a physical copy of the Notice calling the AGM and Annual Report is being couriered.

7. Pursuant to Regulation 34(1)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed:

   a. A copy of the Notice calling the 57th AGM;
   b. Additional non-mandatory information on the proposals mooted in the AGM; and
   c. Annual Report for the year 2021-22.

Kindly take the same on record.

Thanking You.

Yours Truly,

For **Kennametal India Limited**

NAVEEN CHANDRA PRAKASH

Digitally signed by NAVEEN CHANDRA PRAKASH
Date: 2022.10.14 17:36:13 +05'30'

**Naveen Chandra P**
**General Manager – Legal & Company Secretary**

Encl.: As above

Kennametal India Limited
(CIN: L27109KA1964PLC001546)
Regd. Office: 8/9th Mile, Tumkur Road, Bengaluru - 560 073
Phone No.: +91 80 43281 444/215 Fax: +91 80 43281 137
E-mail: in.investorrelation@kennametal.com
Website: www.kennametal.com/kennametalindia

# NOTICE TO MEMBERS

**NOTICE** is hereby given that the **Fifty Seventh (57th) Annual General Meeting ("AGM")** of Kennametal India Limited **(the "Company")** will be held on Friday, November 11, 2022 at 12:00 Noon **through Video Conferencing ("VC") / Other Audio-Visual Means ("OAVM")** to transact the following businesses:

**ORDINARY BUSINESS:**

1. **To receive, consider and adopt:**

   a. the Audited Standalone Financial Statements of the Company for the financial year ended June 30, 2022, together with the Reports of the Board of Directors and the Auditors thereon; and

   b. the Audited Consolidated Financial Statements of the Company for the financial year ended June 30, 2022 together with the Report of Auditors thereon.

2. To appoint Mr. Devi Parameswar Reddy (DIN: 03450016), Director, who retires by rotation and being eligible, offers himself for re-appointment.

3. To confirm the interim dividend of ₹24/- per Equity Share (240%) on 2,19,78,240 Equity Shares of ₹10/- each already paid for the financial year 2021-22 (year ended June 30, 2022).

4. To appoint Messrs Price Waterhouse & Co. Bangalore LLP., Chartered Accountants (Firm Registration No. 304026E / E-300009), as Statutory Auditors of the company for a period of 5 (five) years and to fix their remuneration.

   To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution:**

   "**RESOLVED THAT** pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the corresponding Rules, and pursuant to the recommendations made by the Audit Committee and of the Board of Directors of the Company, Messrs Price Waterhouse & Co. Bangalore LLP., Chartered Accountants, (Firm Registration No. 304026E / E-300009) who have offered themselves for appointment and have confirmed their eligibility under the relevant provisions of Chapter X of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, be and are hereby appointed as Statutory Auditors of the Company who shall hold office until the conclusion of Sixty Second Annual General Meeting of the Company to be held in the year 2027 at a remuneration to be decided by the Board of Directors of the Company as may be recommended by the Audit Committee in consultation with the Auditors.

   **RESOLVED FURTHER THAT** the Board of Directors of the Company and/or the Company Secretary of the Company be and are hereby severally authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above said resolution also to take necessary steps to file necessary forms with the Registrar of Companies and comply with other formalities, if any, as may be required pursuant to the provisions of the Companies Act, 2013 or such other Regulations."

**SPECIAL BUSINESS:**

5. **To ratify remuneration to Cost Auditors:**

   To consider and if thought fit, to pass the following resolution as an **Ordinary Resolution:**

   "**RESOLVED THAT** pursuant to the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, the remuneration payable to Messrs K. S. Kamalakara & Co., Cost Auditors, Bengaluru (Firm Registration No: 0000296), appointed by the Board of Directors based on the recommendation of the Audit Committee of the Company to conduct the audit of the cost records of the Company for the financial year ending June 30, 2023, amounting to ₹ 2,10,000/- (Rupees Two Lakhs and Ten Thousand only) excluding applicable taxes and reimbursement of out of pocket expenses incurred in connection with the aforesaid audit, be and is hereby ratified and confirmed.

   **RESOLVED FURTHER THAT** the Board of Directors of the Company and/or the Company Secretary of the Company be and are hereby severally authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above said resolution also to take necessary steps to file necessary forms with the Registrar of Companies and comply with other formalities, if any, as may be required pursuant to the provisions of the Companies Act, 2013 or such other Regulations."

6. **To approve the payment of commission, to the Chairman, exceeding fifty percent (50%) of the total commission payable to all other Independent Directors:**

   To consider and if thought fit, to pass the following resolution as a **Special Resolution:**

   "**RESOLVED THAT** pursuant to Regulation 17(6)(a) and (ca) and other applicable Regulations, if any, of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder, approval of Members of the Company be and is hereby accorded for payment of remuneration by way of Commission to Mr. B. Anjani Kumar (DIN: 00022417), Independent Non-Executive Director and Chairman, exceeding fifty percent (50%) of the total annual Commission payable to all Non-Executive Directors for the Financial Year 2021-22.

**RESOLVED FURTHER THAT** the Board of Directors of the Company and/or the Company Secretary of the Company be and are hereby severally authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above said resolution."

By Order of the Board of Directors
For **Kennametal India Limited**

**Naveen Chandra P**
General Manager - Legal &
Company Secretary (ACS -30057)
Address: 8/9th Mile, Tumkur Road,
Bengaluru – 560073, Karnataka

Bengaluru
August 12, 2022

**NOTES**

1. In view of disruptions caused by COVID-19 pandemic, the Ministry of Corporate Affairs (MCA) has, vide General Circular No. 14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020, General Circular No. 20/2020 dated May 5, 2020, General Circular No. 02/2021 dated January 13, 2021 and General Circular No. 02/2022 dated May 5, 2022 (collectively **"MCA Circulars"**), permitted Companies to conduct Annual General Meeting (AGM) through video conferencing or other audio visual means till December 31, 2022, subject to compliance with various conditions mentioned therein. Similarly, SEBI vide Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 granted certain relaxations pertaining to dispatch of hard copies of Annual Reports and Proxy Forms to listed entities who conduct their AGM through electronic mode till December 31, 2020. Further, SEBI vide Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 extended the relaxations pertaining to dispatch of hard copies of Annual Reports and Proxy Forms to listed entities who conduct their AGM through electronic mode till December 31, 2021. Further, SEBI vide Circular No. SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 (collectively **"SEBI Circulars"**) extended the relaxations pertaining to dispatch of hard copies of Annual Reports and Proxy Forms to listed entities who conduct their AGM through electronic mode till December 31, 2022. In compliance with the MCA Circulars, SEBI Circulars and applicable provisions of the Companies Act, 2013 (**the "Act"**) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 **("SEBI (LODR) Regulations, 2015")**, the 57th AGM of your Company is being convened and conducted through VC.

2. The Company has facilitated the Members to participate in the 57th AGM through VC facility provided by Central Depository Services Limited (**'CDSL'**). The instructions for participation by Members are given in the subsequent paragraphs. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 members on first come first served basis. This will not include large Shareholders (Shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on first come first served basis.

3. As per MCA Circulars, members attending the 57th AGM through VC will be reckoned for the purpose of quorum as per Section 103 of the Act.

4. For exercising the votes by the Members by electronic means, the Company has provided the facility of remote e-voting as well as e-voting during the AGM. The procedure for using the remote e-voting facility as well as e-voting during the AGM is given in the subsequent paragraphs.

5. Members joining the AGM through VC shall be permitted to exercise their right to vote using the e-voting facility at the AGM, provided they have not cast their votes using remote e-voting facility. The Members who have already cast their votes prior to AGM using the remote e-voting facility may also join the AGM though VC; but shall not be entitled to cast their votes again at the AGM.

6. As per the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and such proxy need not be a Member of the Company. Since 57th AGM is being held through VC as per MCA Circulars and SEBI Circulars, physical attendance of the Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the 57th AGM and hence the Proxy Form and Attendance Slip are not annexed to this notice. Similarly, as this AGM is being held through VC, the route map is also not annexed to this notice.

7. Corporate Members may authorize their representatives for casting the votes using remote e-voting facility or for participation and voting in the AGM using VC. Institutional Investors are encouraged to attend and vote at the AGM through VC.

8. In line with MCA Circulars and SEBI Circulars, the Annual Report for the financial year 2021-22 along with Notice of 57th AGM of the Company inter-alia indicating the process and manner of e-voting are being sent only by electronic mode to those Members whose email IDs are registered with the Company/Depository Participant(s) for communication.

   Members may note that the aforesaid documents may also be downloaded from the Company's website under the Investor Relations Section at https://www.kennametal.com/in/en/about-us/kil-financials.html or from the website of BSE Limited at www.bseindia.com

   In line with MCA Circulars, the Company has enabled a process for the limited purpose of receiving the AGM Notice and Annual Report (including remote e-voting instructions) electronically. Members may get their email registered with the Company's Registrar and Share Transfer Agent, Integrated Registry Management Services Private Limited by clicking the link https://www.integratedindia.in/EmailUpdation.aspx and following the registration process as guided thereafter. Post successful registration of the email, the Member would get soft copy of the notice and the procedure for e-voting along with the User ID and the Password to enable e-voting for this Meeting.

9. The Register of Directors and Key Managerial Personnel and their shareholding, and the Register of Contracts or Arrangements in which the Directors are interested, maintained as per the Act will be available for electronic inspection by the Members during the AGM. All the documents referred to in the Notice will also be available for electronic inspection by the Members without any fee from the date of circulation of this notice up to the date of AGM i.e., November 11, 2022. Members seeking to inspect such documents may send an email to in.investorrelation@kennametal.com.

   Further, pursuant to the provisions of Section 136 of the Act, the Company will make available the financial statements of the Company and its subsidiary company upon a request by any Member of the Company. These financial statements of the Company and the subsidiary company will also be available for inspection to the Members through electronic mode. The Members desiring financial statements of the Company, Consolidated financial statements along with other relevant documents and the financial statements of the subsidiary company, may send their request in writing to the Company at in.investorrelation@kennametal.com and the same would also be available on the Company's website URL: https://www.kennametal.com/in/en/about-us/kil-financials/financial-results.html

10. Members seeking clarifications / information on the Annual Report are requested to send an email to in.investorrelation@kennametal.com on or before October 31, 2022. This would enable the Company to compile the information and provide replies at the Meeting.

11. The Register of Members and the Share Transfer books of the Company will remain closed from November 5, 2022 to November 11, 2022 (Both days inclusive).

12. An interim dividend of ₹24/- per equity share of ₹10/- each (240% on the paid-up capital of the Company) was declared by the Board at its meeting held on May 11, 2022 for the financial year ended June 30, 2022 and May 25, 2022 was fixed as Record Date for the said purpose. The said interim dividend was paid on June 08, 2022.

13. As per Section 124 of the Act, the amount of Dividend remaining unpaid or unclaimed within 30 days from the date of declaration shall be transferred to 'unpaid dividend account' of the Company. Amount transferred to 'unpaid dividend account', which remains unpaid or unclaimed for a period of seven years from the date of transfer, is required to be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government. Similarly, all the Shares in respect of which Dividend has not been paid or claimed for seven consecutive years or more shall be transferred to the IEPF.

14. In line with the provisions of Section 124 of the Act, Members who have not so far encashed the Dividend warrant(s) for any of the Dividends declared earlier are requested to make their claims to the Company immediately. Please note that in respect of unclaimed dividend amount and the Shares transferred to IEPF, Shareholders may claim the Dividend and corresponding Shares transferred to IEPF including all benefits accruing on such Shares, if any, from IEPF authorities after following the procedure prescribed in the Act and Investor Education Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

15. The Shares of the Company are compulsorily traded in dematerialized form as per the directions of the Stock Exchange. Accordingly, Members who have not opted for dematerialization of Shares are once again reminded to take steps to dematerialize their holdings. Further, the Members may note that as per SEBI (Listing Obligations and Disclosure Requirements) Regulations (Fourth Amendment) Regulations, 2018, with effect from April 1, 2019, except in case of transmission or transposition of securities, no transfer of securities shall be processed unless the securities are held in the dematerialized form. Accordingly, Shareholders holding Equity Shares in physical form are urged to get their Shares dematerialized so that they will be able to transfer them freely and participate in corporate actions.

16. Members holding the shares in physical form are requested to communicate the changes, if any, in their addresses, bank account details and other necessary details to the Company's Registrar and Share Transfer Agent, Integrated Registry Management Services Private Limited, No.30, 'Ramana Residency', 4th Cross, Sampige Road, Malleswaram, Bengaluru- 560 003. Members holding the shares in dematerialized form are requested to communicate such changes to the concerned Depository Participant.

17. Members who are yet to register their e-mail address/Mobile No. are requested to register the same with the Depository through their Depository Participants in respect of shares held in dematerialized form. Members holding the Shares in physical form may register their e-mail address/Mobile No. by writing to the Company's Registrar and Share Transfer Agent.

18. Non-resident Indian Shareholders are requested to immediately inform the Company or its Registrar and Share Transfer Agent or the concerned Depository Participant, as the case may be, about the following matters: -

    (a) the change in residential status on return to India for permanent settlement, and

    (b) the particulars of the NRE account with a bank in India, if not furnished earlier.

19. Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding Shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding Shares in physical form may submit their PAN details to the Company's Registrar and Share Transfer Agents or the Company.

20. Explanatory Statement pursuant to Section 102 of the Act, which sets out details relating to Special Business at the Meeting, is annexed hereto.

21. The Company urges the members to support its commitment to environmental protection by choosing to receive the Company's communication through email. Members holding shares in demat mode, who have not registered their email addresses are requested to register their email addresses with their respective DP, and members holding shares in physical mode are requested to update their email addresses with the Company's RTA, irg@integratedindia.in, to receive copies of the Annual Report 2021-22 in electronic mode. Members may follow the process detailed below for registration of email ID to obtain the report and update of bank account details for the receipt of dividend.

| Type of holder | Process to be followed | |
|---|---|---|
| Physical | For availing the following investor services, send a written request in the prescribed forms to the RTA of the Company, Integrated Registry Management Services Private Limited either by email to irg@integratedindia.in or by post to No.30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru - 560003. | |
| | Form for availing investor services to register PAN, email address, bank details and other KYC details or changes / update thereof for securities held in physical mode | Form ISR-1 |
| | Update of signature of securities holder | Form ISR-2 |
| | For nomination as provided in the Rules 19 (1) of Companies (Share capital and debenture) Rules, 2014 | Form SH-13 |
| | Declaration to opt out | Form ISR-3 |
| | Cancellation of nomination by the holder(s) (along with ISR-3) / Change of Nominee | Form SH-14 |
| | Form for requesting issue of duplicate certificates and other service request for shares held in physical form | Form ISR-4 |
| | The forms for updating the above details are available at the Company's website at https://www.kennametal.com/in/en/about-us/kil-financials/investor-corner.html | |
| Demat | Please contact your DP and register your email address and bank account details in your demat account, as per the process advised by your DP. | |

**22. Procedure for e-voting and joining AGM through VC:**

In compliance with the provisions of Section 108 and other applicable provisions, if any, of the Act read with Rule 20 of the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI (LODR) Regulations, 2015, the Company is providing the facility of remote e-voting to its Members in respect of the business to be transacted at the 57th AGM. For this purpose, the Company has entered into an agreement with Central Depository Services (India) Limited ('CDSL') for facilitating voting through electronic means, as the authorized e-voting agency. The facility to cast the votes by the Members using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.

**The voting period begins on November 8, 2022 (09:00 AM) and ends on November 10, 2022 (05:00 PM). During this period, Members of the Company, holding Shares either in physical form or in dematerialized form, as on the cut-off date (Record date) of November 4, 2022 may cast their votes electronically. The e-voting module shall be disabled by CDSL for voting thereafter.**

**Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.**

**The Notice is being sent to the members whose names appear on the register of members / list of beneficial owners as received from the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) (collectively, the "Depositories") as on September 30, 2022.**

To increase the efficiency of the e-voting process, SEBI, vide Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020, intended to enable e-voting to all the demat account holders by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants. Demat account holders should be permitted to cast their votes without having to register again with the e-voting service providers, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

As required by this Circular, Individual shareholders holding securities in demat mode are allowed to vote through their demat accounts maintained with Depositories and Depository Participants. Hence, Members are advised to update their mobile numbers and email ids in their respective demat accounts to access e-voting facility.

**THE INSTRUCTIONS OF SHAREHOLDERS FOR E-VOTING AND JOINING VIRTUAL MEETINGS ARE AS UNDER:**

A. ***Access through Depositories CDSL/NSDL e-Voting system in case of individual shareholders holding shares in demat mode.***

Pursuant to **SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2020/242** dated 09.12.2020, under Regulation 44 of SEBI (LODR) Regulations, 2015, listed entities are required to provide remote e-voting facility to its shareholders, in respect of all shareholders' resolutions. However, it has been observed that the participation by the public non-institutional shareholders/retail shareholders is at a negligible level.

Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to **all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants.** Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

In terms of **SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020** on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to abovesaid SEBI Circular, Login method for e-Voting and joining virtual meetings **for Individual shareholders holding securities in Demat mode CDSL/NSDL** is given below:

| Type of shareholders | Login Method |
|---|---|
| Individual Shareholders holding securities in Demat mode with **CDSL Depository** | 1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or visit www.cdslindia.com and click on Login icon and select New System Myeasi.<br>2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e. CDSL/NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' website directly.<br>3) If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration<br>4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page or click on https://evoting.cdslindia.com/Evoting/EvotingLogin The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers. |
| Individual Shareholders holding securities in demat mode with **NSDL Depository** | 1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.<br>2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS "Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp<br>3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |
| Individual Shareholders (holding securities in demat mode) login through their **Depository Participants** (DP) | You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. |

**Important note:** Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

**Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e., CDSL and NSDL**

| Login type | Helpdesk details |
|---|---|
| Individual Shareholders holding securities in Demat mode with **CDSL** | Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33 |
| Individual Shareholders holding securities in Demat mode with **NSDL** | Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30 |

***B. Access through CDSL e-Voting system in case of shareholders holding shares in physical mode and non-individual shareholders in demat mode.***

Login method for e-Voting and joining virtual meetings for **Physical shareholders and shareholders other than individual holding in Demat form.**

1) The shareholders should log on to the e-voting website www.evotingindia.com.
2) Click on "Shareholders" module.
3) Now enter your User ID
   a. For CDSL: 16 digits beneficiary ID,
   b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
   c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.
4) Next enter the Image Verification as displayed and Click on Login.
5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
6) If you are a first-time user follow the steps given below :

| For Physical shareholders and other than individual shareholders holding shares in Demat | |
|---|---|
| PAN | • Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)<br>• Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA. |
| Dividend Bank Details OR Date of Birth (DOB) | • Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.<br>• If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field. |

(i) After entering these details appropriately, click on "SUBMIT" tab.

(ii) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(iii) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(iv) Click on the EVSN for the relevant 'Kennametal India Limited' on which you choose to vote.

(v) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(vi) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(vii) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(viii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(ix) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

(x) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xi) There is also an optional provision to upload BR/POA if any uploaded, which will be made available to scrutinizer for verification.

(xii) **Additional Facility for Non – Individual Shareholders and Custodians – For Remote Voting only.**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login will be mapped automatically & can be delink in case of any wrong mapping.
- It is Mandatory that, a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively, Non-Individual shareholders are required mandatory to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer at vijaykt@vjkt.in and to the Company at the email address viz; in.investorrelation@kennametal.com, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

**INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:**

1. The procedure for attending meeting & e-Voting on the day of the AGM is same as the instructions mentioned above for e-voting.
2. The link for VC/OAVM to attend the meeting will be available

where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for e-voting.

3. Shareholders who have voted through Remote e-Voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM.

4. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.

5. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

6. Please note that participants connecting from mobile devices or tablets or through laptop connecting via mobile hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable wi-fi or LAN Connection to mitigate any kind of aforesaid glitches.

7. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance on or before October 31, 2022 mentioning their name, demat account number/folio number, email id, mobile number at in.investorrelation@kennametal.com . The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance on or before October 31, 2022 mentioning their name, demat account number/folio number, email id, mobile number at in.investorrelation@kennametal.com . These queries will be replied to by the company suitably by email.

8. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

9. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

10. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders may be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

11. Members who have voted through remote e-voting will be eligible to attend the AGM. However, they will not be eligible to vote again at the AGM.

**PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL / MOBILE NO. ARE NOT REGISTERED WITH THE COMPANY/DEPOSITORIES:**

1. For Physical shareholders - please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to **Company/RTA email id.**

2. For Demat shareholders - Please update your email id & mobile no. with your respective **Depository Participant (DP).**

3. **For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.**

**Other instructions:**

(i) The voting rights of shareholders shall be in proportion to their Shares of the Paid-up Equity Share Capital of the Company as on the cut-off date of November 4, 2022.

(ii) The Board of Directors has appointed Mr. Vijayakrishna K T (Membership No. FCS 1788), Practising Company Secretary, as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

(iii) The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the Meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than 2 working days of the conclusion of the AGM, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith. The result declared along with the Scrutinizer's Report shall be communicated to the Stock Exchange, CDSL and RTA and will also be displayed on the Company's website, www.kennametal.com/kennametalindia

Any person, who acquires shares of the Company and becomes Member of the Company after dispatch of the AGM Notice and holding shares as of the cut-off date i.e., November 4, 2022 may obtain the login ID and password by sending a request to helpdesk.evoting@cdslindia.com or by contacting the RTA, Integrated Registry Management Services Private Limited, No.30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru-560 003 [Telephone: +91-80-23460815-818, Fax: +91-80-23460819 and email id: irg@integratedindia.in].

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call toll free no. 1800 22 55 33.

23. Brief resume and other information in respect of Director seeking appointment /re-appointment at the AGM as required under Regulation 36 of SEBI (LODR) Regulations, 2015 is annexed as **Annexure A** to this notice.

By Order of the Board of Directors
For **Kennametal India Limited**

**Naveen Chandra P**
General Manager - Legal &
Company Secretary (ACS -30057)
Address: 8/9th Mile, Tumkur Road,
Bengaluru – 560073, Karnataka

Bengaluru
August 12, 2022

## Explanatory Statement as required under Section 102 of the Companies Act, 2013 read with Rules made thereunder and pursuant to the SEBI (LODR) Regulations, 2015

**Item No. 4:**

**Appointment of Messrs Price Waterhouse & Co. Bangalore LLP., Chartered Accountants (Firm Registration No. 304026E / E-300009), as Statutory Auditors for a period of 5 (five) years and to fix their remuneration:**

Based on the recommendation of the Audit Committee, the Board has recommended the appointment of Messrs Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E-300009) (PWC) as Statutory Auditors of the Company for a term of 5 years from the FY 2022-23 for the approval of the Shareholders at this 57th Annual General Meeting (**'AGM'**) of the Company, in place of existing Statutory Auditors, Messrs Walker Chandiok & Co. LLP, Chartered Accountants, whose term shall expire at the conclusion of this 57th AGM of the Company.

**Details with respect to change in Statutory Auditors of the Company:**

| Sl. No. | Particulars | Details |
|---|---|---|
| 1 | Reason for change | Appointment of Messrs Price Waterhouse & Co. Chartered Accountants LLP as Statutory Auditors is pursuant to conclusion of the term of Messrs Walker Chandiok & Co. LLP as per the provisions of the Companies Act, 2013. |
| 2 | Date of appointment and term of appointment | November 11, 2022<br>For a period of 5 years commencing from the conclusion of this 57th AGM. |
| 3 | Brief Profile | Price Waterhouse & Co. (a Partnership firm) has been converted to a Limited Liability Partnership (LLP), effective July 7, 2014 with the name Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E-300009).<br>The Firm has significant experience in serving some of the largest and most respected companies and business houses in India.<br>The registered and head offices of Messrs Price Waterhouse & Co. Chartered Accountants LLP Auditors is situated at Plot No. 56 & 57, Block DN, Sector-V, Salt Lake, Kolkata – 700 091. |

The proposed remuneration to be paid to PWC for the financial year ending June 30, 2023, is ₹ 3.55 million plus applicable taxes and out-of-pocket expenses. Besides the audit services, the Company may also obtain certifications from the statutory auditors under various statutory regulations and certifications as may be required by banks, statutory authorities and others, audit related services and other permissible non-audit services as required from time to time, for which they will be remunerated separately on mutually agreed terms, as approved by the Board of Directors in consultation with the Audit Committee.

There is no material change to the proposed Audit Fee by the incoming Auditors as compared to the existing Statutory Auditor's fee.

The Board of Directors and the Audit Committee shall approve revisions to the remuneration of the Statutory Auditors for the remaining part of the tenure.

The Board of Directors, in consultation with the Audit Committee, may alter and vary the terms and conditions of appointment, including remuneration, in such manner and to such extent as may be mutually agreed with the Statutory Auditors.

Considering the evaluation of the experience and expertise of PWC and based on the recommendation of the Audit Committee, it is proposed to appoint PWC as the Statutory Auditors of the Company for a term of five consecutive years commencing from the conclusion of this 57th AGM.

None of the Directors and Key Managerial Personnel of the Company and their respective relatives is concerned or interested, financially or otherwise, in passing the proposed Resolution.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 4 of the Notice for approval by the Members.

**Item No. 5:**

**Ratification of remuneration to Cost Auditors:**

The Board of Directors of the Company at its Meeting held on August 12, 2022 based on the recommendation of the Audit Committee, approved the appointment and remuneration of Messrs. K. S. Kamalakara & Co., Cost Auditors, Bengaluru (FRN: No:0000296), to conduct the audit of the cost records of the Company for the financial year ending June 30, 2023 and has in this regard approved payment of ₹ 2,10,000 (Indian Rupees Two Lakhs Ten Thousands Only) (excluding applicable taxes and re-imbursement of out of pocket expenses) as cost audit fees for FY 23. In terms of the provisions of Section 148(3) of the Act read with Rule 14 (a) (ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is to be ratified by the Members of the Company. Accordingly, the Members are requested to ratify the remuneration payable to the Cost Auditors for the year 2023 as set out in the Resolution aforesaid.

None of the Directors, Key Managerial Personnel of the Company and their relatives, is in any way concerned or interested financially or otherwise in the said Resolution.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 5 of the Notice for approval by the Members.

**Item No. 6: Approval to pay commission, to the Chairman, exceeding fifty percent (50%) of the total commission payable to all Independent Directors:**

In terms of the approval already accorded by the Shareholders earlier at the annual general meeting held on November 10, 2021, Independent Directors of the Company are paid commission based on the criteria approved by the Board, which includes Chairmanship of the Board / Committees of the Board, individual responsibilities and additional contribution to the Company. The Non-Executive Directors (other than Independent Directors) are not entitled to any remuneration.

While all the Independent Directors are entitled to uniform commission, Chairman of the Board and Chairman of the Audit Committee are entitled to additional commission on account of their duties, responsibilities and obligations which they carry. The other Directors have approved said payment of commission subject to the approval of the Shareholders.

Mr. B. Anjani Kumar, Chairman of the Board and the Audit Committee, who is an Independent Director, has no connections with the promoters or other Board members of the management group of your Company. The additional commission to the Chairman (commission more than what is paid to other Independent Directors) is purely on account of the roles, responsibilities and obligations that the position carries and is not individual specific. In the past, all earlier Chairmen were entitled to commissions, based on same parameters. Payment of commission based on these well-defined parameters will not affect the independence of Mr. B. Anjani Kumar.

As per Regulation 17 (6) (a) and (ca) of SEBI (LODR) Regulations, 2015 if the annual remuneration payable to single Non-Executive Director exceeds fifty percent (50%) of the total annual remuneration payable to all the Non-Executive Directors, the same shall require approval of Shareholders by way of a Special Resolution. In compliance with the said Regulations, the Board of Directors has recommended the Special Resolution set out at Item No. 6 of the Notice for approval by the Members by way of Special Resolution.

Mr. B. Anjani Kumar is concerned or interested in the Resolution set out at item no. 6 of the Notice. None of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the said resolution.

By Order of the Board of Directors
For **Kennametal India Limited**

**Naveen Chandra P**
General Manager - Legal &
Company Secretary (ACS -30057)
Address: 8/9th Mile, Tumkur Road,
Bengaluru – 560073, Karnataka

Bengaluru
August 12, 2022

**Annexure A**

**Brief Particulars of Director seeking re-appointment:**

| | |
|---|---|
| Name of the Director | Mr. Devi Parameswar Reddy |
| DIN | 03450016 |
| Designation | Non-Executive Director |
| Date of Birth (Age) | June 01, 1978 (44 years) |
| Relationship between Directors inter-se | None |
| Experience | With Kennametal Inc: over 6 years.<br>With Kennametal India Limited: over 13 years.<br>Mr. Parameswar Reddy has over 21 years of rich experience in the fields of Finance and Accounting in India and overseas.<br>Mr. Parameswar Reddy is currently working as Director Finance for Asia Pacific Region of Kennametal Inc.<br>Prior to his elevation Mr. Reddy served as Chief Financial Officer of the Company from April 2014 to February 2016.<br>Mr. Reddy also has previously worked with organizations such as ABB, where he served as Business Unit Controller immediately before joining Kennametal. |
| Expertise in specific functional area | Financial Management, Accounting, Costing, Pricing, MIS, Taxation, Budgetary Systems, Internal controls, Indian/US GAAP, SOX and all other related commercial aspects of the business in an ERP environment (SAP). |
| Qualifications | Member of the Institute of Chartered Accountants of India (ACA) and Member of the Institute of Cost and Management Accountants of India (ACMA). |
| List of Directorships in other Public Companies (excluding Foreign, Private and Section 8 Companies) (except KIL) and Memberships of Committees of the Board in India (includes only Audit Committee and Stakeholders Relationship Committee) | None |
| List of other Public Companies in India from which from which he has resigned in the past three years | N.A. |
| No. of Shares held in Kennametal India Limited | Nil |

| | |
|---|---|
| No. of Board Meetings attended during the financial year 2021-22 as a Director. | 3 (Three) |
| Terms and conditions of Appointment | Re-appointment in terms of Section 152(6) of the Companies Act, 2013 |

By Order of the Board of Directors
For **Kennametal India Limited**

**Naveen Chandra P**
General Manager - Legal &
Company Secretary (ACS -30057)
Address : 8/9th Mile, Tumkur Road,
Bengaluru – 560073, Karnataka

Bengaluru
August 12, 2022

**For the kind attention of the Members of the Company holding Shares in physical form:**

As you all are aware, the Shares of the Company are mandated by the Securities and Exchange Board of India (SEBI) for trading in dematerialized form by all Members.

We give below a brief overview of Depository, Depository Participants and Dematerialization (Demat) of Shares in order to encourage Members of the Company to convert their physical holdings to Demat form.

**Depository / Depository Participant:**

A Depository can be compared to a Bank. A Depository holds securities (like shares, debentures, bonds, Government Securities, units etc.) of Members in electronic form. Besides holding securities, a Depository also provides services related to transactions in securities. In India National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) are the two Depositories.

A Depository interfaces with the Members through its agents called Depository Participants (DPs). If a Member wants to avail the services offered by the Depository, the Member has to open an account with a DP. This is similar to opening an account with any branch of a Bank in order to utilize the Bank's services. NSDL/CDSL provides its services to Members through its agents called Depository Participants (DPs).

These agents are appointed by NSDL/CDSL with the approval of SEBI. According to SEBI Regulations, amongst others, 3 categories of entities i.e. Banks, Financial Institutions and Members of the Stock Exchanges [brokers] registered with SEBI can become DPs. You can get a list of DPs from NSDL's/CDSL's office or from their respective websites viz., at www.nsdl.co.in and www.cdslindia.com.

You can select your DP to open a Demat account just like you select a bank for opening a savings account. Some of the important factors for selection of a DP can be: Convenience - Proximity to your office/residence, business hours; Comfort - Reputation of the DP, past association with the organization, whether the DP is in a position to give the specific service you may need?; Cost - The service charges levied by DP and the service standards.

You can approach any DP of your choice and fill up an account opening form. At the time of opening an account, you may have to sign an agreement with the DP in a NSDL/CDSL prescribed standard agreement, which details you and your DPs rights and duties. You will have to submit the documents relating to Proof of Identity, Proof of Address, Passport size photographs etc., with the prescribed account opening form.

**Procedure and Benefits of Dematerialization (Demat) of shares are given below:**

1. Demat is a process by which shares/securities held in physical form are cancelled and destroyed and the ownership thereof is retained in fungible form in a Depository by way of electronic balances.
2. The benefits of Demat are:
   - Elimination of bad deliveries;
   - Elimination of all risks associated with physical certificates;
   - Immediate transfer and trading of shares;
   - Faster disbursement of non-cash corporate benefits like rights, bonus etc.,
   - Periodic status reports and information available on internet;
   - Ease related to change of address of member;
   - Elimination of problems related to transmission of demat shares and ease in pledging the shares.
3. Procedure for getting demat shares in the name of legal heirs in the event of death of sole beneficial owner with nomination:
   - If the value of shares of the Company as on date of application is up to ₹ 5 Lakhs, the legal heirs should submit the following documents to the DP: Notarized copy of the death certificate; Transmission Request Form (TRF); Affidavit- to the effect of the claim of legal ownership to the shares; Deed of indemnity – Indemnifying the depository and DP; NOC from legal heirs, if applicable or family settlement deed duly executed by all legal heirs of the deceased beneficial owner.
   - If the value of the shares of the Company as on date of application is more than ₹ 5 Lakhs, the legal heirs should additionally submit one of the following documents to the DP: Surety Form; Succession certificate; Probated will and Letter of administration.

   We sincerely hope that the above information is useful and helpful to our Members of the Company. Members holding shares in physical form are advised to dematerialize their shares to avoid the risks associated with the physical holding of such share certificates.

   The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in physical form can submit their PAN details to the Company's Registrar and Share Transfer Agent (R&T) – Integrated Registry Management Services Private Limited.

By Order of the Board of Directors
For **Kennametal India Limited**

**Naveen Chandra P**
General Manager - Legal &
Company Secretary (ACS -30057)
Address: 8/9th Mile, Tumkur Road,
Bengaluru – 560073, Karnataka

Bengaluru
August 12, 2022

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# ADDITIONAL INFORMATION TO AID THE SHAREHOLDERS TO MAKE CONSIDERED DECISIONS ON THE PROPOSALS (NON-MANDATORY)

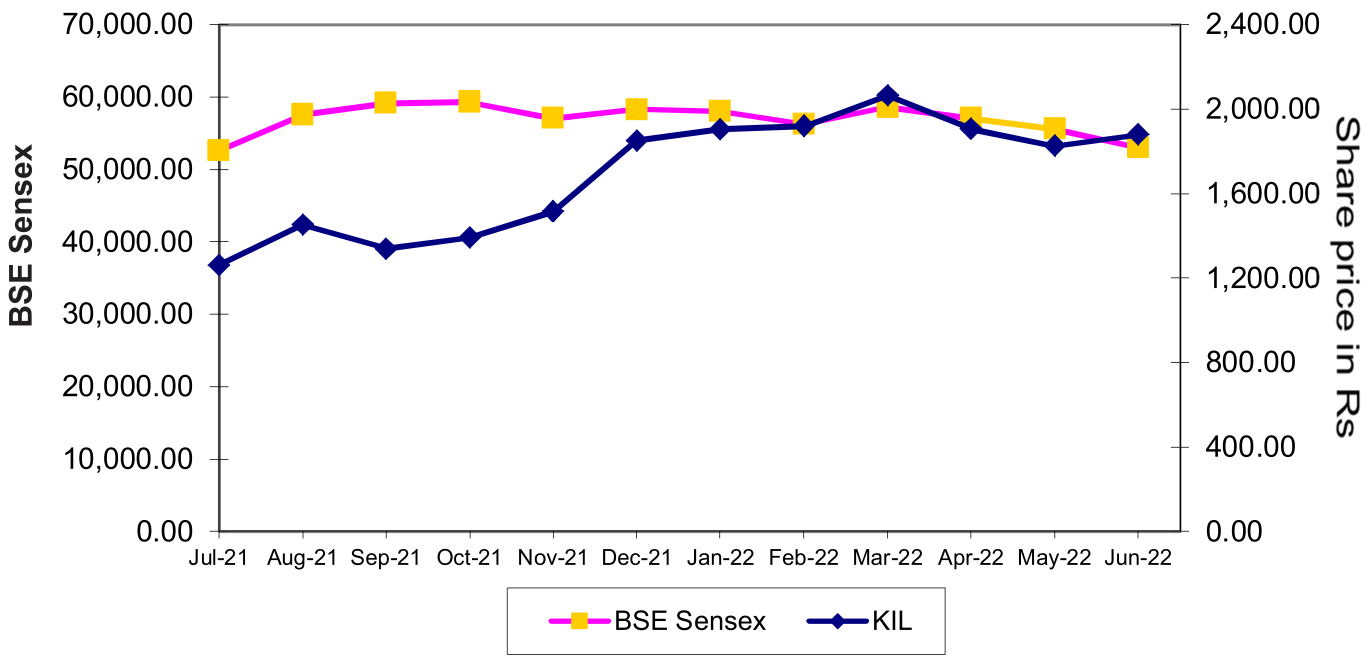
**1. General Information**

**1.1 Company Overview as on June 30, 2022**

**1.1.1 Share Price information**

| Share Price (INR) | 52 Weeks High (INR) | 52 Weeks Low (INR) | Market Cap (INR in millions) | No. of shareholders |
|---|---|---|---|---|
| 1,878.15 | 2299.15 | 1171.05 | 41278.7 | 13,882 |

**1.1.2 Stock Price Trend – Share Price Performance in comparison with BSE Sensex**




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

**1.1.3 Number of subsidiaries, Joint Ventures, Associate as on June 30, 2022**

| Subsidiaries | Associates | Joint Ventures |
|---|---|---|
| 1 | Nil | Nil |

#### 1.1.4 Financial indicators

(₹ in Million)

| Particulars | Consolidated | | |
|---|---|---|---|
| | FY22 | FY21 | FY20 |
| Total revenue | 9907 | 8,537 | 7050 |
| **Profit before exceptional items and tax** | **1526** | **995** | **472** |
| Add/less-exceptional items income/(expense) | - | (10) | (51) |
| **Profit after exceptional items & before tax** | **1526** | **985** | **421** |
| **Less: Tax Expense** | **385** | **252** | **82** |
| Current tax | 405 | 253 | 101 |
| Deferred tax charge/ (credit) | (11) | (1) | (9) |
| Tax adjustment relating to earlier years | (9) | - | (10) |
| **Profit after tax** | **1141** | **733** | **339** |
| **Other comprehensive income for the year, net of tax** | **(12)** | **1** | **(10)** |
| **Total comprehensive income for the year** | **1130** | **734** | **329** |
| Earnings per share - Basic and Diluted | 51.94 | 33.35 | 15.42 |

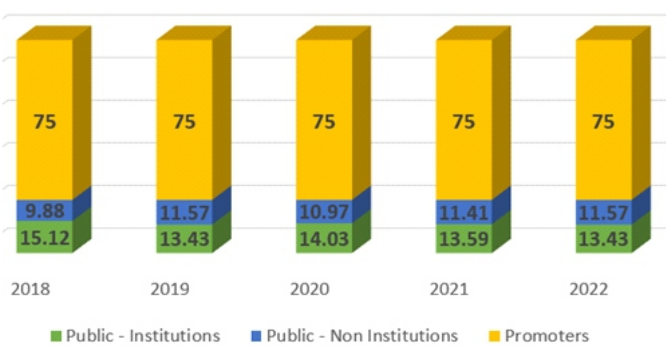
#### 1.1.5 Cash Flows

(₹ in Million)

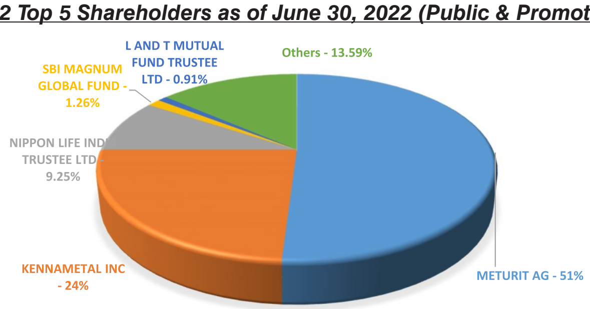
| Particulars | Consolidated | | |
|---|---|---|---|
| | FY22 | FY21 | FY20 |
| Cash flows from operating activities | 491 | 1662 | 336 |
| Cash flows from investing activities | (619) | (247) | (537) |
| Cash flows from financing activities | (526) | (573) | 10 |
| Net changes | (654) | 842 | (191) |

### 1.2 Ownership Structure

#### 1.2.1 Shareholding Pattern (percentage as of June 30, 2022):




#### 1.2.2 Top 5 Shareholders as of June 30, 2022 (Public & Promoters)




### 2. Additional information as relevant to the proposals mooted in the AGM Notice

#### 2.1 Additional Information relating to proposal number 1 of the Notice convening the AGM viz.,

*"To receive, consider and adopt:*

a. *the Audited Standalone Financial Statements of the Company for the financial year ended June 30, 2022, together with the Reports of the Board of Directors and the Auditors thereon; and*

b. *the Audited Consolidated Financial Statements of the Company for the financial year ended June 30, 2022 together with the Report of Auditors thereon."*

**Financial indicators**

| Key Financial Ratios ^ | FY22 | | FY21 | | % Change FY 22 vs. FY 21 | |
|---|---|---|---|---|---|---|
| | Consolidated | Standalone | Consolidated | Standalone | Consolidated | Standalone |
| Debtors Turnover Ratio | 7.93 | 7.93 | 8.38 | 8.45 | -5% | -6% |
| Inventory Turnover Ratio | 3.72 | 3.72 | 4.16 | 3.96 | -11% | -6% |
| Current Ratio | 2.72 | 2.64 | 2.42 | 2.34 | 13% | 13% |
| Operating Profit Margin(%)* | 15% | 15% | 12% | 11% | 32% | 38% |
| Net Profit Margin (%) * | 12% | 12% | 9% | 8% | 34% | 41% |
| Return on Capital Employed(ROCE) (%) ** | 24% | 24% | 17% | 16% | 39% | 54% |
| Return (PAT) on Net Worth (%) ** | 18% | 18% | 13% | 12% | 41% | 55% |

**Improvement in Operating Profit & Net profit Margin was due to increase in sales and improved management of costs.*

***Increase in return on Capital Employed (ROCE) and return on Net Worth was attributable to improved revenues and efficient utilisation of resources leading to improved margins.*

*^ Debt Equity Ratio, Debt Service Coverage Ratio (DSCR) and Interest Coverage Ratio are not applicable as the Company has no debt as on June 30, 2021, and June 30, 2022.*

*^ Explanations have been provided for any change in the ratio by more than 25% as compared to June 30, 2021.*

**Key audit matters**

The Statutory Auditors have not made any qualification, reservation, adverse remark or disclaimers in their Consolidated and / or Standalone Audit Report for FY 2021-22. Other key audit matter have been explained by the Auditors in their Report.

#### 2.2 Additional Information relating to proposal number 2 of the Notice convening the AGM viz.,

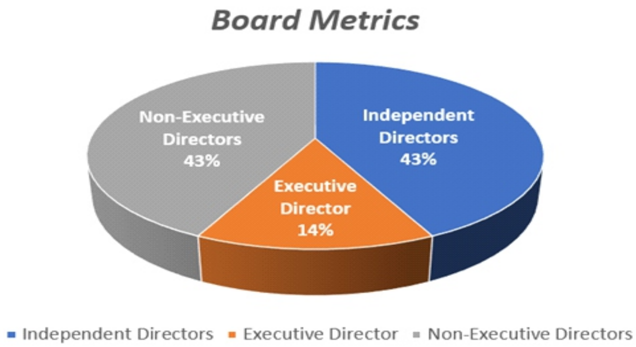
*"To appoint Mr. Devi Parameswar Reddy (DIN: 03450016), Director, who retires by rotation and being eligible, offers himself for re-appointment."*

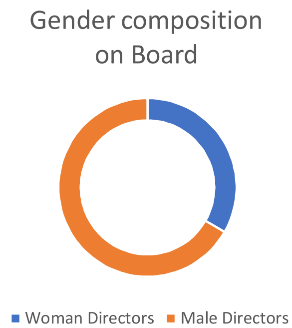
Brief particulars of Mr. Devi Parameswar Reddy, Director seeking re-appointment, as required under SEBI (LODR) Regulations, 2015 is elucidated at Annexure A to this notice.

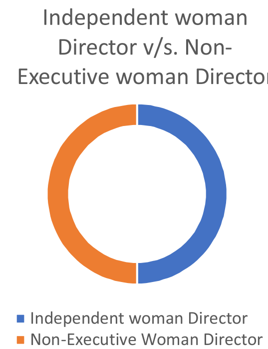
#### 2.2.1 Board Structure:

| Board Size | No. of Independent Directors (IDs) | Executive Director | Non-Executive Directors | % of Independent Directors on the Board |
|---|---|---|---|---|
| 7 | 3* | 1 ^ | 3 | 43% |

** Includes independent chairman & independent women director.*
*^ Managing Director*




***2.2.2. Board's Profile as at June 30, 2022:***

| Director | Age | Men / Women | Tenure of office as at June 30, 2022 | Attendance for FY22 | | Directorship including KIL | | | Board Committees / including KIL# | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Board | AGM | Total (LC + PC) | LC | PC | Chairmanship | Membership |
| **Independent Directors** | | | | | | | | | | |
| Mr. B. Anjani Kumar | 70 | M | 7.7 years* | 4/4 | ✓ | 3 | 2 | 1 | 2 | - |
| Mr. Vinayak K Deshpande | 65 | M | 7.7 years* | 2/4 | ✓ | 6 | 2 | 4 | 1 | 2 |
| Ms. Bhavna Bindra | 45 | W | 2.6 years | 4/4 | - | 4 | 2 | 2 | 0 | 2 |
| **Non-Executive and Non-Independent Directors** | | | | | | | | | | |
| Mr. D Parameswar Reddy | 44 | M | 3.10 years | 3/4 | ✓ | 1 | 1 | - | - | 1 |
| Mr. Franklin Gerardo Cardenas Castro | 54 | M | 1.4 years | 4/4 | ✓ | 1 | 1 | - | - | - |
| Ms. Kelly Marie Boyer | 63 | W | 0.2 years | 1/1 | NA | 1 | 1 | - | - | - |
| **Executive Director (Managing Director)** | | | | | | | | | | |
| Mr. Vijaykrishnan Venkatesan | 48 | M | 1.9 years | 4/4 | ✓ | 1 | 1 | - | - | 2 |

* ***Appointed as an Independent Director of the Company effective November 4, 2014***

***# Only the Audit and Stakeholders' Relationship Committees are considered.***

***GM - General Meeting***

***LC - Listed Companies***

***PC - Public Companies***

***AC - Audit Committee***

***SRC - Stakeholders Relationship Committee***

***NRC - Nomination & Remuneration Committee***

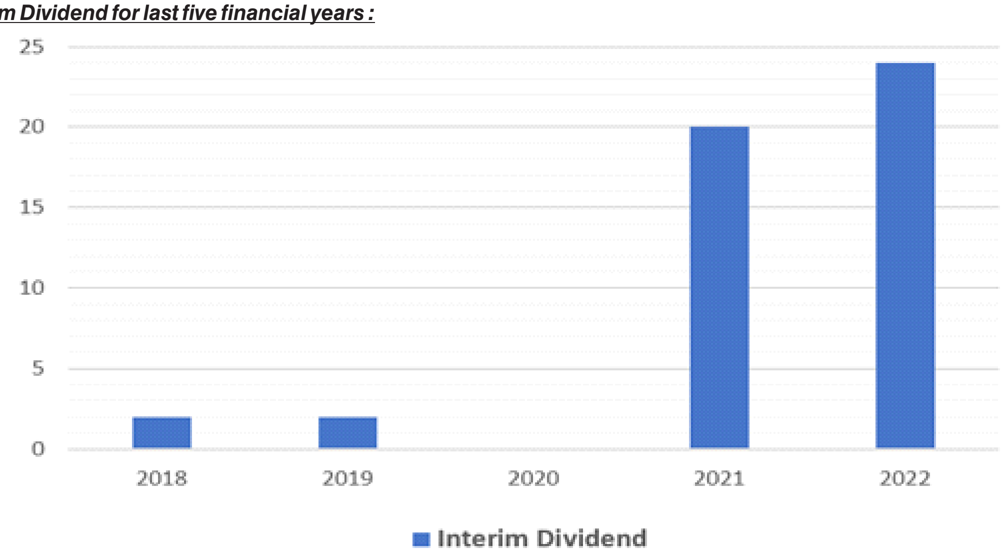
2.2.3 ***Director's Skill Matrix:***

| Key Board Qualifications | Board of Directors as at June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Area of Expertise** | **Anjani Kumar** | **Vinayak Deshpande** | **Bhavna Bindra** | **Franklin Cardenas** | **Vijaykrishnan Venkatesan** | **Kelly Boyer** | **Parameswar Reddy** |
| **REGULATORY MATTERS:** | | | | | | | |
| Financial Expert as per SEBI (LODR) Regulations, 2015 | ✓ | - | - | - | - | ✓ | ✓ |
| Independent Director as per sec 149 of companies act, 2013 and SEBI (LODR) Regulations, 2015 | ✓ | ✓ | ✓ | - | - | - | - |
| **EXPERIENCE / SKILLS:** | | | | | | | |
| CEO Experience | -- | ✓ | ✓ | ✓ | ✓ | - | - |
| Corporate Finance (public company) | ✓ | - | - | - | - | ✓ | ✓ |
| Corporate Governance / Corporate Responsibility | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Current or Recent Executive Experience | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Diversity- | - | ✓ | ✓ | ✓ | ✓ | - | |
| Environmental / Health / Safety | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Government / Military | - | ✓ | - | - | ✓ | - | - |
| Industry / Manufacturing Knowledge | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| International | ✓ | ✓ | - | ✓ | ✓ | ✓ | ✓ |
| Legal – Transactions | ✓ | - | - | - | - | ✓ | - |
| Operations / Production | - | ✓ | ✓ | ✓ | ✓ | - | - |
| Public Company Board Experience | ✓ | ✓ | ✓ | - | ✓ | - | - |
| Risk Management | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Sales & Marketing | - | ✓ | ✓ | ✓ | ✓ | - | - |
| Strategic Planning | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Technology / Engineering | - | ✓ | - | - | ✓ | - | - |

***2.3 Additional Information relating to proposal number 3 of the Notice convening the AGM viz.,***

*"To confirm the interim dividend of ₹ 24/- per Equity Share (240%) on 2,19,78,240 Equity Shares of ₹ 10/- each already paid for the financial year 2021-22 (year ended June 30, 2022)."*

***Details of Interim Dividend for last five financial years :***



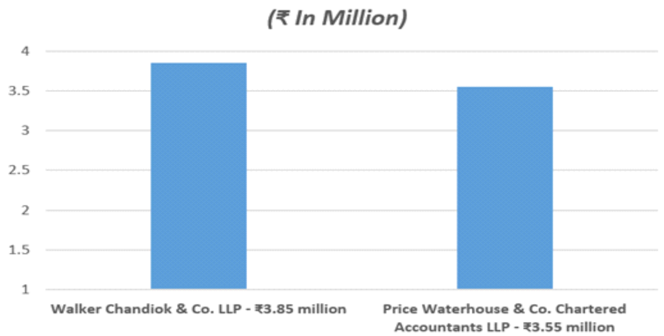
**_2.4 Additional Information relating to proposal number 4 of the Notice convening the AGM viz.,_**

*"To appoint Messrs Price Waterhouse & Co. Bangalore LLP., Chartered Accountants (Firm Registration No. 304026E / E-300009), as Statutory Auditors for a period of 5 (five) years and to fix their remuneration."*

Based on the recommendation of the Audit Committee, the Board has recommended the appointment of Messrs Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E-300009) (PWC) as Statutory Auditors of the Company for a term of 5 years from the FY 2022-23 for the approval of the shareholders at this 57th Annual General Meeting (**'AGM'**) of the Company, in place of existing Statutory Auditors, Messrs Walker Chandiok & Co. LLP, Chartered Accountants, whose term shall expire at the conclusion of this 57th AGM of the Company.

Appointment of Messrs Price Waterhouse & Co. Chartered Accountants LLP as Statutory Auditors is pursuant to conclusion of the term of Messrs Walker Chandiok & Co. LLP as per the provisions of the Companies Act, 2013. There is no material change to the proposed Audit Fee by the incoming Auditors as compared to the existing fee.

**_Below is the comparison chart of existing and proposed Audit Fee for FY23:_**

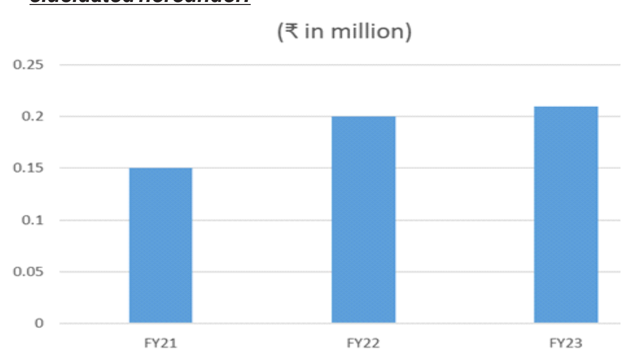



**_2.5 Additional Information relating to proposal number 5 of the Notice convening the AGM viz.,_**

*"To ratify remuneration to Cost Auditors"*

In terms of the provisions of Section 148(3) of the Act read with Rule 14 (a) (ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Messrs. K. S. Kamalakara & Co., Cost Auditors, Bengaluru (FRN: No:0000296), Cost Auditors are to be ratified by the Members of the Company.

**_A bird's eye view of the remuneration to the Cost Auditors is elucidated hereunder:_**




**_2.6 Additional Information relating to proposal number 6 of the Notice convening the AGM viz.,_**

*"To approve the payment of commission, to the Chairman, exceeding fifty percent (50%) of the total commission payable to all Independent Directors"*

While all the Independent Directors are entitled to uniform commission, Chairman of the Board and Chairman of the Audit Committee are entitled to additional commission on account of their duties, responsibilities and obligations which they carry.

Mr. B. Anjani Kumar, Chairman of the Board and the Audit Committee, who is an Independent Director, has no nexus with the promoters or other Board members of the management group of your Company. The additional commission to the Chairman (commission more than what is paid to other Independent Directors) is purely on account of the roles, responsibilities and obligations that the position carries and is not individual specific.

**In the past, all earlier Independent Chairmen were entitled to commissions, based on same parameters. Payment of commission based on these well-defined parameters will not affect the independence of Mr. B. Anjani Kumar.**

Pursuant to the provisions of the Companies Act, 2013, Mr. B. Anjani Kumar has completed 7.7 years as Independent Directors on the Board of the Company as at June 30, 2022, whose term shall expire on November, 2024.

***3. Disclosures to Shareholders (a bird's eye view)***

| | |
|---|---|
| Statement on Compliance with applicable Secretarial Standards | ✓ |
| Related Party Transactions as per Form No. AOC.2 | ✓ |
| Chart or Matrix of setting out the skills/ expertise/ competence of the board of Directors | ✓ |
| Financial Highlights including ratios | ✓ |
| Form No. MGT 7 (Annual Return) for FY 2021-22 disclosed on the website | ✓ |
| Disclosure on Dividends | ✓ |
| Details of change in the Board Constitution during the year | ✓ |
| Details of Subsidiaries / Associates / Joint Ventures | ✓ |
| Stock price trend and allied details | ✓ |
| Details of Major shareholders – Promoters & Public | ✓ |
| Link to the applicable Policies / Codes of the Company | ✓ |

By Order of the Board of Directors
For **Kennametal India Limited**

**Naveen Chandra P**
General Manager - Legal &
Company Secretary (ACS -30057)
Address: 8/9th Mile, Tumkur Road,
Bengaluru – 560073, Karnataka

Bengaluru
August 12, 2022

# 57th Annual Report

# FY22

KENNAMETAL®

# TRANSFORMING HOW **EVERYDAY LIFE** IS BUILT.

Our customers build things that touch our everyday lives. They make products that enable people to drive, fly, power and build...and their products are made possible by Kennametal innovation.

By continuously transforming ourselves, our products and our solutions, we are helping our customers to transform everyday life.

# KENNAMETAL INDIA LIMITED

(CIN: L27109KA1964PLC001546)

**Directors**

Mr. B. Anjani Kumar
Chairman

Mr. Vijaykrishnan Venkatesan
Managing Director

Mr. Vinayak K. Deshpande

Ms. Bhavna Bindra

Mr. Franklin Gerardo Cardenas Castro

Ms. Kelly Marie Boyer
(Effective May 11, 2022)

Mr. D. Parameswar Reddy

Ms. Colleen Wood Cordova
(Ceased to be Non-Executive Director effective November 12, 2021)

**Key Managerial Personnel**

Mr. Vijaykrishnan Venkatesan
Managing Director

Mr. K. V. Suresh Reddy
Chief Financial Officer

Mr. Naveen Chandra Prakash
General Manager - Legal & Company Secretary

**India Leadership Council (ILC)**

Mr. Vijaykrishnan Venkatesan

Mr. Prashant Shetty

Mr. M. T. Swamy

Mr. M. N. Bhaskara Rao

Mr. K. V. Suresh Reddy

Mr. Manu Kidave

Mr. Naveen Chandra Prakash

Ms. Swastika Mukherjee

Mr. J Prabhakar

Mr. Rajashekar Venkat (Effective July 1, 2022)

**Registered Office and Factory**

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

**Auditors**

**Statutory Auditors**

Messrs Walker Chandiok & Co. LLP
Chartered Accountants

**Internal Auditors**

Messrs Ernst and Young LLP
Chartered Accountants

**Cost Auditors**

Messrs K. S. Kamalakara & Co.

**Secretarial Auditor**

Mr. Vijayakrishna K. T., Company Secretary

**Bankers**

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

**Registrar & Share Transfer Agent**

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

## 57th Annual General Meeting

Friday, November 11, 2022 at 12.00 noon
through Video Conferencing ("VC") or Other Audio Visual means ("OAVM")

# CONTENTS

**749**
Employees

**9907**
Revenue from Operations in INR M

**1526**
PBT in INR M

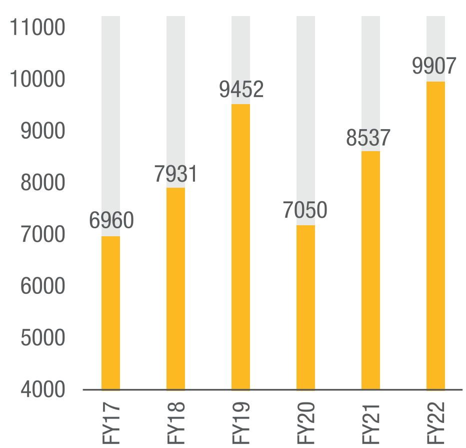
**10001**
Consolidated Income in INR M

**9500+**
Active Customers

# FINANCIAL PERFORMANCE

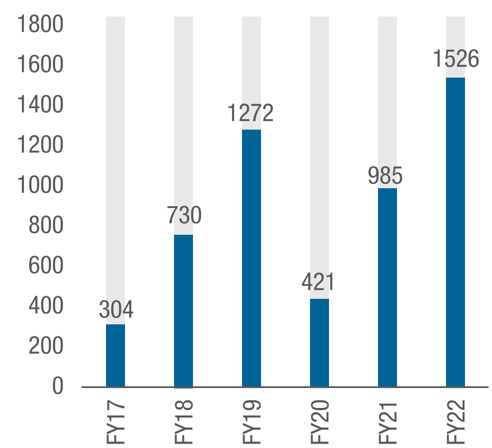
### Revenue in INR M

Revenue was at INR 9907 M, grew at 16% over previous year

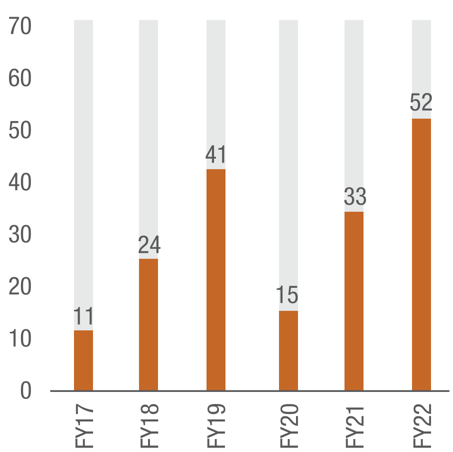



### Profit before Tax (PBT) in INR M

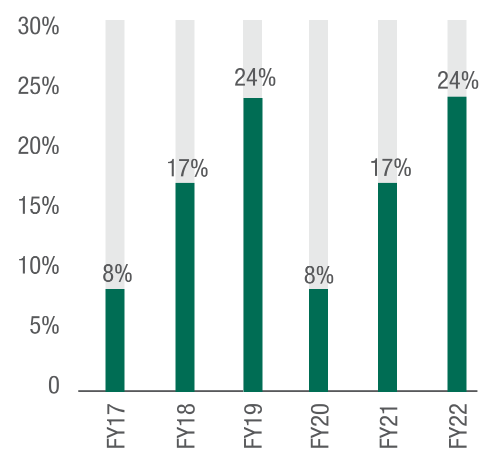
PBT was at INR 1526 M, grew at 55% over previous year




### Earning Per Share (EPS) in INR




### Return on Capital Employed (ROCE) in percentage



# PRODUCT PORTFOLIO

Kennametal India has effectively positioned itself as a reliable industrial technology leader in materials science, tooling and wear resistant solutions for customers across industries such as aerospace, earthworks, energy, general engineering, and transportation. With strong business verticals under Hard Metals and Machine Tools, the company has a balanced business portfolio.

## PEOPLE

We value our employees, whose skill and innovation helps us deliver industry-leading tools and technologies

## COMMUNITY

Through credible NGO partners, we have been continuously involved in various projects aligned with our three-pronged CSR framework of promoting technical education, involvement in community and protecting our planet.

## CUSTOMERS

During the year, we engaged with our network of customers and channel partners to bolster our partnership and showcase our innovations.

## INDUSTRY

During the year, we undertook various initiatives in line with our Environment, Health, Safety (EHS) goals. These efforts furthered our sustainability journey, and also resulted in an industry recognition.

Employees being recognized for serving 10, 20, 25 and 30 years with Kennametal India via a Long Service Awards event


"One Billion Drops" project—launched in Bengaluru in partnership with United Way India to improve groundwater tables at the local bio-diversity park and surrounding residential area through construction of 86 percolation pits


Joint participation at EXCON 2022 with our distributor partner


Participation at a Technology Evening for aerospace customers


The Kennametal India team was awarded the 'EHS Excellence Award' by Confederation of Indian Industry (CII)

# CHAIRMAN'S MESSAGE

"Amid a volatile macroeconomic environment, your company delivered a sound financial performance, registering growth across both Hard Metals and Machine Tools segments."

**B. Anjani Kumar**
Chairman

**Dear Shareholders,**

On behalf of the Board of Kennametal India Limited, I am proud to present the 57th Annual Report of the Company for the financial year ended June 30, 2022. It was another year that saw unprecedented challenges – global supply chain constraints stemming from the aftermath of the COVID 19 pandemic, further accentuated by the heightening of geopolitical tensions, followed by soaring commodity prices. Despite a host of adversities, I am proud to witness the resilience and commitment of the Kennametal India team, that not only enabled us to register 16% growth and reach total consolidated sales of ₹9907 Million but also cross the aspirational figure of ₹10000 Million as consolidated income. Most importantly, the team also delivered strongly on key financial parameters such as PBT and Return on Capital Employed as shown in the Management Discussion Analysis (MDA) report.

### International Economic Situation

As the global economy started recovering from the damages caused by two years of the pandemic, it has once again been pushed into a crisis by the start of the Russia-Ukraine war in February 2022. While the humanitarian crisis brought to the fore is indelible, the war has also decelerated economic activities significantly by exacerbating inflation, commodity prices, financial uncertainty, and policy vulnerability. The increase in interest rates by all global economic powers to counter inflation, raises concerns that the global economy is entering a period of stagflation.

Global growth is projected to slow from 5.7 percent in 2021 to 2.9 percent in 2022 and an average of 3 percent in 2023, as estimated by the World Bank. The advanced economies, impacted by rising energy prices, supply chain challenges and muted financial conditions, are expected to grow at just 2.6 percent. Even the Emerging Markets and Developing Economies are expected to grow at just 3.4% in 2022, after a growth of 6.6% in 2021, again impacted by disruptions arising from geopolitical tensions. Further impact is expected in these countries on the consumption pattern with rising food and energy prices which constitute a higher share of spending as compared to advanced economies.

### Manufacturing Sector in India– An Overview

According to the Index of Industrial Production (IIP) data, India's industrial output grew for the first time in three years by 11.3% in FY21-22 (financial year ending March 2022), attributed mainly to an abysmally low base of -8.4% in the previous fiscal. The first quarter of FY23 from April to June experienced a similar growth of 12.7%, riding on a lower base, albeit slightly higher than the same quarter in pre-COVID 2019. With the complete opening up of the economy and the continued rigor on the vaccination drive, we expect a growth this year, particularly in the contact intensive sectors. However, the geopolitical situation as well as the increase in commodity prices is likely to have a dampening effect on demand and industrial output.

The GDP numbers, striding a similar trend, was pegged at 8.7% as per government data for FY21-22, after a contraction of 6.6% in FY 20-21. The major impact was seen in the last quarter, that bore the highest brunt of bottlenecks in supply chain and high input prices, leading to a contraction in the manufacturing sector. The subsequent quarter, i.e., April-June 2022 witnessed an easing of the said woes, clocking a 13.5% GDP growth. The numbers though significantly high did not meet up to the expectations of economists as investments are yet to revive to pre-COVID levels and the major traction was seen mostly from infra-based sector. While many of the prevailing challenges are expected to continue in the current year, government's efforts to boost consumption, backed by a spurt in GST collections and economic activities is expected to translate into a real GDP growth of 7 percent in FY 22-23 as per RBI, making India the fastest growing major economy in the world.

### Automotive Industry in India

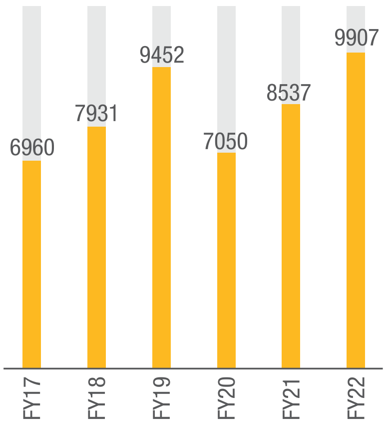
The automobile industry opened the fiscal year 21-22 recuperating from the COVID induced slump and gearing up to benefit from pent up demand and resumption of economic activities. However, the last two quarters were severely marred by industry challenges, including the chip shortage issue and rising oil prices, thus ending FY 21-22 at a 6% decline over FY20-21. As per data published by the Society of Indian Automobile Manufacturers (SIAM), the sales in passenger vehicles grew by 13% and crossed the 3-million mark, buoyed by preferences for personal mobility and favorable interest rates. However, two-wheeler sales fell by 10.9%, volumes being dented by affordability issues at the entry level. Commercial Vehicles grew by 26% on account of increase in infra-related and e-commerce activities in line with the Government's boost on road construction, mining and infrastructure spends. As per data provided by Tractors & Mechanization Association (TMA), the domestic sales for tractors declined by 6.4% during FY22, while exports, that account for about 13% of overall sales, achieved highest ever growth of 45% over the previous fiscal. The industry is expected to achieve low to moderate growth in FY23, depending on the monsoons and rural market sentiments.

The auto components industry emerged the strongest with a 23% growth over the previous fiscal and record turnover that surpassed even the pre-pandemic level. The resilience of the industry is applaudable – overcoming severe constraints through the year, such as steep rise in raw material prices, subdued domestic demand and other geopolitical crises. One of the drivers was a 43% increase in exports, apart from favorable schemes like the PLI, Fame II and state wise EV policies. Moving into the current fiscal of FY 22-23, industry analysts anticipate the supply chain woes to ease and commodity inflation to stabilize, estimating the automotive industry to grow by 5-9% and the auto component industry to grow by 8-10%.

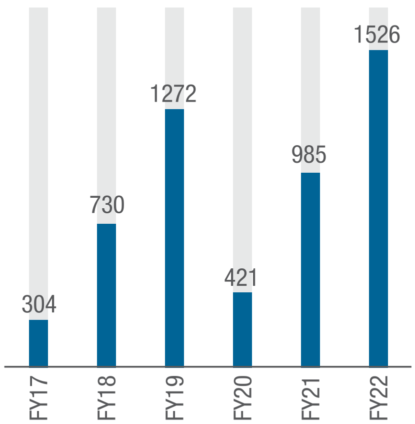
### Financial Performance - Consolidated

Your Company's consolidated revenues recorded a total of ₹9907 Million in FY22 showing a growth of 16% over the prior year, and the Profit before Tax (PBT) came up to ₹1526 Million for FY22, which was a growth of 55% over the prior year.

**Revenue in INR M**




**PBT in INR M**




### Changes to Constitution of the Board of Directors

I would like to bring to your attention the following important change to the Board of your Company:

Ms. Kelly Marie Boyer was appointed to the Board of Kennametal India Limited on May 11, 2022, as an Additional Director under section 160 of the Companies Act, 2013, and was appointed by the shareholders of the Company on June 15, 2022 by means of a resolution passed through postal ballot.

### Corporate Governance

Your Company considers good corporate governance as an essential part of doing business. Other essential values which define Kennametal are our commitment to Safety and Ethical practices as well as integrating economic, social, health, safety and environmental aspects into business decisions. Also noteworthy are the Environmental, Social and Governance (ESG) initiatives, which have already commenced in Kennametal India, well before the statutory timeline to report from FY 22-23 onwards. With several environmental and social initiatives lined up, I am confident that the team is ready to show tangible benefits to all its stakeholders and share the benefits with the community at large.

**Corporate Social Responsibility**

In FY22, your Company's CSR initiatives have been centered around the three focus areas of (i) Protecting our Planet (ii) Tech Education as part of Promotion of Education and (iii) Kennametal in the Community.

The Company has spent ₹17.17 Million towards projects aligned with these three pillars, and also contributed to the Prime Minister's National Relief Fund, thereby spending an excess of ₹0.07 Million.

**Summary and Way Forward**

Amid a volatile macroeconomic environment, your company delivered a sound financial performance, registering growth across both Hard Metals and Machine Tools segments. By fostering innovation and customer centricity, your company continued to sustain its business rhythm with existing customers, while winning new accounts and deploying new applications. The company registered a broad-based growth, mitigating the risk of overdependence on a single sector. The year saw your company opening to physical events and customer interactions, while enforcing all necessary COVID protocols and continuing vaccination drives to prioritize employee health and wellbeing. We continued to deliver on enhancing our social impact and realized some marquee projects that will help in protecting our planet, supporting technical education and increasing our involvement in the community. We intensified our brand building efforts among external stakeholders, and at the same time, endavoured to strengthen our organizational culture by amplifying Diversity & Inclusion initiatives, talent development, talent acquisition, employee communication and engagement efforts.

As we move ahead into another year underlined by uncertainties and challenges, I am confident that our ethical business policies, well developed business planning processes, and our robust Balance Sheet, will strongly support your company's profitable growth.

On behalf of the Board of Directors, I would like to extend my gratitude to all our employees once again, for their tireless efforts and relentless focus on customer delight. I would also like to take this opportunity to gratefully acknowledge the contribution of our loyal customers, distribution partners, vendors and bankers in our growth and success. To our loyal shareholders, we thank you and wish each one of you safe days ahead and continued success.

Lastly, I would like to sincerely thank my fellow Board Members for their support and guidance to the management and do hereby convey my gratitude to all our stakeholders for their steadfast faith in Kennametal. I also take this opportunity to thank Mr. Vijaykrishnan Venkatesan, our Managing Director for all the novel initiatives he is spearheading across different areas, leading to your Company's profitable growth.

I wish the Kennametal team continued success in all its endevours in the years to come.

Thank you,

**B. Anjani Kumar**
Chairman

# MESSAGE FROM THE MANAGING DIRECTOR

"It gives me a great sense of pride to share that Kennametal India Limited concluded the fiscal FY22, ending June 30, 2022, on a buoyant note, clocking an all-time high consolidated income of ₹1000.1 crore, while registering a healthy Profit Before Tax (PBT) of ₹152.6 crore, up 55% over last year."

**Vijaykrishnan Venkatesan**
Managing Director

**Dear Shareholders,**

It gives me immense pleasure to connect with you through this issue of the Annual Report and share operational updates of your company during the year 2021-22. It goes without saying that your steadfast support and faith in the company has propelled us to deliver strong growth and create long term value for all our stakeholders.

FY22 has been one of the biggest learning curves for us, as organizations across the world grappled to come to terms with an unprecedented turn of events. The year started with our nation beginning to recover from the aftermath of the COVID Delta wave, followed by the onset of global supply chain constraints, just when green shoots were beginning to surface. The economic situation further worsened with rising geopolitical tensions that continue to daunt us as we enter the new fiscal. These are the times that try the resilience of an organization and its people. It gives me a great sense of pride to share that Kennametal India Limited concluded the fiscal FY22, ending June 30, 2022, on a buoyant note, clocking an all-time high consolidated income of ₹1000.1 crore, while registering a healthy Profit Before Tax (PBT) of ₹152.6 crore, up 55% over last year.

Our stellar performance is a result of the efforts put in by the Kennametal India team in delivering on strategic initiatives despite challenges in the macroeconomic environment, including inflation. We continued to enforce COVID guidelines across our manufacturing facilities and regions even as physical activities picked up momentum. Our learning from the previous year helped us navigate the third wave of the pandemic, ensuring minimum spread of infections while sustaining business continuity. We continued our vaccination drives with rigor and are happy to share that more than 92.88% of our eligible employees were fully vaccinated by the end of the fiscal.

**Partnering for success**

During the year, we expanded and diversified our customer base across segments. Our focus on innovation - balancing horizontal deployment of proven solutions with new launches, aided customers in achieving desired performance. The Hard Metals segment reinforced its brand strategy with strong positioning of the two key brands, Kennametal, and WIDIA. We cemented our relationship with a few key accounts by securing orders for complete solutions, thus partnering our customers in realizing their productivity goals. We also worked in collaboration with our channel partners to co-create value for our end customers, sustained our Distributor Reward & Recognition program and amplified our communication as well as engagement efforts. Our wear solutions portfolio leveraged the opportunities in the core infrastructure sectors, while new products and applications were developed to capture white spaces.

Capitalizing on the growth prospects spurring from the construction industry, our Machining Solutions Group (WIDMA) successfully bagged significant orders from some of the major infrastructure equipment manufacturers in the domestic market, expanded its footprint in China, rolled out the new WIDMA brand identity and launched advanced machines to address customer needs and capture market share.

**Driving manufacturing excellence**

Our strong growth was well supported by our manufacturing capabilities. Over the years, Kennametal has made a significant investment to modernize its facilities globally, and as part of that initiative, we are deploying advanced technology and equipment here in Bengaluru that will bring value to our customers through improved quality, product performance, innovation, and delivery. During the process, Environment, Health, and Safety (EHS) remained integral to our way of working. Safety, being our top priority and a core value of Kennametal, our team at the Bengaluru manufacturing facility continued its efforts in upkeeping global standards. The results are evident in our safety scores, that are at par with Kennametal benchmarks. We remained committed in our endeavor to stay vigilant, watch out for any leading indicators and bring in best practices to ensure that each one of us leaves the premises injury free. We rolled out several projects aimed at minimizing the environmental impact of our manufacturing operations, focusing on reducing waste and conserving natural resources.

Your company's focus on sustainability was manifested through the industry accolades conferred on us. Kennametal India Limited received the 'EHS Excellence Award' from the Confederation of Indian Industry (CII) in March 2022, recognizing your company's sustained contributions towards protecting and conserving natural resources, building a discrimination-free workplace, and promoting best practices in safety to improve performance and productivity. The Bronze Award indicated that following comprehensive assessment and due diligence, Kennametal India was among the top 5 performers, after benchmarking its practices against the best-in-class companies in the sector.

**Furthering our Environment, Social and Governance (ESG) efforts**

On the people front, our Diversity & Inclusion efforts gathered momentum with focus on the four pillars - Awareness, Acquisition, Development and Community. Aligned with these tenets, several initiatives were rolled out during the year like the Virtual Chat Show on Diversity, "Women Excellence Forum" and International Women's Day celebrations, turning out to be a resounding success. Through the EMERGE program, we have taken the first step in strengthening our industry academia relationship to create a pool of skilled future talent. We launched the People Development Council (PDC) process to strengthen our talent pool, especially given the prevailing rise in attrition and talent crunch across industries. The PDC will work towards identifying opportunities and programs for high potential employees in the businesses and ensure continuous engagement throughout the year. We also saw our brand building efforts pick up momentum and are beginning to see improved visibility of Kennametal among our key stakeholders.

Through credible NGO partners, we have been continuously involved in various projects aligned with our three-pronged CSR framework of promoting technical education, involvement in community and protecting our planet. Kennametal India Limited, in partnership with United Way of India, a non-profit organization, launched the "One Billion Drops" project at the Jayaprakash Narayan (J.P. Park) Bio-diversity Park in Mathikere, Bengaluru, India. This project entailed building 86 percolation pits that will yield manifold benefits – from a 6-meter increase in the water table around J.P Park, to a decrease in rainwater waste, as well as securing water availability for the park and nearby residential areas. Another noteworthy effort was the launch of the "Urban Afforestation" project in the Bingipura landfill area of Bengaluru, India. This event marked the completion of planting 10,000 tree saplings with the help of United Way India's on ground implementation partner, SayTrees. For a period of two years, SayTrees, with the help of corporate volunteers from Kennametal will take care of these saplings so that they can develop into a natural forest cover, aiding in the restoration of its ecological balance.

To promote technical education, we partnered with non-profit organization Katalyst India to sponsor educational expenses and provide mentorship and internship programs for young women from lower-income communities. Together with India Literacy Project, Kennametal India distributed science experiment kits (STEM kits) to 426 government schools in Tumkur district, Bangalore. As part of the initiative, teachers were trained to use the kits which enabled more than 100,000 students in classes 8-10 to perform over 150 science experiments and gain hands-on learning experience. Kennametal India donated ₹1.5 M to Sparsha Trust, an organization focused on programs for underprivileged children, including early childcare, child education, youth skill development and school support for constructing accommodation for underprivileged young girls. We believe that programs like these can go a long way in empowering the future workforce with the education and skill development needed for taking up careers in related industries.

It is needless to say that in steering all the said initiatives, we remained true to our core values of integrity and accountability and abided by the Kennametal Code of Conduct (Code) that defines the principles under which we operate our business, win with integrity in the marketplace and put our customers first. All salaried employees and executives at Kennametal are required to complete the Code of Conduct, and quarterly ethics and compliance training, which includes training on anti-corruption topics. We also extended the training to our vendors to enable them to uphold our ethics and compliance values in conducting their business.

**Sustaining the momentum with an integrated approach**

As we move into another fiscal where the economy is expected to grow by 7%, we foresee several volatilities by way of continued supply chain constraints and rising commodity prices. Amid the interplay of opportunities and challenges, we will continue to focus on the core tenets of our strategy - **Accelerate growth plans** by diversifying our customer base, driving operational efficiency and innovation; Build and strengthen our **ESG framework** by complying with global safety standards, amplify D&I and social impact programs; and most importantly, continue to deliver on **Talent Development and Engagement** imperatives. Our growth initiatives, combined with commercial and operational efficiencies helped us achieve profitable growth in FY22, and we will endeavor to progress further in FY23.

On a concluding note, I would like to thank our Chairman, Mr. Anjani Kumar, and Board of Directors for being our guiding light in realizing our growth aspirations. My sincere gratitude towards our customers, channel partners, suppliers, employees, government authorities and partners for their constant support in this journey.

Regards,

**Vijaykrishnan Venkatesan**
Managing Director

# BOARD OF DIRECTORS

**B. Anjani Kumar**
Chairman (Independent)

Audit Committee - Chairman
Nomination and Remuneration Committee - Member
Stakeholder Relationship Committee - Chairman
Risk Management Committee - Chairman
Corporate Social Responsibility Committee - Member
Share Transfer Committee - Member

**Vijaykrishnan Venkatesan**
Managing Director

Audit Committee - Member
Stakeholder Relationship Committee - Member
Risk Management Committee - Member
Corporate Social Responsibility Committee - Chairman
Share Transfer Committee - Chairman

**Vinayak K. Deshpande**
Independent Director

Audit Committee - Member
Nomination and Remuneration Committee - Chairman
Risk Management Committee - Member

**Bhavna Bindra**
Independent Director

Audit Committee - Member

Nomination and Remuneration Committee - Member

Risk Management Committee - Member

Corporate Social Responsibility Committee - Member

**Franklin Gerardo Cardenas Castro**
Non - Executive,
Non - Independent Director

Nomination and Remuneration Committee - Member

Corporate Social Responsibility Committee - Member

**Kelly Marie Boyer**
Non - Executive,
Non - Independent Director

**D. Parameswar Reddy**
Non - Executive,
Non - Independent Director

Stakeholder Relationship Committee - Member

Risk Management Committee - Member

# Statutory Reports

# BOARD'S REPORT

Your Directors are pleased to present the 57th Annual Report along with the Consolidated and Standalone Audited Financial Statements for the financial year ended June 30, 2022:

FINANCIAL RESULTS (₹ In Million)

| Particulars | Consolidated | | Standalone | |
|---|---|---|---|---|
| | FY22 | FY21* | FY22 | FY21* |
| Total revenue | 9,907 | 8,537 | 9,907 | 8,114 |
| **Profit before exceptional items and tax** | **1,526** | **995** | **1,530** | **904** |
| Add/less-exceptional items income/(expense) | - | (10) | - | (10) |
| **Profit after exceptional items and before tax** | **1,526** | **985** | **1,530** | **894** |
| **Less: Tax Expense** | **385** | **252** | **385** | **228** |
| Current tax | 405 | 253 | 405 | 232 |
| Deferred tax charge/ (credit) | (11) | (1) | (11) | (4) |
| Tax adjustment relating to earlier years | (9) | - | (9) | - |
| **Profit after tax** | **1,141** | **733** | **1,145** | **666** |
| **Other comprehensive income for the year, net of tax** | **(12)** | **1** | **(12)** | **1** |
| Total comprehensive income for the year | 1,130 | 734 | 1,133 | 667 |
| Add: balance brought forward from previous year | 5,637 | 5,337 | 5,514 | 5,282 |
| Total available for appropriation | 6,767 | 6,071 | 6,647 | 5,949 |
| Dividend | 527 | 440 | 527 | 440 |
| Share based compensation adjustment | (3) | (6) | (4) | (5) |
| Balance transferred to balance sheet | 6,243 | 5,637 | 6,124 | 5,514 |

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

### DIVIDEND AND RESERVES

An Interim Dividend of ₹24/- per Equity Share of ₹10/- (Rupees Ten only) each (240% on the Paid-up Share Capital of the Company) was declared by the Board for the financial year ended June 30, 2022 and May 25, 2022 was fixed as Record Date for the said purpose. The said Interim Dividend was paid on June 8, 2022. The Board of Directors have decided to treat the Interim Dividend as Final Dividend for the financial year ended June 30, 2022.

The Company has not transferred any amounts to general reserves for the financial year ended June 30, 2022.

### DIVIDEND DISTRIBUTION POLICY

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred as 'SEBI (LODR) Regulations'], the Board of Directors of the Company had formulated a Dividend Distribution Policy, said Policy is available on the website of the Company at https:www.kennametal.com/in/en/about-us/kil-financials/policies.html

### OPERATING RESULTS

The consolidated Profit Before Tax and Exceptional items was ₹1,526/- million for FY22. The Company's performance for the year has shown substantial improvement in comparison with the previous year on account of sharper focus on initiatives to boost market leadership, cost control measures and higher absorption of costs due to higher manufacturing levels.

### CHANGES IN SHARE CAPITAL

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

### CAPITAL STRUCTURE OF THE COMPANY

The Authorized Share Capital of the Company as on date is ₹219,782,400 divided into 21,978,240 (Twenty One Million, Nine Hundred and Seventy Eight Thousand, Two Hundred and Forty only) Equity Shares of ₹10/- each. The Issued, Subscribed and Paid-up Share Capital of the Company as on date is ₹219,782,400 divided into 21,978,240 Equity Shares of ₹10/- each.

### DISCLOSURE REGARDING ISSUE OF EQUITY SHARES WITH DIFFERENTIAL VOTING RIGHTS

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

### DISCLOSURE REGARDING ISSUE OF EMPLOYEE STOCK OPTIONS

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

DISCLOSURE REGARDING ISSUE OF SWEAT EQUITY SHARES

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

MATERIAL CHANGES AND COMMITMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) Report is annexed to this report as "**Annexure I**" as required under Regulation 34 of SEBI (LODR) Regulations.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Directors Retiring by Rotation

In accordance with the provisions of Section 152 of the Companies Act, 2013 and Articles of Association of the Company, Mr. Parameswar Reddy, is due to retire by rotation at the forthcoming Annual General Meeting ('**AGM**') and, being eligible, offers himself for re-appointment. The Board recommends his re-appointment at the forthcoming AGM.

Annual Declaration from Independent Directors

The Company has received declarations from all the Independent Directors of your Company confirming that they meet the criteria of Independence as mentioned under sub-section (6) of Section 149 of the Companies Act, 2013 and as per the SEBI (LODR) Regulations, 2015 and criteria of independence from the Management.

On October 22, 2019, the Ministry of Corporate Affairs ('**MCA**') had released the Companies (Accounts) Amendment Rules, 2019, the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 and the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019. These rules have come into force on December 1, 2019, and your Company has complied with these requirements.

The policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, Independence of Director and remuneration for Key Managerial Personnel and other employees' forms part of Corporate Governance Report of this Annual Report along with the web-link of the policy. The Independent Directors possess the requisite expertise and experience (including proficiency) necessary for acting as Independent Directors of the Company.

DIRECTORS' INTEREST

No Director was materially interested in any contracts or arrangements existing during or at the end of the year in relation to the business of the Company.

No Director holds any shares in the Company as on June 30, 2022, except Mr. B. Anjani Kumar, Chairman & Non-Executive Independent Director, who holds 10 Equity Shares of ₹10/- each in the Company.

Appointment / Cessation / Resignation of Directors:

As detailed in the Corporate Governance report, it is worthwhile here to reiterate some of the changes to the constitution of the Board.

Ms. Colleen Wood Cordova, who acted as Director of the Company for over 5 years resigned from the Office of Director of the Company effective from November 12, 2021 consequent upon her retirement from Kennametal Inc (Ultimate holding Company). The Board of Directors places its sincere appreciation for the commendable contribution to the Board by Ms. Colleen Wood Cordova during her tenure as the Director of the Company.

Mr. Franklin Gerardo Cardenas Castro, joined as an Additional Director on the Board of the Company effective February 5, 2021. Mr. Franklin is the President of the Infrastructure segment at Kennametal Inc. Mr. Franklin's appointment had been approved by the Shareholders at the 56th AGM of the Company held on November 10, 2021.

Ms. Kelly Marie Boyer was inducted, as an Additional Director on the Board of the Company effective May 11, 2022. Ms. Kelly Marie Boyer's appointment was approved by the Shareholders by way of passing resolution through Postal Ballot on June 15, 2022.

A brief profile of the Director being re-appointed as required under Regulation 36(3) of SEBI (LODR) Regulations, 2015 is furnished along with the Notice convening 57th AGM.

INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Pursuant to the applicable provisions of the Companies Act, 2013, read with the IEPF Authority Accounting, Audit, Transfer and Refund) Rules, 2016 ("**the IEPF Rules**"), all unpaid or unclaimed dividends are required to be transferred by the Company to the IEPF, established by the Government of India, after the completion of seven years from the date of transfer to unpaid dividend account. Further, according to the IEPF Rules, the shares on which dividend has not been paid or claimed by the shareholders for seven consecutive years or more shall also be transferred to the demat account of the IEPF Authority. During the year, the Company has transferred the unclaimed and unpaid dividends to the IEPF. Further, shares on which dividends were unclaimed for seven consecutive years were transferred as per the requirements of the IEPF rules, however in one case the shares could not be transferred to IEPF by the depositories, despite the Company's best endeavour, due to shareholders demat account being suspended. Said details are available on our website at https://www.kennametal.com/in/en/about-us/kil-financials/investor-corner.html

DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and external consultant(s) including audit of internal financial controls over financial reporting by the Statutory Auditors and the reviews performed by Management and the relevant Board Committees, including the Audit Committee and Risk Management Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY22.

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

- the applicable accounting standards have been followed in the preparation of the financial statements, along with proper explanations relating to material departures, if any;
- they have selected such accounting policies and applied them

consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as of June 30, 2022 and profit of the Company for the year ended on that date;

- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis;
- they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## DEPOSITS

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

## SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

Your Company has a Wholly Owned Subsidiary, "WIDIA India Tooling Private Limited" which was incorporated on December 13, 2018. The audited financial statements of the Wholly Owned Subsidiary for the financial year ended June 30, 2022, are consolidated with the financial statements of the Company for the financial year under review. Said financial statements are available on our website at **https://www.kennametal.com/in/en/about-us/kil-financials/financial-results.html**

The statement containing salient features of the financial statement of subsidiary in **Form AOC-1** is enclosed as **"Annexure II"** to the Board's Report.

## CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial statements of the Company and its subsidiary for FY 2021-22 are prepared in compliance with the applicable provisions of the Act and as stipulated under Regulation 33 of the SEBI (LODR) Regulations as well as in accordance with the Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015. The audited consolidated financial statements together with the Independent Auditor's Report thereon forms part of this Annual Report.

## SCHEME OF AMALGAMATION

The Board of Directors at its meeting held on December 4, 2020 had approved a Scheme of Amalgamation ('Scheme') for the merger of its Wholly Owned Subsidiary, WIDIA India Tooling Private Limited (**'WITPL'**) with the Company. Pursuant to the SEBI (LODR) Regulations, 2015, the Company had furnished the Scheme details to BSE Limited. The appointed date of the Scheme is April 1, 2021. The Company had received approval for the said Scheme from the Shareholders and Unsecured Creditors of the Company at their meetings held on April 12, 2021 convened by Hon'ble National Company Law Tribunal ('NCLT'), Bengaluru Bench and the petition to that effect has been filed with NCLT on April 29, 2021. The matter being duly heard by the Hon'ble NCLT, the Bench has reserved the matter for orders.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

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

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

During the financial year under review, there were no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its future operations.

## CHANGE IN THE NATURE OF BUSINESS

There were no changes in the nature of business of the Company during the financial year ended on June 30, 2022.

## EVALUATION OF THE BOARD'S PERFORMANCE

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

Your Company has laid out the criteria for evaluating the independence of Independent Directors and had in place a robust evaluation of performance of Directors, even before the promulgation of SEBI (LODR) (Amendment) Regulations, 2018.

## FAMILIARIZATION PROGRAMME

The Company has a structured familiarization program for Independent Directors of the Company which is also extended to other Non-Executive Directors to ensure that Directors are familiarized with the operations of the Company; the markets where the Company operates; the product lines; strategy of the Company and its implementation status; Enterprise Risk Management and status of mitigation plans; Governance structure; Board protocols including the manner of conducting Board meetings; the roles, responsibilities and duties expected of a Director in India as per the extant Companies Act, 2013 and SEBI (LODR) Regulations, 2015 amongst others.

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

During the year, a structured induction program was conducted for the new Director on Board viz., Ms. Kelly Marie Boyer (appointed effective May 11, 2022). The said induction program exhaustively covered the operations of the Company; the markets where the Company operates; the product lines; strategy of the Company and its implementation status; Enterprise Risk Management and status of mitigation plans; Governance structure; Board protocols including the manner of conducting Board meetings; the roles, responsibilities and duties expected of a Director in India as per the extant Companies Act, 2013 and SEBI (LODR) Regulations, 2015, amongst others. A document on the familiarization programme is available on our website at https://www.kennametal.com/in/en/about-us/kil-financials/corporate-governance.html

The Company also issues appointment letters to the Independent Directors which, inter-alia, incorporate their roles, duties and responsibilities. The format of the said letter of appointment is available on our website at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

## CORPORATE GOVERNANCE

Pursuant to Regulation 34(3) read with Schedule V(C) of SEBI (LODR) Regulations, 2015, a report on Corporate Governance along with a certificate from Mr. Vijayakrishna K T, Practising Company Secretary regarding compliance of conditions of Corporate Governance is annexed as "Annexure III A" and "Annexure III B" respectively and a Certificate as required under Schedule V Part C(10) (i) of SEBI (LODR) Regulations, 2015 from Mr. Vijayakrishna KT, Practising Company Secretary is annexed as "Annexure IV" which forms part of this report. Further, in compliance with the SEBI (LODR) Regulations, 2015, your Board has adhered to the Corporate Governance requirements / Code.

As required by SEBI (LODR) (Amendment) Regulations, 2018, 'Annual Secretarial Compliance Report' issued by Mr. Vijayakrishna KT, Practising Company Secretary for the financial year ended June 30, 2022 is annexed as "Annexure V" which forms part of this report.

## COMPLIANCE WITH THE CODE OF CONDUCT

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

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

Further details on the Code of Conduct and enforcement of the code are elucidated in the Corporate Governance report. Your Company insists on its employees to embrace the Code of Business Ethics & Conduct to ensure maintenance of strong ethical culture. The Code of Conduct is available on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

## CEO / MD AND CFO CERTIFICATE

A Certificate from the Managing Director and the Chief Financial Officer dated August 11, 2022, on the Financial Statements of the Company for the financial year ended June 30, 2022 is annexed as "Annexure- VII" and forms part of this report.

## WHISTLE-BLOWER POLICY /VIGIL MECHANISM

Even before the promulgation of section 177 of the Companies Act, 2013, your Company had a Whistle Blower Policy / Mechanism. Pursuant to section 177 of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, the Board of Directors have approved and adopted robust 'Vigil Mechanism' (Whistle Blower Policy'). The Whistle Blower Policy provides the following avenues for stakeholders including employees to raise complaints freely:

- Audit Committee of Kennametal India Limited;
- Compliance Officer - Kennametal India Limited;
- Ethics Alert Line (toll-free and anonymous): 000-117 +1-877-781-7319
- K-Corp Ethics Mailbox: k-corp.ethics@kennametal.com; and
- Office of Ethics and Compliance Fax: + 1 724-539-3839 Telephone: + 1 724-539-4031, Mailing Address: Office of Ethics and Compliance, 1600 Technology Way, Latrobe, Pennsylvania (USA) 15650.

The Complainants duly receive feedback on action taken and this ensures that stakeholders including employees are protected against victimization for any "Whistle Blower" intimation made by them in good faith. Your Company affirms that no personnel have been denied access to the Audit Committee.

Whistle Blower Policy for vigil mechanism is available on website of the Company at https:www.kennametal.com/in/en/about-us/kil-financials/policies.html

## The Kennametal Ethics Helpline

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

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO ETC.

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

## STATUTORY AUDITORS & THEIR REPORT

Messrs Walker Chandiok & Co LLP, Chartered Accountants (FRN 001076N/N500013) were appointed as Statutory Auditors of the Company at the 52nd AGM held on November 07, 2017, for a period of 5 (Five) years to hold the office until the conclusion of 57th AGM to be held on November 11, 2022.

Further, the Board and the Audit Committee at their respective meetings held on August 12, 2022, recommended the appointment of Messrs Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E-300009 as the Statutory Auditors of the Company to hold office from the conclusion of the 57th AGM till conclusion of 62nd AGM for a term of 5 consecutive years. Messrs Price Waterhouse & Co. Chartered Accountants LLP appointment has been recommended for consideration and approval of the Shareholders at the ensuing 57th AGM to be held on November 11, 2022.

The Independent Auditors' Reports to the Members on the Standalone and Consolidated Financial Statements of the Company for the financial year ended June 30, 2022 do not contain any qualification, reservation or adverse remarks. The notes on financial statements referred to in the Independent Auditors' Report are self-explanatory and do not call for any further comments.

## REPORTING OF FRAUDS

There was no instance of fraud during the financial year under review, which required the Statutory Auditors to report to the Audit Committee and / or the Board, as required under Section 143(12) of the Companies Act, 2013 and Rules framed thereunder.

## SECRETARIAL AUDITOR

Mr. Vijayakrishna K.T, Practising Company Secretary (FCS: 1788 & COP: 980) carried out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2021-22 and submitted his report, which is annexed to this report as "Annexure IX".

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

## COST AUDITORS

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014, the cost audit records maintained by the Company in respect of the products covered under the said rules are required to be audited by a Cost Accountant. Accordingly, the Board of Directors of the Company upon recommendation of the Audit Committee has re-appointed Messrs K. S. Kamalakara & Co., Cost Accountants (Firm Registration No: 0000296), as the Cost Auditors of the Company for the financial year 2022-23. As required under Section 148 of the Companies Act,2013, the Shareholders' approval for the remuneration payable to Messrs K. S. Kamalakara & Co., Cost Auditors is being sought at the ensuing 57th AGM.

The Cost Audit Report for FY22 does not contain any qualification, reservation or adverse remarks.

## INTERNAL FINANCIAL CONTROL

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report which is annexed to this Report as Annexure - I.

## INTERNAL AUDITOR OF THE COMPANY

Pursuant to the provisions of Section 138 of the Companies Act, 2013, the Board of Directors of the Company upon recommendation of the Audit Committee had appointed Messrs Ernst & Young LLP, as the Internal Auditors of the Company for the financial year 2021-22.

## CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

Pursuant to the provisions of Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (LODR) Regulations, 2015, the Related Party Transactions ('RPTs') that were entered into during the financial year 2021-22 were at arm's length basis and in the ordinary course of business. Further, there were no material related party transactions during the financial year under review with the Directors or Key Managerial Personnel of the Company. All related party transactions were placed before the Audit Committee and the Board for approval as applicable under Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (LODR) Regulations, 2015.

The Policy on RPTs as approved by the Board is uploaded on the Company's website at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html The Particulars of RPTs in Form AOC - 2 is annexed to the Report as "Annexure X".

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

Pursuant to Section 197(12) of the Companies Act, 2013 read with the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, the ratio of the remuneration of each Director to the median employee's remuneration for the financial year 2022 and such other details as prescribed are set out in the "Annexure XI" to this report.

A statement showing details of employees of the Company employed throughout the financial year and employees employed for part of the year who were in receipt of remuneration of ₹10.2/- million or more per annum or ₹0.85/- million or more per month respectively is annexed herewith as "Annexure XII" to this report.

## DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

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

There were no complaints lodged to the ICC under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, during the year under review.

## REVISION OF FINANCIAL STATEMENT OR THE REPORT

There was no revision of Financial Statements of the Company in the preceding three financial years.

## INSOLVENCY AND BANKRUPTCY CODE, 2016

There was no application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the financial year.

## DETAILS OF DIFFERENCE BETWEEN AMOUNT OF THE VALUATION DONE AT THE TIME OF ONE TIME SETTLEMENT AND THE VALUATION DONE WHILE TAKING LOAN FROM THE BANKS OR FINANCIAL INSTITUTIONS ALONG WITH THE REASONS THEREOF

During the FY-2021-22, there were no Insolvency Proceedings initiated against the Company and hence there were no instances of one-time settlement during the Financial Year.

## CREDIT RATING OF SECURITIES

Your Company has not obtained any rating from credit rating agencies for the securities during the year. However, after the end of the financial year of the Company, India Ratings & Research (the "Credit Rating Agency"), vide their report dated July 18, 2022, have assigned the Company, a Long-Term Issuer Rating of 'IND AA-' and the Outlook is Stable.

## REMUNERATION RECEIVED BY MANAGING DIRECTOR FROM HOLDING OR SUBSIDIARY COMPANY

During the year under review, no Commission or Remuneration was paid to the Managing Director from the Holding / Subsidiary Company of your Company.

## INSURANCE

Your Company has sufficient insurance coverage not only on all its assets but also from most of the anticipated risks. All insurance policies are reviewed and renewed from time to time.

RESEARCH & DEVELOPMENT (R&D)

The Research, Development and Engineering ('RD&E'), works on new Product and Process Developments with specific focus on materials, coatings and machining technology. RD&E, Bangalore works on the market requirements in terms of new products, custom solutions, cost saving projects, process developments, product benchmarking and basic research. It is also recognized by the Ministry of Science & Technology - Department of Scientific and Industrial Research- Government of India.

ENVIRONMENT, HEALTH AND SAFETY (EHS)

A cleaner, healthier and safer environment is a value we demand of ourselves and others and is integrated into everything we do. Environmental, Health, and Safety (EHS) are fundamental to your Company's business and its ability to deliver the promise of safety to all the stakeholders, including its employees, customers, shareholders and the public. EHS vision is communicated to all, almost every day. Employees are encouraged and empowered to demonstrate their commitment to Kennametal's EHS protocols.

A brief on some of the initiatives undertaken by the Company during the financial year under review are as follows:

*Protecting Our Planet* - Providing sustainable solutions by reducing the total environmental impact of our products and operations. During the year under review, your Company has got reclassified as an 'orange' category industry by the authorities with a validity of 10 years. Your Company has been working towards protecting our planet by continuously improving the management of energy and natural resources, promoting recycling & recovery of materials and preventing pollution. 67.31% of the power consumption at your Company's premises is from renewable source of energy. Added to this, the usage of power in the new buildings of the Company has reduced due to the architecture of the structures providing enough ventilation. Your Company is cognizant of preserving the ground water table and has in this regard been closely working with organized NGOs. Your company has completed project named "One Billion Drops" to conserve the rainwater runoff by putting up 86 percolation pits. These percolation pits will improve the ground water table at the identified bio-diversity park.

Your Company continued to monitor the hazardous and non-hazardous waste, according to waste stream and disposal route, with performance assessed on the basis of waste intensity.

GREEN INITIATIVES

In addition, as part of its efforts to reduce consumption of paper and thereby protect the environment, your Company has ensured that electronic copies of the Annual Report and the notice of the 57th AGM are being sent to all such Members whose e-mail addresses are registered with the Company / its Registrar and Transfer Agent.

To the other Members, physical copies of the Annual Report and Notice of the 57th AGM are being sent through permitted modes of dispatch. However, Members who have received the said documents in electronic mode but desire to seek physical copies of the same, can send their request to the Company Secretary of the Company at in.investorrelation@kennametal.com

Safety Performance:

100% Safety - Pursuing a goal of zero injuries, illnesses, and incidents by living the belief that all are preventable. Your Company is pursuing the goal of zero incidents through senior leader ownership of safety, preventative actions and processes, and by establishing leadership roles for employees in safety.

Your Company's safety performance is recognised at the CII-South India EHS excellence award in bronze category.

Your Company also was recognised by the National Safety Council – Karnataka Chapter in the category of Unnatha Suraksha Puraskara.

As part of continual initiatives in raising the bar of safety performance, your Company has during FY22 brought about considerable improvements in the safety performance:

COVID-19 Safety Measures:

While there was reduction in covid caseload, your Company stayed the course and carried out all covid appropriate protocols to obviate risks to all stakeholders. During this uncertain times, your Company has ensured that there are zero repercussions on the business continuity management by monitoring the internal as well as external situation (customers, suppliers and other stakeholders).

ISO 14001 & ISO 45001: Your Company was re-certified for the ISO 14001 the Environmental Management System and ISO 45001 the Occupational Health and Safety Management system by TUV, a third-party agency without any Non-conformance.

EHS regulatory compliance: The Company strives to meet all applicable EHS regulatory compliance by regular review mechanism and regular updates are provided to the Management.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Pursuant to the provisions of Section 134(3)(o) of the Companies Act,2013 and rules made thereunder, the Corporate Social Responsibility Policy of the Company and initiatives undertaken by the Company on CSR activities during the financial year ended June 30, 2022, are set out in "Annexure XIII" to this report. The CSR Policy is available on Company's website at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

The total CSR budget of the Company for the year 2021-22 was ₹ 17.10 million, out of which the Company had spent ₹ 14.76 million on CSR during the year for identified projects. Due to delay in the implementation of one of the approved project, an amount of ₹ 2.41 million was transferred to the PM National Relief Fund so as to ensure adherence with the provisions of section 135(5) of the Companies Act, 2013, read with rules made thereunder, within the timelines prescribed by law. With this, your Company has spent ₹ 17.17 million as against the allocated budget of ₹ 17.10 million thereby, spending an excess amount of ₹ 0.07 million.

PERSONNEL / INDUSTRIAL RELATIONS

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

RISK MANAGEMENT

Enterprise Risk Management (ERM) at the Company is driven by the Risk Management Committee and Board of Directors through their routine oversight responsibilities. The Management team plays a primary role in identification, monitoring and minimizing risks as also to identify business opportunities and threats. As a process, any risk associated with the business is identified and prioritized based on severity, occurrence and effectiveness of detection. The Risks are being reviewed by the

Management team periodically and reported to the Risk Management Committee at regular intervals for their review. The Department Leaders have the responsibility to monitor and implement the ERM framework approved by the Risk Management Committee.

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

The Risk Management Committee is constituted with the Board of Directors of the Company as its members. The Chairman of the Board, Mr. B Anjani Kumar, is also the Chairman of the said Committee.

As an established practice, the Board of Directors are being updated on risks identification and steps taken to mitigate the same. Risk Management Policy and Charter are uploaded on the Company's website at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

The Company has also been employing the services of Ernst and Young LLP ('EY'), India as its Internal Auditors and EY India regularly conducts internal audits of various parts of the company's operations, as per an Annual Audit Plan which is agreed every year with the Audit Committee of the Board.

### ANNUAL RETURN

Pursuant to Section 92(3) of the Companies Act, 2013 read with applicable rules, a copy of the Annual Return for the FY 2021-22 is uploaded on the website of the Company and the same is available at https://www.kennametal.com/in/en/about-us/kil-financials/corporate-governance.html

### BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 34 of the SEBI (LODR) Regulation, your Company is required to include Business Responsibility Report in the Annual Report describing the initiatives taken by the Company from Environmental, Social and Governance perspective. Business Responsibility Report is enclosed as "Annexure XIV" to the Board's Report.

### POLICIES / CODES

The Company has adopted various policies / codes which are reviewed by the Board at regular intervals and are amended as and when required. These Policies / Codes are available on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

### NUMBER OF BOARD MEETINGS

The Board of Directors met Four (4) times during the financial year 2021-22. The details of the Board meetings and the attendance of the Directors are provided in the Corporate Governance Report.

The Agenda of the Meeting is circulated to the Directors in advance. Minutes of the Meetings of the Board of Directors are circulated amongst the Members of the Board for their perusal and approval.

### COMMITTEES OF THE BOARD OF DIRECTORS

Details of memberships and attendance of various Committee Meetings of the Company including a separate Meeting of the Independent Directors are given in the Corporate Governance Report.

### COMPLIANCE WITH THE APPLICABLE SECRETARIAL STANDARDS

The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India on the Board Meetings and General Meetings.

### ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the untiring efforts and unflinching commitment of the employees of your Company and the vendors who were instrumental in maintaining business continuity, so as to ensure least challenges to your Company's customers. Your Directors also place on record the support of the investor community, bankers, regulatory authorities and the customers for their cooperation and understanding in combating the crisis situation.

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

| | |
|---|---|
| B. Anjani Kumar | Vijaykrishnan Venkatesan |
| Chairman & Independent Director | Managing Director |
| DIN: 00022417 | DIN: 07901688 |

Bengaluru
August 12, 2022

## Annexure I to the Board's Report

# Management Discussion and Analysis Report

Overview

1. Global Economy

The fiscal year 2021-22 saw the impact of the COVID-19 pandemic on the global economy, further accentuated by the Russia Ukraine conflict. This compounding effect has heightened the slowdown in the global economy. During the year, the major economies were marred by severe disruptions that has led to a stalling of growth – stringent lockdowns in China bringing trade activities to a halt, major central banks tightening global financial conditions to deal with inflation, apart from the aftermath of the war in Ukraine. According to the World Bank's latest Global Economic Prospects report, we are moving into a prolonged period of feeble growth and elevated inflation, raising the risk of stagflation.

Further, the said report cites that the global growth is expected to slump from 5.7 percent in 2021 to 2.9 percent in 2022 and expected to continue at around the same pace. The risk is expected to be potentially higher for middle and low income economies, and as a result, the level of per capita income in developing economies this year is expected to be nearly 5 percent below its pre-pandemic trend.

2. Indian Economy

FY22 proved to be another year of upheavals, unforeseen challenges and unprecedented turn of events. The year started with our nation beginning to recover from the aftermath of the Covid-19 Delta wave, followed by the onset of global supply chain constraints, just when green shoots were beginning to surface. The economic situation further worsened with the onset of the Russia-Ukraine war and continues to daunt us as we enter the new fiscal. Despite the macro challenges, most of the end-use segments of Kennametal, viz., Transportation, Aerospace, General Engineering, Energy, Mining and Construction saw a growth over the last year, owing to a weak base, government incentives such as PLI scheme and resumption of normal pre-pandemic business activities. The impact was the highest in Q4, when supply chain bottlenecks and rising commodity prices led to a contraction in the manufacturing output and reduction in overall consumption. As per government data, the growth rate in FY22 (ending March 2022) was pegged at 8.7% as compared to 6.6% in FY21.

Moving into the next fiscal, high input prices are expected to continue impacting the manufacturing sector, though industries are expected to grow on factors like easing of supply chain constraints, anticipated plateauing of commodity inflation, boost in infrastructure spends, moderation of steel prices and ramping up of coal mining to tackle power shortage. The growth in FY23 is expected to be 7%, mainly attributed to the said factors.

3. Business Segments

Your Company has been successful in positioning itself as a reliable industrial technology leader in materials science, tooling and wear resistant solutions for customers across the aerospace, earthworks, energy, general engineering, and transportation industries. With strong business verticals under the Hard Metals and Machining Solutions Group (MSG), your Company is well positioned with a balanced business portfolio.

The hard metal segment is dedicated to delivering world-class metalworking solutions and services through our two trusted brands viz., Kennametal and WIDIA. Through these brands your Company offers a complete portfolio of precision-engineered products and custom solution services. With an array of milling, turning, hole making, threading, and tooling systems products, backed by a skilled network of authorized distributor partners and spares support, your Company is positioned to service the customers end-to-end. Your Company is a market leader in wear solutions, engineered components and earth cutting and construction tools that deliver productivity, reliability, and extended life to a wide range of industries with the ability to deliver high performance in a challenging environment. The years of expertise and innovation in matching advanced material solutions and technologies to various applications, helps customers solve wear problems, avoid costly downtime, prevent catastrophic failures and aids them in achieving significant savings.

Machining Solutions Group (MSG): The Machining Solutions Group MSG manufactures special purpose machines, tool and cutter grinding machines as well as fixture and tooling solutions through the "WIDMA" brand. With an expanding customer base, MSG has set high standards in the industry by engineering the most complex components with high precision, be it microtools or large structural parts for railways and aerospace.

4. Enterprise Risk Framework

Before delving into risk & opportunities , we append hereunder a brief overview of your Company's ERM framework.

Enterprise Risk Management Framework- an Overview:

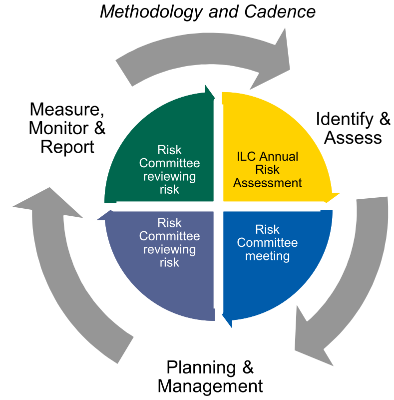
Your Company has a structured and scientific process of risk identification, assessment, and evolving risk mitigation strategies at two levels:

Operational level: Operational Risk Groups (ORG) comprising representatives from key areas such as sourcing, logistics, customer support, sales, production, inventory, admin staff, security, finance personnel and human resource personnel which are monitored by the Legal Counsel's Office and reported to the Managing Director based on materiality of the impact assessment. These ORGs meet on a regular basis to understand operational risks and arrest these risks at the grass roots level. The risk appetites prescribed for each of the functions alongside the delegation of authority matrix helps in tightening internal controls from time to time and obviates smaller risks from growing into enterprise risks.

ii. Enterprise level: At the enterprise level, your Company follows a structured methodology in identifying, assessing, and mitigating risks:

*At Kennametal, focus is always on having in place an enterprise risk overview and a mitigation monitoring program that is strategic, comprehensive, practical and embedded in the heart of every decision making - the 'Kennametal Way'.*

*Methodology and Cadence*



Risk Identification:

The India Leadership Council ("ILC") brainstorms before inking the macro level risks from their respective areas. Risks having an impact of 5% or more on the profit after tax of the previous year are pegged as a threshold for risks identification.

The internal and external risks identified by the ILC takes into account a number of factors that are operating in the environment, including external market conditions, technology disruptions, changing customer dynamics, regulatory situation, uncertainty surrounding continuity in operations due to the pandemic outbreak, risks identified for the year under review by the parent Company - Kennametal Inc., and so on.

Risk Assessment:

The risks identified are assessed and ranked by scientifically assigning Risk Priority Numbers (RPNs) to each of the risks. RPN is derived from three parameters - probability of occurrence of a risk, severity if the said risk were to occur and the plausible mitigation plans that are available to counter the said risk. These three factors are measured on a scale of 1 to 9. The risks with highest priority numbers rank first followed by the lower RPNs. Risk stakeholders corresponding to the top 20 risks are mapped and an active monitoring of the said 20 risks is set into action.

Monitoring the Risk Mitigation Plans & Re-assessing Risks Periodically:

Of the 20 top risks assessed by the ILC, the top 7 risks with largest RPNs are supervised periodically by the Risk Management Committee of the Board of Directors. The remaining risks are monitored internally by the Office of General Manager - Legal & Company Secretary in coordination with the Managing Director's office. Any significant observations emanating from those internal risks are brought to the attention of the Risk Management Committee and the Board of Directors, from time to time, as part of risk re-assessment exercise.

Risk mitigation plans are presented by the risk owners and subsequently implemented with a strong sense of accountability. Risk owners in collaboration with cross functional teams chart out the list of activities with timelines and periodically update the ILC. This helps the ILC in understanding as to whether, the risk mitigation plans are working in the desired direction. The Risk Management Committee meets periodically to monitor the status of the risk mitigation plans and review the RPNs.

Once in every 6 (six) months or earlier, as the case may be, the risks are re-assessed and re-ranked based on RPNs. This granular level of monitoring helps re-ranking/ re-positioning the risks and aids in bringing requisite changes in risk mitigation strategies from time to time.

5. Risks & Opportunities:

COVID-19 challenging business continuity planning:

In this VUCA (Volatile, Uncertain, Complex and Ambiguous) environment, COVID-19 figures as one among the top risks for every country and business. The uncertainty surrounding possible lockdowns, non-availability of manpower, adverse impact on logistics & supply chain and consequent disruption in deliveries to customers, burdening inventory to mitigate supply chain risks etc., have challenged business continuity across industries.

A cross functional team at your Company has been instrumental in monitoring the situation and mitigative actions are being implemented on a continual basis. Amongst others, your Company actively engaged in the following activities that have significantly reduced the impact on business continuity arising from COVID related disruptions:

- 3 vaccination drives implemented at the Company premises.
- Strict implementation of COVID protocols around social distancing, mask / face shield usage & personal / workplace hygiene
- Thermal screening at entrances.
- Constant information displays and caution boards at all conspicuous places.
- Work from home wherever possible to reduce foot fall. Tighter protocols on visitors' ingress into the plant to minimize foot fall in the campus.
- Awareness programs conducted by doctors for all employees to sensitize & burst myths around COVID-19.
- Plant audit and monitoring by the taskforce team. Regular reviews by the top management.

Your Company's supply chain is well diversified not only in terms of jurisdictions but also in terms of value and dependence. Despite the pandemic outbreak, your Company was able to maintain On Time Performance to meet customer requirements on time. This clearly stands out as a testimony to the sound business continuity planning at Kennametal.

The MSG team was able to demonstrate our cultural beliefs of 'Customer First', 'Own It' and 'Focus Now' by remote commissioning of large Special Purpose Machines in the UK, China, and France, using an advanced remote technology from Bengaluru. This is another example of how Kennametal stands strong while servicing customers amidst all odds. Not only has this methodology of virtual commissioning opened new avenues and market for the business abroad but also has slashed the travel costs for your Company's customers and hastened the speed of contactless value delivery to customers in the COVID-19 world. This is also expected to propel new benchmarks in the machine building industry.

Global chip shortage:

The COVID-19 pandemic has disrupted the availability of wafers & raw materials that are essential for manufacture of Integrated Circuit Chips. The global shortage of chips has challenged all industries, leading to delays in delivery timelines for most industries and spiking the prices for end customers. With this disruption likely to prolong, a lot of technology, innovation and changes are expected, including the rollout of Electric Vehicles in the market, is expected to be delayed. With India beginning to see the impact of chip shortages, your Company might witness challenges but with all the uncertainty and many developments taking place, your Company is unable to ascertain the exact impact due to global chip shortage at this stage.

Trade tensions and inflationary trends:

The trade tensions between US-China, Australia-China and localization drive of China are expected to impact global supply chains. On the other hand, it also means a lot of opportunities for countries desiring to localize their production and meet their demand needs, the success of which depends on the ability of each of the countries to develop, evolve and indigenize technology for commercial production, and the ability to sail through these uncertain times.

Spiking inflation in the US from 2.6% in March 2021 to 4.2% in April 2021 and 5.3% in August 2021 is expected to propel the surge in prices globally.

Your Company being a subsidiary of a US based MNC, is well positioned in different geographies to make sure that supplies to customers globally remain unhindered and geographical risks are minimized. With a state-of-the-art facility in Bengaluru, your Company is also well positioned to capitalize the localization drive and 'Atmanirbhar Bharat' initiative of the government for supply to public sector and government undertakings. With most of the supply chain for India's operations being locally sourced, there is likely to be very less impact on sourcing.

Your Company's MSG business vertical continues its efforts to increasing footprint in China and other parts of South Asia, catering to a broad base customer portfolio. A number of brand building initiatives are underway to build a robust business model.

Retaining talents amidst dynamic changes:

The pandemic has impaired the ability of companies globally in retaining talents due to several external and internal factors and changing dynamics in the recruitment market.

Your Company has rolled out several initiatives in retaining talented resources with well laid out career development plans, succession planning, development of talent via movement across geographies, active collaboration to hire and maintain diverse minds at Kennametal, among others.

The focus on talent management and building talent pipeline in your Company has received an additional boost with the launch of People Development Council (PDC) for India. PDC process was initiated to identify opportunities and programs to support talent development in the businesses and ensure continuous engagement throughout the year. The main objectives were to ensure that there are successors to key roles in the businesses as well as to focus on developing and retaining high potential talent in the organization.

6. Operations

Your Company has recorded 16% year-on-year growth with a consolidated operational revenue of ₹ 9,907 million during FY22 against ₹ 8,537 million during FY21. To grow in this challenging market, your Company is continuously focused on development of new products and initiatives to bring operational effectiveness as well as cost optimization to become competitive in the marketplace. With a clearly laid out strategy for growth in both hard metals and MSG businesses, your Company is well positioned to retain and grow its market share.

Segment-wise performance/reporting:

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

The primary segments for financial reporting continue to be:

(i) Hard Metal Products and

(ii) Machining Solutions Group

Apart from the primary business segments, the secondary segmental reporting is based on 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.

7. Company's Outlook

With the uncertainty around the pandemic and the negative impact of the Russia Ukraine conflict, your Company remains cautious in its outlook for FY23.

The intensity of competition is expected to continue with almost all global players making India a manufacturing location for production of tools. The trend of raw material price increase is also expected to continue because of sustained demand as well as weakening of the Indian Rupee against the US Dollar. Despite these headwinds, the management continues to focus on various growth initiatives and development of new products as key drivers to maintain a profitable growth. Profitability improvement with high focus on topline growth and cost optimization will continue to remain a key priority area for FY23.

While the automotive segment in India did see a de-growth in FY22, your Company is geared to benefit from the demand recovery being witnessed and easing of chip shortage issue, though factors like geo-political tensions and commodity inflation may continue to impact the segment. With a well-designed strategy to expand its footprint in aerospace, general engineering, defense and other segments, your Company continues to be confident to compete in these markets. Leveraging its state-of-the-art manufacturing facility at Bengaluru, your Company is well positioned to actively participate as a supplier to Public Sector Undertakings (PSU) under the localization drive/ "Atmanirbhar Bharat". To remain cost effective amidst the spike in raw material prices, your Company is focused on optimizing costs and improving its bottom-line through a number of initiatives. The "one" metal cutting brand strategy obviates duplication of work, resources, and costs, and helps Kennametal to remain efficient while being a strong player to deliver on its commitment to customers. With wider choice of cutting tools from different brands suitable for different applications, your Company is well poised to participate in all the three segments of the market viz., value, performance, and full solution.

With a robust Enterprise Risk Management at work, your Company has mitigated a number of COVID-19 related business risks that could otherwise impact business continuity.

The Machining Solutions Group with its expanding footprint in China and Southeast Asia, sees greater potential from a broader customer base. The growing trade tensions also make India an attractive destination for safe investments for both sales in India and for exports from India.

Your Company's mindful investment in increasing identified capacities in the hard metals segment has enhanced the confidence of all stakeholders and your Company shall continue to remain focused on incremental investments in deserving areas. Your Company will continue to drive growth through efforts aimed at offering the best service and differentiated products to its customers in the coming years.

8. Internal Control Systems and their Adequacy

Your Company has established adequate internal control procedures, commensurate with the nature of its business and size of its operations. These controls have been designed to provide a reasonable assurance regarding maintaining of proper accounting controls for ensuring orderly and efficient conduct of its business, monitoring of operations, reliability of financial reporting, accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, protecting assets from unauthorized use or losses, prevention and detection of frauds and errors, and compliance with regulations. The Company has in place a robust internal audit process, run by Ernst and Young (E&Y) India and monitored by the Internal Audit Department of Kennametal Inc., which is designed to provide reasonable assurance that assets are safeguarded against loss or damage and that accounting records are reliable for preparing financial statements. Internal controls are evaluated by the Internal Auditors and reviewed by Management and the Audit Committee. All audit observations and follow up actions thereon are tracked for resolution by the Internal Control function and reported to the Audit and Risk Management Committee. In addition, employees across the organization are required to undergo quarterly and annual refresher training on the Kennametal Code of Conduct which includes within its scope transparency in financial reports, ethical conduct, regulatory compliance, conflicts of interests review and reporting of concerns. The Company also has an active Anti Bribery and Whistle Blower policy and procedure in place.

As indicated in the overview of ERM framework, the Operational Risk Groups actively engages in bringing about necessary changes to the systems from time to time, on need basis, to strengthen internal controls and obviate excessive authority being vested in any one area. The enterprise level ERM is actively monitored by the Risk Management Committee of the Board.

The quarterly compliance reporting system in place has digitally mapped all stakeholders (compliance owners) to the tasks expected to be completed by them. Each of these tasks are updated as and when completed within the timelines. Auto generated emails from the system helps in reminding the stakeholders of their deliverables to ensure adherence to the extant laws. A compliance report generated on a quarterly basis accompanied by certification by all functional heads to the effect that all laws are compiled with is placed before the Board of Directors at the quarterly Board meetings.

In addition, the Company has policies and directions based on internationally accepted standards or best practices and wherever applicable, in line with Kennametal Inc. (ultimate holding Company) global policies and practices. These are periodically updated to align with changing developments and global best practices.

9. Financial Performance

Your Company has recorded consolidated revenue of ₹ 9,907 million in FY22 with a growth of 16% as compared to the previous year. The profit before tax viz., ₹ 1526 Million recorded a growth of 55% as compared to the previous year. The Company's performance for the year has shown substantial improvement in comparison with the previous year on account of sharper focus on initiatives to boost market leadership, cost control measures and better absorption of costs due to higher production levels.

In order to cope up with the logistics challenges related to deliveries from other global plants of Kennametal Inc and also to meet the customer's expectation of faster delivery of products, your Company continues to invest in stocking more SKUs of fast-moving imported products.

Your Company continues to have strong focus on receivables and the collection of outstanding receivables were on track with adequate support from your Company's distributors and direct customers. The Company was able to maintain a healthy cash position and meet its obligations to all the stakeholders in a timely manner.

Return on Capital Employed (ROCE) improved during the year from 17% in FY21 to 24% in FY22. Return (PAT) on net worth improved during the year from 13% in FY21 to 18% in FY22. Net operational cash flow generated during the year decreased from ₹ 1662 million in FY21 to ₹ 491 million in FY22. The decrease in the operating cash flows is mainly due to working capital changes.

Key financial ratios and changes from last financial year are depicted in the table below:

Key financial ratios and changes from last financial year are depicted in the table below :

| Key Financial Ratios | FY22 | | FY21 | | % Change FY 22 vs FY 21 | |
|---|---|---|---|---|---|---|
| | Consolidated | Standalone | Consolidated | Standalone | Consolidated | Standalone |
| Debtors Turnover Ratio | 7.93 | 7.93 | 8.38 | 8.45 | -5% | -6% |
| Inventory Turnover Ratio | 3.72 | 3.72 | 4.16 | 3.96 | -11% | -6% |
| Current Ratio | 2.72 | 2.64 | 2.42 | 2.34 | 13% | 13% |
| Operating Profit Margin (%) * | 15% | 15% | 12% | 11% | 32% | 38% |
| Net Profit Margin (%) * | 12% | 12% | 9% | 8% | 34% | 41% |
| Return on Capital Employed (ROCE) (%) ** | 24% | 24% | 17% | 16% | 39% | 54% |
| Return (PAT) on Net Worth (%) ** | 18% | 18% | 13% | 12% | 41% | 55% |

**Improvement in Operating Profit & Net profit Margin was due to increase in sales and improved management of costs.*

***Increase in return on Capital Employed (ROCE) and return on Net Worth was attributable to improved revenues and efficient utilization of resources leading to improved margins.*

*^ Debt Equity Ratio, Debt Service Coverage Ratio (DSCR) and Interest Coverage Ratio are not applicable as the Company has no debt as on June 30, 2021, and June 30, 2022.*

*^ Explanations have been provided for any change in the ratio by more than 25% as compared to June 30, 2021.*

10. Material Developments in Human Resources & Industrial Relations

Your Company has been through a relatively tough year, due to the second wave of Covid-19, albeit better placed than the previous year, with the lockdown or / and other restrictions continuing in some parts of the country. Our operations team on the ground ensured that our factories kept running, following all the local and corporate COVID related guidelines. Our Commercial teams continued supporting our customers even as they started customer visits closer to the second half of the financial year.

During the year under review, safety of our employees continued to be the priority for us. We continued our support to employees and their families through appropriate insurance coverage, medical leaves and also medical support wherever required.

Further, we continued our focus on vaccination for our employees through education, awareness and through incentives with the result that we had more than 90% of our employees vaccinated with both the doses before the second half of the year.

We launched our 'That Works' policy. This is a Flexibility Program designed to create an environment that works for employees and customers, enabling us to support work-life balance, advance our strategy and achieve our key results. This program is optional and at the discretion of the employee and their manager.

As Management, our endeavor has been to assist our employees by ensuring that they are ably supported and are able to maintain a good work-life balance.

Our 'True North' journey continues and so does our emphasis on our Cultural Beliefs. We continue to ensure that all professionals who join us are not only aware, but also demonstrate our Cultural Beliefs viz. Customer First, Everyone Matters, Own It, Be Bold and Focus Now. Further, we are now cascading the Cultural beliefs, through Culture Huddles in business meetings, which we believe will help lay a strong foundation to achieve our key results around Customers, Financials, Our People, and Innovation.

There were a few initiatives and actions which stood out for us this year. This was cutting across Businesses and Functions, positively impacting all employees in your Company in the following ways:

As you are aware, your company had embarked on a Diversity & Inclusion (D&I) journey last year. Your Company has a D & I regional team comprising of team members from different Businesses and Functions. This year saw your company taking more positive steps forward to achieve our goals under the different strategic pillars under D & I. These were Awareness, which is to embrace the uniqueness of all individuals along dimensions such as race, ethnicity, age, gender, and physical abilities. Our focus has been to increase the gender diversity in our workforce in India. We are also endeavoring to create an enabling environment to attract talent from different strata of our society. Acquisition, which is to expand the source of diverse talent pipelines to build diverse slates of candidates increasing the volume of diverse hires and promote Kennametal as an employer of choice for diverse candidates. Among other things, we have increased our presence in the social media, reaching out to potential talent and are also working with our RPO partners to achieve this objective. Development: Educate the organization and cultivate a workplace where diverse perspectives and experiences are welcomed and valued. To that extent we have conducted sessions through external partners for our senior leadership, people managers and all employees in the organization, sensitizing and making them aware of unconscious biases. Community: Invest in communities we serve through diverse philanthropic and educational events. This is being done through our CSR initiatives and actions. Your Company has partnered with an Organization which supports STEM education for girl students. Your Company also partnered with NGO's which encourage and support education for girl students. Senior Leaders in the Organization have also volunteered to mentor girl students, thus increasing the engagement with institutions that support girl education.

Your company has restarted our Campus-connect through the EMERGE program. EMERGE is a 1-year rotational program for fresh engineers. The Focus is on building top entry level talent for Kennametal by providing functional expertise, diverse experiences & accelerated career development for building future leaders. We will be on-boarding and welcoming EMERGE trainees in early FY23.

We believe that our Employees are our strength. Developing them to achieve their full potential is a joint responsibility. We take this responsibility seriously. The development plans are discussed between Managers and Employees. Our endeavor is to ensure that all employees should have development plan in their goals, and they get all the required support to achieve that goal. This could in the form of On-the-job training, Job Rotations, Class-room trainings, Strategic Projects, and of course on-line training.

This year we rolled out our training calendar for employees covering all Businesses and functions. We kick-started this with a much-awaited program for People Managers (to Manage, Lead and Coach). This was followed by programs focused on Collaboration, Team Building, Negotiations, Sales, Mentoring and Coaching. Some of these initiatives will continue into the next financial year. We encourage employees to undertake online programs, related to their development, through our on-line learning portal. This portal is accessible to all employees at Kennametal.

At the country level, the Leadership team (ILC) identified 5 strategic projects, covering Business, People, Finance and Future prospects for your company. We used this track as a developmental tool for some of our key employees. There were 5 different teams, each comprising of 5-7 team members mentored by a member of the ILC. Teams worked on the strategic projects and came up with recommendations, which will be implemented in due course. This was an opportunity for the ILC to meet the talent in the Organization as well as platform for the key talent to present themselves. This was unique example of the Leadership nurturing talent in the Company.

Your company amicably signed off our 4-year Wage Contract with Union members. There was a delay in the whole process owing to Covid-19 related restrictions, which delayed our meetings. However, both teams could come to an agreement on the terms of the contract, which was a win-win for both Organization and the employees.

Apart from the People Development Council for India, your Company embarked on the important journey of Diversity and Inclusion (D&I). Your Company has a dedicated D & I Council for the India region, which is represented by employees from across functions and businesses. The four pillars of focus which the D&I Council is driving are: Awareness, Acquisition, Development and Community. Your Company has partnered with an external consultant for this initiative. To kick start this important journey, a structured process is being followed with inputs from the ILC on their vision for D & I, through surveys and through focused group discussions, spanning all employee groups.

Even during these difficult times, your Company continued its focus on building technical skills, which we believe enables our employees to support customers. The Knowledge Center (KC) team supported

Sales, Customer and Distributor teams on the technical front, with 115 training days with 9 classroom programs & 98 online programs across the country, covering 138 participants in classroom session & 5069 Participants in the online session.

KC India continued its flagship e-MCAE (e-learning Metal Cutting Application Engineering) Training program for customers. With the "Sales & Distributor Training program" for Sales team and channel partners across India and Southeast Asia, a total of 253 people from India and 154 people from Southeast Asia, were benefited. During this fiscal year KC team hosted an online technical quiz competition for Kennametal employees pan India, this event was helpful for increasing the collaboration in between various functions of Kennametal India Limited. A total of 117 people participated in this competition spanning across 26 departments.

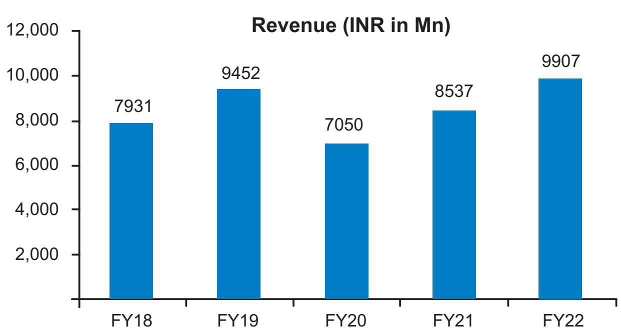
The total number of permanent employees in your Company as of June 30, 2022 was 749.

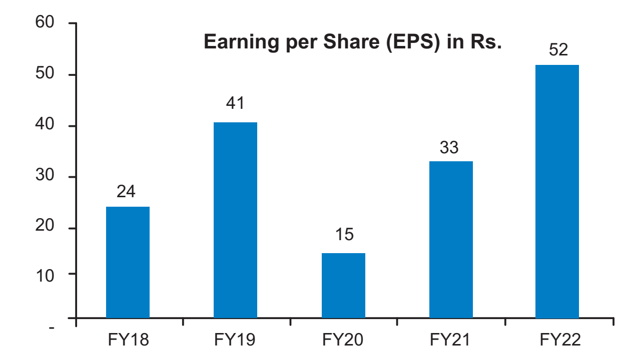
*Safe harbor statement*

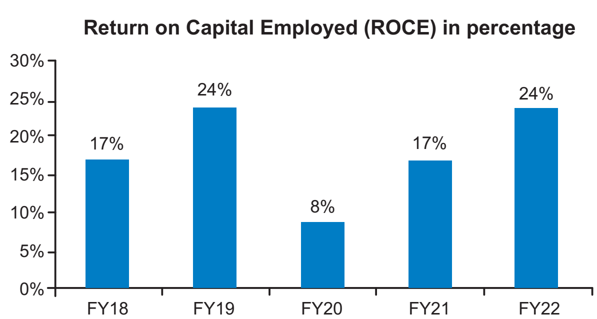
*The information and opinion in this section consists of certain forward- looking statements, which the management believes to be true to the best of its knowledge at the time of its presentation based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions 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.*

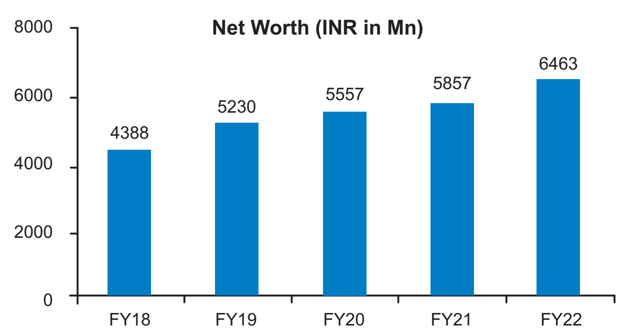
*The information contained herein may not be disclosed, reproduced, or used in whole or in part for any purpose or furnished to any other person(s) without the express prior written permission of the Company.*

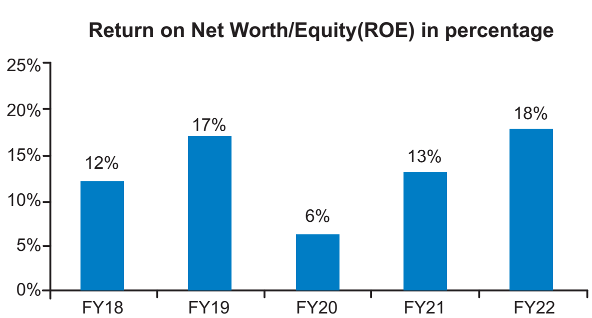
## FIVE YEARS CHART FOR KEY FINANCIAL INDICATORS (CONSOLIDATED)




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

B. Anjani Kumar
Chairman & Independent Director
DIN: 00022417

Vijaykrishnan Venkatesan
Managing Director
DIN: 07901688

Bengaluru
August 12, 2022

## Annexure II to the Board's Report

# Form AOC - I

**(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)**

### Statement containing salient features of the financial statement of subsidiaries / associate companies / joint ventures

Part "A": Subsidiaries

| Sl. No. | Particulars | Details |
|---|---|---|
| 1 | Name of the subsidiary | WIDIA India Tooling Private Limited |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | Not Applicable |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries. | Indian Rupee (INR) |
| 4 | Share capital: | |
| i. | Authorized capital | ₹ 20 million |
| ii. | Paid up capital | ₹ 20 million |
| 5 | Reserves and surplus | ₹ 118.75 million |
| 6 | Total assets | ₹ 139.54 million |
| 7 | Total Liabilities | ₹ 0.79 million |
| 8 | Investments | Nil |
| 9 | Turnover | Nil |
| 10 | Profit before taxation | ₹ (5.43) million |
| 11 | Provision for taxation | Nil |
| 12 | Profit after taxation | ₹ (5.43) million |
| 13 | Proposed dividend | Nil |
| 14 | % of shareholding | 100% |

Information:

a. Names of subsidiaries which are yet to commence operations : Nil

b. Names of subsidiaries which have been liquidated or sold during the year : Nil

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures - Not Applicable

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

B. Anjani Kumar
Chairman & Independent Director
DIN: 00022417

Vijaykrishnan Venkatesan
Managing Director
DIN: 07901688

Suresh Reddy K V
Chief Financial Officer

Naveen Chandra Prakash
Company Secretary

Bengaluru
August 12, 2022

**Annexure III A to the Board's Report**

# CORPORATE GOVERNANCE REPORT

Company's Philosophy on Code of Governance

Good Corporate Governance is at the core of your Company's belief system and is at the heart of our business practices globally. Corporate governance is about maximizing shareholder value legally, ethically and on a sustainable basis. At Kennametal, the goal of corporate governance is to ensure fairness for every stakeholder – our customers, investors, vendor-partners, the community, and the governments of the countries in which we operate. We believe that sound corporate governance is critical in enhancing and retaining investor trust. It is a reflection of our culture, our policies, our relationship with stakeholders and our commitment to values. Accordingly, we always seek to ensure that our performance is driven by integrity.

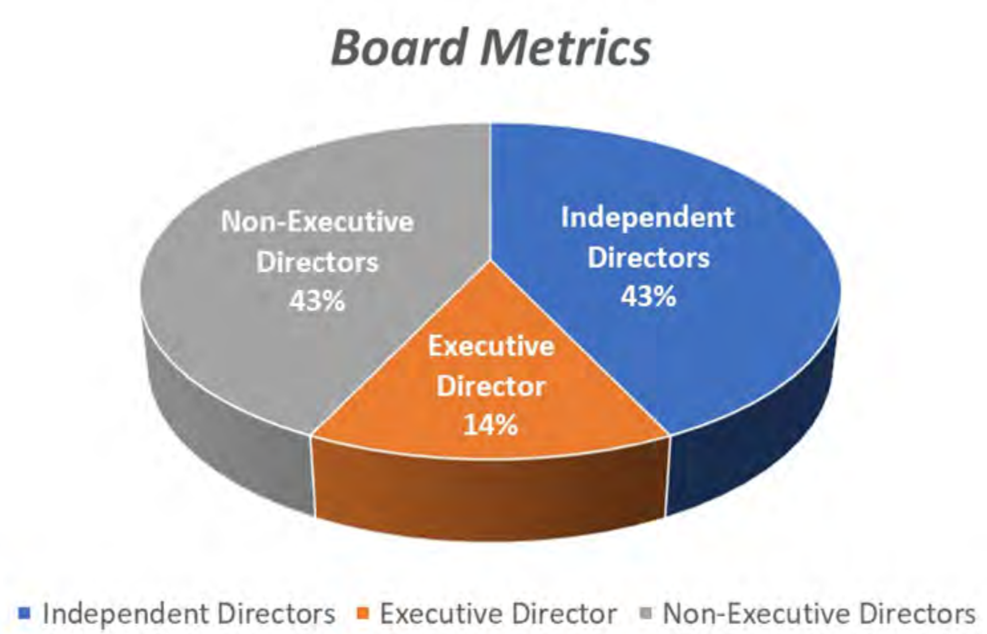
Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time is collectively referred to hereinafter as 'SEBI (LODR) Regulations, 2015' and your Company has complied with the applicable requirements of SEBI (LODR) Regulations, 2015.

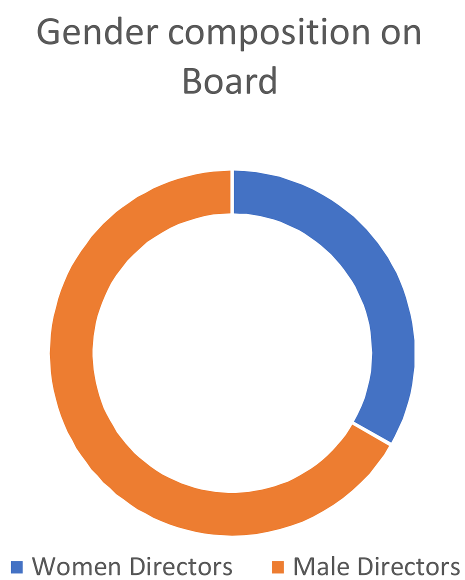
1. Composition of the Board of Directors as at June 30, 2022

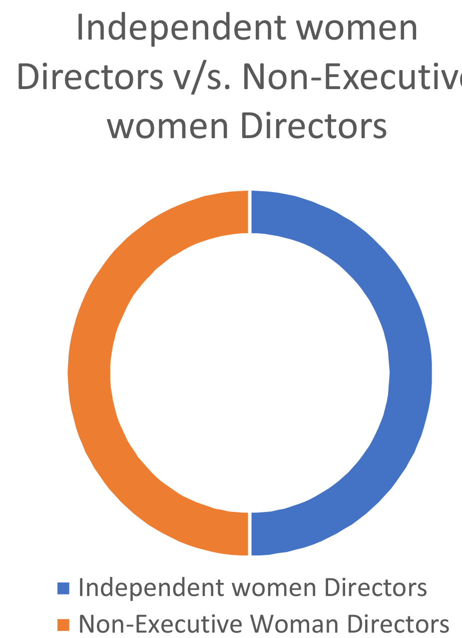
   A bird's eye view of the Board structure is depicted hereunder :

| *Board Size* | *No. of Independent Directors (IDs)* | *Executive Director* | *Non-Executive Directors* | *% of Independent Directors on the Board* |
|---|---|---|---|---|
| 7 | 3* | 1 ^ | 3 | 43% |

** Includes Independent Chairman and an Independent Woman Director.*
*^ Managing Director.*






The Board of Directors has Seven (7) members (as on June 30, 2022), including the Managing Director and Six (6) Non-Executive Directors which includes two Woman Directors (one being a Woman Independent Director). All of them bring in wide range of skills and experience to the Board and this makes the Board 'balanced' with optimal representation of experts from various realms. The Company has a Non-Executive Independent Director as its Chairman and the three Independent Directors constitute more than one-third of the total number of Directors on Board. Chairman is neither a Promoter of the Company nor is he related to any Promoter or person occupying Management positions at the Board level or at one level below the Board as defined under Regulation 17(1) (b) of SEBI (LODR) Regulations, 2015. Thus, the composition of the Board is in conformity with the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

Tenure of Directors:

| Sl. No. | Name | Designation | Original date of Appointment | Date of re-appointment / approval by the shareholders | Due date of current term |
|---|---|---|---|---|---|
| 1 | Mr. Bidadi Anjani Kumar | Chairman (Independent) | 02/04/2010 | 04/11/2019 | 03/11/2024 |
| 2 | Mr. Vinayak Kashinath Deshpande | Independent Director | 06/09/2010 | 04/11/2019 | 03/11/2024 |
| 3 | Ms. Bhavna Bindra | Independent Director | 03/01/2020 | 11/11/2020 | 02/01/2025 |
| 4 | Mr. Franklin Gerardo Cardenas Castro | Non-Executive Director | 05/02/2021 | 10/11/2021 | NA# |
| 5 | Mr. Vijaykrishnan Venkatesan | Managing Director | 17/09/2020 | 11/11/ 2020 | 16/09/2025 # |
| 6 | Mr. Devi Parameswar Reddy | Non-Executive Director | 23/08/2018 | 11/11/2020 | NA# |
| 7 | Ms. Kelly Marie Boyer* | Non-Executive Director | 11/05/2022 | 15/06/2022 | NA# |
| 8 | Ms. Colleen Wood Cordova** | Non-Executive Director | 09/08/2016 | 10/11/2021 | Resigned effective 12/11/2021 |

**Ms. Kelly Marie Boyer was appointed as an Additional Director effective May 11, 2022 and her appointment was approved by the Shareholders of the Company by way of Postal Ballot on June 15, 2022.*

***Ms. Colleen Wood Cordova resigned from the office of Non-Executive Director effective November 12, 2021.*

*# Directors Liable to retire by rotation.*

### Chairman of the Board and his responsibilities:

The Board at Kennametal India Limited has always been led by an Independent Director as Chairman of the Board. The Chairman's roles, duties and responsibilities are clearly demarcated from other Board members and there is obviously no overlap between the responsibilities of the Managing Director and that of the Chairman.

Mr. B. Anjani Kumar, Chairman comes with 46+ years of rich experience in Finance and Accounts, Compliance, Corporate Governance, M&A and Due Diligence. He is a Chartered Accountant by qualification. Mr. B. Anjani Kumar is also on the Boards of The Hi-Tech Gears Limited, WIDIA India Tooling Private Limited and Mikrotek Machines Limited.

The Chairman of your Company leads the Board and is responsible for fostering integrity and governance on the Board while encouraging active participation of all Board members on all matters.

The Chairman presides over the meetings of the Board and of the Shareholders of the Company and takes a lead role in managing the Board and facilitating effective communication among Directors. He is responsible for overseeing matters pertaining to governance, including the organization, composition and effectiveness of the Board and its Committees and the performance of individual Directors towards fulfilling their responsibilities. The Chairman provides independent leadership to the Board and oversees the management of the Board's administrative activities, such as meetings, schedules, agenda, communication and documentation. The Chairman is also responsible for the overall strategies of the Company. The Chairman of the Board works actively with the Nomination & Remuneration Committee ("NRC") members and its Chairman to plan the composition of the Board and its Committees. The Chairman ensures that there is optimal combination of experts from varied realms at all points in time and the Board is 'well balanced'. The Chairman also actively participates in charting out attributes expected from new Directors, interviewing the new Directors, Board succession planning and meeting auditors/ individual Directors ('one on one') to receive/ provide constructive feedback from time to time.

### Managing Director and his responsibilities:

Mr. Vijaykrishnan Venkatesan is the Managing Director of the Company.

The Managing Director is responsible for formulating and executing strategies for your Company to achieve the vision, mission and foster growth on a sustainable basis based on strong foundation of Governance, Risk Management and Compliance (GRC).

The Managing Director being responsible for execution of annual and long-term business targets of the Company by providing strong and positive leadership to the management of the Company, reports the performance of the Company to the Board on a quarterly basis. The Managing Director has a deep understanding of the domestic and international competitive landscape, opportunities for expansion, customers, markets, new product developments and standards and implementing the organization's corporate strategies. The Managing Director acts as the link between the management and the Board and keeps the Board informed about macro level risks impacting the organization and plausible pragmatic mitigation strategies.

The Managing Director is guided by the Chairman and other Members of the Board from time to time.

### Lead Independent Director

The Chairman of the Board acts as the Lead Independent Director. Role of the Lead Independent Director is to hear the ideas, opinions, and concerns (if any) of the Independent Directors from time to time and ensure implementation of some of the observations of the Independent Directors wherever suitable. The Lead Independent Director also engages in communication with other Independent Directors and the other Directors to discuss on matters of interests pertaining to Board management, management leadership, business performance or any other topic related to the Company. The Lead Independent Director also ensures Board's effectiveness through effective participation of the Independent Directors and encouraging leadership.

### Role of the Board of Directors

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. As trustee, the Board has fiduciary responsibility to ensure that the Company has clear goals aligned to shareholder value and its growth. The Board exercises its duties with care, skill and diligence and exercises independent judgment. It sets strategic goals and seeks accountability for their fulfillment. It also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfills stakeholders' aspirations and societal expectations.

The Board is vested with the responsibility to monitor top risks and the implementation status of the mitigation plans which are presented to the Board at the beginning of the calendar year. The Board has a dedicated Risk Management Committee which oversees the Enterprise Risk Management and updates the collective Board members at the Board meeting.

### Board membership criteria

The Directors are expected to possess the required qualifications, integrity, expertise and experience for their positions. They are also required to possess deep expertise and insights in sectors/ areas relevant to the Company and ability to contribute to the Company's growth. From time to time, the Nomination & Remuneration Committee advises the attributes expected of Directors.

The age limit for Non-Executive Director / Independent Directors is 73 (Seventy-three) years and for Whole - time Director / Managing Director is 70 (Seventy) years.

Based on the disclosures received from all the Independent Directors and also in the opinion of the Board, the Independent Directors are independent of the Management and do fulfill the conditions specified in the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

### Key Board qualifications, expertise and attributes

Kennametal India Limited Board comprises of qualified members who bring in the required skills, competence and expertise that allow them to make effective contributions to the Board and its committees. The Board members are committed to ensuring highest standards of corporate governance.

In the table below, the specific areas of focus or expertise of individual Director have been highlighted. However, the absence of a mark against a member's name does not necessarily mean the member does not possess the corresponding qualification or skill. It only means that the Director is not an expert in that particular area.

| Key Board Qualifications | Board of Directors as at June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| Area of Expertise | Anjani Kumar | Vinayak Deshpande | Bhavna Bindra | Franklin Cardenas | Vijaykrishnan Venkatesan | Kelly Boyer | Parameswar Reddy |
| REGULATORY MATTERS: | | | | | | | |
| Financial Expert as per SEBI (LODR) Regulations, 2015 | ✓ | - | - | - | - | ✓ | ✓ |
| Independent Director as per sec 149 of companies act, 2013 and SEBI (LODR) Regulations, 2015 | ✓ | ✓ | ✓ | - | - | - | - |
| EXPERIENCE / SKILLS: | | | | | | | |
| CEO Experience | -- | ✓ | ✓ | ✓ | ✓ | - | - |
| Corporate Finance (public company) | ✓ | - | - | - | - | ✓ | ✓ |
| Corporate Governance / Corporate Responsibility | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Current or Recent Executive Experience | - | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Diversity- | - | ✓ | ✓ | ✓ | ✓ | - | |
| Environmental / Health / Safety | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Government / Military | - | ✓ | - | - | ✓ | - | - |
| Industry / Manufacturing Knowledge | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| International | ✓ | ✓ | - | ✓ | ✓ | ✓ | ✓ |
| Legal – Transactions | ✓ | - | - | - | - | ✓ | - |
| Operations / Production | - | ✓ | ✓ | ✓ | ✓ | - | - |
| Public Company Board Experience | ✓ | ✓ | ✓ | - | ✓ | - | - |
| Risk Management | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Sales & Marketing | - | ✓ | ✓ | ✓ | ✓ | - | - |
| Strategic Planning | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Technology / Engineering | - | ✓ | - | - | ✓ | - | - |

### Selection of new Directors

The Nomination and Remuneration Committee is responsible for screening and selection of new Directors to the Board. Based on defined criteria elucidated above and taking into account the need of experts from various realms, from time to time, the Nomination & Remuneration Committee decides on the qualifications and experience expected of the new Director and accordingly puts up its recommendation to the Board for approval.

### Process for appointing Independent Directors

As a first step, the Nomination & Remuneration Committee decides on the skills sets, knowledge and experience that are expected by the Board from the proposed independent director (to be appointed) and puts it up to the Board for approval. The skill sets requirement from the proposed independent director, to be appointed, is based on a number of parameters including 'board diversity'; having optimal representation of experts from various realms after understanding the gaps in skill sets in the Board from time to time.

The Chairman of NRC takes the lead in appointing professional agencies to search for suitable candidates based on the requirement sheet provided to the said professional agency. No personal connections are considered in the process of identifying suitable candidates. Not less than 3 profiles are shortlisted for interview by NRC. The panel of interviewers comprises of NRC Members, Chairman of the Board and representatives from Kennametal Inc, the ultimate holding company of Kennametal India Limited. Unanimous decision of the panel is presented before NRC for recommendation of the appointment of the new independent director followed by approvals of the Board and Shareholders.

As per the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, the appointed Independent Director is issued a formal letter of appointment.

Your Company has issued formal letters of appointment to all the Independent Directors of the Company, all of which have been disclosed on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

All Independent Directors of the Company have registered themselves in the data bank of Independent Directors as required by the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 and the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019. Annual Declarations received from them pursuant to Sec. 149(6) of Companies Act 2013 and Reg. 25(8) of SEBI (LODR) Regulations for the year 2021-22 and the same contains affirmations regarding registrations in the data bank.

There has been no change in the circumstances affecting their status as independent directors of the Company. The Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Companies Act 2013.

Familiarization program for the Directors:

All Directors appointed go through a structured familiarization program which exhaustively covers the operations of the Company; the markets where the Company operates; the product lines; strategy of the Company and its implementation status; Enterprise Risk Management and status of mitigation plans; Governance structure; Board protocols including the manner of conducting Board meetings; the roles, responsibilities and duties expected of a Director in India as per the extant Companies Act, 2013 and SEBI (LODR) Regulations, 2015, amongst others.

The familiarization program document is also disclosed on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/corporate-governance.html

As required, brief profile and other particulars of the Director seeking re-appointment is exhibited in the Notice convening the 57th Annual General Meeting.

*Declaration under Schedule V, Part C, Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018:*

All the Directors have confirmed that they are neither debarred nor disqualified from being appointed or continuing as Director by Securities and Exchange Board of India / The Ministry of Corporate Affairs or any such statutory authority. The Company has obtained a Certificate to this effect from Mr. Vijayakrishna K.T., Practising Company Secretary, Bangalore as mandated under Schedule V, Part C, Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018.

Succession planning

The NRC works with the Board on the leadership succession planning to ensure orderly succession in appointments to the Board and the senior management. The Company strives to maintain appropriate balance of skills and experience within the organization and the Board in an endeavor to introduce new perspectives while maintaining experience and continuity.

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

During the financial year under review, four (4) Meetings of the Board of Directors were held on the following dates:

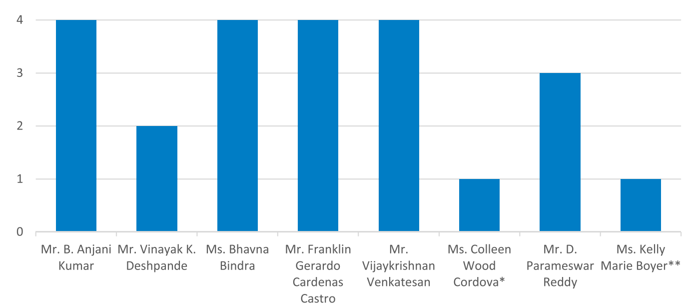
August 18, 2021, November 9, 2021, February 3, 2022 and May 11, 2022.

During the year, a separate Meeting of the Independent Directors was held on May 10, 2022 without the attendance of non-independent Directors and members of the Management.

Attendance at the Board Meetings and at the Annual General Meeting (AGM) of the Company are stated below :

| Name | No. of Board Meetings attended | Attendance at the last AGM held on November 10, 2021 |
|---|---|---|
| Mr. B. Anjani Kumar | 4 | Yes |
| Mr. Vinayak K. Deshpande | 2 | Yes |
| Ms. Bhavna Bindra | 4 | No |
| Mr. Franklin Gerardo Cardenas Castro | 4 | Yes |
| Mr. Vijaykrishnan Venkatesan | 4 | Yes |
| Ms. Colleen Wood Cordova* | 1 | No |
| Mr. D. Parameswar Reddy | 3 | Yes |
| Ms. Kelly Marie Boyer** | 1 | Not Applicable |

Attendance at the Board Meetings held during FY22




**Ms. Colleen Wood Cordova resigned from the office of Non-Executive Director with effect from November 12, 2021.*

***Ms. Kelly Marie Boyer was appointed as an Additional Director with effect from May 10, 2022 and her appointment was approved by the Shareholders of the Company by way of Postal Ballot on June 15, 2022.*

Memberships of Directors in other company's Boards

None of the Directors is Director in more than ten (10) Public Limited Companies or holds directorship in more than seven (7) listed companies or acts as an Independent Director in more than seven (7) Listed Companies. Further, none of the Directors of the Board serves as a member of more than ten (10) Committees across all Public Limited Companies or acts as Chairman of more than five (5) Committees (Committees being Audit Committee and Stakeholders' Relationship Committee, as per Regulation 26(1) of the SEBI (LODR) Regulations, 2015) across all Listed Entities. The Managing Director of the Company does not serve as an Independent Director on any listed company. There is no relationship amongst Directors inter-se.

An Executive Director may, with the prior consent of the Board, serve on the Board of two other business entities, provided that such business entities are not in direct competition with our operations and the appointment shall be subject to the restrictions laid down under the Listing Regulations. Executive Directors are also allowed to serve on the boards of corporate or government bodies whose interests are germane to the future of the similar industry or the key economic institutions of the nation, or whose prime objective is to benefit society.

Independent Directors are not expected to serve on the boards of competing companies. All procedures are adhered to ensure that the Company in which Independent Directors hold Directorship is not a material supplier or a material customer to the Company. In line with Kennametal Inc's protocols, efforts are put in to make sure that the companies in which Independent Directors hold directorships are compliant with Foreign Corrupt Practices Act ('FCPA') and allied legislations. There are no other limitations except those imposed by law and good corporate governance practices.

As on June 30, 2022, following are the particulars of Directorships, Memberships of Board Committees held at other companies:

| Name of the Directors | Other Directorships held* | Board Committees # (in other companies) | | Directorship in other listed entities |
|---|---|---|---|---|
| | | Chairman | Member | |
| Non-Executive, Independent Directors | | | | |
| Mr. B. Anjani Kumar<br>Chairman | 3 | 0 | 0 | The Hi-Tech Gears Limited (Non-Executive - Non-Independent Director) |
| Mr. Vinayak K. Deshpande | 5 | 1 | 1 | Voltas Limited (Non-Executive - Non-Independent Director) |
| Ms. Bhavna Bindra | 3 | 0 | 1 | Automotive Stampings and Assemblies Limited (Non-Executive - Non-Independent Director) |
| Managing Director – Executive & Non-Independent | | | | |
| Mr. Vijaykrishnan Venkatesan | 2 | 0 | 0 | Nil |
| Non-Executive Directors & Non-Independent ^ | | | | |
| Mr. D. Parameswar Reddy | 0 | 0 | 0 | Nil |
| Mr. Franklin Gerardo Cardenas Castro | 0 | 0 | 0 | Nil |
| Ms. Kelly Marie Boyer | 0 | 0 | 0 | Nil |

*^ Mr. D. Parameswar Reddy, Mr. Franklin Gerardo Cardenas Castro and Ms. Kelly Marie Boyer represents Kennametal Inc., the Foreign Promoter. No sitting fee is paid to Non-Executive- Non-Independent Directors.*

** Excluding office of Alternate Directors, Non-Profit Associations, Private & Foreign Companies.*

*# Only the Audit and Stakeholders' Relationship Committees are considered.*

The composition of the Board and Directorships held (all categories of companies) including Kennametal India Limited as on June 30, 2022 are as follows:

Mr. B. Anjani Kumar, Chairman and Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | Shareholding | Date on which interest or concern arose / changed |
|---|---|---|---|---|
| 01. | Kennametal India Limited | Chairman & Independent Director | 10 shares | April 02, 2010 |
| 02. | The Hi-Tech Gears Limited | Director | Nil | November 03, 2015 |
| 03. | Mikrotek Machines Limited | Director | Nil | June 16, 2017 |
| 04. | WIDIA India Tooling Private Limited | Director | Nil | December 13, 2018 |

Mr. Vinayak K. Deshpande, Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | Shareholding | Date on which interest or concern arose / changed |
|---|---|---|---|---|
| 1. | Voltas Limited | Director | Nil | February 14, 2012 |
| 2. | Tata Projects Limited* | Managing Director | Nil | July 01, 2011 |
| 3. | Signify Innovation India Limited | Director | Nil | April 27, 2016 |
| 4. | Kennametal India Limited | Independent Director | Nil | September 06, 2010 |
| 5. | Pune IT City Metro Rail Limited | Director | Nil | May 15, 2019 |
| 6. | Universal Mep Projects and Engineering Services Limited | Director | Nil | September 15, 2021 |

** Retired from the Board of Tata Projects Limited effective July 21, 2022.*

Ms. Bhavna Bindra, Independent Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | Shareholding | Date on which interest or concern arose / changed |
|---|---|---|---|---|
| 01. | Kennametal India Limited | Independent Director | Nil | January 03, 2020 |
| 02. | Automotive Stampings and Assemblies Limited | Independent Director | Nil | July 15, 2019 |
| 03. | Jakson Engineers Limited | Director | Nil | October 16, 2020 |
| 04. | Jakson Limited | Director | Nil | October 16, 2020 |
| 05. | Rehau Polymers Private Limited | Managing Director | Nil | March 15, 2021 |

Mr. Vijaykrishnan Venkatesan, Managing Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | Shareholding | Date on which interest or concern arose / changed |
|---|---|---|---|---|
| 01. | Kennametal India Limited | Managing Director | Nil | September 17, 2020 |
| 02. | WIDIA India Tooling Private Limited | Director | Nil | August 18, 2020 |
| 03. | Capital Safety Products India Private Limited | Director | Nil | September 18, 2019 |
| 04. | Indian Machine Tool Manufacturers Association | Director | Nil | September 20, 2021 |

Mr. D. Parameswar Reddy, Non-executive Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | Shareholding | Date on which interest or concern arose / changed |
|---|---|---|---|---|
| 01. | Kennametal India Limited | Director | Nil | August 23, 2018 |

Mr. Franklin Gerardo Cardenas Castro, Non-executive Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | Shareholding | Date on which interest or concern arose / changed |
|---|---|---|---|---|
| 01. | Kennametal India Limited | Director | Nil | February 5, 2021 |

Ms. Kelly Marie Boyer, Non-Executive Director

| Sl. No. | Names of the Companies / bodies corporate / firms / association of individuals | Nature of interest or concern / Change in interest or concern | Shareholding | Date on which interest or concern arose / changed |
|---|---|---|---|---|
| 01. | Kennametal India Limited | Director | Nil | May 11, 2022 |

*Notes:*

- *There are no inter-se relationships between the Board members. The Company does not have any pecuniary relationship with any of the Non-Executive Directors.*
- *Directorship / Interest in Indian companies / body corporates are considered (listed, unlisted public and private limited companies).*

Compliance with the Code of Conduct and Ethics:

The Company has adopted the "KIL Code of Conduct and Ethics for Board Members and its Senior Management" and has framed a Whistle Blower Policy which is available on the Company website at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

The Code of Conduct and Ethics not only covers the employees of the Company but also all its stakeholders viz., suppliers, job contractors, distributors, agents, customers and other agencies who work with the Company.

The Code of Conduct amongst other prohibits insider trading as well. In compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has formulated the "Policy governing inquiry in case of leak of Unpublished Price Sensitive Information", "Code of Practices and Procedures for fair disclosure of Unpublished Price Sensitive Information" and "Code of conduct for sharing of UPSI with Insiders and Connected Persons" which are available on the Company's website at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

Periodical codes of conduct trainings are conducted to remind all stakeholders (viz., distributors, suppliers, customers, job contractors etc.) of the provisions of code of conduct. In particular, specific trainings were conducted during the year under review, to all Directors and Designated Persons, during the year, on Prohibition of Insider Trading. Amongst numerous other topics that were covered during the year as part of training, personnel were trained on prevention of sexual harassment, fostering culture of speaking up for what is not right, export trade compliance regulation training and preserving confidential information.

*Pictures depicting trainings imparted to the Distributors, suppliers and other stakeholders of the Company are highlighted hereunder:*


*Enforcing any violation of the code of conduct:*

All stakeholders have been provided access to the Audit Committee amongst other options permitted to them under the Whistle Blower Policy viz., Kennametal Helpline is available 24x7 to lodge any grievance/ concern at any point in time.

Apart from access to the Audit Committee, the Company also has a dedicated hotline number and email ID to which any person (internal or external) can blow the whistle.

Anonymous complaints are treated with the same care as non-anonymous complaint.

Every complaint is investigated by the General Manager - Legal & Company Secretary to the depth and a written report on the findings is finalized. To maintain the independency of the investigation, the Company does engage third party investigators in most of the complaints. The complainant (if the identity and address is mentioned by the complainant) is reported back on the investigation conducted and is made aware about the findings and the implementation of the findings.

As per the non-retaliation policy, your Company does not tolerate any retaliation, in any manner, against the complainant and/ or the witnesses or those who support the investigation.

Disciplinary actions are decided based on 'decision making tree' analysis of the findings which is a structured process to make sure that the Company decides the same way for same kind of offences. All disciplinary actions are inflicted without hesitation on the delinquent personnel/ agency/ contractor and reported to the Audit Committee from time to time.

2. Audit Committee

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

1. The Audit Committee shall have minimum three Directors as members. Two-thirds of the members of the Audit Committee shall be Independent Directors.
2. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
3. Chairman of the Audit Committee shall be an Independent Director.
4. Chairman of the Audit Committee shall be present at the Annual General Meeting to answer shareholder queries.
5. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the Meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Chief Financial Officer (CFO), the Internal Auditors and a representative of the Statutory Auditors may be present as invitees for the meetings of the Audit Committee.
6. The Company Secretary shall act as the Secretary to the Committee.
7. The Audit Committee shall meet at least four times in a year and not more than 120 days shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent Directors present.

Powers of the Audit Committee:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.

4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of Audit Committee

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company.

3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.

4. Reviewing, with the management, the annual Financial Statements and Auditor's Report thereon before submission to the Board for approval, with particular reference to:

    a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013.

    b. Changes, if any, in accounting policies and practices and reasons for the same.

    c. Major accounting entries involving estimates based on the exercise of judgment by management.

    d. Significant adjustments made in the financial statements arising out of audit findings.

    e. Compliance with listing and other legal requirements relating to financial statements.

    f. Disclosure of any related party transactions.

    g. Modified opinion(s) in the draft Audit Report.

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

7. Reviewing and monitoring the Auditor's Independence, performance and effectiveness of Audit process.

8. Approval or any subsequent modification of transactions of the company with related parties.

9. Scrutiny of inter-corporate loans and investments.

10. Valuation of undertakings or assets of the Company, wherever it is necessary.

11. Evaluation of internal financial controls and risk management systems.

12. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.

13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

14. Discussion with internal auditors of any significant findings and follow up there on.

15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

18. To review the functioning of the Whistle Blower Mechanism.

19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate.

20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

21. Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.

22. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.

Review of information by the Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations.

2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.

3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors.

4. Internal audit reports relating to internal control weaknesses; and

5. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

6. Statement of deviations:

    a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to Sock Exchange(s) in terms of Regulation 32(1).

    b) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

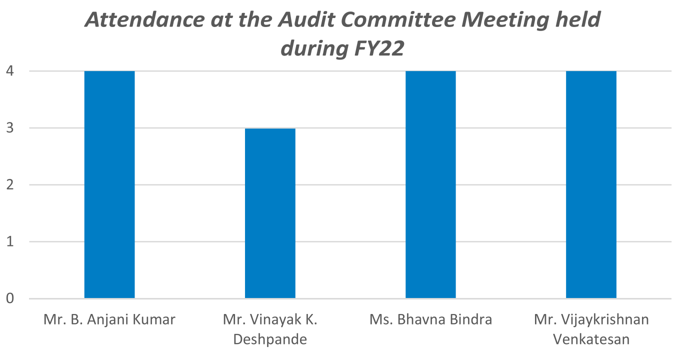
Composition and details of the Audit Committee Meetings during the financial year

As on June 30, 2022, the Audit Committee consists of four (4) members inclusive of three (3) Non-Executive Independent Directors and all of them have financial and accounting knowledge. Chairman of the Audit Committee is a financial expert with 46+ years experience in various facets. The members of the Committee are (i) Mr. B. Anjani Kumar, Chairman of the Committee (ii) Mr. Vinayak K. Deshpande (iii) Ms. Bhavna Bindra and (iv) Mr. Vijaykrishnan Venkatesan.

During the year under review, four (4) Meetings of the Audit Committee of Directors were held on the following dates: August 18, 2021, November 9, 2021, February 3, 2022 and May 11, 2022.

The particulars of the members and their attendance at the Meetings held during the year are as below:

| Name of the Committee Members | Number of Meetings attended |
|---|---|
| Mr. B. Anjani Kumar<br>Chairman & Independent Director | 4 |
| Mr. Vinayak K. Deshpande<br>Independent Director | 3 |
| Ms. Bhavna Bindra<br>Independent Director | 4 |
| Mr. Vijaykrishnan Venkatesan<br>Managing Director | 4 |




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

The Company Secretary is the Secretary to the Audit Committee.

3. Nomination and Remuneration Committee

In compliance with the provisions of Section 178 of the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015, the terms of reference of the Committee inter alia, includes the following:

1. The Committee shall comprise of at least three Directors.
2. All Members of the Committee shall be Non-Executive Directors and at least two-thirds of the Members shall be Independent Directors and
3. Chairman of the Committee shall be an Independent Director as may be elected by the members of the Committee.
4. The quorum for a meeting of the NRC shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.

The Nomination and Remuneration Committee has the following roles:

i. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.

ii. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

   a. use the services of an external agencies, if required;
   b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
   c. consider the time commitments of the candidates.

iii. Formulation of criteria for evaluation of performance of Independent Directors and the Board.

iv. Devising a Policy on Board diversity.

v. Identifying persons who are qualified to become Directors and who may be appointed in senior management roles in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.

vi. Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of independent Directors.

vii. Recommend to the Board, all remuneration, in whatever form, payable to Senior Management.

A. The Nomination & Remuneration Policy of the Company is enclosed to this report as Annexure-A.

B. Performance Evaluation

The Nomination & Remuneration Committee carries out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals (yearly) as per the performance management system of the Company.

Performance evaluation criteria for Independent Directors

The Nomination and Remuneration Committee of the Board laid down the evaluation criteria for performance of all its Directors including the Independent Directors. The performance evaluation of the Independent Directors has been done by the entire Board of Directors, except the Director concerned being evaluated. Some of the performance indicators, based on which the independent Directors, are evaluated includes:

- Knowledge of the business.
- Attendance and participations in the Meetings and timely inputs on the minutes of the meetings.
- Raising of valid concerns to the Board and constructive contribution to resolution of issues at meetings.
- Understanding regulatory and ethical issues and adhering to the highest norms.

- Generating a supportive environment in meetings, communicating effectively with others.
- Value addition to the Board and contributing significantly in his / her area of expertise.

C. Criteria for selection of Directors/KMPs and Senior Management Personnel

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

D. Board Diversity:

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

The Committee is responsible for reviewing and assessing the composition of the Board and will make recommendations to the Board on the appointment of new Directors. The Committee will also review the structure, size and diversity of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's objectives and strategy.

The Nomination and Remuneration Policy, Performance Evaluation and Policy on Board Diversity are available on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

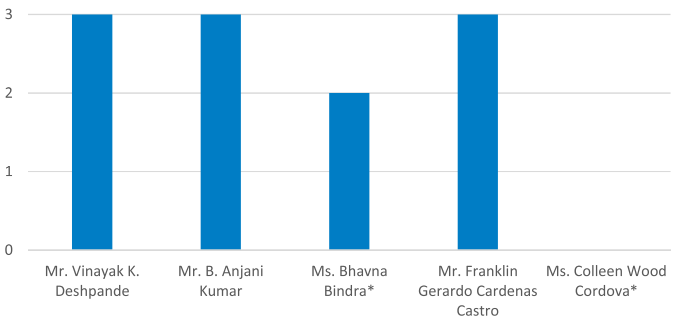
E. Composition and details of the Nomination and Remuneration Committee Meetings during the financial year:

As on June 30, 2022, the Nomination and Remuneration Committee of the Company consisted of Four (4) Non-Executive Directors. The members of the Committee are (i) Mr. Vinayak K. Deshpande, Chairman of the Committee (ii) Mr. B. Anjani Kumar (iii) Ms. Bhavna Bindra and (iv) Mr. Franklin Gerardo Cardenas Castro.

During the year under review, the Committee met Three (3) times on, August 17, 2021, February 3, 2022 and May 10, 2022 and the attendance of the members at the said Meetings are given below:

| Name of the Committee Members | Number of Meetings attended |
|---|---|
| Mr. Vinayak K. Deshpande<br>Chairman, Independent Director | 3 |
| Mr. B. Anjani Kumar<br>Independent Director | 3 |
| Ms. Bhavna Bindra*<br>Independent Director | 2 |
| Mr. Franklin Gerardo Cardenas Castro<br>Non-Executive Director | 3 |
| Ms. Colleen Wood Cordova*<br>Non-Executive Director | 0 |

**Attendance at the NRC Meeting held during FY22**




**Ms. Bhavna Bindra was inducted as a member of the NRC in place of Ms. Colleen Wood Cordova effective November 9, 2021.*

Directors' Remuneration

Remuneration paid to Directors for the year under review is provided in Table I and II.

Table I: Remuneration paid to Managing Director in respect of financial year 2021-22:

| Managing Director | Amount (₹ in Million) |
|---|---|
| Mr. Vijaykrishnan Venkatesan | 25.43 |

**includes salary, fixed allowance, housing, leave travel allowance, contribution to retiral benefits, performance pay, etc. It also includes Stock options of ₹ 3.00 Million granted by Kennametal Inc., (the ultimate holding company), which was vested during the year and the same was cross - charged to Kennametal India Limited. Performance pay is based on the results achieved against the targets and criteria as set out by the Board. The Board of Directors appointed Mr. Vijaykrishnan Venkatesan as an Additional Director and Managing Director at its meeting held on August 19, 2020 after considering the recommendation of Nomination & Remuneration Committee, for a period of five years from September 17, 2020 to September 16, 2025. The contract can be terminated with a notice period of three months or such notice as may be mutually determined as per the Agreement dated September 17, 2020 with no severance fees. The Shareholders have confirmed the appointment of Mr. Vijaykrishnan Venkatesan as a Managing Director at the 55th Annual General Meeting for the aforementioned period as recommended by the Board.*

Table II: Remuneration paid / payable to Non-Executive Directors for the year under review:

| Non-Executive Directors | Commission (₹ in Mn) * | Sitting Fees (₹ in Mn) |
|---|---|---|
| Mr. B. Anjani Kumar | 2.18 | 0.8 |
| Mr. Vinayak K. Deshpande | 0.91 | 0.5 |
| Mr. Bhavna Bindra | 0.91 | 0.5 |
| Mr. D. Parameswar Reddy | Nil | Nil |
| Ms. Colleen W. Cordova | Nil | Nil |
| Mr. Franklin Gerardo Cardenas Castro | Nil | Nil |
| Ms. Kelly Marie Boyer | Nil | Nil |

** Payable in FY2022-23*

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

The criteria for making payments to non-executive directors is elucidated in the Nomination & Remuneration Committee Policy of the Company which is enclosed as "Annexure A" to this report and is also available on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

The Company presently has no Employee Stock Option Plan.

4. Stakeholders' Relationship Committee

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

The quorum shall be either two members or one third of the members of the stakeholders' relationship committee whichever is greater.

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

1. Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
2. Review of measures taken for effective exercise of voting rights by shareholders.
3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

Composition and details of the Stakeholders' Relationship Committee Meeting during the financial year:

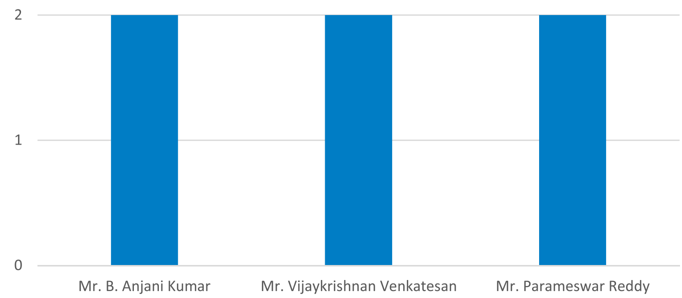
The Stakeholders' Relationship Committee comprises of (a) Mr. B. Anjani Kumar, Chairman who heads the Committee (b) Mr. Vijaykrishnan Venkatesan and (c) Mr. D. Parameswar Reddy.

Mr. Naveen Chandra P, GM - Legal & Company Secretary is the Compliance Officer of the Company.

During the year under review, Two (2) Meetings of the said Committee were held on November 9, 2021 and May 10, 2022. The particulars of the members and their attendance at the Meetings are provided herein the below Table:

| Name of the Committee Members | Number of Meetings attended |
|---|---|
| Mr. B. Anjani Kumar<br>Chairman, Independent Director | 2 |
| Mr. Vijaykrishnan Venkatesan<br>Managing Director | 2 |
| Mr. D Parameswar Reddy<br>Non-Executive Director | 2 |

*Attendance at the Stakeholders' Relationship Committee Meeting held during FY22*




During the year under review, the Company had received two complaints from the shareholders (for non-receipt of physical copy of the FY21 Annual Report and for claiming of unclaimed dividend for FY16 and FY18) and both the Complaints have been redressed to the best satisfaction of the shareholders well within the stipulated timeframe. There were no pending complaints as at the end of the financial year.

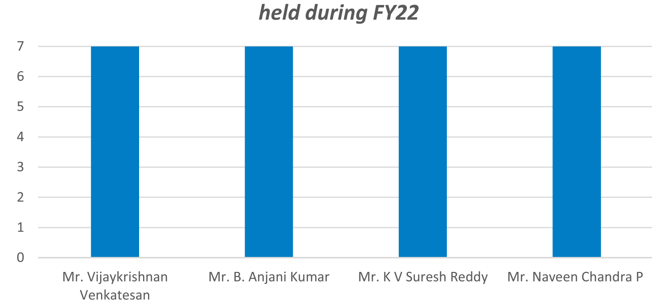
5. Share Transfer Committee

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

As on June 30, 2022, the Share Transfer Committee comprises of (a) Mr. Vijaykrishnan Venkatesan, Chairman (b) Mr. B. Anjani Kumar (c) Mr. K. V. Suresh Reddy and (d) Mr. Naveen Chandra P.

During the year, Seven (7) meetings of the said Committee were held on July 8, 2021, September 13, 2021, November 19, 2021, January 24, 2022, March 14, 2022, March 30, 2022 and April 25, 2022 which was attended by all the members.

*Attendance at the Share Transfer Committee Meeting held during FY22*



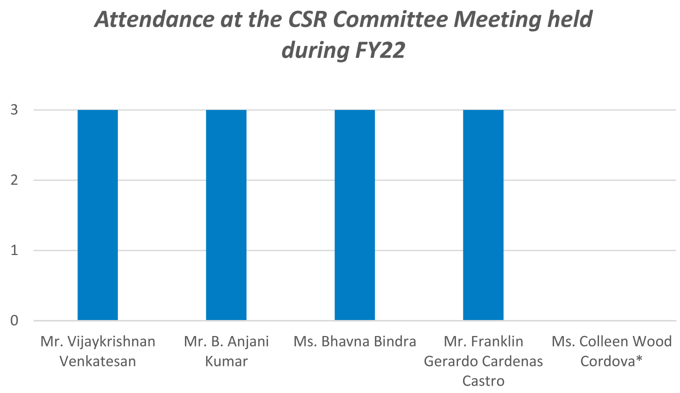
6. Corporate Social Responsibility Committee

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

The Committee comprises of (a) Mr. Vijaykrishnan Venkatesan, Chairman (b) Mr. B. Anjani Kumar (c) Ms. Bhavna Bindra (d) Mr. Franklin Gerardo Cardenas Castro as on June 30, 2022. During the year, three (3) Meetings of the said Committee were held.

The Committee met on August 17, 2021, February 3, 2022 and May 10, 2022 during the year under review and the attendance of the members at the said Meetings is provided in the below table as follows:

| Name of the Committee Members | Number of Meetings attended |
|---|---|
| Mr. Vijaykrishnan Venkatesan<br>Chairman<br>Managing Director | 3 |
| Mr. B. Anjani Kumar<br>Independent Director | 3 |
| Ms. Bhavna Bindra<br>Independent Director | 3 |
| Mr. Franklin Gerardo Cardenas Castro<br>Non-Executive Director | 3 |
| Ms. Collen Wood Cordova*<br>Non-Executive Director | 0 |




**Consequent upon the resignation of Ms. Colleen Wood Cordova from the Board of Directors of the Company effective November 12, 2021, Ms. Cordova ceased to be a member of the CSR Committee.*

The Corporate Social Responsibility Policy is also disclosed on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

7. Risk Management Committee

The terms of reference of the Risk Management Committee, *inter alia,* include the following:

1. To formulate a detailed risk management policy which shall include:
   A. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
   B. Measures for risk mitigation including systems and processes for internal control of identified risks.
   C. Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems.
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

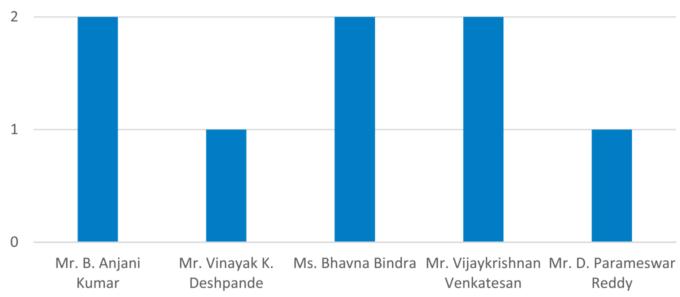
As of June 30, 2022, the Risk Management Committee comprised of (a) Mr. B Anjani Kumar, Chairman of the Committee (b) Mr. Vijaykrishnan Venkatesan (c) Mr. Parameshwar Reddy (d) Mr. Vinayak Deshpande and (e) Ms. Bhavna Bindra.

The quorum for a meeting of the Risk Management Committee is either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

The Committee met twice on August 17, 2021 and February 3, 2022 during the financial year under review and the attendance of the members at the said Meetings is provided in the below table as follows:

| Name of the Committee Members | Number of Meetings attended |
|---|---|
| Mr. B. Anjani Kumar<br>Chairman, Independent Director | 2 |
| Mr. Vinayak Deshpande<br>Independent Director | 1 |
| Ms. Bhavna Bindra<br>Independent Director | 2 |
| Mr. Vijaykrishnan Venkatesan<br>Managing Director | 2 |
| Mr. Parameswar Reddy<br>Non-Executive Director | 1 |

*Attendance at the Risk Management Committee Meeting held during FY22*




8. General Meetings

| Date and Time | Location | Special Resolutions passed |
|---|---|---|
| 54th AGM, November 13, 2019 12.00 Noon | Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560 073 | None |
| 55th AGM, November 11, 2020 12.00 Noon | Through Video Conferencing (VC) | Appointment of Mr. Vijaykrishnan Venkatesan (DIN: 07901688) as Director & Managing Director of the Company. |
| 56th AGM, November 10, 2021 12.00 Noon | Through Video Conferencing (VC) | Approval to pay commission, to the Chairman, exceeding fifty percent (50%) of the total commission payable to all Independent Directors. |

9. Postal Ballot:

During the year under review, the Company had on one occasion approached the Shareholders through Postal Ballot for three proposals, all of which were ordinary resolutions, and no special resolutions was passed. The said postal ballot exercise was conducted by Mr. Vijayakrishna K T (FCS 1788, COP 980), Practising Company Secretary and the resolutions were passed by the members of the Company on June 15, 2022. No special resolution is proposed to be conducted through postal ballot as on the date of this report.

Procedure for postal ballot:

Pursuant to the provisions of Section 110 of the Act read with Rule 22 of Companies (Management and Administration) Rules, 2014 (Management Rules), as amended, the Company had issued Postal Ballot Notice dated May 11, 2022 to the Members, seeking their consent with respect to approval of material related party transactions with Kennametal Inc USA and Kennametal Europe GmbH, Switzerland and also for the appointment of Ms. Kelly Marie Boyer as a Non-Executive and Non-Independent Director of the Company effective May 11, 2022. In compliance with provisions of Section 108 and Section 110 and other applicable provisions, of the Act read with the Management Rules, the Company had provided remote e-voting facility to all the Members of the Company. The Company engaged the services of Central Depository Services Limited (CDSL) for facilitating e-voting to enable the Members to cast their votes electronically. The Board of Directors had appointed Mr. Vijayakrishna K T (FCS 1788, COP 980), Practising Company Secretary, to act as the Scrutinizer for Postal Ballot process. The voting period commenced on Tuesday, May 17, 2022, 9:00 AM IST and ended on Wednesday, June 15, 2022, 5:00 PM IST. The cut-off date, for the purpose of determining the number of Members was Thursday, May 12, 2022. The Scrutinizer, after the completion of scrutiny, submitted his report to Mr. Naveen Chandra P, GM Legal and Company Secretary, who was duly authorised by the Chairman to accept, acknowledge and countersign the Scrutinizer's Report as well as declare the voting results in accordance with the provisions of the Act, the Rules framed thereunder and the Secretarial Standard - 2 issued by the Institute of Company Secretaries of India.

The consolidated results of the voting by Postal Ballot and e-voting were announced on June 17, 2022. The results were also displayed on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/general-meetings---annual-reports.html and was also communicated to BSE Limited (BSE).

10. Disclosures

- The Company has adopted a Policy for determination of materiality for disclosure of Events or Information and a policy for preservation of documents and archival in accordance with SEBI (LODR) Regulations, 2015. The said policies can be accessed at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html

  The Company has in place a Code of Conduct applicable to the Board of Directors as well as the Senior Management. 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 financial year 2022.

- As on June 30, 2022, following Director hold the Shares of the Company:

| Sl. No. | Name of the Directors | No. of Shares held as on June 30, 2022 |
|---|---|---|
| 1 | Mr. B. Anjani Kumar | 10 |

No other Director holds any shares in the Company apart from the above.

- No penalties were imposed or strictures passed on the Company by BSE Limited, SEBI or any statutory authority on any matter relating to capital markets during the last three years except the following:

  1. BSE Limited had levied a fine of INR 1,45,000 + GST on the alleged non-compliance stating that the Declaration under Regulation 33 (3)(d) of the SEBI (LODR) Regulations, 2015 on the Annual Financials for FY21 filed soon after the Board Meeting dated August 18, 2021, was not submitted for Consolidated financials of the Company for the year ended June 30, 2021. The Company has represented that, in its letter dated August 18, 2021, that it has submitted the financial results of the Company containing unmodified opinion and had further attached both Standalone & Consolidated Financial Results along with Audit Reports (Standalone & Consolidated). In this regard, the Company has contested the matter by depositing applicable fine "UNDER PROTEST".

  2. BSE Limited had levied a fine of INR 25,000 + GST on the alleged non-compliance stating that the Annual Report for FY21 does not contain a weblink of Dividend Distribution Policy. The Company has represented that all applicable weblinks were provided in the Annual Report and that the Company has in this regard provided adequate references to BSE Limited.

- All the Equity Shares of your Company are listed with BSE Limited.
- 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. The Related Party Transaction Policy of the Company can be accessed from the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html
- There has been no accounting treatment different from that prescribed in the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) or as notified under the Companies Act.
- The Company being a part of Kennametal Group ("the group") complies with the whistle blower policy of the group which is applicable to all employees of the group. A mechanism is in place whereby any employee of the Company has access to the Chairman of the Audit Committee to report any concerns. No person has been denied access to the Chairman to report any concern.
- 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.
- Managing Director and Chief Financial Officer have furnished Certification to the Board in accordance with Regulation 17(8) of SEBI (LODR) Regulations, 2015, for the year ended June 30, 2022.
- The Company has a wholly owned subsidiary with the name WIDIA India Tooling Private Limited. Weblink of policy for determining 'material subsidiary' is below: https://www.kennametal.com/in/en/about-us/kil-financials/policies.html
- The Company has formulated Dividend Distribution Policy as required under Regulation 43A of the SEBI (LODR) Regulations, 2015 and the same is annexed to this report and also available on the website of the Company at https://www.kennametal.com/in/en/about-us/kil-financials/policies.html
- The Company has not made any capital issues during the financial year ended June 30, 2022.
- The details of the total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part is given below:

| Particulars | Amount FY22 (₹ in Million) |
|---|---|
| Audit of statutory accounts | 3.45 |
| Taxation matters | 0.50 |
| Audit of consolidated accounts | 0.20 |
| Other services | 0.20 |
| **Total** | **4.35** |

- Disclosures relating to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 have been provided in the Board's Report forming part of this Annual Report.
- The Company has complied with all applicable mandatory requirements in terms of SEBI (LODR) Regulations, 2015. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.
- Details of utilization of funds raised through preferential allotment or qualified institutional placement (QIP) as specified under Regulation 32(7A): The Company does not have funds raised through preferential allotment and / or QIP which are unutilised.
- Details of disclosure by listed entity and its subsidiaries of 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount': Not applicable
- The Company has complied with Corporate Governance requirements as prescribed under SEBI (LODR) Regulations, 2015 including the requirements specified in Regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of the SEBI (LODR) Regulations, 2015.

11. Adoption of non-mandatory requirements

i) Chairman's Office:

The Company has a Non-Executive Independent Director as Chairman. However, no separate Chairman's office is maintained at the Company's expense.

ii) Shareholder Rights

The Company's quarterly/half-yearly/annual financial results including summary of the significant events are published in the newspapers and the financial results are also uploaded on the Company's website. No individual intimations have ever been sent to the Shareholders.

iii) Audit qualifications

There are no qualifications / modified audit opinion in the Auditors' Report on the Audited Standalone and Consolidated Annual Accounts for the financial year ended June 30, 2022.

iv) Separate posts of the Chairman and the CEO/MD

Mr. Anjani Kumar, Chairman of the Board is an independent Director who has no relationship with any other Director or management. Mr. Vijaykrishnan Venkatesan, Managing Director has no relationship with the Chairman or other Board members.

v) Reporting of Internal Auditor

The Internal Auditor / Audit Firm report directly to the Audit Committee. The internal auditors also have a one-on-one discussion with the Chairman on their audit observations.

12. Means of Communication

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

During the financial year, the Company had meetings with the various institutional investors / analysts on September 7, 2021, November 17, 2021, May 24, 2022 and June 7, 2022 to discuss overview of the industry in which the Company operates, general matters of the economy, reports on markets developments and few elements of published financials of the Company. The Company has not made any presentations to the Institutional Investors or to the Analysts and no futuristic statements have been made during the discussions. All disclosures and compliance have been observed in this regard. The Company issues press release on a quarterly basis.

b. As per SEBI (LODR) Regulations, 2015, the requisite details of the Company in terms of Regulation 46 are maintained on the website viz. www.kennametal.com/kennametalindia

c. Management Discussion and Analysis Report is annexed to the Board's Report.

*General Shareholders' information*

*Annual General Meeting:*

The 57th Annual General Meeting of the Company is scheduled to be held on November 11, 2022 at 12:00 Noon through Video Conferencing or Other Audio Visual Means in line with circular issued by the Ministry of Corporate Affairs and Securities and Exchange Board of India.

*Dividend Payment Date:*

The Company had declared Interim Dividend 2021-22 at its Board Meeting held on May 11, 2022 and the said Dividend was paid out on June 08, 2022.

*Book Closure:*

The Register of Members and share transfer books will remain closed from Saturday, November 5, 2022 to Friday, November 11, 2022 (both days inclusive).

*Financial Calendar:*

The Company follows July 1 to June 30 as its financial year. Financial calendar for the financial year 2022-23 is as follows:

| Event | Month (tentative) |
|---|---|
| Un-audited results for the first quarter ending September 30, 2022 | November, 2022 |
| Un-audited results for the second quarter ending December 31, 2022 | February, 2023 |
| Un-audited results for the third quarter ending March 31, 2023 | May, 2023 |
| Audited results for the fourth quarter and year ending June 30, 2023 | August, 2023 |

Stock Exchange:

The Equity Shares of the Company are listed with BSE Limited, Phiroze Jeejeebhoy Towers, 18th & 19th Floor, Dalal St, Fort, Mumbai, Maharashtra 400001 (Scrip code: 505890) and the listing fee has been paid for the financial year 2022-23.

Annual Custody / Issuer Charges:

The Company has paid the Annual Custody / Issuer charges for the financial year 2022-23 to NSDL and CDSL.

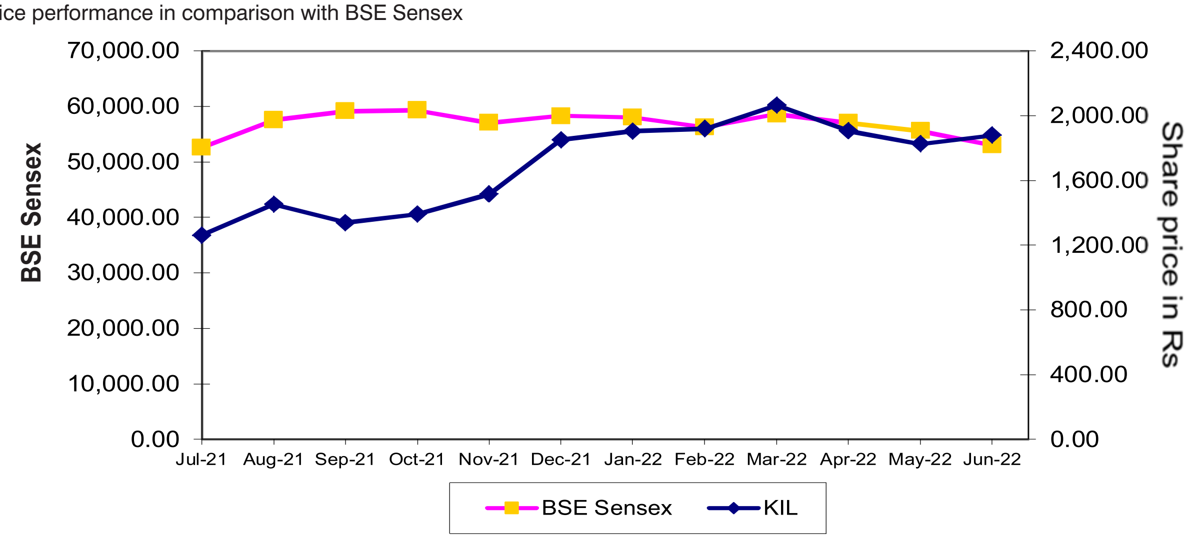
Stock Price Data for the financial year 2021-22:

Market Price Data – High & Low on BSE Limited and Number of shares traded from July 01, 2021 to June 30, 2022, under review as follows:

| Month and Year | Open Price | High Price | Low Price | Close Price | No. of Shares | No. of Trades |
|---|---|---|---|---|---|---|
| Jul-21 | 1212.9 | 1369 | 1181 | 1261.55 | 16223 | 3916 |
| Aug-21 | 1275.4 | 1498 | 1171.05 | 1451.9 | 54622 | 10000 |
| Sep-21 | 1449 | 1474.15 | 1330.05 | 1338.95 | 37509 | 9650 |
| Oct-21 | 1353.65 | 1468.35 | 1321 | 1391.35 | 13205 | 4614 |
| Nov-21 | 1404.5 | 1620 | 1389.55 | 1514.85 | 31115 | 6417 |
| Dec-21 | 1511.9 | 1946.8 | 1484.3 | 1850.15 | 81518 | 14950 |
| Jan-22 | 1869.15 | 2020 | 1808.55 | 1903.2 | 33753 | 7712 |
| Feb-22 | 1900.65 | 2026.8 | 1737.45 | 1919.15 | 34540 | 7057 |
| Mar-22 | 1964.9 | 2299.15 | 1860.5 | 2064.3 | 41020 | 11675 |
| Apr-22 | 2118.85 | 2168 | 1900 | 1906.25 | 32857 | 10243 |
| May-22 | 1950 | 1950 | 1530.15 | 1824.75 | 43647 | 9439 |
| Jun-22 | 1843.9 | 2070 | 1680.9 | 1878.15 | 26135 | 4709 |

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

Share price performance in comparison with BSE Sensex




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

### Registrar and Share Transfer Agents

Works related to both physical/demat shares are handled by Integrated Registry Management Services Private Limited as common Share Transfer Agent. All correspondence relating to share transfer, change of the address for Shares held in physical form and dematerialization of shares etc. are to be addressed to Integrated Registry Management Services Private Limited, No.30, "Ramana Residency", 4th Cross, Sampige Road, Malleswaram, Bengaluru – 560 003, Phone: 080 - 23460815 to 818. Fax: 080 - 23460819. E-mail: irg@intigratedindia.in

### Share transfer system

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

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

Pattern of shareholding as of June 30, 2022 is as follows:

| Category | | No. of shares | Percentage (%) |
|---|---|---|---|
| A) | Promoters (Foreign) | 16,483,680 | 75.00 |
| | Meturit AG. - 11,208,840 | | |
| | Kennametal Inc. - 5,274,840 | | |
| B) | Public (Institutions) | | |
| | Mutual Funds | 2,820,801 | 12.83 |
| | Foreign Portfolio Investors | 110,956 | 0.50 |
| | Alternate Investment Funds | 19,025 | 0.09 |
| | Financial Institutions/Banks | 960 | 0.01 |
| C) | Public (Non- Institutions) | 2,542,818 | 11.57 |
| Total (A+B+C) | | 21,978,240 | 100.00 |

### Dematerialization of shares

The Company's Shares are admitted into both the depositories viz. National Securities Depository Limited [NSDL] and Central Depository Services (India) Limited [CDSL] and the ISIN allotted for the Equity Shares of the Company is INE717A01029. 99.25% of the Equity Shares of the Company are held in demat form as on June 30, 2022.

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

Distribution of Shares as on June 30, 2022 is as follows:

| No. of Shares | No. of Shareholders | % to Total | Shares held | % to Total |
|---|---|---|---|---|
| Up to 5000 | 13,786 | 99.31 | 15,99,854 | 7.28 |
| 5001 to 10000 | 47 | 0.34 | 3,25,032 | 1.48 |
| 10001 to 20000 | 30 | 0.22 | 4,28,062 | 1.95 |
| 20001 to 30000 | 7 | 0.05 | 1,65,253 | 0.75 |
| 30001 to 40000 | 2 | 0.01 | 71,466 | 0.33 |
| 40001 to 50000 | 1 | 0.01 | 46,133 | 0.21 |
| 51001 to 100000 | 3 | 0.02 | 2,04,165 | 0.93 |
| 100001 and above | 6 | 0.04 | 1,91,38,275 | 87.08 |
| Total | 13,882 | 100 | 2,19,78,240 | 100 |

### Commodity price risk and foreign exchange risk and hedging activities

The Company does not deal in Commodities. For a detailed note on foreign exchange risk and hedging activities, please refer to Management Discussion and Analysis Report.

### Credit Rating:

The Company has not obtained any Credit Ratings during the year ended June 30, 2022. However, after the end of the financial year of the Company, India Ratings & Research (the "Credit Rating Agency"), vide their report dated July 18, 2022, have assigned the Company, a Long-Term Issuer Rating of **'IND AA-'** and the Outlook is **Stable.**

### Plant location

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

Please write to us for all matters relating to Shares, demat, annual report, etc.

| *Address for correspondence:* | *For dividend queries and other general matters:* |
|---|---|
| Integrated Registry Management Services Private Limited<br>Unit: Kennametal India Limited<br>No. 30, "Ramana Residency",<br>4th Cross, Sampige Road,<br>Malleswaram,<br>Bengaluru - 560 003,<br>Phone: 080 - 23460815 to 818.<br>Fax: 080 - 23460819.<br>E-mail: irg@integratedindia.in | The Company Secretary<br>Kennametal India Limited<br>8/9th Mile, Tumkur Road,<br>Bengaluru – 560 073<br>Karnataka, India<br>Phone: 080-28394321 and 080-22918345<br>Fax: 080 28397572<br>E-mail: in.investorrelation@kennametal.com<br>*For the purpose of addressing investor complaints and also to take necessary follow-up action.* |

## Annexure – A to the Corporate Governance Report

# Kennametal India Limited
# Nomination and Remuneration Policy

This Nomination and Remuneration Policy (the "**Policy**") applies to the Board of Directors (the "**Board**"), Key Managerial Personnel (the "**KMP**") and the Senior Management Personnel of Kennametal India Limited ("**KIL**" or the "**Company**").

"**India Leadership Council**" means leadership team comprising of personnel holding the following positions by whatever designation conferred by the Company:

- Managing Director;
- Chief Financial Officer;
- General Counsel and Company Secretary, India;
- Business Heads representing different business segments;
- Head of Manufacturing Operations;
- Head of Human Resources;
- Head of Strategic Marketing; and
- such other senior leaders as recommended by the Managing Director and approved by the Nomination & Remuneration Committee of the Board, from time to time.

"**Key Managerial Personnel**" means

- Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
- Chief Financial Officer;
- Company Secretary; and
- such other officer as may be prescribed under the applicable laws from time to time.

"**Senior Management**" means Senior Management means the personnel of the company who are members of the member of India Leadership Council excluding the Board of Directors.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 or under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as may be amended from time to time shall have the meaning respectively assigned to them therein.

This Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).

1. **Purpose**

The primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and evaluation of the Directors, Key Managerial Personnel and Senior Management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

2. **Nomination and Remuneration Committee**

Role of Nomination and Remuneration Committee ("NRC") include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

1A. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

   a. use the services of an external agencies, if required;
   b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
   c. consider the time commitments of the candidates.

2. Formulation of criteria for evaluation of performance of independent directors and the board of directors;
3. Devising a policy on diversity of board of directors;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
5. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. Recommend to the board, all remuneration, in whatever form, payable to senior management.
7. Periodically reviewing the size and composition of the Board to have an appropriate mix of executive non-executive and independent Directors to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company. The Committee shall also assist the Board in ensuring the Board nomination process is in line with the diversity policy of the Board relating to differences in thought, perspective, regional and industry experience, cultural and geographical background, age, ethnicity, race, gender, knowledge & skills.
8. Establishing and reviewing Board, KMP and Senior Management succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.
9. Carrying out any other functions required to be undertaken by the Nomination and Remuneration Committee under applicable law.

The Nomination and Remuneration Committee charter sets out the composition, membership and responsibilities of the Nomination and Remuneration Committee.

3. **Policy for appointmentand removal of Director, KMP and Senior Management**

3.1. **Appointment criteria and qualifications**

a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.

b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.2 Term / Tenure

i) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Managing Director or Executive Director for a term not exceeding five years at a time. No re- appointment shall be made earlier than one year before the expiry of term.

ii) Independent Director:

- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company, subject to approval of shareholders by passing special resolution and will be eligible for re-appointment on passing of a special resolution by the Shareholders of the Company. Every appointment of an Independent Director shall be disclosed in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each in compliance of the Companies Act, 2013, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).
- Independent Directors shall register themselves in the databank of Independent Directors in accordance with the provisions of Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019
- Unless exempt, the Independent Directors shall pass the online proficiency self-assessment test as per the provisions of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019.

3.3. Evaluation

The Committee shall carry out evaluation of performance of every Director at regular interval (yearly) as per the performance management system of the Company.

3.4 Removal

Subject to the provisions of the Companies Act, 2013 and rules made thereunder or any other applicable Act, rules and regulations thereunder, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel.

3.5. Retirement

a) The Managing Director/Whole-time Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company. The Company provided retirement benefits as applicable.

b) The retirement age for Non-executive Directors is 73 years. The extension of the retirement age shall be considered by the Board on case to case basis beyond 73 years upon the recommendation of the Nomination and Remuneration Committee with appropriate reasoning subject to the provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time).

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

4.1. General:

a) The remuneration / compensation /performance pay/ Variable pay etc. of the Managing/Whole-time Director, KMP and Senior Management Personnel will be recommended by the Committee to the Board for approval. The remuneration / compensation / commission etc. of directors shall be subject to the prior/post approval of the shareholders of the Company and with the limit permitted under the Companies Act, 2013 and rules made thereunder.

b) The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Remuneration should be :

- Market competitive
- Driven by role played by the individual
- Reflective of size of the Company, complexity of the industry in which it operates
- Consistent with recognized best practices
- Aligned to the regulatory requirements, if any.

c) The Committee may recommend increments to the existing remuneration/ compensation structure to the Board which should be within the limit approved by the Shareholders in the case of Managing Director.

d) Where any Director and officers liability (D&O) insurance is taken by the Company on behalf of its Directors, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

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

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

The Managing Director/Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Nomination & Remuneration Committee. The breakup of the Annual Guaranteed Cash comprising of Basic Salary, Housing Allowance, Special allowance, LTA, Medical allowance and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees and performance/Variable pay etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing/Whole-time Director in accordance with the provisions of Schedule V of the Act, subject to the approval of shareholders of the Company in accordance with Section 197 read with Schedule V of Companies Act 2013..

Statutory requirements:

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

c) Provisions for excess remuneration:

If any Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act, he / she shall refund such sums to the Company within two years or such lesser period as may be allowed by the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless approved by the Company by special resolution within two years from the date the sum becomes refundable.

4.3. Remuneration to Non- Executive / Independent Director:

a) Remuneration / Commission:

The remuneration / commission shall be payable and fixed as per the provision of the Companies Act, 2013 and rules made thereunder as amended from time to time. Such remuneration / commission shall be based on the structure as may be determined by the Board, and is revised from time to time, depending on individual contribution, Company's performance, and the provisions of relevant laws.

b) Sitting Fees:

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

c) Commission:

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

d) Stock Options:

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

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

5. Succession Plan for the Board, KMP and Senior Management

The Nomination and Remuneration Committee of the Company shall oversee and review succession plan from time to time and recommend the same to the Board.

i) Succession Plan for the Board

The Nomination and Remuneration Committee shall proactively review the succession requirements for the Board and carry out the due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director of the Company based on his educational qualification, relevant experience, track record, reputation etc.

The proposed candidate shall be evaluated by the Nomination and Remuneration Committee to determine the eligibility and proper criteria as per the Companies Act 2013, and if any, and thereafter such candidate shall be recommended to the Board for its consideration and approval.

ii) Succession Plan for KMP and Senior Management Personnel

Based on the inputs received from the Human Resource Department, the Nomination and Remuneration Committee shall periodically review any vacancy / probable vacancy in the position of KMP / Senior Management Personnel which may arise on account of retirement, resignation, death, removal, transfer, business expansion, incapacity whether temporary or permanent or otherwise.

For Key Managerial Personnel, the Nomination and Remuneration Committee shall evaluate the suitability of any person based on factors viz., educational qualification, experience, age, health, leadership qualities, suitability to external market requirement / expectation etc., and recommend his/ her candidature to the Board well before such vacancy arises to facilitate smooth transition.

The Nomination and Remuneration Committee shall also identify the competency requirements of Board/key positions, assess potential candidates and develop required competency through planned development and learning initiatives. The Nomination and Remuneration Committee may utilize the services of professional search firms to assist in identifying and evaluating potential candidates.

In the event of any unexpected occurrence in respect of any member in the core management team, the next person as per the organization chart and hierarchy or any other suitable person as may be identified shall take interim charge of the position, pending a regular appointment in terms of the succession plan.

In addition to the above, the appointment of Key Managerial Personnel shall be made in compliance with all applicable provisions of the Companies Act, 2013 (including the rules made there under), SEBI Listing Regulations and applicable laws for the time being in force.

Succession planning for the critical roles be it, KMP or the Senior Management shall be discussed, deliberated at the Nomination & Remuneration Committee and suitable directions shall be passed from time to time to the management for any corrective actions as may be necessary.

6. Policy review:

(a) This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

(b) In case of any subsequent changes in the provisions of the Act or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

(c) This policy shall be reviewed by the Nomination and Remuneration Committee, periodically. Any changes or modification to the policy as recommended by the Committee would be placed before the Board of Directors for its approval.

## Annexure III B to the Board's Report

# AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE AS REQUIRED UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015:

To

The Members
Kennametal India Limited
Bengaluru

I have examined all the relevant records of Kennametal India Limited ('the Company') for the purpose of certifying the compliances of the conditions of Corporate Governance by the Company for the year ended 30th June, 2022 as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations).

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

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

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

Vijayakrishna K T
Practising Company Secretary
FCS - 1788 COP – 980
UDIN: F001788D000786627

Bengaluru
August 12, 2022

## Annexure IV to the Board's Report

# CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS
## (Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members
Kennametal India Limited
8/9, Mile, Tumkur Road
Bangalore - 560073

I have examined the relevant registers, records, forms, returns and disclosures received from the Directors of Kennametal India Limited having CIN: L27109KA1964PLC001546 and having its Registered Office at 8/9th Mile, Tumkur Road, Bangalore – 560073 (hereinafter referred to as 'the Company'), produced before me by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para C Sub clause 10(i) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations,2015.

In my opinion and to the best of my information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, I hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ended on 30th June, 2022 has been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, the Ministry of Corporate Affairs, or any such other Statutory Authority:

| Sl. No. | Name of Director | DIN | Date of appointment in Company |
|---|---|---|---|
| 1. | Mr. Bidadi Anjani Kumar | 00022417 | 02/04/2010 |
| 2. | Mr. Vinayak Kashinath Deshpande | 00036827 | 06/09/2010 |
| 3. | Mr. Devi Parameswar Reddy | 03450016 | 23/08/2018 |
| 4. | Ms. Bhavna Bindra | 07314422 | 03/01/2020 |
| 5. | Mr. Vijaykrishnan Venkatesan | 07901688 | 17/09/2020 |
| 6. | Mr. Franklin Gerardo Cardenas Castro | 09050884 | 05/02/2021 |
| 7. | Ms. Kelly Marie Boyer | 09540001 | 11/05/2022 |

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the Management of the Company. My responsibility is to express an opinion on these based on my verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Vijayakrishna K T
Practising Company Secretary
FCS.:1788 CP.: 980
UDIN: F001788D000786651

Bengaluru
August 12, 2022

## Annexure V to the Board's Report

# SECRETARIAL COMPLIANCE REPORT OF KENNAMETAL INDIA LIMITED FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2022

I, Vijayakrishna K T, Practising Company Secretary have examined all the documents and records made available to us and explanations provided by KENNAMETAL INDIA LIMITED, having CIN:L27109KA1964PLC001546 and having its Registered Office at 8/9, Mile, Tumkur Road, Bangalore - 560073 ("the listed entity"), the filings/submissions made by the listed entity to the Stock Exchanges, website of the listed entity and other document/filing and as may be relevant, which have been relied upon to make this certification for the Financial Year ended 30th June, 2022 ("1st July, 2021 to 30thJune, 2022") in respect of compliance with the provisions of:

(a) Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and

(b) Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the Circulars/Guidelines issued thereunder, have been examined, include:-

(a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

(e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013;

(h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(i) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and

(j) Circulars/Guidelines issued thereunder;

Based on the above examination, I hereby report that, during the Review Period:

(a) The listed entity has complied with the provisions of the above Regulations and circulars/guidelines issued except in respect of matters specified below:

| Sl. No | Compliance Requirement (Regulations/circulars/ Guidelines including specific clause | Deviations | Observations/ Remarks of the Practicing Company Secretary |
|---|---|---|---|
| NIL | | | |

(b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/guidelines issued thereunder insofar as it appears from my examination of those records.

(c) The following are the details of actions taken against the listed entity/ its Promoters/Directors/Material Subsidiaries either by SEBI or by the Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/Regulations and Circulars/Guidelines issued thereunder:

| Sl. No | Action taken by | Details of Violation | Details of action taken eg. Fines, Warning Letter, Debarment etc. | Observations/ Remarks of the Practicing Company Secretary, if any |
|---|---|---|---|---|
| 1 | *BSE Limited* | *Declaration under Regulation 33 (3)(d) of the SEBI (LODR) Regulations, 2015 on the Annual Financials for FY21 filed soon after the Board Meeting dated August 18, 2021, has not been submitted for Consolidated financials of the Company for the year ended June 30,2021.* | *Levied a fine of INR 1,45,000 + GST* | *The Company has represented in its letter dated August 18, 2021, that it has submitted the financial results of the Company containing unmodified opinion and had further attached both Standalone & Consolidated Financial Results along with Audit Reports (Standalone & Consolidated). In this regard, the Company has contested the matter by depositing applicable fine "UNDER PROTEST".* |
| 2 | *BSE Limited* | *The Annual Report does not contain a weblink of Dividend Distribution Policy.* | *Levied a fine of INR 25,000 + GST* | *The Company has represented that all applicable weblinks were provided in the Annual Report and that the Company has in this regard provided adequate references in this regard to BSE Limited.* |

(d) The listed entity has taken the following actions to comply with the observations made in previous reports –

| Sl. No | Observations of the Practising Company Secretary in the previous reports | Observations made in the Secretarial Compliance Report for the year ended 30th June 2021 | Actions taken by the Listed Entity, if any | Comments of the Practising Company Secretary on the actions taken by the Listed Entity |
|---|---|---|---|---|
| NIL | | | | |

Vijayakrishna K T
Practising Company Secretary
FCS.:1788 CP.: 980
UDIN: F001788D000786693

Bengaluru
August 12, 2022

## Annexure VI to the Board's Report

### MANAGING DIRECTOR'S CERTIFICATION
### (Code of Conduct for Directors and Senior Management)

To
The Members
Kennametal India Limited

I hereby confirm that all the Members of the Board of Directors and the Senior Management of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended June 30, 2022.

For Kennametal India Limited
Vijaykrishnan Venkatesan

Managing Director
DIN: 07901688

Bengaluru
August 12, 2022

## Annexure VII to the Board's Report

# CHIEF EXECUTIVE OFFICER (CEO) / MANAGING DIRECTOR (MD) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To
The Members
Kennametal India Limited

We, Vijaykrishnan Venkatesan, Managing Director and K V Suresh Reddy, Chief Financial Officer of Kennametal India Limited, to the best of our knowledge and belief, certify that:

A. We have reviewed the Audited financial results for the fourth quarter and year ended June 30, 2022, and that to the best of our knowledge and belief:

   1. Audited financial results do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   2. Audited financial results together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the quarter and year ended June 30, 2022, which are fraudulent, illegal or violative of the Company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies.

D. We have indicated to the Auditors and the Audit Committee

   1. significant changes in internal control over financial reporting during the Quarter;

   2. significant changes in accounting policies during the Quarter and year that the same have been disclosed in the notes to the Audited financial results; and

   3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the listed entity's internal control system over financial reporting.

We declare that all Board members and Senior Management personnel have affirmed compliance with the Code of Conduct for the year ended June 30, 2022.

Vijaykrishnan Venkatesan
Managing Director

Bengaluru
August 11, 2022

K. V. Suresh Reddy
Chief Financial Officer

Bengaluru
August 11, 2022

## Annexure VIII to the Board's Report

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

A. Conservation of Energy

Your Company continued to undertake various energy conservation initiatives during the year. Some of the energy conservation measures taken by the Company are given below:

Energy Conservation Measures implemented in FY22:

1. Replaced CFL / Fluorescent Lighting fixtures with LED lights in the plant, installed LED fixtures in new buildings and introduction of occupational sensors in many areas.
2. Installed High flow metallic axial exhaust fans which increased air flow & reduced power across all the washrooms in factory.
3. Installed Variable Frequency Drive (VFD) controlled Heating, ventilation, and air conditioning (HVAC) system which reduces power consumption based on the load.
4. Installed Electronically Commutated (EC) controlled energy efficient adiabatic cooler which reduces the power consumption based on the demand. Also, the system is controlled through VFD controlled pumping system which vary the output based on the demand which further reduces the energy consumption.
5. Installed compressed air boosters to increase the air pressure without use of new additional compressor which helped in bringing down the power requirement to larger extent.
6. Extended utilisation of brushless Direct Current (DC) electric motor (BLDC) energy efficient fans at some office areas which reduced the energy by 25%.
7. Energy efficient Power & Distribution transformers installed at new substation to have reduction in fixed and variable losses hence energy were saved to greater extent.
8. Around 67.31% of facility power was catered by Solar Power.

Impact of the Above Measures:

Due to the above energy conservation measures, the Company conserved about 820085 units which contributed to savings of 672 ton of $CO_2$.

The total annual $CO_2$ reduction, inclusive of energy conservation and usage of green power was 4883.30 mT.

B. Technology Absorption

The Research, Development and Engineering (RD&E), works on new product and process developments with specific focus on materials, coatings and machining technology.

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

i. Research & Development (R&D)

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

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

1. Development of new range of products contributing to better market penetration, conversion and retention.
2. New process development and improvement in powder metallurgy processes, surface treatments, hard coatings and joining
3. Support to manufacturing for improved quality and reduced cost of production for better customer experience through process developments
4. Support marketing for developing custom solution products by leveraging the combination of Kennametal's strength in substrates, coatings and engineering
5. Support Kennametal Knowledge Centre to train customers and sales engineers on cutting tool material
6. Basic research on new material and new manufacturing processes
7. Rapid product development by conducting benchmarking test and simulating field machining condition in the lab
8. Exploring new technologies in machining & grinding processes and automation

ii. Specific areas in which R&D is carried out:

1. Implementation of new CVD coating recipes and upgrade of grades
2. Qualification and implementation of new equipment for manufacturing of inserts
3. Qualification and establishing the process for manufacturing close tolerance tools
4. Indigenization and implementation of refractory carbide manufacturing
5. Process development and implementation for inhouse powder manufacturing as an import substitution
6. Process development to reduce raw material powder cost
7. Benchmarking of new PVD coating for cutting tool
8. Qualification of global grades
9. Continued research and process development on powder metallurgy processes & coatings to improve quality & performance
10. New product testing and validation tests for tools
11. Benchmarking tests for assessment of product performance
12. Analysis and evaluation of test results for product compliances to standards
13. Reverse engineering work for both metal cutting and infrastructure product lines

14. Process improvement of brazing of carbide on steel

15. Improvement of steel surface properties by different techniques

iii. Benefits derived

1. New processes contributed to the improvement in product quality and consistency, reduction in material cost and manufacturing lead time. New products and improvement in performance of existing products yielded a good value proposition for customers. Our efforts led to standardization of products and processes and developed new capabilities in the manufacturing process.

2. Established quality standards for the products, cost and cycle time assessment.

3. Process development to help manufacturing to stream line the activities to achieve quality product

iv. Future plan of action

1. Develop improved powder metallurgy and coating manufacturing processes

2. Establish product and process for import substitution

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

4. Global consolidation & standardization of grades including substrates & coatings

5. Continued focus on basic research and open innovation

6. Work on advanced technology processes and instrumentation for improving the quality of products and manufacturing processes

7. Continued efforts to recycle and re-use materials

8. Develop competency in steel material and establish manufacturing guidelines

9. Reverse engineering and validation of design requirement to prototype tools and components

10. Develop competency in different material and establish manufacturing guidelines

v. Expenditure on R & D: ₹ in Million

| Particulars | FY22 | FY21 |
|---|---|---|
| Capital Expenditure | 25 | 1 |
| Recurring Expenditure | 72 | 52 |
| Total Expenditure | 97 | 53 |
| Total R&D expenditure (as a percentage of turnover) | 0.98% | 0.62% |

vi) Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation:

   - Establishment of standardized and improved manufacturing processes
   - Continued modernization of analytical techniques in metallography lab, process equipment in manufacturing plants, prototype lab capabilities in machining technology lab.

2. Benefits derived as a result of the above efforts:

   - Up-gradation of products and process performance, increased alignment with global process standardization, import substitution, cost reduction opportunities, supporting raw material qualification and basic research activities.

In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information is furnished:

| Sl. No. | Processes/ Products | Technology From | Year | Status of Impleme-ntation / Absorption |
|---|---|---|---|---|
| 1 | New CVD Coatings | Kennametal Inc. | 2014-15 | Full |
| 2 | New CVD Coatings | Kennametal Inc. | 2015-16 | Full |
| 3 | New CVD Coatings | Kennametal Inc. | 2016-17 | Full |
| 4 | Sintering Cycles | Kennametal Inc. | 2017-18 | Full |
| 5 | New Coating Process | Kennametal Inc. | 2018-20 | Full |
| 6 | New CVD Coatings | Kennametal Inc. | 2019-21 | Full |
| 7 | New CVD Coatings | Kennametal Inc. | 2021-22 | Full |

C. Foreign Exchange earnings and outgo

i. Initiatives taken to increase exports

1. MSG business is focused on developing new overseas markets for its products with machines positioned at competitive price points and continues to seek global opportunities for further growth.

2. Surplus manufacturing capacities are being leveraged to support global requirements as and when opportunity exists for exports.

ii. Foreign Exchange used: ₹ in Million

| Particulars | FY22 | FY21 |
|---|---|---|
| Capital Expenditure | 143 | 156 |
| Raw Materials | 4355 | 4260 |
| Cross Charge | 181 | 172 |
| Royalty | 22 | 24 |
| Expenditure | 13 | 10 |
| **Total** | **4714** | **4622** |

iii. Total foreign exchange used and earned: FY22 (₹ in Million)

i. Foreign Exchange earned: 2358

ii. Foreign Exchange used: 4714

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

B. Anjani Kumar
Chairman & Independent Director
DIN: 00022417

Vijaykrishnan Venkatesan
Managing Director
DIN: 07901688

Bengaluru
August 12, 2022

# Annexure IX to the Board's Report

## Form No. MR-3
## SECRETARIAL AUDIT REPORT
## FOR THE FINANCIAL YEAR ENDED 30.06.2022

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

To

The Members
Kennametal India Limited
Bengaluru

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

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 30.06.2022 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 30.06.2022 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

- (a) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (d) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
- (e) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;
- (h) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; and
- (i) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations');
- (j) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013
- (k) Circulars/Guidelines issued thereunder;

(vi) There are no specific laws applicable to the Company pursuant to the business carried by the Company.

(vii) The other general laws as may be applicable to the Company including the following:

(1) Employer/Employee Related laws & Rules:

- i. The Factories Act, 1948;
- ii. The Employees State Insurance Act, 1948;
- iii. The Employees Provident Fund & Miscellaneous Provisions Act, 1952;
- iv. The Contract Labour (Regulation & Abolition) Act, 1970;
- v. The Minimum Wages Act, 1948;
- vi. The Payment of Wages Act, 1936;
- vii. The Payment of Gratuity Act, 1972;
- viii. The Payment of Bonus Act, 1965;
- ix. The Maternity Benefits Act, 1961;
- x. The Equal Remuneration Act, 1976;
- xi. The Employment Exchanges (Compulsory notification of Vacancies) Act, 1959;
- xii. The Karnataka Labour Welfare Fund Act, 1965;
- xiii. The Apprentices Act, 1961;
- xiv. The Industrial Employment (Standing Orders) Act, 1946;
- xv. The Sexual Harassment of Women at Work Place (Prevention, Prohibition & Redressal) Act, 2013;
- xvi. The Karnataka Industrial Establishments (National and Festival Holidays) Act, 1963;
- xvii. The Karnataka Public Safety (Measures) Enforcement Act, 2017;
- xviii. The Karnataka Shops & Establishments Act, 1961;

(2) Environment Related Acts & Rules:

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

Sources of Drinking Water) Act, 1999;

(3) Economic/Commercial Laws & Rules:

i. The Competition Act, 2002;

ii. The Indian Contract Act, 1872;

iii. The Sales of Goods Act, 1930;

iv. The Forward Contracts (Regulation) Act, 1952;

v. The Indian Stamp Act, 1899;

vi. The Transfer of Property Act, 1882;

vii. The Patents Act, 1970;

viii. The Trade Marks Act, 1999;

ix. The Explosives Act, 1884;

x. The Legal Metrology Act, 2009;

I have also examined compliances with the applicable clauses of the Secretarial Standards issued by the Institute of Company Secretaries of India on the Board and General Meetings i.e. SS - 1 and SS - 2.

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

I further state the following:

*i. BSE Limited had levied a fine of INR 1,45,000 + GST on the alleged non-compliance stating that the Declaration under Regulation 33 (3)(d) of the SEBI (LODR) Regulations, 2015 on the Annual Financials for FY21 filed soon after the Board Meeting dated August 18, 2021, was not submitted for Consolidated financials of the Company for the year ended June 30,2021. The Company has represented in its letter dated August 18, 2021, that it has submitted the financial results of the Company containing unmodified opinion and had further attached both Standalone & Consolidated Financial Results along with Audit Reports (Standalone & Consolidated). In this regard, the Company has contested the matter by depositing applicable fine "UNDER PROTEST".*

*ii. BSE Limited had levied a fine of INR 25,000 + GST on the alleged non-compliance stating that the Annual Report does not contain a weblink of Dividend Distribution Policy. The Company has represented that all applicable weblinks were provided in the Annual Report and that the Company has in this regard provided adequate references in this regard to BSE Limited.*

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

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

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

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

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

(Vijayakrishna K T)
Practising Company Secretary
FCS: 1788 C P.: 980
UDIN: F001788D000786561

Bengaluru
August 12, 2022

***Note:*** *This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.*

'Annexure'

My report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I have followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company including records under Income Tax Act, Central Excise Act, Customs Act, Goods and Service Tax Act.
4. Where ever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc as applicable from time to time.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

(Vijayakrishna K T)
Practising Company Secretary
FCS: 1788 C P.: 980

Bengaluru
August 12, 2022

## Annexure X to the Board's Report

### Form AOC - 2

### Form for disclosure of particulars of Contracts / Arrangements entered into by the Company with related parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto. (Pursuant to Clause (h) of Sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

   (b) Nature of Contracts/arrangements/transactions-

| Sl. No. | Nature of Transactions |
|---|---|
| 1 | Purchase |
| 2 | Sales |
| 3 | IT |
| 4 | Royalty |
| 5 | Cross Charge-Debits |
| 6 | Cross Charge-Revenue |
| 7 | Professional Service |

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

(c) Duration of the Contracts / Arrangements / Transactions: Ongoing, will be continuous year after year.

(d) Salient terms of the Contracts or Arrangements or Transactions, including the value, if any :

| Sl. No. | Nature of Transactions | Salient terms |
|---|---|---|
| 1 | Purchase | Payment in respective country currency made within 30 days from date of receipt of material |
| 2 | Sales | Billing in country currency; Within 21 days from end of the month billing |
| 3 | IT | Payment in respective country currency made within 30 days of issue of debit note |
| 4 | Royalty | Payment in respective country currency made within 30 days of issue of credit note |
| 5 | Cross Charge-Debits | Payment in respective country currency made within 30 days of issue of debit note |
| 6 | Cross Charge-Revenue | Billing in country currency; Within 21 days from end of the month billing |
| 7 | Professional Service | Payment in respective country currency made within 30 days of issue of debit note |

(e) Date of approval by the Board / Audit Committee, if any - Omnibus approval for the estimated value of the transactions for the year 2021-2022 was obtained at the Audit Committee Meeting held on May 12, 2021 and the approval of the transactions were obtained at the Audit Committee / Board meetings held on August 18, 2021, November 9, 2021, February 3, 2022 and May 11, 2022.

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

1) Particulars of transactions with Kennametal INC., USA (₹ In Mn)

| Sl. No. | Nature of Transactions | Actual Transaction value for financial year July 01, 2021 to June 30, 2022 i.e. FY22 amount | Approved Value of Transactions per Annum effective financial year commencing July 1, 2022 to June 30, 2023 i.e. FY23 amount |
|---|---|---|---|
| 1 | Sales of products/components (receipts) | 666.7 | 875.0 |
| 2 | Cross Charge Revenue | 25.8 | 50.0 |
| 3 | Cross Charge- Debits expenses (Payable) | 42.6 | 65.0 |
| 4 | IT Cross charges (payment) | 127.8 | 250.0 |
| 5 | Professional Services- Expenses | 10.0 | 35.0 |
| 6 | Purchase of components/raw materials (payment) | 1,470.8 | 2,300.0 |
| 7 | Purchase- Capital Goods | - | 100.0 |
| 8 | Royalty (payment) | 10.8 | 50.0 |

2) Particulars of transactions with Kennametal Europe GmbH (₹ In Mn)

| Sl. No. | Nature of Transactions | Actual Transaction value for financial year July 01, 2021 to June 30, 2022 i.e. FY22 amount | Approved Value of Transactions per Annum effective financial year commencing July 1, 2022 to June 30, 2023 i.e. FY23 amount |
|---|---|---|---|
| 1 | Sales of products / components (receipts) | 788.7 | 1250.0 |
| 2 | Purchase of Components / raw materials (payment) | 1,520.7 | 3200.0 |
| 3 | Cross Charge-Revenue | 0.01 | 20.0 |

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

B. Anjani Kumar
Chairman & Independent Director
DIN: 00022417

Vijaykrishnan Venkatesan
Managing Director
DIN: 07901688

Bengaluru
August 12, 2022

# Annexure XI to the Board's Report

## Statement Pursuant to Section 197(12) of the Companies Act, 2013 Read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. The Board of Directors of the Company consists of 1 Managing Director, 3 Non-Executive Directors and 3 Independent Directors.

2. The Non-Executive Directors were not paid any remuneration. The Independent Directors were paid sitting fees and commission only. Details of the remuneration, sitting fees and Commission paid to the Directors are provided under the Corporate Governance Report.

3. Disclosure as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

    i. the ratio of the remuneration of each Director to the median remuneration of the employees of the company for the financial year: 1:15.87.

    ii. the percentage increase / (decrease) in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year:

    - Managing Director: 1.92%
    - CFO: 29.84%
    - Company Secretary: 19.38%

    iii. the percentage increase / (decrease) in the median remuneration of employees in the financial year: 99.68%*

    iv. the number of permanent employees on the rolls of Company: 749

    v. average percentile increase / (decrease) already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration: 57.66%*

    vi. It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy for Directors, Key Managerial Personnel and other employees.

    ** Includes arrears paid on account of memorandum of settlement signed with workers union*

## Annexure XII to the Board's Report

### Information as per Section 197(12) of the Companies Act, 2013 read with Rule 5 (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the year ended June 30, 2022

| | |
|---|---|
| Name | Mr. Vijaykrishnan Venkatesan |
| Designation / Nature of duties | Managing Director |
| Age (in years) | 48 |
| Qualifications | B.E. (Mechanical) and MBA (Marketing) |
| Experience (in years) | 24 |
| Date of Joining | 17-09-2020 |
| Remuneration Received (₹ in Million) | ₹25.43 ^ |
| Particulars of last employment held | 3M India Limited |

^ *Including stock options of ₹ 3.00 million granted by Kennametal Inc, which was vested during the year and the same was cross-charged to Kennametal India Limited.*

Notes:

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

## Annexure XIII to the Board's Report

# ANNUAL REPORT ON CSR ACTIVITIES

1. Brief Outline of the Corporate Social Responsibility (CSR) Policy of the Company

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

   Kennametal India Limited's CSR strategy is in line with the guidelines adopted by your ultimate holding Company, Kennametal Inc. Kennametal has several policies and standards in place in line with its Core Values, covering Business Ethics and Governance, the Code of Conduct, and policies such as Environment, Health, and Safety (EHS); Quality; Living Our Values, Protecting our Planet.

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

Kennametal focuses on these areas:

a. Tech Education towards Promotion of Education – Includes the support of Secondary, Post-Secondary and University Educational opportunities with an emphasis on studies in the areas of technical engineering, machine skill training and materials and environmental sciences.

b. Kennametal in the Community - Focusing on the importance of our employees' volunteering in the communities where they live and work. We encourage and recognize volunteerism as a key component of our culture. The goal is to create a partnership in which a community organization may be supported monetarily by the Company when it offers a significant volunteering opportunity for our employees.

c. Protecting Our Planet – Providing sustainable solutions by reducing the total environmental impact of our products and operations. We will protect our planet by continuously improving our management of energy and natural resources, promoting recycling and recovery of materials, and preventing pollution across our global footprint.

   Kennametal Employees have been voluntarily participating actively in the activities of Sparsha Trust. "NERALU" is an NGO which has brought new hope and opportunities for a bright future into the lives of around 500 underprivileged kids over the past 10 years. Kennametal has joined hands with this organization to attain the aims and objectives of:

   - Eradication of child labor
   - Helping poor children to get access to quality education
   - Empowerment of street children and women by providing them with education and skills-oriented training.

     As part of our continued engagement with Sparsha Trust, Kennametal India Limited supported Sparsha Trust as below:

   - Sponsored 'Makkala Dhama' proposed accommodation under construction for the underprivileged girls at Devanahalli.

     In helping the community to combat Wave-2 of the COVID-19 pandemic, Kennametal India Limited supported directly and through United Way India (UWI) by donating the following to support the Government & Private hospitals in Bengaluru treating affected COVID-19 patients:

   - Kennametal India employees contributed INR 0.30 million for COVID-19 relief. KIL CSR matched equal amount from CSR funds to bring the total to INR 0.60 million and extended support to COVID-19 relief in FY22. Kennametal India supported students who had lost their parent due to COVID-19. Your Company provided Android tablets to 57 students studying in secondary school and colleges at Bangalore and Vijaypura to support in continuing their education during COVID-19 as many of the schools and colleges were operating online classes. Ration and Hygiene kits were distributed to support 120 families at Bangalore & Vijaypura to support families who had lost earning member due to COVID-19.

     Kennametal India Limited has joined hands with the NGO, India Literacy Project (ILP) for its Multi- Dimensional Learning Space (MDLS) program which is a during-school and after-school program that provides multi-dimensional learning opportunities for school children to explore, experiment, discover, and learn in multiple ways.

     The concept of schools as multi-dimensional learning spaces is based on the foundation that:

   - Equal importance should be given to all aspects of the curriculum
   - Learning is not restricted to a curriculum. It should extend to help holistic and balanced development of a child
   - One learning style doesn't work for all. Learning should involve visual, auditory and experiential methods
   - Learning does not stop at school, and it can happen anywhere and any time

During the year, Kennametal India Limited continued to support 7 Government schools around its vicinity with MDLS facility by providing infrastructure for smart classrooms through ILP. Kennametal India Limited also sponsored computer labs, library, science kits for experimentation, support of a computer teacher and a science teacher for the 7 Government schools to assist in teaching students and training teachers on the MDLS concept.

The vision of schools with MDLS is to offer a wide variety of academic inputs and non-academic exposure to children so that they do well not only in studies, but also learn about themselves, discover their interests and abilities. Through this effort, the Company hopes to develop individuals who are capable, confident, inquisitive and value conscious.

To promote STEM education in Government schools, Kennametal India distributed science experiment kits to 426 government schools in Tumakuru district, Bengaluru, in partnership with India Literacy Project. This initiative aims to promote STEM education among high school students, who can use these kits to easily perform science experiments and gain hands-on learning experience. The Science experiment Kits with a product life of 3 years can cover 150 experiments. Teachers were trained at taluk level to implement experiential learning for children in schools in the district of Tumakuru.

Kennametal India, through its CSR initiative of promoting Tech Education have extended support to 'Katalyst' by sponsoring professional degree education expense for 20 young girls from lower income communities till they complete the professional degree course of 4 years and qualify as graduates.

Katalyst India is an award-winning non-governmental organization (NGO) that stands for the economic empowerment of women. The Katalyst program supports meritorious young girls whose family income is less than US $4500 per annum to pursue their ambition of acquiring professional education. In the last decade, Katalyst has impacted the lives of 900 girls, who went on to positively catalyze their families, their communities and the society at large. This initiative of empowering girls from low-income communities, aims to create an enabling environment, helping them fulfill goals of higher education leading towards economic empowerment and self-reliance.

Katalyst follows an innovative enrolment process to evaluate the eligibility of each student. The process involves a thorough background verification by a third-party agency on the family's income and is further assessed through indicators such as household assets and consumption patterns. Each parameter is scored and evaluated through a proprietary scorecard for final selection

Through this intervention program of 4 years, Katalyst achieves its objective through a blend of unique development interventions, including 600-hour proprietary and scientifically researched curriculum. Over their four years in the program, they also provide one-to-one mentorship, access to best-in-class technology, assistance with internships, world-class industry exposure and corporate interactions. Established in 2007 with 10 young women, Katalyst now has chapters in Mumbai, Pune, Bangalore and Delhi, and has impacted the lives of almost 1200 girls, with 650 currently in the program.

Kennametal Leaders extend their support to these girls by mentoring them, guiding them and exposing them to new set of experiences and perspectives. The mentoring program thus aims at helping the girls define themselves, learn essential life skills and evaluate various career options. Kennametal India is exploring to provide Internship to the Katalyst girls which will give them an exposure to the practical side of what they have learnt so far in the course, and help validate their decision. It further enhances their hard skills and soft skills and helps them build network of people to eventually succeed in life. This intervention bridges the gap between academic curriculum and industry.

The support provided to Katalyst prepares the young girls to lead change in their professional and personal sphere to achieve success and empower themselves. This initiative definitively prepares young women for leadership roles, thereby creating a wider talent pool for India Inc and helping bridge the gender divide.

Kennametal India Limited through its CSR initiative of 'Protect our Planet' has identified the following projects.

- Lake Restoration project:

  Lakes in Bengaluru are the source of life. Unfortunately, they are depleting at a very rapid rate. Kennametal India in partnership with United Way India would like to enhance the soil moisture conservation and improve ground water levels in and around Devanahalli town within Bengaluru Rural District by conserving rainwater and improving ground water. The proposed output of the projects is to ensure water security, storage of rainwater from being wasted and lost, rise in ground water level and ensures clean air and healthy flora & fauna in and around Bengaluru and impact of this project would be to mitigate floods, erosion control, improved vegetation and good oxygen supply.

  This project is aligned with Jalshakthi Abhiyan of Central Govt, Forest Conservation and Water Security policies of Karnataka and aligns with the Sustainable Development Goals as well.

- 'One Billion Drops' project: This project is being implemented at 3 identified parks in Dasarahalli Zone of BBMP which are in the vicinity of Kennametal India Limited. The percolation pits / rainwater harvesting pits will be dug to improve ground water table in these parks. The impact of this project is as follows:

- Impact of percolation wells project: Volume capacity of a percolation well is 4270 liters. The total volume that a well can hold in a year is 1,28,100 liters, with approximately 30 days of rainfall in a year. Our project involves building around 60 wells which can hold 76,86,000 liters of rainwater in a year (approx.)

- Rainwater does not get stored in large parks and finally reaches the stormwater drain. However, with the implementation of percolation pits, there will be no water logging or wastage of water due to these rainwater harvesting pits.

- Rainwater harvesting also helps in the growth of trees and plants in the Bio-diversity Park as the moisture in the soil will be a great succor for trees and plants.

- There will be no pressure on water sources, especially borewells at the park and surrounding residential areas in the future.

- Urban Afforestation project:

  The need for the hour is to stop cutting down trees and start planting more trees day after day. Kennametal India in partnership with United Way India planted 10,000 local and native varieties of tree saplings in Government approved land at Bingipura, Anekal Taluk. These saplings will grow to become a natural forest in time. The objective of this project is to bring back the lost flora and fauna and set-up ecological balance. The forest will attract bees, birds and butterflies and will raise the water table slowly over time. The impact of this project would be to improved green cover / vegetation around the site, rise in ground water and reduction in carbon pollution and a clear and pollutant free environment.

2. Composition of the CSR Committee:

| Sl. No. | Name of Director | Designation Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---|---|---|---|---|
| 1 | Mr. Vijaykrishnan Venkatesan | Chairman | 3 | 3 |
| 2 | Mr. B. Anjani Kumar | Member | 3 | 3 |
| 3 | Ms. Bhavna Bindra | Member | 3 | 3 |
| 4 | Ms. Colleen Wood Cordova* | Member | 1 | 0 |
| 5 | Mr. Franklin Gerardo Cardenas | Member | 3 | 3 |

** Ms. Colleen Wood Cordova, ceased to be member of CSR Committee consequent upon her resignation effective November 12, 2021.*

3. Web-link where Composition of CSR Committee, CSR policy and CSR projects approved by the Board are disclosed on the website of the Company:

   Composition of CSR committee, CSR policy and CSR projects approved by the Board of the Company is available at the Company's website www.kennametal.com/kennametalindia

4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report): Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:

| Sl. No. | Financial Year | Amount available for set-off from preceding financial years (₹ in Million) | Amount required to be set- off for the financial year, if any (₹ in Million) |
|---|---|---|---|
| 1 | 2018-19 | - | - |
| 2 | 2019-20 | - | - |
| 3 | 2020-21 | 0.06 | - |
| | TOTAL | 0.06 | - |

6. Average net profit of the Company as per Section 135(5): ₹ 855 million

7.

| Sl. No. | Particulars | Amount (₹ in Million) |
|---|---|---|
| 7a | Two percent of average net profit of the company as per section 135(5) | 17.10 |
| 7b | Surplus arising out of the CSR projects or programmes or activities of the previous financial years. | - |
| 7c | Amount required to be set off for the financial year, if any | - |
| 7d | Total CSR obligation for the financial year (7a+7b-7c). | 17.10 |

(b) Details of CSR amount spent against **ongoing projects** for the financial year: **NIL**

(C) Details of CSR amount spent against **other than ongoing projects** for the financial year:

| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of the Project | Item from the list of activities in schedule VII to the Act | Local area (Yes/ No) | Location of the project | | Amount spent for the project (₹ in Million) | Mode of impleme-ntation - Direct (Yes/No) | Mode of implementation - through implementing agency | |
| | | | | State | District | | | Name | CSR registration number |
| 1 | 'In the Community' - Helping the Society | VII (iii) | Yes | Karnataka | Bangalore | 0.36 | No | Prerana Resource Centre | CSR00012205 |
| 2 | | VII (iii) | Yes | Karnataka | Bangalore | 1.50 | No | Sparsha Trust | CSR00002356 |
| 3 | | VII (ii) | Yes | Karnataka | Bangalore | 0.62 | No | SOS Childrens Villages of India | CSR00000692 |
| 4 | | VII (xii) | Yes | Karnataka | Bangalore | 0.96 | No | India Literacy Project | CSR00001431 |
| 5 | | VII (xii) | Yes | Karnataka | Bangalore | 0.30 | No | United Way of India | CSR00002748 |
| 6 | | VII (i) | Yes | Karnataka, Bangalore and other parts of India | | 1.20 | No | Smile Foundation | CSR00001634 |
| 7 | Promotion of Tech Education | VII (ii) | Yes | Karnataka | Bangalore | 0.57 | No | United Way of India | CSR00002748 |
| 8 | | VII (ii) | Yes | Karnataka | Tumkur | 2.56 | No | India Literacy Project | CSR00001431 |
| 9 | | VII (ii) | No | Karnataka | Bangalore | 0.90 | No | India Literacy Project | CSR00001431 |
| 10 | Protect our Planet | VII (iv) | Yes | Karnataka | Bangalore | 1.78 | No | United Way of India | CSR00002748 |
| 11 | | VII (iv) | Yes | Karnataka | Bangalore | 2.32 | No | United Way of India | CSR00002748 |
| 12 | | VII (iv) | Yes | Karnataka | Bangalore | 1.69 | No | United Way of India | CSR00002748 |
| | | | | TOTAL | | 14.76 | | | |

(d) Amount spent in Administrative Overheads: **Nil**

(e) Amount spent on Impact Assessment, if applicable: **Not Applicable**

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) : **₹ 14.76 million**

(g) Excess amount for set off, if any: **Nil**

9. (a) Details of unspent CSR amount for the preceding three financial years: **Nil**

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): **Not Applicable**

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details): **Not Applicable**

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): The total CSR budget of the Company for the year 2021-22 was ₹ 17.10 million, out of which the

8. (a) CSR amount spent or unspent for the financial year:

| Total amount spent for the financial year (₹ in Million) | Amount Unspent (₹ in Million) | | | | |
|---|---|---|---|---|---|
| | Total amount transferred to unspent CSR account as per section 135(6) | | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5). | | |
| | Amount | Date of transfer | Name of the Fund | Amount | Amount |
| 14.76 | Not Applicable | | Prime Minister's National Relief Fund (PMRNF) | 2.41 | 11.08.2022 |

Company had spent ₹ 14.76 million on CSR during the year for identified projects. Due to delay in the implementation of one of the approved project, an amount of ₹ 2.41 million was transferred to the PM National Relief Fund so as to ensure adherence with the provisions of section 135(5) of the Companies Act, 2013, read with rules made thereunder, within the timelines prescribed by law. With this, your Company has spent ₹ 17.17 million as against the allocated budget of ₹ 17.10 million thereby, spending an excess amount of ₹ 0.07 million.

Bengaluru
August 12, 2022

Vijaykrishnan Venkatesan
Managing Director & Chairman
of CSR Committee
DIN: 07901688

**Annexure XIV to the Board's Report**

# Business Responsibility (BR) Report

## [Pursuant to Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015]

Section A: General Information about the Company

| | | |
|---|---|---|
| 1 | Corporate Identity Number (CIN) of the Company | L27109KA1964PLC001546 |
| 2 | Name of the Company | Kennametal India Limited ("KIL" or the "Company") |
| 3 | Registered address | 8/9, Mile, Tumkur Road, Bengaluru, Karnataka - 560073, India |
| 4 | Website | www.kennametal.com/kennametalindia |
| 5 | Email id | k-in-kil@kennametal.com |
| 6 | Financial year reported | July 01, 2021 to June 30, 2022 |
| 7 | Sector(s) that the Company is engaged in (industrial activity code-wise) | Description / Activity - code:<br>Hard Metal Products – 25910<br>Machine Tools – 282 |
| 8 | List three key products/services that the Company manufactures/provides (as in balance sheet) | a) Hard Metal Products<br>b) Machining Solution Group |
| 9 | Total number of locations where business activity is undertaken by the Company | (a) Number of International Locations:<br>Kennametal India Limited operates out of its registered office based out of Bengaluru, India. Being a subsidiary of a US based multi-national company with global footprints, KIL plant supports other locations globally.<br>(b) Number of National Locations:<br>• Manufacturing location: Kennametal India Limited, 8/9th Mile, Tumkur Road, Bengaluru – 560073, Karnataka.<br>Sales offices:<br>• Kennametal India Limited, 3rd Floor, "Tamilvanan Complex", AA144, 3rd Avenue, Anna Nagar, Chennai – 600040<br>• Kennametal India Limited, 209 Zenith Complex, K.M. Gandhi Path, Shivajinagar, Pune 411005<br>• Kennametal India Limited, 601, A/B/C, 6th Floor, Welldone Tech Park, Sohna Road, Sector – 48, Gurgaon-122001<br>• Kennametal India Limited, 10 C.H. Area North Road, No. 5, Jamshedpur – 831001<br>• Kennametal India Limited, B-607B, Mondeal Square, Near Prahlad Nagar Garden, S G Highway, Ahmedabad – 380015 |
| 10 | Markets served by the Company | i. Predominantly serving Indian market<br>ii. Also supports: Asia Pacific, Europe, Middle East and Africa and Americas. |

Section B: Financial details of the Company

(₹ in Million)

| | | |
|---|---|---|
| 1. | Paid up Capital | INR 219.78 million |
| 2. | Total Turnover | Standalone: INR 9,907 million |
| | | Consolidated: INR 9,907 million |
| 3. | Total profit after taxes | Standalone: INR 1,145 million |
| | | Consolidated: INR 1,141 million |
| 4. | Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | INR 17.17 million<br>INR 14.76 million was spent on CSR during FY2021-22 and INR 2.41 million was transferred to Schedule VII Fund within stipulated timeframe, thereby resulting in a total CSR expenditure of INR 17.17 million for FY2021-22 which amounts to 2.01% of the average profits for the last three financial years. [Profits being computed as per section 198 of the Companies Act, 2013] |
| 5. | List of activities in which expenditure in 4 above has been incurred: - | (a) Promotion of Tech Education<br>(b) In the Community<br>(c) Protect our Planet |

## SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies?

   The Company has a wholly owned subsidiary named Widia India Tooling Private Limited ('**WITPL**'). A scheme of amalgamation has been filed with the Hon'ble National Company Law Tribunal ('**NCLT**'), Bengaluru bench, for merging WITPL with the Company. Order from NCLT directing the merger of WITPL with KIL is awaited.

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

   Yes. WIDIA India Tooling Private Limited (WITPL), wholly owned subsidiary of the Company participates in the BR initiatives of the Company. WITPL is the only subsidiary of Kennametal India Limited.

3. Do any other entity/entities (e.g., suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

   No. There is no direct participation of supplier, distributors and other stakeholders in the BR initiatives of the Company.

   However, the Code of Conduct of KIL requires each of the stakeholders to ensure a harassment free workplace, not to engage child labor, ensure ethical conduct by its employees and stakeholders, support gender diversity at the workplace, have a vigil mechanism policy in place, not to deal in shares based on inside information etc. The Code of Conduct requires all stakeholders to also ensure adherence to the Foreign Corrupt Practices Act, Export Trade Compliance regulations & applicable US regulations alongside extant legislations in India.

## SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a. Details of the Director/Director responsible for implementation of the BR policy/policies

   The Board of Directors monitor the implementation of the BR. The office of the Managing Director supported by the General Manager-Legal & Company Secretary drives the BR initiatives for the Company.

   Details of the Board of Directors:

| DIN | Name | Designation |
|---|---|---|
| 00022417 | Mr. Bidadi Anjani Kumar | Independent Director |
| 00036827 | Mr. Vinayak Kashinath Deshpande | Independent Director |
| 07314422 | Ms. Bhavna Bindra | Independent Director |
| 09050884 | Mr. Franklin Gerardo Cardenas Castro | Non-Executive Director |
| 07901688 | Mr. Vijaykrishnan Venkatesan | Managing Director |
| 09540001 | Ms. Kelly Marie Boyer | Non-Executive Director |
| 03450016 | Mr. Devi Parameswar Reddy | Non-Executive Director |

b. Details of the BR head

| Sl. No. | Particulars | Details |
|---|---|---|
| 1 | DIN | 07901688 |
| 2 | Name | Mr. Vijaykrishnan Venkatesan |
| 3 | Designation | Managing Director |
| 4 | Telephone number | +91 80 28394709 |
| 5 | e-mail id | vijaykrishnan.venkatesan@kennametal.com |

2. Principle-wise (as per National Voluntary Guidelines) BR Policy/policies [Reply in Yes(Y)/ No(N)]

   The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility. These are as follows:

   Details of compliance (Reply in Y/N)

   Principle 1: Business should conduct and govern themselves with Ethics, Transparency and Accountability **(Ethics, transparency, accountability)**

   Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle **(Safe and sustainable goods and services)**

   Principle 3: Businesses should promote the wellbeing of all employees **(Wellbeing of employees)**

   Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized **(Responsiveness to all Stakeholders)**

   Principle 5: Businesses should respect and promote human rights **(Promoting human rights)**

   Principle 6: Business should respect, protect, and make efforts to restore the environment **(Protecting the environment)**

   Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner **(Responsible policy advocacy)**

   Principle 8: Businesses should support inclusive growth and equitable development **(Supporting inclusive development)**

   Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner **(Providing value to customers)**

| No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 | Additional information |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Do you have a policy for the principles mentioned in the adjacent column? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Yes |
| 2 | Has the policy being formulated in consultation with relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Draft polices and amendments thereto are put up for comments globally before finalization. |
| 3 | Does the policy conform to any national / international standards? If yes, specify? (50 words) | Y | Y | Y | Y | Y | Y | Y | Y | Y | With most of the polices integrated with the ultimate holding company, Kennametal Inc., all policies comply with applicable legislations in India. |
| 4 | Has the policy being approved by the Board? If yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director? | Y | Y | Y | Y | Y | Y | Y | Y | Y | All policies as applicable by virtue of extant statutes in India are placed before the Board for approval. |
| 5 | Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | Y | Y | Y | The BR initiatives are driven by the office of the Managing Director of your Company and overseen by the Board. Able support is provided by Kennametal Inc. on several initiatives. |
| 6 | Indicate the link for the policy to be viewed online? | Refer to the table below | | | | | | | | | |
| 7 | Has the policy been formally communicated to all relevant internal & external stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y | All the policies are communicated and maintained in a common repository, which is accessible to all stakeholders. |
| 8 | Does the company have an in-house structure to implement the policy/ policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Your Company manages BR initiatives internally. External community and environment initiatives are implemented in active collaboration with reputed NGOs who are onboarded after thorough due diligence. |
| 9 | Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies. | Y | Y | Y | Y | Y | Y | Y | Y | Y | Yes. There are various policies and procedures in place to address grievances of various stakeholders. |
| 10 | Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency? | Y | Y | Y | Y | Y | Y | Y | Y | Y | Yes |

| Principles No. | Name of the Policy | Link |
|---|---|---|
| **Principle 1:** Business should conduct and govern themselves with Ethics, Transparency and Accountability<br>(Ethics, transparency, accountability) | Code of Conduct<br>Vigil Mechanism Policy | https://www.kennametal.com/in/en/about-us/kil-financials/policies.html |
| **Principle 2:** Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle<br>(Safe and sustainable goods and services) | Code of Conduct<br>Environment, Health and Safety Policy | |
| **Principle 3:** Businesses should promote the wellbeing of all employees<br>(Wellbeing of employees) | Code of Conduct, Environment, Health and Safety Policy | |
| **Principle 4:** Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized<br>(Responsiveness to all Stakeholders) | Code of Conduct | |
| **Principle 5:** Businesses should respect and promote human rights<br>(Promoting human rights) | Code of Conduct<br>Vigil Mechanism Policy | |
| **Principle 6:** Business should respect, protect, and make efforts to restore the environment<br>(Protecting the environment) | Code of Conduct, Environment, Health and Safety Policy | |
| **Principle 7:** Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner<br>(Responsible policy advocacy) | Code of Conduct<br>Vigil Mechanism Policy | |
| **Principle 8:** Businesses should support inclusive growth and equitable development<br>(Supporting inclusive development) | Code of Conduct | |
| **Principle 9:** Businesses should engage with and provide value to their customers and consumers in a responsible manner<br>(Providing value to customers) | Code of Conduct | |

3. Governance related to BR

a. Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, more than 1 year:

While the all the BR activities are monitored by the Board of Directors on quarterly basis, few of the parameters such as energy conservation initiatives, water conservation initiatives are monitored by the Managing Director's office periodically as part of regular reviews.

b. Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes, the BR report is published annually as part of the Annual Report which can be accessed at https://www.kennametal.com/in/en/about-us/kil-financials/general-meetings---annual-reports.html

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

No. Kennametal's code of conduct and business ethics covers not only the Company but all its stakeholders viz., distributors, customers, suppliers, service providers, job contractors and employees (whether permanent or temporary).

Kennametal India Limited, being a subsidiary of Kennametal INC., a US based corporation in Pittsburgh is mandated to adhere to the Kennametal Code of Conduct. Kennametal group of companies have robust implementation mechanism of anti-bribery, ethical conduct of the business, holding up accountability at various levels of the organization.

Ethics, integrity, accountability and transparency being at the heart of Kennametal's business conduct, we enforce all of these through online (virtual) training sessions to our suppliers, distributors and employees. Every employee in the globe is individually responsible for holding up integrity and ethical conduct of the business. Investigation mechanisms are built in to enforce disciplinary action on the delinquent employees/ stakeholders.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

- There were no complaints on ethics, transparency and accountability from the stakeholders of the Company during FY 2021-22 except as stated below:

  The Company had received a complaint against an employee alleging integrity issues and after detailed investigation, the said employee was terminated.

- During the year, the Company had received two shareholders complaints (regarding non-receipt of Annual Report and Dividend) which were resolved within the stipulated timeframe.

- The Company did not receive any sexual harassment complaints during FY22.

Principle 2

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

i. Usage of energy efficient motors (IE 3 Class) in machines which helps in saving power.

ii. Usage of variable frequency drive in coolant system in deep hole trailing machines which helps to reduce energy consumption.

iii. Usage of dip in type refrigeration units instead of standalone type in machine coolant system which help in downsizing motor capacity thereby reducing energy consumption.

Product and Services – Technology:

i. Import substitution and Localization of Metal cutting products.

ii. Import substitution and localization of pressable hardmetal powders.

iii. Replace two step Sintering process by single step process for selected products.

iv. Eliminating Salt bath Quenching for heat treatment of cladded products

v. Weight reduction in pressing of hardmetal product.

vi. Replacing nitrogen cylinder with an inhouse nitrogen generator for Lab usage.

vii. Use of material modeling to design the product specification.

Product and Services – Engineering:

i. All the rotating applications Metal cutting products wherever carbide inserts are being used for machining the parts, Kennametal has taken enough design precautions not to loosen the insert from the steel holders and they are securely fastened during the operations & avoids any damages to machine & it's operators. By doing this machine operators are safe, and they go back to their homes safely.

ii. Kennametal Designed & developed an insert for a grooving application where carbide consumption is reduced by ~ 30%. Also, by introducing triple V shaped design which take care operator safety during the machining.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Product and Services – Technology:

i. By localization of Metal cutting products, transportation of finished products eliminated.

ii. By localization of pressable hardmetal powders, transportation and inventory of powders eliminated.

iii. Single step sintering process reduces energy consumption.

iv. Eliminating hazardous process

v. Weight reduction helps in reducing energy consumption during machining and also reduces raw material consumption.

vi. Use of nitrogen generator reduces the usage of number cylinders.

vii. Material modeling help in reducing the physical experiments thereby savings material consumption and energy usage.

Product and Services – Engineering:

i. In the New product development process, we try to minimize the number of prototyping testing's by performing multiple iterations using numerical analysis tools before going for Experimental analysis, which helps in savings of energy and materials.

ii. We help our customers to estimate or optimize the power consumption during the machining of components through numerical analysis. Generally, we redesign the cutting tools and optimize the process parameters to work with minimum power and Torque, based on the results of the numerical analysis.

iii. Using numerical analysis, we optimize the chip breaker design and edge strength to achieve a higher tool life/less cutting force/less temperature distribution.

Energy:

Your Company continued to undertake various energy conservation initiatives during the year. Some of the energy conservation measures taken by the Company are given below:

1. Replacement of CFL / Fluorescent Lighting fixtures with LED lights in the plant, installation of LED fixtures in new buildings and introduction of occupational sensors in many areas.
2. Installation of High flow metallic axial exhaust fans which increase air flow & reduced power across all the washrooms in factory
3. Installed of Variable Frequency Drive (VFD) controlled Heating, ventilation, and air conditioning (HVAC) system which reduces power consumption based on the load.
4. Installed EC controlled energy efficient adiabatic cooler which reduces the power consumption based on the demand. Also, the system is controlled through VFD controlled pumping system which vary the output based on the demand which further reduces the energy consumption.
5. Installed compressed air boosters to increase the air pressure without use of new additional compressor which helped in bringing down the power requirement to larger extent.
6. Extended utilisation of brushless DC electric motor (BLDC) energy efficient fans at some office areas which reduced the energy by 25%
7. Energy efficient Power & Distribution transformers installed at new substation to have reduction in fixed and variable losses hence energy were saved to greater extent.
8. Around 67.31% of facility power was catered by Solar Power.

Due to the above energy conservation measures, the Company conserved about 820085 units which contributed to savings of 672 ton of $CO_2$.

The total annual $CO_2$ reduction, inclusive of energy conservation and usage of green power was 4883.30 mT.

Water:

Your Company has achieved 14% reduction in the water consumption in comparison to the previous year. Your Company had consumed 52970 KL during the year 2021, while the consumption was 45522 KL for the year 2022.

Your Company took following measures to reduce the water consumption:

1. Your Company started measuring and accounting the usage and consumption of every drop of water and also usage of water was communicated on a daily basis to the concerned team which helped cutting down the wastages.
2. Proactive measures were taken to find old underground obsolete water pipelines and cut off the supply which helped in saving water.
3. Wastages / leakages were identified and were eliminated.
4. Through engineering controls and adoption of various techniques like rainwater harvesting, the 3 Rs (Reduce, Reuse and Recycle), drip irrigation, incorporation of water saving equipment, etc., there has been considerable reduction in water consumption footprint in the facility over FY21.
5. With a number of other initiatives including the above, your Company has been able to give back to nature more water than what it draws.

Emissions:

One of the major projects that your Company has carried out over the last few years is the reduction in the cut-out pressure of air compressors. We carried out studies across our facility and concluded that reducing the compressed air pressure within permissible limits will not have any adverse impact on the machine specific requirements. Instead of implementing the intended pressure reduction in one year, we gradually reduced the pressure limits during these years, as a matter of abundant caution, so that there is no risk on the quality of our products and processes.

With several initiatives aimed at reduction of energy, water and emissions, your Company has positively impacted the products that we manufacture. Being an environment conscious supplier to our customers, our stakeholders see value in being associated with us. The reduction in energy and water conservation over the previous year specific to various initiatives have been quantified in the earlier and subsequent principles.

3 Does the Company have procedures in place for sustainable sourcing (including transportation)?

Yes. To reduce carbon footprint local sourcing of materials and services is preferred.

The company has identified vendors for local sourcing of material there by reducing the dependency of importing the material. This has helped you're your company reduce the carbon footprint. However, the major raw material for production of hard metals in India being Tungsten Carbide and Cobalt which are not available in India and this needs to be sourced from outside of India.

For all other raw materials, consumables and services your Company actively collaborates and engages the local suppliers and service partners. This initiative helps your Company not only to obviate carbon footprints but also develop local stakeholders in and around the community.

A. If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Around 80% of our domestic supplies are sourced in and around the facility situated in Bengaluru to reduce carbon footprint and optimize costs.

The Company has also taken steps to substitute imports by locally sourcing intermediate carbide powders and hard metal powders. Tantalum Niobium carbide was being imported hitherto. During FY22 , the sourcing team along with the engineering team was able to locally source Tantalum and Niobium carbides with the production of these carbides being done in-house. This has aided in improving productivity of the production, apart from reducing carbon footprint and optimizing costs.

4 Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

Around 80% of our domestic supplies are sourced in and around the facility situated in Bengaluru mainly MSME suppliers (% of MSME suppliers is 70% to the total approved suppliers).

The Company has also taken steps to substitute imports by locally sourcing intermediate carbide powders and hard metal powders. Tantalum Niobium carbide was being imported hitherto. The sourcing team along with R&D team was able to locally source Tantalum and Niobium oxides in India with production of the carbides from the oxides, through carbonizing process internally. This has aided in improving productivity of the production apart from reducing carbon footprints, supporting local vendors and optimizing costs for your Company.

A. If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Sourcing:

- Collaborating with the MSME (Micro, Small and Medium Enterprises) vendors to improve their capacity by placing continuous and firm orders.
- Various initiatives like ISO certification, technical, process guidance, capacity & capability enhancement guidance towards development of MSME vendors, during the financial year.
- Encouraged MSME suppliers to participate in Govt. financial schemes during the COVID period.
- Continued to outsource processes including Fabrication, Machining, Machine sub-assemblies during financial year to aid local vendors.

Product and Services – Engineering:

Kennametal works very closely with local & other small-scale industries to produce some of the metal cutting products, Your company work very closely with them for Technology transfer & developing manufacturing know how development through regular training their employees. Also, the company shares some of the required Tooling & gages to qualify our products.

Product and Services – Technology:

a. Established centerless grinding process with close tolerance at a vendor facility.

b. Establishment of Cleaning chemistry by using the chemicals from local vendors.

c. Establishing a new vendor for one PVD coating recipe for one of the product.

d. Established Heat Treatment at vendor for cladded steel.

e. Established local vendor for manufacturing of high precision fixture for inspection on new products.

5 Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Product and Services – Technology:

a. Major of green carbide materials are re-processed internally as usable powder. This will reduce raw material consumption and power needed reprocess as in it's oxide form.

b. Majority of powder grades are established with reclaimed powder which is recycled from scrap sintered carbide. This is added as a substitute for the portion of new powder during the manufacturing of Ready-to-Press carbide grade powders of different graded composition. The addition or substitution percentage depends on the composition and carbide grain size compatibility between reclaimed powder and sintered properties of grade powders. Bangalore powder plant manufacture different types of carbide powder grades with varied composition. These powder grades are used for manufacturing products for cutting tools and metal forming tools application.

The Company has been able to reduce waste generation by around 3%. Your company is recycling around 20% of the recycled product as an environmental conservation measure.

We monitor the waste generation data every month and share that with our relevant teams who come up with projects to reduce, reuse or recycle the waste. Waste generation and associated costs are displayed on LEAD boards. Waste management awareness campaigns are held periodically for employees as well as supply chain and meaningful contributions from our people in this regard are incentivized through appropriate recognition programs of the Company.

A few instances where your Company has been able to achieve reduction of waste generation and recycling include:

i. Reduction in the hazardous waste generation by proper analysis and segregation of the waste stream there by reducing around 400 liters of hazardous waste going for refineries every day which is now treated and used for gardening.

ii. Scrap channels and steel sheets which would otherwise go for disposal is used internally to construct step ladders to the building that not only saved cost of the material, but also helped your company reduce fall related hazards.

iii. Dust collectors were installed in each production machine and cyclone separators to collect and recycle the waste in-house.

iv. Acetone: Around 3000 liters of acetone is sent for reprocess and recovery every week. This recovered solvent is reused in the process. This process has not only conserved the resource, but also prevented the carbon footprint from the disposal process

v. Recovery of Yellow Tungsten Oxide from grinding sludge: The sludge is collected and recycled through an external vendor. On dry basis grinding sludge contains 45-48% tungsten and 2-3% cobalt, among others.

vi. Recovery of green carbide powder: Around 20% of the recovered green carbide from the air pollution control equipment is reused in the process which was otherwise going for disposal.

vii. We have a buy back policy for used carbide – the details of which can be accessed at : https://www.kennametal.com/content/kennametal/us/en/services/carbide-recycling.html

Principle 3

1. Please indicate the Total number of employees: 879 (includes permanent employees and temporary workmen)
2. Please indicate the Total number of employees hired on temporary / contractual / casual basis: 130
3. Please indicate the Number of permanent women employees: 24.
4. Please indicate the Number of permanent employees with disabilities: Nil.
5. Do you have an employee association that is recognized by management: Yes.
6. What percentage of your permanent employees is members of this recognized employee association? 33.56%
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

| Sl. No. | Category | No of complaints filed during the financial year | No of complaints pending as on end of the financial year |
|---|---|---|---|
| 1 | Child labour/ forced labour / involuntary labour | NIL | NIL |
| 2 | Sexual harassment | NIL | NIL |
| 3 | Discriminatory employment | NIL | NIL |

8. What percentage of your under mentioned employees were given safety & skill up- gradation training in the last year?

   a. Permanent Male Employees – 36.26%

   b. Permanent Women Employees – 44%

   c. Casual/Temporary/Contractual Employees – 57.60%

   d. Employees with Disabilities: Nil

Principle 4

1. Has the company mapped its internal and external stakeholders? Yes/No

   Your Company has mapped its internal and external stakeholders in a structured way and carries out engagements with investors, employees, customers, suppliers, bankers, government, regulatory authorities, union and local community.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.

   Your Company engages in a number of initiatives to uplift the underprivileged, disadvantaged, vulnerable & marginalized community as part of its CSR initiatives. As regards engaging vulnerable stakeholders, your Company will explore opportunities if any in the forthcoming years.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.

   There are a number of initiatives that your Company undertakes as part of its CSR initiatives, the details of which have been articulated in "Annexure XIII" of the Board's Report (CSR Report).

Principle 5

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures / Suppliers / Contractors / NGOs / Others?

   - Human Rights Policy is imbibed in the Code of Conduct of Kennametal INC, your Company's holding company. Your Company as a standard operating procedure, requires every stakeholder to sign off on the Kennametal Code of Conduct which includes protecting privacy, protecting women employees & stakeholders, prohibition of child labor, fostering gender diversity, prohibition of any kind of harassment or favoritism based on gender/ nationality/ racial/ color/ religion/ political beliefs etc.
   - Respect for each other and being bold in communicating what is right are fundamental core values of Kennametal. Any kind of behavioral issues including sexual harassment is dealt seriously and disciplinary actions on any stakeholders is initiated on the delinquent.
   - There are structured trainings not just to the employees but to all applicable stakeholders of the Company.
   - Apart from the above, your Company has in compliance with local applicable laws, has in place Standing Orders to govern the rights and responsibilities of workers.
   - Your Company has a Registered Employee Union to protect the rights of the workers.
   - Apart from the above, the Company has Separate Committee and policy with respect to Prevention of Sexual Harassment of woman in workplace. The Company has zero tolerance towards sexual harassment at the work place and has adopted a policy on prevention, prohibition and redressal of sexual harassment at work place in line with the provisions of the Sexual Harassment of women at work place (Prevention, Prohibition and Redressal) Act, 2013 and rules thereunder. As required under law, an internal Compliance Committee has been constituted for reporting and conducting inquiry into the complaints made by the victim on the harassments at the workplace.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management? Please provide details related to complaints from Employees and POSH related.

   Your Company has robust processes in place to enable stakeholders to raise their grievances and complaints, as part of enforcement of the Code of Conduct. During the year under review, no complaint was received pertaining to human rights violation.

Principle 6

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures / Suppliers / Contractors / NGOs / others.

   The company has extended support in protecting and restoring the environment through NGO's. Your Company engages with suppliers, vendors, job contractors in its efforts to reduce environmental impact.

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

   The company is a subsidiary of Kennametal Inc, a US based company and as such your company is running "protect the planet" program to ensure the global environmental initiatives in climate change, global warming, etc.

3. Does the company identify and assess potential environmental risks? Y/N

   Yes. The company is ISO 14001 certified organization and all the potential environmental risks are identified and mitigated to ensure that the operations do operate at low risk.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

   The company has taken lot initiatives on towards clean development mechanisms to reduce the carbon foot prints and your company has not filed any environmental compliance report.

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

   The company has undertaken many initiates on clean technologies, energy efficiency, renewable energy. Some of which are as follows:

   - 67.31% of the energy consumed by the Company is derived from solar, your Company is aiming to derive 100% of its energy through renewable energy.

- Switched over to LED lighting, all motors are 5 star rated and in many cases it is VFD (variable Frequency Drive) driven
- All the Machines are fitted with ESP to ensure clean air in the exhausts, 95% recovery and recycle of the trade effluent into the process, to name a few.

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

   The company strives to meet all the parameters of the emissions / waste generated to meet / be within the limits except to those which are related to parameters which are inherent to the source of the material.

7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

   The company had received two show cause notices to which appropriate response have been filed and the Authorities have not responded, as of June 30, 2022, to the Company's response.

Principle 7

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

   (a) CII - Confederation of Indian Industry

   (b) CII-IWN - Confederation of Indian Industry-Indian Women Network

   (c) AMCHAM India – American Chamber of Commerce in India

   (d) IMTMA - Indian Machine Tool Manufactures Association

   (e) ICTMA – India Cutting Tools Manufacturers Association

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas ( drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

   The Company through various industry associations, participates in advocating matters relating to advancement of Industry and public good.

Principle 8

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

   Yes. The Company's CSR initiatives and projects support inclusive growth. In pursuit of the intention of your Company to leave behind a positive social impact, the Board of Directors of your Company define the areas in which the resources will be spent at the beginning of every financial year. The specified projects/ initiatives are pursued by the cross functional CSR team which is headed by a senior woman employee viz., Ms. Parvathi Ravindra and supervised by the CSR Committee / Board from time to time.

   More details about the programs and initiatives during the year under review are enumerated in " Annexure XIII " of the Board's Report.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

   Yes. Your Company engages with reputed external NGOs, who are onboarded after thorough review. Your Company liaises with these NGO to support underprivileged and differently abled children's needs, education and accommodation, providing scholarships to meritorious and needy engineering students, arranging mid-day meals, providing infrastructure to nearby government institutions, etc.

   Continued employee engagement in our CSR initiatives in association with external NGOs who are adept at running social impact projects demonstrate your Company's ability to position itself as a responsible corporate citizen.

3. Have you done any impact assessment of your initiative?

   Your Company was not required to do impact assessment on the CSR projects pursuant to the provisions of Companies Act, 2013. However, the NGOs that partner with your Company provide impact reports on the initiatives undertaken. The CSR report which is made part of this Board's Report at "Annexure XIII" provides more details on our initiatives.

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.

   During the year under review your Company spent an amount of ₹ 17.17 million towards various CSR projects. The details of the projects undertaken by your Company is elucidated as part of the CSR report which is made part of this Board's Report at "Annexure XIII."

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

   All our CSR initiatives are tracked to make sure that our spending is reaching the concerned communities and benefitting the intended stakeholders ultimately. There are documented follow up actions and certificates obtained from NGOs (wherever the Company partners) to make sure that the end utilization of the funds meets the objectives.

Principle 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?

   Your Company has a robust mechanism to address customer/consumer complaints. There is a dedicated Customer Experience Centre (CEC)that ensures due closure of customer complaints within the lead time not exceeding 45 days on an average.

   The company had 5.5% of the complaints pending as at June 30, 2022.

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)

   No. Additional information on the product is available on the company's website.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

   NIL, there are no cases filed against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years.

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

   Yes, during the year under review, your Company conduced dipstick customer survey.

# Standalone Financial Statements

# INDEPENDENT AUDITOR'S REPORT

To the Members of Kennametal India Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of Kennametal India Limited ('the Company'), which comprise the Balance Sheet as at 30 June 2022, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, of the state of affairs of the Company as at 30 June 2022, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements Section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Inventory:<br>Refer note 2.9 for accounting policy and note 12 for financial disclosures in relation to inventory.<br>At the Standalone Balance Sheet dated 30 June 2022, the Company held inventories comprising of raw materials and components, finished goods, work-in-progress and stores and spares worth ₹ 2,666 million as detailed in note 12 to the accompanying standalone financial statements.<br>During the year ended 30 June 2022, the management has performed 100% physical verification for the inventory between 23 May 2022 to 20 June 2022 in multiple intervals with the assistance of management experts and has performed roll forward workings based on system generated reports.<br>The raw material and other components of inventory are valued based on weighted average cost. The Company follows standard costing for Hard Metal Products segment and actual costing for Machining Solutions Group segment to arrive at the inventory value. At the end of each reporting period, price variance and various production related overheads are allocated on actual basis and manually adjusted, as necessary, to value the inventory.<br>Owing to its nature, with respect to manufacture of engineering products specific to the needs of the customers, valuation of inventory involves preparation of specific bill of materials (BOM) for each product being manufactured.<br>In addition to the above, the complexities involved in this assessment include:<br>• Identification of products where specific production overheads and other allocations such as labour cost, depreciation on machineries, etc. to be added to the cost of inventory. | Our audit procedures around inventory to assess valuation and allowance for inventories included, but were not limited to the following:<br>Existence, Completeness, Cut-off and Accuracy of Inventory:<br>• Obtained understanding of management process of inventory management and inventory physical verification performed at various intervals during the year and near to the reporting date;<br>• Evaluated the design effectiveness of controls over inventory management process/inventory physical verification and tested key controls for their operating effectiveness;<br>• Observed physical count carried out by the management.<br>• Obtained the report of the expert and verified the treatment of count difference in the books of accounts.<br>• Independently verified the physical quantities of inventory on test check basis to the physical count report provided by the management and performed roll back procedures from date our physical verification till the balance sheet date.<br>• On test check basis, tested the roll forward/back procedures from the date of management count to the balance sheet date.<br>• Performed cut-off procedures to ensure completeness of the inventory recorded in the books of accounts and completeness of goods-in-transit as at reporting date.<br>Valuation of inventory:<br>• Obtained an understanding of the management's process of valuation of inventory.<br>• Evaluated the design and tested the operating effectiveness of key |

| | |
|---|---|
| • Assessment of the completion percentage of products.<br>• Allocation of price variance on raw materials to inventories in work-in-progress and finished goods.<br>The management of the Company reviews the list of aged stocks and provides for aged inventory basis policy set forth by the management. Inventories of general use are reviewed further and any provision on these stocks are reversed. Further, at the end of each reporting period, the management of the Company also assesses whether there is any objective evidence that net realisable value of any item of inventory is below the carrying value. If so, such inventories are written down to their net realizable value in accordance with Ind AS 2, Inventories. Such specific identification performed by management to ascertain slow moving and obsolete inventories, and assessment of net realisable value of such slow moving and obsolete inventory items require significant judgement and estimation.<br>Considering the complexities and materiality of amounts involved, this matter is considered to be a key audit matter for current year audit. | controls around valuation including estimates such as stage of completion, overhead computations, and determination of net realizable value of inventory items.<br>• Discussed with management the rationale supporting assumptions and estimates used in carrying out the inventory valuation and corroborated the same to our understanding of the business.<br>• On a sample basis, recomputed the cost of the inventory by applying management's valuation model, testing underlying cost of acquisition of raw materials consumed, and testing overheads and labour cost allocation to such inventory items. This also included testing of BOM on sample basis for specialised inventory to ensure the BOM is approved as the internal process of the Company.<br>• Evaluated the appropriateness of the Company's accounting policy and valuation method of inventory in accordance with the accounting standards.<br>Inventory allowance:<br>• Obtained and understood management process for identification of slow moving, non-moving or obsolete inventories and ensured that the same is consistently applied.<br>• Performed an independent analysis of the ageing of inventory line items leading to specific inquiries with the management to ensure the completeness of the inventory identified as slow moving, non-moving and obsolete.<br>• On sample basis, tested the ageing of inventory items obtained through system reports, as applicable.<br>• For slow and non-moving inventories as at 30 June 2022 identified by the management, recomputed the allowance created by the management using management's model which has been consistently applied. Further, tested the net realisable value of finished goods inventory on a sample basis to average of 6 months historical selling prices less costs to sell, to identify allowance required, if any, for finished goods.<br>Presentation and disclosure:<br>• Evaluated the disclosures made in the accompanying standalone financial statements in accordance with the applicable accounting standards. |

### Information other than the Financial Statements and Auditor's Report thereon

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's Report but does not include the standalone financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

   Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

   In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

7. The accompanying standalone financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS specified under Section 133 of the Act and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and

detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

8. In preparing the standalone financial statements, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

11. As part of an audit in accordance with Standards on Auditing, specified under Section 143(10) of the Act we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system with reference to standalone financial statements in place and the operating effectiveness of such controls;
    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
    - Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
    - Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. As required by Section 197(16) of the Act based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.

16. As required by the Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

17. Further to our comments in Annexure I, as required by Section 143(3) of the Act based on our audit, we report, to the extent applicable, that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying standalone financial statements;

    b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

    c) The standalone financial statements dealt with by this report are in agreement with the books of account;

    d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act;

    e) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 30 June 2022 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company as on 30 June 2022 and the operating effectiveness of such controls, refer to our separate Report in Annexure II wherein we have expressed an unmodified opinion; and

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. the Company, as detailed in note 30 to the standalone financial statements, has disclosed the impact of pending litigation(s) on its financial position as at 30 June 2022.;

ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 30 June 2022.;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 30 June 2022;

iv. a. The management has represented that, to the best of its knowledge and belief, as disclosed in note 44 to the standalone financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Company to or in any person(s) or entity(ies), including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;

b. The management has represented that, to the best of its knowledge and belief, as disclosed in note 44 to the standalone financial statements, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c. Based on such audit procedures performed as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.

v. The interim dividend declared and paid by the Company during the year ended 30 June 2022 and until the date of this audit report is in compliance with section 123 of the Act.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Vijay Vikram Singh**
Partner
Membership No.: 059139
UDIN: 22059139AOXMQB8200

Bengaluru
12 August 2022

**Annexure I referred to in Paragraph 16 of the Independent Auditor's Report of even date to the members of Kennametal India Limited on the standalone financial statements for the year ended 30 June 2022**

In terms of the information and explanations sought by us and given by the Company and the books of account and records examined by us in the normal course of audit and to the best of our knowledge and belief, we report that:

(i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(B) The Company has maintained proper records showing full particulars of intangible assets.

(b) The Company has a regular program of physical verification of its property, plant and equipment under which the assets are physically verified in a phased manner 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. In accordance with this program, certain property, plant and equipment were verified during the year and no material discrepancies were noticed on such verification.

(c) The title deeds of all the immovable properties including investment properties held by the Company (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) are held in the name of the Company.

(d) The Company has not revalued its Property, Plant and Equipment or intangible assets during the year.

(e) No proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder. Accordingly, reporting under clause 3(i)(e) of the Order is not applicable to the Company.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year. In our opinion, the coverage and procedure of such verification by the management is appropriate and no discrepancies of 10% or more in the aggregate for each class of inventory were noticed.

(b) The Company has not been sanctioned working capital limits by banks or financial institutions on the basis of security of current assets during any point of time of the year. Accordingly, reporting under clause 3(ii)(b) of the Order is not applicable to the Company.

(iii) The Company has not made any investment in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or any other parties during the year. Accordingly, reporting under clause 3(iii) of the Order is not applicable to the Company.

(iv) The Company has not entered into any transaction covered under sections 185 and 186 of the Act. Accordingly, reporting under clause 3(iv) of the Order is not applicable to the Company.

(v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits or there is no amount which has been considered as deemed deposit within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, reporting under clause 3(v) of the Order is not applicable to the Company.

(vi) The Central Government has specified maintenance of cost records under sub-Section (1) of Section 148 of the Act in respect of the products of the Company. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) (a) In our opinion, and according to the information and explanations given to us, undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, , duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities by the Company, though there have been slight delays in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no statutory dues referred in sub-clause (a) which have not been deposited with the appropriate authorities on account of any dispute except for the following:

Statement of Disputed Dues (₹ in millions)

| Name of the statute | Nature of dues | Gross Amount (₹ in millions) | Amount paid under Protest (₹ in millions) | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|---|
| The Income Tax Act, 1961 | Income Tax | 219 | 208 | AY2008-09 to 2012-13 | The Commissioner of Income Tax, (Appeals), Bangalore |
| The Income Tax Act, 1961 | Income Tax | 74 | - | AY1994-95,2000-01, 2014-15. And 2017-18 | The Income Tax Appellate Tribunal, Bangalore |
| The Income Tax Act, 1961 | Income Tax | 2 | - | AY 2018-19 | Dispute Resolution Bench, Bangalore |
| The Income Tax Act, 1961 | Income Tax | 2 | - | AY 2000-01 to 2001 to 2002 | Supreme Court of India |
| The Customs Act, 1962 | Customs Duty | 16 | 16 | August 2009 to October 2013 | The Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Bangalore |
| The Central Excise Act, 1944 | Excise Duty | 9 | 4 | April 2006 to June 2013 | The Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Bangalore |
| The Finance Act, 1994 | Service Tax | 1 | 1 | April 2007 to March 2008 | The Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Bangalore |
| Karnataka Goods and Services Act, 2017 | Goods and Services Taxes | 2 | - | July 2017 to March 2018 | Deputy Commissioner of Commercial Taxes, Bangalore |

(viii) According to the information and explanations given to us, no transactions were surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961) which have not been recorded in the books of accounts.

(ix) (a) According to the information and explanations given to us, the Company does not have any loans or other borrowings from any lender. Accordingly, reporting under clause 3(ix) of the Order is not applicable to the Company.

(b) According to the information and explanations given to us including confirmations received from banks and representation received from the management of the Company, and on the basis of our audit procedures, we report that the Company has not been declared a willful defaulter by any bank or financial institution or other lender.

(c) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of term loans during the year and did not have any term loans outstanding at the beginning of the current year. Accordingly, reporting under clause 3(ix)(c) of the Order is not applicable to the Company.

(d) In our opinion and according to the information and explanations given to us, the Company has not raised any funds on short term basis during the year or in any previous year. Accordingly, reporting under clause 3(ix) (d) of the Order is not applicable to the Company.

(e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiary.

(f) According to the information and explanations given to us, the Company has not raised any loans during the year on the pledge of securities held in its subsidiary.

(x) (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments), during the year. Accordingly, reporting under clause 3(x)(a) of the Order is not applicable to the Company.

(b) According to the information and explanations given to us, the Company has not made any preferential allotment or private placement of shares or (fully, partially or optionally) convertible debentures during the year. Accordingly, reporting under clause 3(x)(b) of the Order is not applicable to the Company.

(xi) (a) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the Company has been noticed or reported during the period covered by our audit.

(b) No report under Section 143(12) of the Act has been filed with the Central Government for the period covered by our audit.

(c) The whistle blower complaints received by the Company during the year, as shared with us by the management have been considered by us while determining the nature, timing and extent of audit procedures.

(xii) The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, reporting under clause 3(xii) of the Order is not applicable to the Company.

(xiii) In our opinion and according to the information and explanations given to us, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable. Further, the details of such related party transactions have been disclosed in the standalone financial statements, as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified in Companies (Indian Accounting Standards) Rules 2015 as prescribed under Section 133 of the Act.

(xiv) (a) In our opinion and according to the information and explanations given to us, the Company has an internal audit system as required under Section 138 of the Act which is commensurate with the size and nature of its business.

(b) We have considered the reports issued by the Internal Auditors of the Company till date for the period under audit.

(xv) According to the information and explanation given to us, the Company has not entered into any non-cash transactions with its directors or persons connected with them and accordingly, provisions of Section 192 of the Act are not applicable to the Company.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, reporting under clauses 3(xvi)(a),(b) and (c) of the Order are not applicable to the Company.

(d) Based on the information and explanations given to us and as represented by the management of the Company, the Group (as defined in Core Investment Companies (Reserve Bank) Directions, 2016) does not have any CIC.

(xvii) The Company has not incurred any cash loss in the current as well as the immediately preceding financial year.

(xviii) There has been no resignation of the statutory auditors during the year. Accordingly, reporting under clause 3(xviii) of the Order is not applicable to the Company.

(xix) According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone financial statements, our knowledge of the plans of the Board of Directors and management and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

(xx) (a) According to the information and explanations given to us, the Company has transferred unspent amount in respect of other than ongoing projects to a Fund specified in Schedule VII to the Act within a period of six months of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act:

(b) According to the information and explanations given to us, there is no unspent amount pertaining to any ongoing project as at end of the current financial year. Accordingly, reporting under clause 3(xx)(b) of the Order is not applicable to the Company.

(xxi) The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements of the Company. Accordingly, no comment has been included in respect of said clause under this report.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Vijay Vikram Singh**
Partner
Membership No.: 059139
UDIN: 22059139AOXMQB8200

Bengaluru
12 August 2022

## Annexure II to the Independent Auditor's Report of even date to the members of Kennametal India Limited, on the standalone financial statements for the year ended 30 June 2022

Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-Section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Kennametal India Limited ('the Company') as at and for the year ended 30 June 2022, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

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

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A Company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 30 June 2022, based on Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 22059139AOXMQB8200

Bengaluru
12 August 2022

# Standalone Balance Sheet as at June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | Note | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|---|
| I. ASSETS | | | |
| 1. Non-current assets | | | |
| (a) Property, plant and equipment | 3A | 2142 | 2245 |
| (b) Capital work-in-progress | 3B | 772 | 518 |
| (c) Investment property [June 30, 2022: ₹ 67,049 (June 30, 2021: ₹ 67,049)] | 4 | 0 | 0 |
| (d) Other intangible assets | 5 | 4 | 5 |
| (e) Financial assets | | | |
| (i) Investment in subsidiary | 6 | 20 | 20 |
| (ii) Other financial assets | 7(d) | 23 | 17 |
| (f) Deferred tax assets (net) | 8 | 22 | - |
| (g) Income tax assets (net) | 9 | 395 | 409 |
| (h) Other non-current assets | 10 | 151 | 32 |
| **Total non-current assets** | | **3529** | **3246** |
| 2. Current assets | | | |
| (a) Inventories | 12 | 2666 | 2051 |
| (b) Financial assets | | | |
| (i) Trade receivables | 7(a) | 1368 | 1131 |
| (ii) Cash and cash equivalents | 7(b) | 499 | 1145 |
| (iii) Bank balances other than (ii) above | 7(c) | 10 | 4 |
| (iv) Other financial assets | 7(d) | 35 | 37 |
| (c) Other current assets | 11 | 72 | 34 |
| **Total current assets** | | **4650** | **4402** |
| **Total assets** | | **8179** | **7648** |
| II. EQUITY AND LIABILITIES | | | |
| 1. Equity | | | |
| (a) Equity share capital | 13 | 220 | 220 |
| (b) Other equity | 14 | 6124 | 5514 |
| **Total equity** | | **6344** | **5734** |

# Standalone Balance Sheet as at June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | Note | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|---|
| 2. Liabilities | | | |
| Non-current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Other financial liabilities (June 30, 2022: ₹ 335,000) | 15B | 0 | 1 |
| (b) Provisions | 16 | 76 | 34 |
| (c) Deferred tax liabilities (net) | 8 | - | 2 |
| Total non-current liabilities | | 76 | 37 |
| Current Liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Trade payables | 15A | | |
| Total outstanding dues of micro enterprises and small enterprises | | 34 | 22 |
| Total outstanding dues of other than micro enterprises and small enterprises | | 991 | 1001 |
| (ii) Other financial liabilities | 15B | 220 | 345 |
| (b) Other current liabilities | 17 | 305 | 316 |
| (c) Provisions | 16 | 209 | 193 |
| Total current liabilities | | 1759 | 1877 |
| Total Equity and Liabilities | | 8179 | 7648 |

The accompanying notes are the integral part of these Standalone Financial Statements.

This is the Standalone Balance sheet referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 12, 2022

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 12, 2022

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 12, 2022

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 12, 2022

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 12, 2022

# Standalone Statement of Profit and Loss for the year ended June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | Note | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|---|
| I. INCOME | | | |
| Revenue from operations | 18 | 9907 | 8114 |
| Other income | 19 | 90 | 85 |
| **Total income** | | **9997** | **8199** |
| II. EXPENSES | | | |
| Cost of materials consumed | 20 | 2939 | 2196 |
| Purchases of stock-in-trade | 21 | 2518 | 2175 |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 22 | (456) | (46) |
| Employee benefits expense | 23 | 1453 | 1215 |
| Finance costs | 24 | - | 3 |
| Depreciation and amortisation expenses | 25 | 357 | 378 |
| Other expenses | 26 | 1656 | 1374 |
| **Total expenses** | | **8467** | **7295** |
| **III. Profit before exceptional items and tax** | | **1530** | **904** |
| Exceptional items | 27 | - | (10) |
| **IV. Profit before tax** | | **1530** | **894** |
| **V. Tax expense** | **28** | | |
| Current tax expense | | 405 | 232 |
| Deferred tax (credit) | | (11) | (4) |
| Deferred tax adjustments relating to earlier years | | (9) | - |
| **Total tax expense** | | **385** | **228** |
| **VI. Profit after tax for the year** | | **1145** | **666** |
| **VII. Other comprehensive income** | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of net defined benefit plans (charge) / credit | | (16) | 2 |
| Income tax relating to above item charge / (credit) | | 4 | (1) |
| Total other comprehensive income for the year (net of tax) | | (12) | 1 |
| **VIII. Total comprehensive income for the year** | | **1133** | **667** |
| **IX. Earnings per equity share in ₹ [Nominal Value per share ₹ 10 (June 30, 2021: ₹ 10)]** | **32** | | |
| Basic and diluted | | 52.11 | 30.29 |

The accompanying notes are the integral part of these Standalone Financial Statements.

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

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 12, 2022

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

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August 12, 2022

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August 12, 2022

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 12, 2022

# Standalone Statement of Changes in Equity for the year ended June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

(A) Equity Share Capital

| | Amount |
|---|---|
| Balance as at July 1, 2020 | 220 |
| Changes in equity share capital during the year | - |
| Balance as at June 30, 2021 | 220 |
| Changes in equity share capital during the year | - |
| Balance as at June 30, 2022 | 220 |

(B) Other equity

| | Securities premium | Share based compensation reserve | General reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance as at July 1, 2020 | 1 | 2 | 1488 | 3791 | 5282 |
| Profit for the year | - | - | - | 666 | 666 |
| Other comprehensive Income | - | - | - | 1 | 1 |
| | 1 | 2 | 1488 | 4458 | 5949 |
| Transactions with owners in their capacity as owners: | | | | | |
| Interim dividends | - | - | - | (440) | (440) |
| Share based compensation expense | - | 22 | - | - | 22 |
| Payment during the year towards share based compensation | - | (17) | - | - | (17) |
| Balance as at June 30, 2021 | 1 | 7 | 1488 | 4018 | 5514 |
| Profit for the year | - | - | - | 1,145 | 1145 |
| Other comprehensive Income | - | - | - | (12) | (12) |
| | 1 | 7 | 1488 | 5151 | 6647 |
| Transactions with owners in their capacity as owners: | | | | | |
| Interim dividends | - | - | - | (527) | (527) |
| Share based compensation expense | - | 29 | - | - | 29 |
| Payment during the year towards share based compensation | - | (25) | - | - | (25) |
| Balance as at June 30, 2022 | 1 | 11 | 1488 | 4624 | 6124 |

The accompanying notes are the integral part of these Standalone Financial Statements.

This is the Standalone Statement of Changes in Equity referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 12, 2022

For and on behalf of Board of Directors
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Bengaluru
August 12, 2022

# Standalone Statement of Cash Flows for the year ended June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Cash flow from operating activities | | |
| Profit before tax and exceptional items | 1530 | 904 |
| Adjustments for: | | |
| Depreciation and amortisation expense | 357 | 378 |
| Gain on sale of investment | (14) | (12) |
| Provision no longer required written back | (24) | - |
| Provision for product support | 32 | 31 |
| Provision made for doubtful debts | 2 | - |
| Loss/ (Gain) on sale of property, plant and equipment (net) | 0 | (2) |
| Interest expense | - | 3 |
| Interest income | (12) | (8) |
| Unrealised foreign exchange loss (net) [₹ 28,333] | (2) | 0 |
| Share based compensation expense | 29 | 22 |
| Operating profit before working capital changes | 1898 | 1316 |
| (Increase) in inventories | (615) | (72) |
| (Increase) in trade and other receivables | (240) | (158) |
| (Increase) / decrease in financial assets | (9) | 15 |
| (Decrease) / increase in trade, provisions and other liabilities | (140) | 626 |
| Cash generated from operations | 895 | 1727 |
| Taxes paid (net of refunds) | (391) | (180) |
| Net cash generated from operations (1) | 504 | 1547 |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (651) | (264) |
| Interest received on loan to subsidiary | - | 5 |
| Gain on sale of investment | 14 | 12 |
| Sale proceeds of property, plant and equipment | 1 | 3 |
| Interest received | 12 | 1 |
| Net cash used in investing activities (2) | (624) | (243) |
| Cash flow from financing activities | | |
| Repayment of loan to fellow subsidiary | - | (130) |
| Interest paid | - | (3) |
| Interim dividends declared and paid | (527) | (440) |
| Unclaimed dividend (June 30, 2021: ₹ 135,402) | 1 | (0) |

# Standalone Statement of Cash Flows for the year ended June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| **Net Cash used in financing activities (3)** | **(526)** | **(573)** |
| **Net increase in cash and cash equivalents (1+2+3)** | **(646)** | **731** |
| Add: Cash and cash equivalents at the beginning of the year | 1145 | 414 |
| **Cash and cash equivalents at the end of the year** | **499** | **1145** |
| **Cash and Cash equivalent as per above comprises of the following** | | |
| Balances with banks - In current accounts | 497 | 1132 |
| Cheques, drafts on hand | - | 5 |
| Cash on hand [June 30, 2022: ₹ 60,396 (June 30, 2021: ₹ 135,260)] | - | 0 |
| Investments in term deposits (with original maturity of less than 3 months) | 2 | 8 |
| **Balance as per Statement of Cash Flows** | **499** | **1145** |
| The accompanying notes are the integral part of these Standalone Financial Statements. | | |

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

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 12, 2022

For and on behalf of Board of Directors
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August 12, 2022

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 12, 2022

## Summary of significant accounting policies & other explanatory information

(All amounts in ₹ millions unless otherwise stated)

1 Background

1.1 Kennametal India Limited ("the Company") incorporated under the Companies Act, 1956, is in the business of manufacturing and trading of hard metal products and manufacturing of capital intensive machines along with fixtures and spares. The Company has its manufacturing facility in Bengaluru and sells its product and services through sales and support offices. The Company is a public limited Company incorporated and domiciled in India and has its registered office at 8/9th Mile, Tumkur Road, Bengaluru 560 073. The Company is listed on the Bombay Stock Exchange Limited (BSE). The standalone financial statements were approved for issue by Company's board of directors on August 12, 2022.

1.2 Further to the scheme of amalgamation (refer note 39) and approval of the Board of Directors in its meeting dated December 4, 2020, the operations of the wholly owned subsidiary, WIDIA India Tooling Private Limited ('WITPL') have been transferred to the Company. Consequently, the employees, creditors and property, plant and equipment have also been transferred to the Company. The amalgamation will enable the entities to integrate its business operations and provide impetus to the operations of the Company. The consolidation of the activities by way of an amalgamation will provide seamless access to the assets (including intangible assets, licenses and intellectual properties) of WITPL, which will lead to synergies of operations, reduction in overheads including administrative, managerial and other expenditure, operational rationalization, organizational efficiency and optimal utilization of resources. The combined entity will have a bigger portfolio of services targeted at a wider array of customers, which will strengthen its competitive position in providing products and services to the customers.

2 Significant accounting policies

2.1 Basis of preparation:

(i) Compliance with Ind AS :

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act. The financial statements have been prepared on accrual and going concern basis.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

a) Certain financial assets and liabilities are measured at fair value;

b) Assets held for sale- measured at fair value less cost to sales;

c) Defined benefit plans- plan assets measured at fair value; and

d) Share based payments- measured at fair value.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/ non-current classification of assets and liabilities.

(iii) Current / non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is treated as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has evaluated and considered its operating cycle as 12 months.

Deferred tax assets/ liabilities are classified as non-current assets/ liabilities.

2.2 Significant estimates, judgements and assumptions

The application of accounting standards and policies requires the Company to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the Company considers to be most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Company's financial condition or operating performance.

The areas involving critical estimates are:

(i) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(ii) Evaluation of indicators for impairment of assets

"The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate."

(iii) Recoverability of advances / receivables

At each Balance Sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables including Remission of Duties and Taxes(RODtep) and MEIS and other advances.

(iv) Useful lives of depreciable / amortisable assets

Management reviews its estimate of the useful lives of depreciable / amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain items of property, plant and equipment.

(v) Estimate of product support and commissioning cost

At each balance sheet date basis the management judgement and historical trend, the Company assesses the requirement of provisions for product support and Machine commissioning cost. However, the actual future outcome may be different from the judgement.

"The Company provides a standard warranty of 12 months from the date of commissioning / sales or 15 months from the date of delivery, whichever is earlier. However in exceptional cases it provides a general warranty upto 24 months."

(vi) Estimation of defined benefit obligation

Measurement of obligation towards defined benefit plans such as gratuity and provident fund are based on the actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. Significant assumptions include determination of discount rate, future salary increases, etc. Due to complexities involved in the valuation and its long term nature, defined benefit obligation is sensitive to changes in these assumptions (refer note 16).

(vii) Material return provision

At each balance sheet date basis the management judgement, the Company assesses the requirement of material return provision. However, the actual future outcome may be different from the judgement.

(viii) Customer loyalty programme

The Company recognises the provision for customer loyalty programme based on the ratio of sales targets met by the customers.

(ix) Litigations

The Company records provision and contingent liabilities for pending litigations by considering the probability and the amount of loss involved in each case.

2.3 Revenue recognition

The Company derives revenues primarily from sale of manufactured goods, traded goods and related services.

As per Ind AS 115, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services. Revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates.

Revenue in excess of invoicing are classified as contract asset while invoicing in excess of revenues are classified as contract liabilities.

The Company operates a loyalty programme for the customers and dealers for the sale of goods. The customers are divided in different grades at the inception of the year and accordingly targets are also set. The provision of loyalty programme is netted-off to revenue.

The Company recognises provision for sales return, basis the judgement of the management. However, the actual future outcome may be different from the judgement. Therefore, a refund liability, included in other current liabilities, are recognized for the products expected to be returned.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Other operating revenue

Income from export incentives such as duty drawback and Merchandise Export Incentive Scheme are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collections exists.

Commission on order based sales is recognised as and when the performance Obligation is completed and the right to receive the consideration is established.

2.4 Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of dividend can be measured reliably.

2.5 Trade receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less loss allowance.

2.6 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Statement of Profit or Loss during the reporting period in which they are incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

Depreciation method, useful lives and residual value

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful life of the assets which are different from useful life indicated in Schedule II of Companies Act, 2013, in order to reflect the actual usage of the assets. The estimates of the useful life of the assets, based on technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

| Particulars | Estimated range of useful life (in years) |
|---|---|
| Buildings (including temporary structures) | 20 - 40 |
| Plant and machinery: | |
| Data processing equipment | 3 - 5 |
| Others | 5 - 15 |
| Vehicles | 5 |
| Office equipment | 5 |
| Furniture and fixtures | 10 |

Machinery spares of irregular usage are depreciated over the estimated useful life of the respective plant and machinery.

Schedule II requires the Company to identify and depreciate significant components with different useful lives separately. The Company has evaluated the applicability of component accounting as prescribed under Ind AS 16, Property, plant and equipment, and Schedule II of the Companies Act, 2013, The management has evaluated the requirement of Schedule II and has not identified any significant component having different useful lives.

2.7 Intangible assets

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

(i) Research and development

"Research expenditure and development expenditure that do not meet the criteria defined above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period."

(ii) Amortisation methods and periods

Application software is expensed off on purchase, except in case of major application software having unit value exceeding ₹ 1 million or forming part of an overall project, which is amortised over its estimated useful life or project life not exceeding three years.

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

2.8 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired, based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Standalone Statement of Profit and Loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognised are accordingly reversed in the Standalone Statement of Profit and Loss.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.9 Inventories

Raw materials and stores, work in progress, stock-in-trade and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and stock-in-trade comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of raw materials, stores and spares, work in progress and stock-in-trade on the basis of weighted average whereas manufactured goods are ascertained on first-in-first-out method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. Subsequent

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.11 Investment in subsidiary

Investments in subsidiary is recognised at cost as per Ind AS 27, except where investments accounted for at cost shall be accounted for in accordance with Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, when they are classified as held for sale.

2.12 Leases

"The Company's lease asset classes primarily consist of leases for buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contact involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows"

2.13 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

Defined benefit plan

Provident Fund

Eligible employees of the Company receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Company contributes to Kennametal India Limited Employee's Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Company has an obligation to make good the shortfall, if any, between the return from investments of the Trust and the notified interest rate.

Gratuity

The Company provides for gratuity, a defined benefit plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees a retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the Kennametal India Limited Employees Gratuity Fund Trust (the Trust). Trustees administer contributes made to the Trust and contributions are invested in a scheme with Life Insurance Corporation of India and HDFC Life Insurance Company Limited as permitted by Indian law.

The Company recognises the net obligation of a defined benefit plan in its Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined liability / (asset) are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in net profit in the Standalone Statement of Profit and Loss.

Other long-term employee benefit obligations

Compensated absences

The Company provides benefit of compensated absences under which unavailed leave are allowed to be accumulated to be availed in future. The compensated absences comprises of vesting benefit. The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Service cost on the Company's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs.

Further, as required under Ind AS compliant Schedule III, the Company transfers those amounts recognized in other comprehensive income to retained earnings in the statement of changes in equity and in the balance sheet.

Long-term service awards

Certain employees of the Company are entitled to other long-term benefits in the nature of long term service awards as per the policy of the Company. Liability for such benefits is provided on the basis of an independent actuarial valuation using the projected unit credit method at the balance sheet date.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

2.14 Foreign currency translation

(i) Functional and presentation currency

Items included in the Standalone Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates. ('the functional currency'). The Standalone Financial Statements are presented in Indian rupee ₹, which is the Company's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates that approximate the actual rates at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in Statement of Profit or Loss.

All other foreign exchange gains and losses are presented in the Standalone Statement of Profit and Loss on a net basis within other income/other expenses.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM).

The managing director of the Company assesses the financial performance and position of the Company and makes strategic decisions. The managing director has been identified as being the CODM. Refer note 37 for segment information presented. The measurement of each segment's revenues, expenses and assets is consistent with the accounting policies that are used in preparation of the Company's financial statements.

2.16 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Standalone Financial Statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets (DTA) are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternative Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal period income tax during the specified period. Such asset is reviewed at each Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Company will pay normal income tax during the specified period.

2.17 Share based payments

Stock-based compensation awards are provided to selected employees under the terms of the long-term incentive plan of the Kennametal Inc. USA, the ultimate holding Company. Awards available under the plans include restricted stock units ("RSUs") which are granted to certain senior management employees of the Company. Stock-based compensation represents the cost related to group stock-based awards granted to employees.

RSUs entitle the holder to shares of common stock as the award vest, typically over 3 years or 4 years depending upon the scheme and year of grant. RSUs are time vesting stock units and therefore the fair value of the units is determined and fixed on the grant date based on market value of Kennametal Inc's share price, adjusted for the exclusion of dividend equivalents. The Company measures stock-based compensation cost at the grant date, based on the estimated fair value of the award and recognizes the cost (net of estimated

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

forfeitures) over the employee requisite service period.

The total expense in respect of the above share based payment scheme is recognised over the vesting period with a corresponding adjustment to equity compensation reserve as a capital contribution from Kennametal Inc. The inter-Company charge is offset against the equity compensation reserve. A liability is recognised when the award is released to or exercised by the Company's employees and billed by Kennametal Inc.

2.18 Provisions and contingent liabilities

Provisions for legal claims, service warranties, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

2.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

Subsequent measurement

(i) Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held with in a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in Standalone Statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(ii) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

(iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets which are not classified in any of the above categories are subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of profit or loss and presented net in the period in which it arises. Interest income from these financial assets is included in other income.

(iv) Equity investments

All equity investments in scope of Ind AS 109, Financial Instruments, are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 Business Combinations, applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Standalone Statement of Profit and Loss, even on sale of investment. However, the Company may transfer the cumulative gain or loss within equity.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109 'Financial Instruments'. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

2.19 Financial instruments (cont'd)

Financial liabilities

Initial recognition

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These instruments are classified as amortised cost.

Subsequent measurement

These liabilities includes deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109, Financial Instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to Standalone Statement of Profit and Loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Statement of Profit or Loss. The Company has not designated any financial liability as at fair value through profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Standalone Statement of Profit and Loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedge instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

When forward contracts are used to hedge forecast transactions, the Company generally designates only the changes in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in Standalone Statement of Profit and Loss.

2.20 Impairment of financial assets

In accordance with Ind AS 109 Financial Instruments, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

The Company tracks credit risk and changes thereon for each customer. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, life time ECL is used. If in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Standalone Statement of Profit and Loss. This amount is reflected under the head 'other expenses' in the Standalone Statement of Profit and Loss.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

2.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability,

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Standalone Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Standalone Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurements as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liabilities and the level of the fair value hierarchy as explained above.

### 2.22 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### 2.23 Dividends

Final dividends on shares are recorded as a liability on the date of approval by the share holders and interim dividends are recorded as a liability on the date of declaration by the Company's board of directors.

The Company declares and pays dividends in Indian rupees. The remittance of dividends outside India is governed by Indian Law on foreign exchange and is subjected to applicable distribution taxes.

### 2.24 Borrowings

Borrowings are initially recognised at net of transaction costs incurred and measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Standalone Statement of Profit and Loss over the period of the borrowings using the effective interest method.

### 2.25 Borrowing costs

Interest and other borrowing costs attributable to qualifying assets are capitalised. Other interest and borrowing costs are charged to Standalone Statement of Profit and Loss.

### 2.26 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of dilutive potential equity shares, if any.

### 2.27 Recent accounting pronouncements

Standards issued but not effective on Balance Sheet date:

"Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, as below;"

Ind AS 109 - Financial Instruments

"The amendment clarifies that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. "

Ind AS 16 – Property Plant and equipment

The amendment clarifies that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment. The Company has evaluated the amendment and there is no impact on its standalone financial statements.

Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The Company has evaluated the amendment and there is no impact on its standalone financial statements.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

3A Property, plant and equipment

| Particulars | Freehold land | Buildings | Plant and machinery | | Furniture and fixtures | Office equipment | Total |
|---|---|---|---|---|---|---|---|
| | | | Data processing | Others | | | |
| Gross block as at July 1, 2020 | 1 | 250 | 69 | 2,989 | 28 | 63 | 3400 |
| Additions during the year | - | 20 | 8 | 12 | 3 | 4 | 47 |
| Capital work-in-progress capitalised during the year (₹ 103,593) | - | 50 | 1 | 66 | - | 0 | 117 |
| Disposals during the year (₹ 119,888) | - | - | (3) | (13) | (0) | - | (16) |
| Gross block as at June 30, 2021 | 1 | 320 | 75 | 3054 | 31 | 68 | 3549 |
| Additions during the period | - | 7 | 5 | 83 | 2 | 4 | 102 |
| Capital work-in-progress capitalised during the year | - | - | 13 | 145 | - | - | 158 |
| Disposals during the year | - | - | (13) | (37) | (2) | (1) | (53) |
| Gross block as at June 30, 2022 | 1 | 327 | 80 | 3245 | 32 | 70 | 3756 |
| Accumulated depreciation as at July 1, 2020 | - | 28 | 15 | 851 | 8 | 39 | 941 |
| Depreciation charge for the year | - | 14 | 28 | 322 | 3 | 11 | 378 |
| Disposals during the year [₹ (119,888), ₹ (435,304)] | - | - | (3) | (12) | (0) | (0) | (15) |
| Accumulated depreciation as at June 30, 2021 | - | 42 | 40 | 1161 | 11 | 50 | 1304 |
| Depreciation charge for the year | - | 15 | 28 | 306 | 3 | 4 | 356 |
| Disposals during the year | - | - | (13) | (31) | (2) | (1) | (47) |
| Accumulated depreciation as at June 30, 2022 | - | 57 | 56 | 1436 | 12 | 53 | 1613 |
| Net block | | | | | | | |
| As at June 30, 2021 | 1 | 278 | 35 | 1893 | 20 | 18 | 2245 |
| As at June 30, 2022 | 1 | 271 | 25 | 1809 | 20 | 17 | 2142 |

Contractual obligations:

Refer note 29 for contractual commitments for the acquisition of property, plant and equipment.

3B Capital work-in-progress

| Particulars | Amount |
|---|---|
| Balance as at July 1, 2020 | 321 |
| Additions during the year | 314 |
| Less: Capitalised during the year | (117) |
| Balance as at June 30, 2021 | 518 |
| Additions during the year | 412 |
| Less: Capitalised during the year | (158) |
| Balance as at June 30, 2022 | 772 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Ageing of Capital work-in-progress (CWIP) as at June 30, 2022*

| Particulars | Amount in CWIP for a period of | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | |
| Projects in Progress | 236 | - | - | 536 | 772 |
| Projects temporarily suspended | - | - | - | - | - |
| **Total** | **236** | **-** | **-** | **536** | **772** |

*includes projects whose completion is overdue compared to its original plan. Following is the completion schedule of such projects:

| Particulars | To be completed in | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | |
| Building | 485 | - | - | - | 485 |
| Plant and machinery | 51 | - | - | - | 51 |
| **Total** | **536** | **-** | **-** | **-** | **536** |

Ageing of Capital work-in-progress (CWIP) as at June 30, 2021*

| Particulars | Amount in CWIP for a period of | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | |
| Projects in Progress | 80 | - | 438 | - | 518 |
| Projects temporarily suspended | - | - | - | - | - |
| **Total** | **80** | **-** | **438** | **-** | **518** |

*includes projects whose completion is overdue compared to its original plan. Following is the completion schedule of such projects:

| Particulars | To be completed in | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | |
| Building | - | 302 | - | - | 302 |
| Plant and machineries | 136 | - | - | - | 136 |
| **Total** | **136** | **302** | **-** | **-** | **438** |

4 Investment property

| Particulars | Amount |
|---|---|
| Gross block as at July 1, 2020 (₹ 67,049) | 0 |
| Additions during the year | - |
| Disposals during the year | - |
| Gross block as at June 30, 2021 (₹ 67,049) | 0 |
| Additions during the year | - |
| Disposals during the year | - |
| Gross block as at June 30, 2022 (₹ 67,049) | 0 |
| | |
| Accumulated depreciation as at July 1, 2020 | |
| Depreciation charge for the year | - |
| Disposals during the year | - |
| Accumulated depreciation as at June 30, 2021 | - |
| Depreciation charge for the period | - |
| Disposals during the period | - |
| Accumulated depreciation as at June 30, 2022 | - |
| | |
| Net block | |
| As at June 30, 2021 (₹ 67,049) | 0 |
| As at June 30, 2022 (₹ 67,049) | 0 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Note:

a) Fair Value

Estimation of fair value

The best evidence of fair value is current prices in an active market for similar properties. The Company considers current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

The fair values of investment properties have been determined with reference to Bengaluru Municipal authority guidance value and Mehesana Municipal authority, Kalol district, Gujarat with certain restriction on the Company's ability to use or sell these investment properties. The fair value estimate for investment properties are included in level 2.

The fair value of investment properties is as below:

| Particulars | Amount |
|---|---|
| As at June 30, 2021 | 479 |
| As at June 30, 2022 | 479 |

b) There is no rental income derived from investment properties. Further, no direct operating expenses have been incurred to maintain the investment property.

c) The Company has no restriction on the realisability of the investment property, and no contractual obligation to purchase, construct or develop investment properties or for repair, maintenance and enhancement.

5 Other intangible assets

| Particulars | Computer software (acquired) | Total |
|---|---|---|
| Gross block as at July 1, 2020 | 10 | 10 |
| Additions for the year | - | - |
| Disposals for the year | - | - |
| Gross block as at June 30, 2021 | 10 | 10 |
| Additions for the year | - | - |
| Disposals for the year | - | - |
| Gross block as at June 30, 2022 | 10 | 10 |
| | | |
| Accumulated amortisation as at July 1, 2020 | 3 | 3 |
| Amortisation charge for the year | 2 | 2 |
| Disposals for the year | - | - |
| Accumulated amortisation as at June 30, 2021 | 5 | 5 |
| Amortisation charge for the year | 1 | 1 |
| Disposals for the year | - | - |
| Accumulated amortisation as at June 30, 2022 | 6 | 6 |
| | | |
| Net block | | |
| As at June 30, 2021 | 5 | 5 |
| As at June 30, 2022 | 4 | 4 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

6 Investment in subsidiary

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | No. of units | Amount | No. of units | Amount |
| Unquoted | | | | |
| Investment in subsidiaries | | | | |
| Equity Instruments at cost, fully paid up | | | | |
| "Widia India Tooling Private Limited | | | | |
| (Equity Shares of ₹10 each)" | 2,000,000 | 20 | 2,000,000 | 20 |
| Total Investment in subsidiary | | 20 | | 20 |

7 Financial Assets

7(a) Trade receivables

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Secured, considered good* | 235 | 217 |
| Unsecured, considered good ^ | 1133 | 914 |
| Trade receivables - credit impaired | 8 | 6 |
| | 1376 | 1137 |
| Less: Expected credit loss allowance | (8) | (6) |
| Total trade receivables | 1368 | 1131 |

*Secured against bank guarantee

^ includes receivables from related parties, refer note 36

Trade Receivables Ageing Schedule as at June 30, 2022

| Particulars | Not due | Outstanding for following periods | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 6 Months | 6 Months - 1 year | 1–2 years | 2-3 years | More than 3 years | |
| (i) Undisputed Trade Receivables - Secured, considered good | - | 235 | - | - | - | - | 235 |
| (ii) Undisputed Trade Receivables - Unsecured, considered good | 1029 | 80 | 14 | 10 | - | - | 1133 |
| (iii) Undisputed Trade Receivables - credit impaired | - | - | 6 | - | - | - | 6 |
| (iv) Disputed Trade Receivables - credit impaired | - | - | - | - | - | 2 | 2 |
| Total | | | | | | | 1376 |

Trade Receivables Ageing Schedule as at June 30, 2021

| Particulars | Not due | Outstanding for following periods | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 6 Months | 6 Months - 1 year | 1–2 years | 2-3 years | More than 3 years | |
| (i) Undisputed Trade Receivables - Secured, considered good | - | 217 | - | - | - | - | 217 |
| (ii) Undisputed Trade Receivables - Unsecured, considered good | 760 | 140 | 7 | 7 | - | - | 914 |
| (iii) Undisputed Trade Receivables - credit impaired | - | - | 4 | - | - | - | 4 |
| (iv) Disputed Trade Receivables - credit impaired | - | - | - | - | - | 2 | 2 |
| Total | | | | | | | 1137 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

7(b) Cash and cash equivalents

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Balances with banks - In current accounts | 497 | 1132 |
| Cheques, drafts on hand | - | 5 |
| Cash on hand [June 30, 2022: ₹ 60,396 (June 30, 2021: ₹ 135,260)] | - | 0 |
| Fixed deposits with original maturity of three months or less | 2 | 8 |
| Total cash and cash equivalents | 499 | 1145 |

There are no repatriation restriction with regard to cash and cash equivalent at the end of the current year and previous year.

7(c) Bank balances other than cash and cash equivalents

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Unclaimed dividends | 2 | 1 |
| Fixed deposits with original maturity more than 3 months and less than 12 months | 8 | 3 |
| Total bank balances other than cash and cash equivalents | 10 | 4 |

7(d) Other financial assets

(ii) Non-current

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Security deposits | 3 | 3 |
| Other deposits | 20 | 14 |
| Total non current financial assets | 23 | 17 |

(iii) Current

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| (Unsecured, considered good, unless stated otherwise) | | |
| Interest accrued on fixed deposits [June 30, 2022: ₹ 124,662 (June 30, 2021: ₹ 120,325)] | 0 | 0 |
| Export benefits receivable | 29 | 29 |
| Deposits with others (June 30, 2022 : ₹ 38,020) | 0 | 2 |
| Employee advances | 3 | 3 |
| Other receivables | 4 | 3 |
| | 35 | 37 |
| *(Considered doubtful)* | | |
| Other receivables | - | 1 |
| (Less): Loss allowance | - | (1) |
| Total current financial assets | 35 | 37 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

8 Deferred tax assets/(liabilities), (net)

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| **Deferred Tax liability arising on account of:** | | |
| Depreciation and amortisation on property, plant and equipment and intangible assets | 53 | 62 |
| **Deferred Tax asset arising on account of:** | | |
| Provision for gratuity, leave encashment, long service award | 54 | 50 |
| Provision for doubtful debts | 2 | 2 |
| Voluntary retirement scheme/ employee separation | 3 | 7 |
| Others | 16 | 1 |
| **Deferred tax asset/(liability)** | 22 | (2) |

Movement in the deferred tax asset / (liability) as at June 30, 2022

| Particulars | As at July 1, 2021 | (Charge)/ Credit to Standalone Statement of Profit and Loss | Charge/(Credit) Credit to other comprehensive | As at June 30, 2022 |
|---|---|---|---|---|
| **Deferred Tax asset arising on account of:** | | | | |
| Provision for gratuity, leave encashment, long service award | 50 | 0 | 4 | 54 |
| Provision for doubtful debts | 2 | 0 | - | 2 |
| Voluntary retirement scheme/ employee separation | 7 | (4) | - | 3 |
| Others | 1 | 15 | - | 16 |
| **Deferred Tax liability arising on account of:** | | | | |
| Depreciation and amortisation on property, plant and equipment and intangible assets | (62) | 9 | - | (53) |
| **Closing Balance** | (2) | 20 | 4 | 22 |

Movement in the deferred tax asset / (liability) as at June 30, 2021

| Particulars | As at July 1, 2020 | (Charge)/ Credit to Standalone Statement of Profit and Loss | Charge/(Credit) Credit to other comprehensive | As at June 30, 2021 |
|---|---|---|---|---|
| **Deferred Tax asset arising on account of:** | | | | |
| Provision for gratuity, leave encashment, long service award | 49 | 2 | (1) | 50 |
| Provision for doubtful debts | 3 | (1) | - | 2 |
| Voluntary retirement scheme/ employee separation | 11 | (4) | - | 7 |
| Others | 1 | 0 | - | 1 |
| **Deferred Tax liability arising on account of:** | | | | |
| Depreciation and amortisation on property, plant & equipment and intangible assets | (69) | 7 | - | (62) |
| **Closing Balance** | (5) | 4 | (1) | (2) |

9 Income tax assets (net)

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Income tax [net of provision (June 30, 2022: ₹ 3008 million, June 30, 2021: ₹ 2729 million)]* | 395 | 409 |
| **Total income tax assets** | 395 | 409 |

*also includes taxes paid under protest, amounting to ₹ 208 million for the year ended June 30, 2022 (June 30, 2021: ₹ 213 million). Also refer note 30.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

10 Other non-current assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Capital advances | 133 | 2 |
| Prepaid expenses | 14 | - |
| Deposits with statutory / government authorities | 4 | 30 |
| **Total non-current assets** | **151** | **32** |

11 Other current assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Deposits with statutory / government authorities | 14 | - |
| Advance to suppliers | 27 | 12 |
| Prepaid expenses | 30 | 21 |
| Travel advances to employees (June 30, 2021: ₹ 357,500) | 1 | 0 |
| **Total other current assets** | **72** | **33** |

12 Inventories

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Raw materials (Including goods in transit ₹ 108 million [June 30, 2021: ₹ 76 million]) | 606 | 448 |
| Work-in-progress | 932 | 654 |
| Finished goods | 660 | 484 |
| Stock-in-trade (Including goods in transit ₹ 76 million [June 30, 2021: ₹ 53 million]) | 432 | 430 |
| Stores and spares | 36 | 35 |
| **Total inventories** | **2666** | **2051** |

Amounts recognised in Standalone Statement of Profit and Loss:

Write-downs of inventories in the current year on account of obsolescence, slow moving inventory and lower of net realisable value amounted to ₹ 107 million (June 30, 2021: ₹ 105 million). These were recognised as an expense during the year and included in "Changes in values in inventory of finished goods, work in progress and stock in trade" in Standalone Statement of Profit and Loss.

13 Equity share capital

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Authorised | | |
| 21,978,240 (June 30, 2021: 21,978,240) Equity Shares of ₹ 10 each | 220 | 220 |
| Issued, subscribed and fully paid up | | |
| 21,978,240 (June 30, 2021: 21,978,240) Equity Shares of ₹10 each | 220 | 220 |
| **Total equity share capital** | **220** | **220** |

Notes:

a) Reconciliation of number of shares

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Balances as at the beginning of the year | 21,978,240 | 220 | 21,978,240 | 220 |
| Add: Issued and subscribed during the year | - | - | - | - |
| **Balance at the end of the year** | **21,978,240** | **220** | **21,978,240** | **220** |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any, in proportion to their shareholding.

(c) Shares held by ultimate holding Company and holding Company

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding Company | 5,274,840 | 53 | 5,274,840 | 53 |
| Meturit AG., Zug, Switzerland, the holding Company | 11,208,840 | 112 | 11,208,840 | 112 |
| Total shares held by holding and ultimate holding company | 16,483,680 | 165 | 16,483,680 | 165 |

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding Company | 52,74,840 | 24.00% | 52,74,840 | 24.00% |
| Meturit AG., Zug, Switzerland, the holding Company | 1,12,08,840 | 51.00% | 1,12,08,840 | 51.00% |
| Nippon Life India Trustee Limited | 2,032,159 | 9.25% | 2,032,159 | 9.25% |

(e) Shares held by promoters at the end of the period*

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding Company | 52,74,840 | 24.00% | 52,74,840 | 24.00% |
| Meturit AG., Zug, Switzerland, the holding Company | 1,12,08,840 | 51.00% | 1,12,08,840 | 51.00% |

| Particulars | As at June 30, 2021 | | As at June 30, 2020 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding Company | 52,74,840 | 24.00% | 52,74,840 | 24.00% |
| Meturit AG., Zug, Switzerland, the holding Company | 1,12,08,840 | 51.00% | 1,12,08,840 | 51.00% |

* There have been no change in the percentage held by the promoters in the current year and the previous year.

(f) During five years immediately preceding June 30, 2022 there are no shares allotted as fully paid up pursuant to contracts without payment being received in cash, shares allotted as fully paid up by way of bonus shares or shares bought back.

(g) There are no shares of the Company reserved for issue under any option, contracts, commitments for the sale of share or disinvestment.

13A Dividends

The Board of Directors, through its board meeting held on May 11, 2022, have declared an interim dividend of ₹ 24 to be paid per equity share (₹ 10 each) outstanding as at date of board meeting (amounting to ₹ 527 million) for the financial year ended June 30, 2022 and no further dividend is recommended during the year (June 30, 2021: ₹ 440 million).

The Company paid interim dividend of ₹ 527 million during the year ended June 30, 2022 (June 30, 2021: ₹ 440 million).

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

14 Other equity

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Securities premium | 1 | 1 |
| Share based compensation reserve | 11 | 7 |
| General reserve | 1488 | 1,488 |
| Retained earnings | 4624 | 4,018 |
| **Total reserves and surplus** | **6124** | **5514** |

Nature and purpose of reserve:

Securities premium reserve

Securities Premium reserve is used to record the premium on issue of shares. This reserve is utilised in accordance with provisions of the Act.

Share based compensation reserve

This reserve relates to share based compensation received by the employees of the Company from Kennametal Inc., USA the ultimate holding company, net of cross charge received. The reserve is used to recognise grant date fair value of awards issued to the employees (refer note 31).

15 Financial liabilities

15A Trade Payable

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Due to micro enterprises and small enterprises | 34 | 22 |
| Due to creditors other than micro enterprises and small enterprises | | |
| Amounts due to related parties (also refer note 36) | 515 | 468 |
| Amount due to third parties | 476 | 533 |
| **Total trade payables** | **1025** | **1023** |

Disclosure of dues/payments to Micro enterprises and Small enterprises to the extent such enterprises are identified by the Company

| | Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|---|
| a) | Principal amount due to suppliers registered under the Micro, Small and Medium Enterprises and Development Act and remaining unpaid as at year end; | 33 | 21 |
| b) | Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end | - | - |
| c) | Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year; - | - | |
| d) | Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year; | - | - |
| e) | Interest paid, under Section 16 of the MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year | - | - |
| f) | Interest due and payable towards suppliers registered under the MSMED Act, for payments already made; | 1 | 1 |
| g) | Further interest remaining due and payable for earlier years; | - | - |
| | Total due to micro enterprises and small enterprises | 34 | 22 |

Note: The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at the year end has been made in the standalone financial statements based on information received and available with the Company. There was no MSME for which the amount was overdue for more than 45 days.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Ageing Schedule as on June 30, 2022

| | Particulars | Outstanding for following periods from due date of payment | | | | |
|---|---|---|---|---|---|---|
| | | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | Total |
| (i) | Undisputed Trade Payables - MSME | 33 | 1 | - | - | 34 |
| (ii) | Undisputed Trade Payables - Related Parties | 515 | - | - | - | 515 |
| (iii) | Undisputed Trade Payables - Others | 474 | 1 | 1 | - | 476 |
| (iv) | Disputed Trade Payables - MSME | - | - | - | - | - |
| (v) | Disputed Trade Payables - Others | - | - | - | - | - |
| Total | | | | | | 1025 |

Ageing Schedule as on June 30, 2021

| | Particulars | Outstanding for following periods from due date of payment | | | | |
|---|---|---|---|---|---|---|
| | | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | Total |
| (i) | Undisputed Trade Payables - MSME | 21 | 1 | - | - | 22 |
| (ii) | Undisputed Trade Payables - Related Parties | 468 | - | - | - | 468 |
| (iii) | Undisputed Trade Payables - Others | 532 | 1 | - | - | 533 |
| (iv) | Disputed Trade Payables - MSME | - | - | - | - | - |
| (v) | Disputed Trade Payables - Others | - | - | - | - | - |
| Total | | | | | | 1023 |

15B Other financial liabilities

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Non-Current | Current | Non-Current | Current |
| Deposit from customers (June 30, 2022: ₹ 335,000) | 0 | - | 1 | - |
| Capital creditors | - | 19 | - | 31 |
| Unpaid dividends | - | 2 | - | 1 |
| Employee benefits payable | - | 195 | - | 309 |
| Other current liability | - | 4 | - | 4 |
| **Total financial liabilities** | 0 | 220 | 1 | 345 |

16 Provisions

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Non-Current | Current | Non-Current | Current |
| Provisions for employee benefit | | | | |
| Gratuity (refer note d) | 67 | 9 | 26 | 3 |
| Compensated absences (refer note e) | - | 140 | - | 128 |
| Long service award | 4 | 1 | 5 | 2 |
| Other provisions | | | | |
| Product support (refer note a and c) | 5 | 49 | 3 | 41 |
| Disputed taxes and duties (refer note b and c) | - | 10 | - | 20 |
| **Total provision** | 76 | 209 | 34 | 193 |

a) Product support

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year for Hard Metal Tooling segment and 15 months in Machining Solutions Group segment. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

b) Disputed taxes and duties:

Provision for disputed taxes and duties is towards CST, VAT and excise duty that are expected to materialise.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

c) Movement in provisions:

| Particulars | Gratuity | Compensated absences | Long service award | Total |
|---|---|---|---|---|
| Balance as at July 1, 2020 | 30 | 22 | 6 | 58 |
| Addition* | 16 | 24 | - | 40 |
| Utilisation/Reversal* | (17) | 82 | 1 | 66 |
| Balance as at June 30, 2021 | 29 | 128 | 7 | 164 |
| Addition* | 56 | 27 | 1 | 85 |
| Utilisation/Reversal* | (9) | (15) | (3) | (26) |
| Balance as at June 30, 2022 | 76 | 140 | 5 | 223 |

| Particulars | Product support | | Disputed taxes & duties | Total | |
|---|---|---|---|---|---|
| | Non-Current | Current | Current | Non-Current | Current |
| Balance as at July 1, 2020 | 4 | 30 | 22 | 4 | 52 |
| Addition* | - | 36 | - | - | 36 |
| Utilisation/Reversal* | (1) | (25) | (3) | (1) | (28) |
| Balance as at June 30, 2021 | 3 | 41 | 20 | 3 | 60 |
| Addition* | 3 | 30 | - | 3 | 30 |
| Utilisation/Reversal* | (1) | (22) | (10) | (1) | (32) |
| Balance as at June 30, 2022 | 5 | 49 | 10 | 5 | 58 |

*Included under various heads in the Statement of Profit and Loss

d) Defined benefit obligation (Gratuity - Funded)

The Company operates a gratuity plan through the "KENNAMETAL INDIA LIMITED EMPLOYEES' GRATUITY TRUST". Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at time of separation from the Company or retirement, whichever is earlier. The benefits vest after 5 years of continuous service. The Board of trustees is responsible for the administration of the Plan assets and investment strategy.

i) Change in defined benefit obligation

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Defined benefit obligation at beginning of the year | 273 | 271 |
| a. Current service cost | 17 | 16 |
| b. Past service cost | 45 | (1) |
| c. Interest expenses | 18 | 15 |
| d. Benefits payments from employer | (23) | (41) |
| Add/(Less) Remeasurement (gain)/loss | | |
| Acquisition / Divestiture | - | 9 |
| a. Due to change in demographic assumptions | (2) | - |
| b. Due to change in financial assumptions (June 30, 2021: ₹ 390,594) | (17) | - |
| c. Due to experience adjustments | 27 | 4 |
| Defined benefit obligation at end of year | 338 | 273 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(ii) Changes in plan assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| **Fair value of plan assets at beginning of the year** | **244** | **218** |
| Adjustment in opening fair value of assets | - | 8 |
| a. Interest income on plan assets | 16 | 12 |
| b. Employer contribution | 33 | 33 |
| c. Benefit payments from employer | (23) | (41) |
| Remeasurements: | | |
| Acquisition / Divestiture | - | 8 |
| a. Returns on assets (excluding interest income) | (8) | 6 |
| **Fair value of plan assets at end of year** | **262** | **244** |

(iii) Assets and liabilities recognised in the Balance Sheet:

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Present value of defined benefit obligations | 338 | 273 |
| (Less): Fair value of plan assets | (262) | (244) |
| **Deficit** | **76** | **29** |

(iv) Expense recognised in the Standalone Statement of Profit and Loss

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| **Remeasurement of other long term benefits** | | |
| a. Current service cost | 17 | 16 |
| b. Past service cost | 45 | (1) |
| **Total Service cost** | **62** | **15** |
| Net interest cost | | |
| a. Interest expenses on defined benefit obligation | 18 | 15 |
| b. Interest income on plan assets | (16) | (12) |
| **Total net interest cost** | **2** | **3** |
| **A. Defined benefit cost included in Standalone Statement of Profit and Loss (refer note below)** | **64** | **18** |
| | | |
| **Remeasurement (recognised in Other comprehensive income (OCI))** | | |
| a. Due to change in demographic assumptions | (2) | - |
| b. Due to change in financial assumptions | (9) | (6) |
| c. Due to experience adjustments | 27 | 4 |
| **B. Total remeasurement in OCI** | **16** | **(2)** |
| **Total defined benefit cost recognised in Standalone Statement of Profit and Loss** | **80** | **16** |

Note: In the previous year ended June 30, 2021, the Company recorded an expense of ₹ 24 million on a best estimate by management towards gratuity expenses (included as part of Salaries wages and bonus, refer note 23) pertaining to the wage settlement of workmen, which was over and above the amount as per actuarial valuation. Accordingly, the expense recognised in the Statement of Profit and Loss for the year ended June 30, 2022 is lower by ₹ 24 million.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(v) Major category of plan asset as % of total plan assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Government Bonds | 0.00% | 0.00% |
| PSU | 0.00% | 0.00% |
| Mutual Funds | 0.00% | 0.00% |
| Deposits with Banks and FIs | 0.00% | 0.00% |
| Others : Funds managed by insurer | 100.00% | 100.00% |

(vi) Significant actuarial assumptions

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Discount rate per annum | 7.69% | 6.81% |
| Expected return on plan assets | 6.25% | 6.25% |
| Expected salary increase per annum | | |
| Officers (2022: Year 1- 9%, therafter 5%) | 9.00% and 5.00% | 5.00% |
| Workmen (2022: Year 1- 3%, therafter 5%) | 3.00% and 5.00% | 5.00% |
| | 100% of IALM | 100% of IALM |
| Mortality rate per annum | 2012-14 | 2012-14 |
| Withdrawal (rate of employee turnover) | | |
| Officers | 9.00% | 4.50% |
| Workmen | 0.00% | 4.50% |
| Retirement age | 60 | 60 |

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

(vii) Sensitivity analysis

Gratuity

Gratuity is a lumpsum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The actuarial assumptions to which the benefit obligations results are particularly sensitive to are discount rate, salary escalation rate, attrition rate and mortality rate. The following table summarises impact on the reported defined benefit obligation arising on account of an increase or decrease in the reported assumptions.

| | | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|---|
| Particulars | Change in assumption | Increase/ (decrease) | Increase/ (decrease) | Increase/ (decrease) | Increase/ (decrease) |
| Discount rate | +1% / -1% | (17) | 19 | (15) | 17 |
| Salary rate | +1% / -1% | (18) | 20 | 17 | (16) |
| Attrition rate | +50% / -50% | 3 | (5) | 4 | (4) |
| Mortality rate | +10% / -10% | 0 | (0) | (0) | (0) |

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation assuming there are no other changes in market cond

(viii) The weighted average duration of the defined benefit obligation is 6 years (June 30, 2021: 6 years). The expected maturity analysis of undiscounted gratuity is as below:

| Particulars | 1 year | 2-5 year | 6-10 year | More than 10 years | Total |
|---|---|---|---|---|---|
| Gratuity | | | | | |
| June 30, 2022 | 40 | 180 | 169 | 183 | 572 |
| June 30, 2021 | 23 | 141 | 132 | 144 | 440 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(ix) Risk exposure

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary overtime. Thus, the Company is exposed to various risks in providing the above benefit which are as follows:

(a) Interest rate risk

The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability as shown in Standalone Financial Statements.

(b) Salary escalation risk

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of employees in future. Deviation in the rate of interest in future for employees from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

(c) Demographic risk

The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

(d) Liquidity risk

The Company does not perceive any liquidity risk as the Company has investments in Government Securities and Corporate Bonds offers the best returns over the long term, within an acceptable level of risk.

e) Compensated absences

The leave obligation cover the Company's liability for sick and earned leave. The amount of the provision of 140 million (June 30, 2021: 128 million) is presented as current, since the Company doesn't have an unconditional right to defer settlement for any of these obligations.

17 Other current liabilities

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Advances from customers | 255 | 251 |
| Statutory dues | 30 | 38 |
| Contract liabilities (refer note 2.3) | 20 | 27 |
| Total current liabilities | 305 | 316 |

17A Defined benefits plan (Provident Fund - Trust set by employer)

Provident fund for certain eligible employees is managed by the Company through the "KENNAMETAL INDIA LIMITED EMPLOYEES' PROVIDENT FUND TRUST" in line with the Provident Fund and Miscellaneous Provisions Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and the employee together with the interest accumulated there on are payable to the employees at the time of their separation from the Company or retirement, whichever is earlier. The benefits vests immediately on rendering of the services by the employee. The Company currently does not have any unfunded plans. The Board of trustees is responsible for the administration of the Plan assets and investment strategy.

i) Changes in present value of defined benefits plan

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Defined benefit obligation at beginning of the year | 1289 | 1129 |
| Add: Current service cost | 53 | 35 |
| Add: Interest expenses | 110 | 97 |
| a. Benefit payments from employer | (131) | (108) |
| b. Other (employee contribution, taxes, expenses): | 136 | 110 |
| | | |
| Add/(Less): Remeasurement loss/ (gain) | | |
| a. Due to financial assumptions | (31) | - |
| b. Due to experience adjustments | 70 | 26 |
| Defined benefit obligation at end of year | 1496 | 1289 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

ii) Changes in plan assets

| Particulars | | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|---|
| **Fair value of plan assets at end of prior year** | | **399** | **1261** |
| a. | Investment income | 121 | 109 |
| b. | Employer contribution | 53 | 35 |
| c. | Benefit payments from employer | (131) | (107) |
| d. | Other (employee contribution, taxes, expenses) | 136 | 110 |
| e. | Returns on assets (excluding interest income) | (71) | (9) |
| **Fair value of plan assets at end of year** | | **1507** | **1399** |

iii) Assets and liabilities:

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Present value of defined benefit obligations | 1496 | 1289 |
| Fair value of plan assets | (1507) | (1399) |
| **Total** | **(11)** | **(110)** |

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Non-current provision | 1361 | 1173 |
| Current provision | 134 | 116 |
| **Total** | **1496** | **1289** |

Note:

The Provident fund expenses other than contribution is not recognised in Standalone Statement of Profit and Loss as the fair value of plan assets exceeds the present value of obligation. Accordingly, the excess of plan assets over present value of obligation has not been recorded in Standalone Financial Statements.

Provident fund expenses excluding contribution towards national pension scheme recognised in the books for the year ended June 30, 2022 amount to ₹ 67 million (June 30, 2021: ₹ 47 million).

iv) Major Categories of plan assets as percentage of total plan assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Government Bonds | 53.97% | 60.44% |
| Public sector understanding | 36.52% | 33.51% |
| Others: Funds managed by insurer | 9.05% | 6.05% |

v) Significant Actuarial Assumptions

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Discount rate per annum | 7.69% | 6.81% |
| Expected return on plan assets | 7.80% | 7.75% |
| Expected salary increase per annum | | |
| Officers (2022: Year 1- 9%, therafter 5%) | 9.00% and 5.00% | 5.00% |
| Workmen (2022: Year 1- 3%, therafter 5%) | 3.00% and 5.00% | 5.00% |
| Mortality rate per annum | 100% of IALM | 100% of IALM |
| | 2012-14 | 2012-14 |
| Withdrawal (rate of employee turnover) | | |
| Officers | 9.00% | 4.50% |
| Workmen | 0.00% | 4.50% |
| Retirement age | 60 | 60 |
| Interest rate guarantee | 8.10% | 8.50% |

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

vi) Sensitivity analysis

| Particulars | Change in assumption | As at June 30, 2022 Increase/ (decrease) | As at June 30, 2022 Increase/ (decrease) | As at June 30, 2021 Increase/ (decrease) | As at June 30, 2021 Increase/ (decrease) |
|---|---|---|---|---|---|
| Discount rate | +1%/-1% | (43) | 88 | (24) | 61 |
| Interest guarantee rate | +1%/-1% | 81 | (43) | 57 | (24) |

18 Revenue from operations

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Sale of products | | |
| Finished goods | 6264 | 5093 |
| Traded goods | 3472 | 2913 |
| Sale of services | 138 | 85 |
| Other operating income | | |
| Sale of scrap | 6 | 5 |
| Export incentives | 22 | 9 |
| Commission on order based sales | 5 | 9 |
| Total revenue from operations | 9907 | 8114 |

A) Disaggregation of revenue

a) Revenue based on Geography

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Domestic | 7598 | 6259 |
| Export | 2309 | 1855 |
| Total revenue from operations | 9907 | 8114 |
| | | |
| b) Revenue based on Business Segment | | |
| Hard Metal Products | 8442 | 7010 |
| Machining Solutions | 1465 | 1104 |
| Total revenue from operations | 9907 | 8114 |

B) Reconciliation of revenue from operations

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Contract Price | 10042 | 8244 |
| Less: | | |
| Other liabilities | (7) | (7) |
| Customer loyalty programme | (109) | (118) |
| Others | (19) | (5) |
| Total revenue from operations | 9907 | 8114 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

C) Assets and liabilities related to contracts with customers

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Contract liabilities | | |
| Current | | |
| Advances from customers | 255 | 251 |
| Other liabilities | 20 | 27 |
| Non-current | | |
| Deposits from customers (June 30, 2022: ₹ 335,000) | 0 | 1 |
| Contract assets | | |
| Current | | |
| Trade receivables | 1368 | 1131 |

D) Reconciliation of contract liabilitlies

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Opening balance | 278 | 253 |
| Less: Amount utilised during the year | (221) | (106) |
| Add: Amount recognised during the year | 218 | 131 |
| **Closing Balance** | **275** | **278** |

E) Revenue recognised during the year from the performance obligation satisfied upto previous year amounts to ₹ 221 million (June 30, 2021: ₹ 106 million)

19 Other income

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Interest income on bank deposits | 12 | 2 |
| Interest income on loan to subsidiary | - | 5 |
| Other non-operating income | | |
| Gain on sale of investments | 14 | 12 |
| Provision no longer required written back | 24 | - |
| Net foreign exchange gains | - | 1 |
| Net gain on sale of property, plant and equipment (June 30, 2022: ₹ 223,559) | - | 2 |
| Lease rentals (refer note 36) | 23 | 19 |
| Support service charges from related party (refer note 36) | 13 | 39 |
| Refund of income tax | - | 1 |
| Miscellaneous income | 4 | 4 |
| **Total other income** | **90** | **85** |

20 Cost of materials consumed

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Consumption of raw materials and components | | |
| Opening inventory | 448 | 427 |
| Add: Purchases during the year | 3097 | 2217 |
| Less: Closing inventory | (606) | (448) |
| **Total cost of materials consumed** | **2939** | **2196** |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

21 Purchases of stock in trade

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Stock-in-trade | 2518 | 2175 |
| Total purchases of stock in trade | 2518 | 2175 |

22 Changes in inventories of finished goods, work in progress and stock in trade

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Opening stock: | | |
| Finished goods | 484 | 498 |
| Work-in-progress (WIP) | 654 | 616 |
| Stock-in-trade | 430 | 408 |
| | 1,568 | 1,522 |
| Closing stock: | | |
| Finished goods | 660 | 484 |
| Work-in-progress (WIP) | 932 | 654 |
| Stock-in-trade | 432 | 430 |
| | 2,024 | 1,568 |
| Total changes in inventories of finished goods, WIP and stock in trade | (456) | (46) |

23 Employee benefit expense

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Salaries, wages and bonus | 1178 | 1030 |
| Contribution to provident and other funds | 70 | 49 |
| Gratuity [refer note 16] | 40 | 18 |
| Share based payment expenses [refer note 31 and note 36] | 29 | 22 |
| Staff welfare expenses | 136 | 96 |
| Total employee benefit expense | 1453 | 1215 |

24 Finance costs

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Interest expense | - | 3 |
| Total finance costs | - | 3 |

25 Depreciation and amortisation expense

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Depreciation on property, plant and equipment [refer note 3A] | 356 | 375 |
| Amortisation on other intangible assets [refer note 5] | 1 | 3 |
| Total depreciation and amortisation expense | 357 | 378 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

26 Other expenses

| | Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|---|
| | Subcontracting charges | 347 | 267 |
| | Consumption of stores and spare parts | 246 | 215 |
| | Forwarding and freight | 226 | 169 |
| | Information technology services (refer note 36) | 128 | 127 |
| | Power and fuel | 140 | 119 |
| | Legal and professional (note a) | 113 | 106 |
| | Repairs and maintenance | 128 | 101 |
| | Travelling and conveyance | 75 | 43 |
| | Provision for product support | 32 | 31 |
| | Royalty (refer note 36) | 24 | 24 |
| | Insurance | 25 | 21 |
| | Business promotion expenses | 26 | 17 |
| | Rates and taxes | 14 | 26 |
| | Expenditure towards Corporate Social Responsibility (CSR) (note b) | 17 | 17 |
| | Commission on sales (liaisoning agent commission) | 14 | 21 |
| | Communication | 8 | 8 |
| | Advertisement and sales promotion | 6 | 1 |
| | Rent | 7 | 7 |
| | Printing and stationery | 7 | 5 |
| | Provision doubtful debts and deposits (net) | 2 | 0 |
| | Net loss on foreign currency transaction and translation | 2 | 0 |
| | Directors commission | 4 | 4 |
| | Directors' sitting fee | 2 | 2 |
| | Miscellaneous expenses | 63 | 43 |
| | Total other expenses | 1656 | 1374 |
| | | | |
| (a) | Payments to Auditors (excluding GST) included under Legal and Professional above: | | |
| | Statutory audit | 2 | 2 |
| | Audit of tax accounts and tax audit | 1 | 1 |
| | Limited reviews | 1 | 1 |
| | Group audit fees [June 30, 2022: ₹ 200,000 (June 30, 2021: ₹ 200,000)] | 0 | 0 |
| | Out of pocket expenses [June 30, 2022: ₹ 200,000 (June 30, 2021: ₹ 300,000)] | 0 | 0 |
| | Total payment to auditors | 4 | 4 |
| | | | |
| b) | Expenditure towards CSR: | | |
| | i. Gross amount required to be spent by the Company during the year | 17 | 17 |
| | ii. Amount spent during the year : | | |
| | Amount spent on construction / acquisition of an asset - | - | |
| | Amount spent on purpose other than above | 15 | 17 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

| | | | |
|---|---|---|---|
| iii. | Nature of CSR Activies | | |
| | Eradicating hunger, poverty and malnutrition | 1 | 1 |
| | Promoting education | 6 | 3 |
| | Promoting gender equality | 2 | 2 |
| | Environmental initiatives | 6 | 4 |
| | Disaster management (June 30, 2022: ₹ 300,000) | 0 | 7 |
| iv. | Related party transactions | - | - |
| v) | Shortfall at the end of the year* | 2 | - |
| vi) | Movements in provision of liability created | - | - |

Details of CSR expenditure under Section 135(5) of the Act in respect of other than ongoing projects

| Balance as at July 01, 2021 | Amount deposited in Specified Fund of Schedule VII of the Act within 6 months | Amount required to be spent during the year | Amount spent during the year | Balance unspent as at June 30, 2022 |
|---|---|---|---|---|
| - | - | 17 | 15 | 2 |

* The Company has spent the shortfall by way of a deposit to a specified fund of Schedule VII on August 11, 2022, i.e., within 6 months from the expiry of the financial year.

### 27 Exceptional items debited to the Standalone Statement of Profit and Loss

| | Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|---|
| (i) | The Company also has a severance / separation scheme for certain employees and the aggregate compensation paid in accordance with the said scheme has been fully charged to the Standalone Statement of Profit and Loss. | - | 10 |
| | **Total exceptional items** | **-** | **10** |

### 28 Tax expense

| (a) | Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|---|
| | Income tax expense | | |
| | Current tax | 405 | 232 |
| | **Total current tax expense** | **405** | **232** |
| | Deferred tax (credit): | | |
| | Deferred tax on account of origination and reversal of timing differences | (11) | (4) |
| | Tax Adjustments relating to earlier years | (9) | - |
| | **Total deferred tax (credit)** | **(20)** | **(4)** |
| | **Income tax expense** | **385** | **228** |
| | **Deferred tax related to items recognised in OCI** | | |
| | Income tax relating to re-measurement gains on defined benefit plans | 4 | 1 |
| | **Income tax expense reported in OCI** | **4** | **1** |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate :

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Profit for the year before tax expense | 1530 | 894 |
| Tax at the Indian tax rate of 25.17% | 385 | 225 |
| Expenses that are not deductible in determining taxable profit | 5 | 4 |
| Tax effect of amounts which are not taxable in calculating taxable income (June 30, 2022: ₹ 117,000) | (0) | (2) |
| Others | (5) | 1 |
| Tax expense | 385 | 228 |

29 Capital and other commitments

Capital expenditure contracted for at the end of year of the reporting period but not recognised as liabilities is as follows :

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Property, plant and equipment | 437 | 15 |

30 Contingent liabilities

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Income tax matters [note (a)]* | 305 | 265 |
| Sales tax matters under dispute | - | 3 |

a) Primarily relates to transfer pricing adjustments/ disallowances relating to IT cross charge, research and development expenditure and additions made on account of manufacturing margins by the Income Tax Department for the tax assessment years 2007-08 to 2011-12, 2014-15, 2017-18 and 2018-19 which is disputed by the Company and the said matters are lying under appeal with the Income Tax Appellate Tribunal, Bengaluru/ the Commissioner of Income Tax (Appeals) LTU, Bengaluru/The Dispute Resolution Panel, Bengaluru, respectively. For the matters concerning the transfer pricing cross charge, the Company has made paid the amounts contested and the same is recorded as an income tax related asset. Further in other years, there has been no payments made, however there are refund claims withheld which cover for the tax amounts being litigated and as such there may not be any additional cash outflow warranted.

The Company is contesting the above mentioned demands and the management believes that its position will likely be upheld in the appellate process. Further, considering the facts and the nature of the disallowances, the management believes that the final outcome of the disputes should be in favour of the Company and will not have any material adverse effect on the financial position and results of operations.

b) The Honourable Supreme Court, has passed a decision on February 28, 2019 in relation to inclusion of certain allowances within the scope of "Basic wages" for the purpose of determining contribution to provident fund under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. The management, based on legal advice, is of the view that the applicability of the judgement to the Company, with respect to the period and the nature of allowances to be covered due to interpretation challenges, and resultant impact on the past provident fund liability, cannot be reasonably ascertained.

31 Shared based payment

This pertains to the Restricted Stock Units (RSUs) which are granted to certain senior management employees of the Company under the long-term incentive plan in relation to the share based compensation plan of Kennametal Inc. USA, the ultimate holding Company.

Restricted stock units (RSUs)

RSUs are stock awards granted to employees that entitle the holder to shares of common stock as the award vests, over 2 or 3 years depending on the scheme and year of grant. The options granted under the plan have a graded vesting over a period of two or three years, which are immediately exercised on the vesting date. All the options granted under the plan are equity settled.

The fair value of time vesting stock units is determined and fixed on the grant date based on the Kennametal Inc.'s stock price adjusted for the exclusion of dividend equivalents.

The Company recognises stock-based compensation expense for restricted stock units over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service (substantive vesting period).

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Details of number and weighted average exercise price of share options: (amount in US$)

| Particulars | As at June 30, 2022 Weighted Average fair value per award | As at June 30, 2022 Number of Awards in units | As at June 30, 2021 Weighted Average fair value per award | As at June 30, 2021 Number of Awards in units |
|---|---|---|---|---|
| Options outstanding at the beginning of the year | 31.57 | 9136 | 29.45 | 3374 |
| Transferred in/(out) during the year | - | - | 29.45 | 548 |
| Granted during the year | 36.79 | 10069 | 32.15 | 14331 |
| Exercised during the year | 38.25 | (11424) | 31.56 | (9116) |
| **Outstanding at the end of the year** | **28.52** | **7781** | **31.57** | **9136** |
| Excercisable as at the end of the year | | 19205 | | 17705 |
| Note 1: No RSUs have expired during the period covered in the above table | | | | |
| Note 2: The weighted average remaining contractual life of RSUs outstanding at the end of the year is 1.47 years (June 30, 2021: 1.26 years) | | | | |

Expenses arising from share based payments transactions

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Shares issued under RSU | 29 | 22 |
| **Total** | **29** | **22** |

32 Earnings per equity share

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Profit attributable to equity shareholders (₹ ) | 1145 | 666 |
| Weighted average number of equity shares outstanding during the year | 21,978,240 | 21,978,240 |
| Nominal value of equity share (₹ ) | 10 | 10 |
| Basic and diluted earnings per share (₹ ) | 52.11 | 30.29 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

33 Fair value measurements

i) Financial instruments by category

The carrying value and fair value of financial instruments by categories as at June 30, 2022 are as follows:

| Particulars | Amortised Cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTCOI | Carrying Value | Fair Value |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Trade receivables [refer note 7(a)] | 1368 | - | - | 1368 | 1368 |
| Cash and cash equivalents [refer note 7(b)] | 499 | - | - | 499 | 499 |
| Bank balances other than cash and cash equivalents [refer note 7(c)] | 10 | - | - | 10 | 10 |
| Other financial assets [refer note 7(d)] | 59 | - | - | 59 | 59 |
| **Total** | **1936** | - | - | **1936** | **1936** |
| Liabilities: | | | | | |
| Other financial liabilities [refer note 15B] | 221 | - | - | 221 | 221 |
| Trade payables [refer note 15A] | 1025 | - | - | 1025 | 1025 |
| **Total** | **1245** | - | - | **1245** | **1245** |

The carrying value and fair value of financial instruments by categories as at June 30, 2021 are as follows:

| Particulars | Amortised Cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTCOI | Carrying Value | Fair Value |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Trade receivables [refer note 7(a)] | 1131 | - | - | 1131 | 1131 |
| Cash and cash equivalents [refer note 7(b)] | 1145 | - | - | 1145 | 1145 |
| Bank balances other than cash and cash equivalents [refer note 7(c)] | 4 | - | - | 4 | 4 |
| Other financial assets [refer note 7(d)] | 55 | - | - | 55 | 55 |
| **Total** | **2335** | - | - | **2335** | **2335** |
| Liabilities: | | | | | |
| Other financial liabilities [refer note 15B] | 346 | - | - | 346 | 346 |
| Trade payables [refer note 15A] | 1023 | - | - | 1023 | 1023 |
| **Total** | **1369** | - | - | **1369** | **1369** |

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments. The carrying amounts of trade receivables, cash and cash equivalents, bank deposits with more than 12 months maturity, trade payables, items falling under other financial assets and financial liabilities are considered to be the same as their fair values.

The fair value of investment in loans and security deposits are determined based on discounted cash flows calculated using deposit rates for similar terms and credit risk at the inception. There are no significant changes in fair value of such assets during the year.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

ii) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There are no transfers between the levels during the year.

iii) Valuation process:

The finance department of the Company includes people capable of performing valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. The significant level 3 inputs for determining the fair values of security deposits and loan to employees are discount rates using a long term bank deposit rate to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

34 Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's risk management is carried out by the Management under the policies approved of the Board of Directors that help in identification, measurement, mitigation and reporting all risks associated with the activities of the Company. These risks are identified on a continuous basis and assessed for the impact on the financial performance. Information on risks and the response strategy is escalated in a timely manner to facilitate timely decision making. Risk response strategy is formulated for key risks by Management.

The below note explains the sources of risk which the Company is exposed to and how the Company manages the risk in the Standalone Financial Statements:

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Credit risk | Cash and cash equivalents, other bank balances, trade receivables, financial assets measured at amortised cost | Ageing analysis, credit ratings | Diversification of bank deposits, credit limits |
| Liquidity risk | Other liabilities | Rolling cash flow forecasts | Availability of surplus cash and time deposits |
| Market risk - foreign exchange | Future commercial transactions, recognised financial assets and liabilities not denominated in Indian rupee (Rupees) | Cash flow forecasting, sensitivity analysis | Natural hedge exist between export receivable and import payables |

A Credit Risk

Credit risk arises from cash and cash equivalents, security deposits carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

Credit risk refers to the risk of default on its obligation by the counter party resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 1368 as of June 30, 2022 [June 30, 2021: ₹ 1131].

| Assets under credit risk | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Trade receivables | 1368 | 1131 |
| Other financial assets | 36 | 37 |
| **Total** | **1404** | **1168** |

Credit risk on cash and cash equivalents is limited as the Company generally invest in deposits with banks with high credit ratings as signed by international and domestic credit rating agencies.

Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in India, Germany and US. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, Financial Instruments,

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

the Company uses expected credit loss model to assess the impairment loss or gain. The provision for expected credit loss takes into account available external and internal credit risk factors including the credit ratings of the various customers and Company's historical experience for customers. The Company applies the simplified approach to provide for expected credit losses prescribed by Ind AS 109, which permits the use of lifetime expected loss provision for all the trade receivables. The Company measures the expected credit loss of trade receivables based on historical trend, industry.

Expected credit loss for trade receivables

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Opening provision for loss allowance | 6 | 14 |
| Additional provision | 1 | - |
| Utilisation/ reversal | - | (8) |
| Closing provision | 7 | 6 |

Financial assets that are past due but not impaired

"There is no other class of financial assets that is past due but not impaired except for receivables of ₹ 7 million and ₹ 6 million as at June 30, 2022 and June 30, 2021 respectively. The Company's credit period generally ranges from 60-180 days from invoicing date. The ageing analysis of the receivables has been considered from the date the invoice falls due.

No expected credit loss provision has been created for Loans i.e. security deposits on leased premises and advances given to employees, since the Company considers the life time credit risk of these financial assets to be very low. "

34 Financial risk management (cont'd)

B Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, Company's treasury maintains flexibility in funding by maintaining availability of required funds.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows.

Maturities of financial Liabilities

"The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant."

Contractual maturities of financial liabilities

| Particulars | Less than 1 year | 1 - 2 years | More than 2 years | Total |
|---|---|---|---|---|
| As at June 30, 2022 | | | | |
| Other financial liabilities | 220 | - | - | 220 |
| Trade payables | 1025 | - | - | 1025 |
| Total | 1245 | - | - | 1245 |
| | | | | |
| As at June 30, 2021 | | | | |
| Other financial liabilities | 345 | 1 | - | 346 |
| Trade payables | 1023 | - | - | 1023 |
| Total | 1368 | 1 | - | 1369 |

C. Market Risk

(i) Foreign currency risk

The Company is exposed to foreign currency exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the companies functional currency (Rupees).

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

The risk is measured through a forecast of highly probable foreign currency on cash flows. To mitigate the risk of changes in exchange rates on foreign currency exposures, the company has natural hedge between export receivable and import payables.

The Company exposure to foreign currency risk at the end of the reporting period expressed in ₹ as follows:

| Particulars | Amounts in foreign currency | | Amounts in ₹ | |
|---|---|---|---|---|
| | As at | As at | As at | As at |
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Trade receivables | | | | |
| USD | 1891742 | 1420669 | 149 | 106 |
| EUR | 952424 | 731133 | 78 | 65 |
| GBP | - | 36000 | - | 4 |
| BRL | 1383 | 54721 | 0 | 1 |
| JPY | 299457 | 763801 | 0 | 1 |
| KRW | 9309552 | 13674094 | 1 | 1 |
| Net exposure to foreign currency risk (assets) | | | 228 | 178 |
| | | | | |
| Trade Payables | | | | |
| USD | (708422) | (630038) | (56) | (47) |
| EUR | (251178) | (710534) | (21) | (63) |
| CHF | (5507) | (57645) | (0) | (5) |
| GBP | (5726) | (24340) | (1) | (3) |
| JPY | (4072400) | (5128119) | (2) | (3) |
| Total financial liabilities | | | (80) | (121) |
| Net foreign exchange exposure | | | 148 | 57 |

* Conversion rate ₹ 78.99/USD, ₹ 82.12/EUR, ₹ 95.73/GBP, ₹ 15.05/BRL, ₹ 0.58/JPY, ₹ 82.44/CHF and ₹ 0.06/KRW (30 June 2021 ₹ 74.35/USD, ₹ 88.31/EUR, ₹ 102.89/GBP, ₹ 14.93/BRL, ₹ 0.67/JPY, ₹ 80.44/CHF, and ₹ 0.07/KRW).

34 Financial risk management (cont'd)

C. Market Risk (Cont'd)

Sensitivity

A reasonably possible strengthening (weakening) of the rupee, foreign currency against all other currencies at June 30, would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amount shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases.

| | Impact on profit before tax | | | |
|---|---|---|---|---|
| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
| | 1% Increase | 1% Decrease | 1% Increase | 1% Decrease |
| USD | 0.93 | (0.93) | 0.59 | (0.59) |
| EUR | 0.58 | (0.58) | 0.02 | (0.02) |
| BRL | 0.00 | (0.00) | 0.01 | (0.01) |
| CHF | (0.00) | 0.00 | (0.05) | 0.05 |
| GBP | (0.01) | 0.01 | 0.01 | (0.01) |
| JPY | (0.02) | 0.02 | (0.03) | 0.03 |
| KRW | 0.01 | (0.01) | 0.01 | (0.01) |
| Increase/(decrease) in profit or loss | 1.49 | (1.49) | 0.56 | (0.56) |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest ate risk, treasury performs a comprehensive corporate interest rate risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

Exposure to interest rate risk related to borrowings with floating rate of interest

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Borrowings bearing floating rate of interest | - | - |

Interest rate sensitivity

A change of 50 bps in interest rate would have following impact on profit before tax

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| 50bp increase - decrease in profits* | - | - |
| 50bp decrease - increase in profits* | - | - |

*Sensitivity is calculated based on the assumption that amount outstanding as at reporting dates were utilised for the whole financial year.

35 Capital Management

Risk management

The Company's objectives when managing capital is to:

i) safeguard their ability to continue as going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and;

ii) maintain an optimal capital structure to reduce the cost of capital.

The Management regularly monitors rolling forecasts of liquidity position and cash on the basis of expected cash flows. In addition, the Company projects cash flows in major currencies and considers the level of liquid assets necessary to meet them.

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Trade payables | 1025 | 1023 |
| Less: Cash and short-term deposits | (1025) | (1023) |
| **Net debt** | - | - |
| Equity | 220 | 220 |
| Other Equity | 6124 | 5514 |
| **Capital and net debt** | **6344** | **5734** |
| Gearing ratio | 0% | 0% |
| Also refer note 38 for information on ratio analysis. | | |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

36 Related party disclosures

A) Names of related parties and description of relationship:

a) Parties where control exists:

| | | |
|---|---|---|
| (i) | Ultimate Holding Company | Kennametal Inc, USA |
| (ii) | Immediate Holding Company | Meturit A.G. Zug, Switzerland |
| (iii) | Enterprises holding, directly or indirectly, substantial interest in Meturit A.G. Zug | Widia GmbH, Germany |
| | | Kennametal Holding GmbH, Germany |
| | | Kennametal Europe GmbH, Switzerland |
| | | Kennametal Luxembourg Holding S.A.R.L |
| | | Kennametal Holdings , LLC, Luxembourg S.C.S |
| | | Kennametal Holdings Europe Inc, USA |
| (iv) | Wholly Owned Subsidiary | Widia India Tooling Pvt. Ltd. |

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

| | |
|---|---|
| Fellow Subsidiaries | Kennametal Australia Pty Ltd, Australia |
| | Kennametal Korea Ltd, Korea |
| | Kennametal Japan Ltd, Japan |
| | Kennametal Do Brasil LTDA, Brazil |
| | Kennametal Hard Point (Shanghai) Ltd, China |
| | Kennametal Distribution Services Asia PTE Ltd, Singapore |
| | Kennametal Shared Services Pvt Ltd, India |
| | Kennametal (China) Co Ltd, China |
| | Hanita Metal Works Ltd. (P), Israel |
| | Kennametal Asia China Management Company, Shanghai |
| | Kennametal Stellite L.P, USA |
| | Kennametal Stellite Inc, USA |
| | Kennametal Stellite Shanghai Co, Shanghai |
| | Kennametal (Thailand) Co Ltd, Thailand |
| | Kennametal (Malaysia) Sdn Bhd, Malaysia |
| | PT. Kennametal Indonesia Services, Indonesia* |
| | Kennametal (Xuzhou) Co Ltd, China |
| | Kennametal Produktions GmbH & Co. KG, Germany |
| | Widia Shinki Vietnam Llc |
| | Kennametal UK Ltd, United Kingdom |
| | Kennametal Produkcja Sp. Z O.O, Poland |
| | Kennametal (Singapore) PTE Ltd, Singapore* |

c) Key Management Personnel

| | |
|---|---|
| Key Management Personnel | Vijaykrishnan Venkatesan – Managing Director |
| | Suresh Reddy K V - Chief Financial Officer |
| | Naveen Chandra Prakash - Company Secretary |
| | B. Anjani Kumar - Non-Executive - Independent Director-Chairman |
| | Vinayak Deshpande - Non-Executive - Independent Director |
| | Bhavna Bindra - Non-Executive - Independent Director |

* No transactions during the year

Notes:

i) The above information has been determined to the extent such parties have been identified on the basis of information available with the Company.

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

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

36. Related party disclosures (cont'd)

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

| Particulars | Parties where control exist [B(a)] | | Fellow subsidiaries [B(b)] | | Subsidiary [B(c)] | | Key management personnel [B(d)] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenue | 1456 | 1169 | 266 | 334 | - | 469 | - | - | 1722 | 1972 |
| Kennametal Inc, USA | 667 | 486 | - | - | - | - | - | - | 667 | 486 |
| Kennametal Europe GmbH, Switzerland | 789 | 683 | - | - | - | - | - | - | 789 | 683 |
| Widia India Tooling Pvt. Ltd | - | - | - | - | - | 469 | - | - | - | 469 |
| Kennametal HardPoint (Shanghai) Ltd, China | - | - | 148 | 213 | - | - | - | - | 148 | 213 |
| Kennametal Distribution Services Asia Pte. Ltd, Singapore | - | - | 82 | 57 | - | - | - | - | 82 | 57 |
| Others | - | - | 36 | 64 | - | - | - | - | 36 | 64 |
| Other income | - | - | 28 | 31 | - | 5 | - | - | 28 | 36 |
| Kennametal Shared Services Private Ltd, India | - | - | 23 | 22 | - | - | - | - | 23 | 22 |
| Kennametal Stellite L.P. USA | - | - | 5 | 9 | - | - | - | - | 5 | 9 |
| Widia India Tooling Pvt. Ltd, (Interest Income on Loan Given) | - | - | - | - | - | 5 | - | - | - | 5 |
| Reimbursement of expenses (income) | 26 | 14 | 18 | 18 | - | 74 | - | - | 44 | 106 |
| Kennametal Inc,USA | 26 | 14 | - | - | - | - | - | - | 26 | 14 |
| Widia India Tooling Pvt. Ltd | - | - | - | - | | 74 | - | - | - | 74 |
| Kennametal Shared Services Private Ltd, India | - | - | 3 | 2 | - | - | - | - | 3 | 2 |
| Kennametal Distribution Services Asia Pte. Ltd, Singapore | - | - | 15 | 15 | - | - | - | - | 15 | 15 |
| Others | - | - | - | 1 | - | - | - | - | - | 1 |
| Loans and advances recovered during the year | - | - | - | - | - | 100 | - | - | - | 100 |
| Widia India Tooling Pvt. Ltd | - | - | - | - | - | 100 | - | - | - | 100 |
| Loans repaid during the year | - | - | - | 130 | - | - | - | - | - | 130 |
| Kennametal Shared Services Private Ltd, India | - | - | - | 130 | - | - | - | - | - | 130 |
| Interest on loan taken | - | - | - | 3 | - | - | - | - | - | 3 |
| Kennametal Shared Services Private Ltd, India (Interest on Loan Taken) | - | - | - | 3 | - | - | - | - | - | 3 |
| Interim dividend paid | 396 | 330 | - | - | - | - | - | - | 396 | 330 |
| Metruit A.G. Zug, Switzerland | 269 | 224 | - | - | - | - | - | - | 269 | 224 |
| Kennametal Inc,USA | 127 | 105 | - | - | - | - | - | - | 127 | 105 |
| Managerial remuneration | - | - | - | - | - | - | 48 | 46 | 48 | 46 |
| Bhagya Chandra Rao (MD) (July 1 2020 - Sep 16 2020)* | - | - | - | - | - | - | - | 17 | - | 17 |
| Salary and allowances | - | - | - | - | - | - | - | 8 | - | 8 |
| Performance pay | - | - | - | - | - | - | - | - | - | - |
| Share based payment | - | - | - | - | - | - | - | 9 | - | 9 |
| Vijaykrishnan Venkatesan (MD) ( From Sep 17 2020)* | - | - | - | - | - | - | 26 | 13 | 26 | 13 |
| Salary and allowances | - | - | - | - | - | - | 16 | 13 | 16 | 13 |
| Performance pay | - | - | - | - | - | - | 7 | - | 7 | - |
| Share based payment | - | - | - | - | - | - | 3 | - | 3 | - |
| Suresh Reddy K V (CFO)* | - | - | - | - | - | - | 10 | 6 | 10 | 6 |
| Salary and allowances | - | - | - | - | - | - | 6 | 6 | 6 | 6 |
| Performance pay | - | - | - | - | - | - | 1 | - | 1 | - |
| Share based payment | - | - | - | - | - | - | 2 | 1 | 2 | 1 |
| Naveen Chandra Prakash (Company Secretary)* | - | - | - | - | - | - | 7 | 5 | 7 | 5 |
| Salary and allowances | - | - | - | - | - | - | 5 | 4 | 5 | 4 |
| Performance pay | - | - | - | - | - | - | 1 | - | 1 | - |
| Share based payment (2021: ₹ 317,534) | - | - | - | - | - | - | 1 | 0 | 1 | 0 |

* The remuneration to key management personnel excludes gratuity, compensated absences and long term service award which can not be separately identified from the composite amount advised by the actuary.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

| Particulars | Parties where control exist [B(a)] | | Fellow subsidiaries [B(b)] | | Subsidiary [B(c)] | | Key management personnel [B(d)] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Independent Director Commission** | - | - | - | - | - | - | 4 | 4 | 4 | 4 |
| Anjani Kumar | - | - | - | - | - | - | 2 | 2 | 2 | 2 |
| Vinayak Despande | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Bhavana Bindra | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| **Independent Director Sitting Fees** | - | - | - | - | - | - | 2 | 2 | 2 | 2 |
| Anjani Kumar | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Vinayak Despande | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Bhavana Bindra | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| **Purchases** | 2991 | 2679 | 329 | 212 | 0 | 59 | - | - | 3321 | 2950 |
| Purchase of capital goods | - | 44 | 39 | - | - | 2 | - | - | 39 | 45 |
| Kennametal Inc.,USA | - | 44 | - | - | - | - | - | - | - | 44 |
| Kennametal (Xuzhou) Co.,Ltd. | - | - | 39 | - | - | - | - | - | 39 | - |
| Widia India Tooling Pvt. Ltd | - | - | - | - | - | 2 | - | - | - | 2 |
| **Purchase of goods - other** | 2991 | 2635 | 290 | 212 | 0 | 57 | - | - | 3281 | 2905 |
| Kennametal Inc, USA | 1471 | 1387 | - | - | - | - | - | - | 1471 | 1387 |
| Kennametal Europe GmbH, Switzerland | 1521 | 1248 | - | - | - | - | - | - | 1521 | 1248 |
| Widia India Tooling Pvt. Ltd | - | - | - | - | | 57 | - | - | - | 57 |
| Others | - | - | 290 | 212 | - | - | - | - | 290 | 212 |
| **Services received / Recharge of expenses** | 192 | 190 | 88 | 67 | - | 3 | - | - | 280 | 259 |
| **Information technology services** | 128 | 127 | - | - | - | - | - | - | 128 | 127 |
| Kennametal Inc, USA | 128 | 127 | - | - | - | - | - | - | 128 | 127 |
| **Professional fees (Technical services)** | 10 | 11 | 59 | 47 | - | - | - | - | 69 | 57 |
| Kennametal Inc, USA | 10 | 11 | - | - | - | - | - | - | 10 | 11 |
| Kennametal Shared Services Private Ltd, India (Technical Services) | - | - | 59 | 47 | - | - | - | - | 59 | 47 |
| **Royalty payments** | 11 | 10 | 14 | 14 | - | - | - | - | 24 | 24 |
| Kennametal Inc, USA | 11 | 10 | - | - | - | - | - | - | 11 | 10 |
| Hanita Metal Works Ltd, Israel | - | - | 14 | 14 | - | - | - | - | 14 | 14 |
| **Cross charge of expenses** | 18 | 26 | 16 | 5 | - | 3 | - | - | 34 | 34 |
| Kennametal Inc, USA | 18 | 26 | - | - | - | - | - | - | 18 | 26 |
| Widia India Tooling Pvt. Ltd | | - | - | - | | 3 | - | - | - | 3 |
| Others | - | - | 16 | 5 | - | - | - | - | 16 | 5 |
| **Stock compensation expenses** | 25 | 17 | - | - | - | - | - | - | 25 | 17 |
| Kennametal Inc, USA | 25 | 17 | - | - | - | - | - | - | 25 | 17 |
| **Outstanding receivables - Trade and others** | 156 | 118 | 21 | 28 | - | - | - | - | 177 | 147 |
| **Trade receivables** | 154 | 115 | 20 | 26 | - | - | - | - | 173 | 142 |
| Kennametal Inc, USA | 79 | 55 | - | - | - | - | - | - | 79 | 55 |
| Kennametal Europe GmbH, Switzerland | 75 | 60 | - | - | - | - | - | - | 75 | 60 |
| Others | - | - | 20 | 26 | - | - | - | - | 20 | 26 |
| **Outstanding other receivables** | 2 | 3 | 2 | 2 | - | - | - | - | 4 | 5 |
| Kennametal Inc, USA | 2 | 3 | - | - | - | - | - | - | 2 | 3 |
| Others | - | - | 2 | 2 | - | - | - | - | 2 | 2 |
| **Outstanding payable - Trade** | 468 | 429 | 47 | 39 | - | - | - | - | 515 | 468 |
| Kennametal Inc.,USA | 289 | 259 | - | - | - | - | - | - | 289 | 259 |
| Kennametal Europe GmbH, Switzerland | 180 | 170 | - | - | - | - | - | - | 180 | 170 |
| Others | - | - | 47 | 39 | - | - | - | - | 47 | 39 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

37 Segment Information

A. Description of segments and principal activities

The Company is in the business of manufacturing and trading of hard metal products and manufacturing of machine tools (also known as machining solutions), which are sold in domestic and export markets. The Managing Director of the Company has been identified as the Chief operating decision maker (CODM). Managing Director examines the Company's performance both from product and geographic perspective and has identified two reportable segments in its business:

(i) Machining solutions: Machining solutions segment manufactures and sells customised capital intensive machines. The Company specialises in providing end to end solution i.e. from design to manufacture and after sales service. The sales comprise of machines, fixtures, sale of spares and after sales service.

(ii) Hard metal products: Hard metal products segment deals in metal and metal cutting tools. The sales of this segment comprise of manufactured and traded goods.

B. Segment information:

| | Particulars | Machining Solutions | | Hard Metal Products | | Total | |
|---|---|---|---|---|---|---|---|
| | | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| B.1 | Segment revenue | | | | | | |
| | Segment revenue (external customers) | 1465 | 1104 | 8442 | 7010 | 9907 | 8114 |
| | **Total segment revenue** | **1465** | **1104** | **8442** | **7010** | **9907** | **8114** |
| | | | | | | | |
| B.2 | Segment Result | | | | | | |
| | Segment Result | 205 | 70 | 1585 | 1073 | 1,790 | 1143 |
| | Unallocated Corporate Income | - | - | - | - | 37 | 31 |
| | Unallocated Corporate Expense | - | - | - | - | (309) | (277) |
| | Interest Income | - | - | - | - | 12 | 7 |
| | Exceptional Items | - | - | - | - | - | (10) |
| | Profit before tax | | | | | 1,530 | 894 |
| | Tax expense | - | - | - | - | (385) | (228) |
| | Profit after tax | | | | | 1,145 | 666 |
| | | | | | | | |
| B.3 | Segment Assets | | | | | | |
| | Segment Assets | 1105 | 697 | 6027 | 5406 | 7132 | 6103 |
| | Unallocated Corporate Assets | - | - | - | - | 1047 | 1545 |
| | **Total segment assets** | **1105** | **697** | **6027** | **5406** | **8179** | **7648** |
| | | | | | | | |
| B.4 | Segment Liabilities | | | | | | |
| | Segment liabilities | 565 | 567 | 1188 | 1257 | 1754 | 1824 |
| | Unallocated corporate liabilities | - | - | - | - | 82 | 90 |
| | **Total segment liabilities** | **565** | **567** | **1188** | **1257** | **1835** | **1914** |
| | | | | | | | |
| B.5 | Capital Expenditure | | | | | | |
| | Capital expenditure | 12 | 12 | 632 | 237 | 644 | 249 |
| | Unallocated corporate capital expenditure | - | - | - | - | 7 | 15 |
| | **Total capital expenditure** | **12** | **12** | **632** | **237** | **651** | **264** |
| | | | | | | | |
| B.6 | Depreciation and amortisation | | | | | | |
| | Depreciation and amortisation | 32 | 33 | 320 | 339 | 352 | 373 |
| | Unallocated corporate depreciation | - | - | - | - | 5 | 5 |
| | **Total Depreciation and amortisation** | **32** | **33** | **320** | **339** | **357** | **378** |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

C. Geographical Information:

The Company's operations are predominantly restricted to the domestic market (within India). However, the Company exports goods to Germany, USA, China and others. Accordingly, geographical information are given below:

| Particulars | Machining Solutions | | Hard Metal Products | | Total | |
|---|---|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| India | 884 | 719 | 6714 | 5,540 | 7598 | 6259 |
| Germany (2021: ₹ 196,273) | - | 0 | 789 | 683 | 789 | 683 |
| USA | 1 | 1 | 667 | 492 | 667 | 493 |
| China | 575 | 320 | 146 | 202 | 722 | 522 |
| Others | 5 | 64 | 126 | 93 | 131 | 157 |
| Total | 1465 | 1104 | 8442 | 7010 | 9907 | 8114 |

D. Notes

(i) The segment-wise revenue, results, assets and liabilities relate to the respective amounts directly identifiable to each of the segments.

(ii) The segment revenue is measured in the same way as in the Standalone Statement of Profit and Loss.

(iii) No customer individually account for more than 10% of the revenue in the year ended June 30, 2022 and June 30, 2021.

(iv) The expenses that are not directly attributable and that can't be allocated to an operating segment on a reasonable basis are shown as unallocated corporate expenses.

(v) Segment assets include all operating assets used by the segment and consists primarily of property, plant and equipment and current assets. Segment liabilities comprise of liabilities which can be directly allocated against respective segments. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

38 Key Ratios

| S.No | Particulars | Numerator | Denominator | June 30, 2022 | June 30, 2021 | % Variance |
|---|---|---|---|---|---|---|
| 1 | Current Ratio (times) | Current Assets | Current Liabilities | 2.64 | 2.35 | 13% |
| 2 | Return on Equity Ratio (percentage) ^ | Net Profit after Taxes | Capital Employed | 18% | 12% | 55% |
| 3 | Trade Receivable Turnover Ratio (times) | Net Credit Sales | Average Trade Receivable | 7.90 | 8.43 | -6% |
| 4 | Trade Payable Turnover Ratio (times) | Cost of materials consumed, purchase of stock in trade and operating expenses (Excluding provision for product support, provision for doubtful debts, rates and taxes and net loss on foreign currency translation) | Average Trade Payables | 6.90 | 7.15 | -4% |
| 5 | Net Capital Turnover Ratio (times) | Net Sales | Working Capital (Current Assets less Current Liabilities) | 3.43 | 3.21 | 7% |
| 6 | Net Profit Ratio (percentage) ^ | Net Profit after Taxes | Net Sales | 12% | 8% | 41% |
| 7 | Return on Capital Employed (percentage) ^ | Earnings before Interest and taxes (EBIT) | Capital Employed | 24% | 16% | 54% |

^ Increase in sales and improved management of costs contributes to an increase in this ratio.

* Explanations have been provided for any change in the ratio by more than 25% as compared to June 30, 2021.

* Debt Equity Ratio, Debt Service Coverage Ratio(DSCR) and Return on Investment Ratio are not applicable as the Company has no debt or investments as on June 30, 2021 and June 30, 2022

39 Status of scheme of amalgamation

The Board of Directors at its meeting held on December 4, 2020 had approved a Scheme of Amalgamation ('Scheme') for the merger of its wholly owned subsidiary, WIDIA India Tooling Private Limited ('WITPL') with its Holding Company, Kennametal India Limited ('KIL' or 'Company'). Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has furnished the Scheme details to the Bombay Stock Exchange. The appointed date of the Scheme was April 1, 2021. Further, the Company has received approval for the said Scheme from the shareholders and unsecured creditors of the Company at its meeting held on April 12, 2021 convened by Hon'ble NCLT, Bengaluru bench and the petition to that effect was filed with NCLT on April 29, 2021. There were multiple dates of hearing some of which were non effective and the last hearing date was scheduled on August 2, 2022 which was also not heard due to paucity of time. The Company awaits for the next date of hearing.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

40 Amounts remitted in foreign currency during the year on account of dividends paid

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Amounts of dividend remitted in foreign currency | 401 | 335 |
| Total number of non-resident shareholders (to whom the dividends were remitted in foreign currency) | 372 | 321 |
| Total number of shares held by them on which dividend was due | 16,702,091 | 16,767,424 |
| Years to which the dividend relates | 2021-22 | 2020-21 |

41 Transfer Pricing

As per transfer pricing legislation under sections under 92-92F of the Income Tax Act, 1961, the Company is required to use certain specific methods in computing arm's length prices of international transactions with associated enterprises and maintain adequate documentation in this respect. Since law requires existence of such information and documentation to be contemporaneous In nature, the Company updates the transfer pricing study every year to ensure that the transactions with associate enterprises undertaken are at ""arms length basis"". Management is of the opinion that the Company's international transactions are at arm's length as there is no significant change in assumptions or terms of contract. The Company has carried out a detailed transfer pricing study for the period April 1, 2020 to March 31, 2021 and is in the process of updating the transfer pricing documentation for the period April 1, 2021 to March 31, 2022. In the opinion of the management, the same would not have an impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

42 Disclosure Of Transactions With Struck Off Companies

The Company did not have any material transactions with companies struck off under Section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956 during the financial year.

43 No transactions to report against the following disclosure requirements as notified by MCA pursuant to amended Schedule III:

(a) Crypto Currency or Virtual Currency
(b) Benami Property held under Benami Transactions (Prohibition) Act, 1988 (45 of 1988)
(c) Registration of charges or satisfaction with Registrar of Companies
(d) Relating to borrowed funds:
   i. Wilful defaulter
   ii. Utilisation of borrowed funds & share premium
   iii. Borrowings obtained on the basis of security of current assets
   iv. Discrepancy in utilisation of borrowings
   v. Current maturity of long term borrowings

44 No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”) with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries).

The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

45 Previous period comparitives

Prior year amounts have been regrouped/ reclassified wherever necessary, to conform to current year's presentation.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 12, 2022

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 12, 2022

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 12, 2022

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 12, 2022

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 12, 2022

# Consolidated Financial Statements

# INDEPENDENT AUDITOR'S REPORT

To the Members of Kennametal India Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of Kennametal India Limited ('the Holding Company') and its subsidiary Widia India Tooling Private Limited (the Holding Company and its subsidiary together referred to as 'the Group'), which comprise the Consolidated Balance Sheet as at 30 June 2022, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India of the consolidated state of affairs of the Group, as at 30 June 2022, and their consolidated profit (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements Section of our report. We are independent of the Group, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matter described below to be the key audit matters to be communicated in our report.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Inventory:<br><br>Refer note 2.10 for accounting policy and note 10 for financial disclosures in relation to inventory.<br><br>At the Consolidated Balance Sheet dated 30 June 2022, the Group held inventories comprising of raw materials and components, finished goods, work-in-progress and stores and spares worth ₹ 2,666 million detailed in note 10 to the accompanying consolidated financial statements.<br><br>During the year ended 30 June 2022, the management has performed 100% physical verification for the inventory between 23 May 2022 to 20 June 2022 in multiple intervals with the assistance of management experts and has performed roll forward workings based on system generated reports.<br><br>The raw material and other components of inventory are valued based on weighted average cost. The Group follows standard costing for Hard Metal Products segment and actual costing for Machining Solutions Group segment to arrive at the inventory value. At the end of each reporting period, price variance and various production related overheads are allocated on actual basis and manually adjusted, as necessary, to value the inventory.<br><br>Owing to its nature, with respect to manufacture of engineering products specific to the needs of the customers, valuation of inventory involves preparation of specific bill of materials (BOM) for each product being manufactured.<br><br>In addition to the above, the complexities involved in this assessment include: | Our audit procedures around inventory to assess valuation and allowance for inventories included, but were not limited to the following:<br><br>Existence, Completeness, Cut-off and Accuracy of inventory:<br><br>• Obtained understanding of management process of inventory management and inventory physical verification performed at various intervals during the year and near to the reporting date;<br><br>• Evaluated the design effectiveness of controls over inventory management process/inventory physical verification and tested key controls for their operating effectiveness;<br><br>• Observed physical count carried out by the management.<br><br>• Obtained the report of the expert and verified the treatment of count difference in the books of accounts.<br><br>• Independently verified the physical quantities of inventory on test check basis to the physical count report provided by the management and performed roll back procedures from date our physical verification till the balance sheet date.<br><br>• On test check basis, tested the roll forward/back procedures from the date of management count to the balance sheet date.<br><br>• Performed cut-off procedures to ensure completeness of the inventory recorded in the books of accounts and completeness of goods-in-transit as at reporting date.<br><br>Valuation of inventory:<br><br>• Obtained an understanding of the management's process of valuation of inventory. |

| | |
|---|---|
| • Identification of products where specific production overheads and other allocations such as labour cost, depreciation on machineries, etc. to be added to the cost of inventory.<br>• Assessment of the completion percentage of products.<br>• Allocation of price variance on raw materials to inventories in work-in-progress and finished goods.<br><br>The management of the Group reviews the list of aged stocks and provides for aged inventory basis policy set forth by the management. Inventories of general use are reviewed further and any provision on these stocks are reversed. Further, at the end of each reporting period, the management of the Group also assesses whether there is any objective evidence that net realisable value of any item of inventory is below the carrying value. If so, such inventories are written down to their net realizable value in accordance with Ind AS 2, Inventories. Such specific identification performed by management to ascertain slow moving and obsolete inventories, and assessment of net realisable value of such slow moving and obsolete inventory items require significant judgement and estimation.<br><br>Considering the complexities and materiality of amounts involved, this matter is considered to be a key audit matter for current year audit. | • Evaluated the design and tested the operating effectiveness of key controls around valuation including estimates such as stage of completion, overhead computations, and determination of net realizable value of inventory items.<br>• Discussed with management the rationale supporting assumptions and estimates used in carrying out the inventory valuation, and corroborated the same to our understanding of the business.<br>• On a sample basis, recomputed the cost of the inventory by applying management's valuation model, testing underlying cost of acquisition of raw materials consumed, and testing overheads and labour cost allocation to such inventory items. This also included testing of BOM on sample basis for specialised inventory to ensure the BOM is approved as the internal process of the Group.<br>• Evaluated the appropriateness of the Group's accounting policy and valuation method of inventory in accordance with the accounting standards.<br><br>Inventory allowance:<br>• Obtained and understood management process for identification of slow moving, non-moving or obsolete inventories and ensured that the same is consistently applied.<br>• Performed an independent analysis of the ageing of inventory line items leading to specific inquiries with the management to ensure the completeness of the inventory identified as slow moving, non-moving and obsolete.<br>• On sample basis, tested the ageing of inventory items obtained through system reports, as applicable.<br>• For slow and non-moving inventories as at 30 June 2022 identified by the management, recomputed the allowance created by the management using management's model which has been consistently applied. Further, tested the net realisable value of finished goods inventory on a sample basis to average of 6 months historical selling prices less costs to sell, to identify allowance required, if any, for finished goods.<br><br>Presentation and disclosure:<br>• Evaluated the disclosures made in the accompanying financial statements in accordance with the applicable accounting standards. |

### Information other than the Consolidated Financial Statements and Auditor's Report thereon

6. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

   Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

7. The accompanying consolidated financial statements have been approved by the Holding Company's Board of Directors. The Holding Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and

maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Board of Directors of the Holding Company, as aforesaid.

8. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

9. Those respective Board of Directors are also responsible for overseeing the financial reporting process of the companies included in the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

11. As part of an audit in accordance with Standards on Auditing specified under Section 143(10) of the Act we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances . Under Section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls system with reference to financial statements in place and the operating effectiveness of such controls.;
    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
    - Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
    - Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial statements of such entities included in the financial statements, of which we are the independent auditors.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. As required by Section 197(16) of the Act based on our audit we report that the Holding Company and its subsidiary incorporated in India whose financial statements have been audited under the Act have paid remuneration to their respective directors during the year in accordance with the provisions of and limits laid down under Section 197 read with Schedule V to the Act.

16. As required by clause (xxi) of paragraph 3 of Companies (Auditor's Report) Order, 2020 ('the Order') issued by the Central Government of India in terms of Section 143(11) of the Act based on the consideration of the Order reports issued by us of the Company included in the consolidated financial statements and covered under the Act we report that there are no qualifications or adverse remarks reported in the respective Order reports of such companies.

17. As required by Section 143(3) of the Act, based on our audit and, we report, to the extent applicable, that:

    a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

    b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books;

c) The consolidated financial statements dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) in our opinion, the aforesaid consolidated financial statements comply with Ind AS specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015;

On the basis of the written representations received from the directors of the Holding Company and its subsidiary and taken on record by the Board of Directors of the Holding Company, covered under the Act, none of the directors of the Group are disqualified as on 30 June 2022 from being appointed as a director in terms of Section 164(2) of the Act.

e) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company, and its subsidiary covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure I' wherein we have expressed an unmodified opinion; and

f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group as detailed in Note 29 to the consolidated financial statements;

ii. The Holding Company and its subsidiary did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 30 June 2022;

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary covered under the Act, during the year ended 30 June 2022;

iv. a. The respective managements of the Holding Company and its subsidiary incorporated in India whose financial statements have been audited under the Act have represented to us that, to the best of their knowledge and belief as disclosed in note 44 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Holding Company or its subsidiary to or in any person(s) or entity(ies), including foreign entities ('the intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company, or its subsidiary ('the Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf the Ultimate Beneficiaries;

b. The respective managements of the Holding Company and its subsidiary incorporated in India whose financial statements have been audited under the Act have represented to us that, to the best of their knowledge and belief, as disclosed in the note 44 to the accompanying consolidated financial statements, no funds have been received by the Holding Company or its subsidiary from any person(s) or entity(ies), including foreign entities ('the Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Holding Company, or any such subsidiary companies, its associate companies or its joint venture companies shall, whether directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c. Based on such audit procedures performed by us as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the management representations under sub-clauses (a) and (b) above contain any material misstatement.

v. The interim dividend declared and paid by the Holding Company during the year ended 30 June 2022 and until the date of this audit report is in compliance with Section 123 of the Act.

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

**Vijay Vikram Singh**
Partner
Membership No.: 059139
UDIN: 22059139AOXMQB8200

Bengaluru
12 August 2022

## Annexure I to the Independent Auditor's Report of even date to the members of Kennametal India Limited on the consolidated financial statements for the year ended 30 June 2022

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Kennametal India Limited ('the Holding Company') and its subsidiary, Widia India Tooling Private Limited (the Holding Company and its subsidiary together referred to as 'the Group'), as at and for the year ended 30 June 2022, we have audited the internal financial controls with reference to financial statements of the Holding Company and its subsidiary Company which are companies covered under the Act, as at that date.

Responsibilities of Management and Those Charged with Governance for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its subsidiary Company, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary Company, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary Company as aforesaid.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A Company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

Opinion

8. In our opinion the Holding Company and its subsidiary Company, which are companies covered under the Act, have in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 30 June 2022, based on internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 22059139AOXMQB8200

Bengaluru
12 August 2022

# Consolidated Balance Sheet as at June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | | Note | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|---|---|
| I. | ASSETS | | | |
| 1. | Non-current assets | | | |
| | (a) Property, plant and equipment | 3A | 2142 | 2245 |
| | (b) Capital work-in-progress | 3B | 772 | 518 |
| | (c) Investment property [June 30, 2022: ₹ 67,049 (June 30, 2021: ₹ 67,049)] | 4 | 0 | 0 |
| | (d) Other intangible assets | 5 | 4 | 5 |
| | (e) Financial assets | 6(d) | 23 | 18 |
| | (f) Deferred tax assets (net) | 7 | 22 | 0 |
| | (g) Income tax assets (net) | 8 | 398 | 411 |
| | (h) Other non-current assets | 9 | 151 | 32 |
| | Total non-current assets | | 3512 | 3229 |
| | | | | |
| 2. | Current assets | | | |
| | (a) Inventories | 10 | 2666 | 2051 |
| | (b) Financial assets | | | |
| | (i) Trade receivables | 6(a) | 1368 | 1131 |
| | (ii) Cash and cash equivalents | 6(b) | 634 | 1288 |
| | (iii) Bank balances other than cash and cash equivalents | 6(c) | 10 | 4 |
| | (Iv) Other financial assets | 6(d) | 35 | 38 |
| | (c) Other current assets | 11 | 73 | 33 |
| | Total current assets | | 4786 | 4544 |
| | Total assets | | 8298 | 7773 |
| | | | | |
| II. | EQUITY AND LIABILITIES | | | |
| 1. | Equity | | | |
| | (a) Equity share capital | 12 | 220 | 220 |
| | (b) Other equity | 13 | 6243 | 5637 |
| | Equity attributable to owners | | 6463 | 5857 |
| | Non-controlling interests | | - | - |
| | Total Equity | | 6463 | 5857 |

# Consolidated Balance Sheet as at June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | Note | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|---|
| 2. Liabilities | | | |
| Non-current liablities | | | |
| (a) Financial liabilities | | | |
| (i) Other financial liabilities (June 30, 2022: ₹ 335,000) | 14B | 0 | 1 |
| (b) Provisions | 15 | 76 | 34 |
| (c) Deferred tax liabilities | 7 | - | 2 |
| Total non-current liabilities | | 76 | 37 |
| | | | |
| Current Liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Trade payables | 14A | | |
| Total outstanding dues of micro enterprises and small enterprises | | 34 | 22 |
| Total outstanding dues of other than micro enterprises and small enterprises | | 991 | 1003 |
| (ii) Other financial liabilities | 14B | 220 | 345 |
| (b) Other current liabilities | 16 | 305 | 316 |
| (c) Provisions | 15 | 209 | 193 |
| Total current liabilities | | 1759 | 1879 |
| | | | |
| Total equity and liabilities | | 8298 | 7773 |

The accompanying notes are the integral part of these Consolidated Financial Statements.

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

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 12, 2022

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 12, 2022

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 12, 2022

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 12, 2022

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 12, 2022

# Consolidated Statement of Profit and Loss for the year ended June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | | Note | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|---|---|
| I. | INCOME | | | |
| | Revenue from operations | 17 | 9907 | 8537 |
| | Other income | 18 | 94 | 69 |
| | **Total income** | | **10001** | **8606** |
| II. | EXPENSES | | | |
| | Cost of materials consumed | 19 | 2939 | 2196 |
| | Purchases of stock-in-trade | 20 | 2518 | 2327 |
| | Changes in inventories of finished goods, work-in-progress and stock-in-trade | 21 | (456) | 37 |
| | Employee benefits expense | 22 | 1452 | 1267 |
| | Finance costs | 23 | - | 3 |
| | Depreciation and amortisation expenss | 24 | 357 | 379 |
| | Other expenses | 25 | 1665 | 1402 |
| | **Total expenses** | | **8475** | **7611** |
| III. | **Profit before exceptional items and tax** | | **1526** | **995** |
| | Exceptional item | 26 | - | (10) |
| IV. | **Profit before tax** | | **1526** | **985** |
| V. | **Tax expense/ (credit)** | **27** | | |
| | Current tax | | 405 | 253 |
| | Deferred tax charge / (credit) | | (11) | (1) |
| | Deferred tax adjustments relating to earlier years | | (9) | - |
| | **Total tax expense** | | **385** | **252** |
| VI. | **Profit after tax for the year** | | **1141** | **733** |
| VII. | **Other comprehensive income** | | | |
| | Items that will not be reclassified to profit or loss | | | |
| | Remeasurements of net defined benefit plans (charge) / credit | | (16) | 2 |
| | Income tax relating to above item charge / (credit) | | 4 | (1) |
| | **Total other comprehensive income for the year (net of tax)** | | **(12)** | **1** |
| VIII. | **Total comprehensive income for the year** | | **1130** | **734** |
| | Profit attributable to: | | | |
| | Owners | | 1141 | 733 |
| | Non-controlling interests | | - | - |
| | **Other Comprehensive Income attributable to:** | | | |
| | Owners | | (12) | 1 |
| | Non-controlling interests | | - | - |
| | **Total Comprehensive Income attributable to:** | | | |
| | Owners | | 1130 | 734 |
| | Non-controlling interests | | - | - |
| | | | 1130 | 734 |
| IX. | Earnings per equity share in ₹ [Nominal Value per share ₹ 10 (June 30, 2021 ₹ 10)] | 31 | 51.94 | 33.35 |
| | Basic and diluted | | | |

The accompanying notes are the integral part of these Consolidated Financial Statements.
This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For Walker Chandiok & Co LLP
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Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 12, 2022

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Bengaluru
August 12, 2022

# Consolidated Statement of Changes in Equity for the year ended June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

(A) Equity Share Capital

| | Amount |
|---|---|
| Balance as at July 1, 2020 | 220 |
| Changes in equity share capital during the year | - |
| Balance as at June 30, 2021 | 220 |
| Changes in equity share capital during the year | - |
| Balance as at June 30, 2022 | 220 |

(B) Other equity

| | Equity attributable to Owners | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|
| | Securities premium | Share based compensation reserve | General reserve | Retained earnings | | |
| **Balance as at July 1, 2020** | 1 | 2 | 1488 | 3847 | - | 5337 |
| Profit for the year | - | - | - | 733 | - | 733 |
| Other comprehensive Income | - | - | - | 1 | - | 1 |
| **Total comprehensive Income for the year** | 1 | 2 | 1488 | 4580 | - | 6071 |
| Interim dividends | - | - | - | (440) | - | (440) |
| Share based compensation expense | - | 24 | - | - | - | 24 |
| Payment during the year towards share based compensation | - | (18) | - | - | - | (18) |
| **Balance as at June 30, 2021** | 1 | 7 | 1488 | 4140 | - | 5637 |
| Profit for the year | - | - | - | 1141 | - | 1141 |
| Other comprehensive Income | - | - | - | (12) | - | (12) |
| **Total comprehensive Income for the year** | 1 | 7 | 1488 | 5270 | - | 6766 |
| Interim dividends | - | - | - | (527) | - | (527) |
| Share based compensation expense | - | 29 | - | - | - | 29 |
| Payment during the year towards share based compensation | - | (25) | - | - | - | (25) |
| **Balance as at June 30, 2022** | 1 | 11 | 1488 | 4742 | - | 6243 |

The accompanying notes are the integral part of these Consolidated Financial Statements.

This is the Consolidated Statement of Change in Equity referred to in our report of even date.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
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# Consolidated Statement of Cash Flows for the year ended June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Cash flow from operating activities | | |
| Profit before taxation and exceptional items | 1526 | 995 |
| Adjustments for: | | |
| Depreciation and amortisation expenses | 357 | 379 |
| Dividend Income | (14) | (12) |
| Provision no longer required written back | (24) | (14) |
| Provision for product support | 32 | 32 |
| Provision made for doubtful debts | 2 | 0 |
| Loss on sale of property, plant and equipments (net) | (0) | (2) |
| Interest expense | 0 | 3 |
| Interest income | (16) | (3) |
| Unrealised foreign exchange loss, (net) | (2) | (1) |
| Share based compensation expense | 29 | 24 |
| Operating profit before working capital changes | 1890 | 1401 |
| Adjustment for working capital changes: | | |
| (Increase) in inventories | (615) | 11 |
| (Increase) in trade and other receivables | (241) | (137) |
| (Increase) / decrease in financial assets | (9) | 14 |
| (Decrease)/ increase in trade payables, provisions and other liabilities | (142) | 572 |
| Cash generated from operations | 883 | 1860 |
| Taxes paid (net of refunds) | (392) | (198) |
| Net cash generated from operations (1) | 491 | 1662 |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | (650) | (265) |
| Gain on Sale of Investment | 14 | 12 |
| Sale proceeds of property, plant and equipment | 1 | 4 |
| Interest received | 16 | 2 |
| Net Cash (used in) investing activities (2) | (619) | (247) |
| Cash flow from financing activities | | |
| Repayment of loan to fellow subsidiary | - | (130) |
| Interest paid | - | (3) |
| Interim dividends declared and paid | (527) | (440) |

## Consolidated Statement of Cash Flows for the year ended June 30, 2022

(All amounts in ₹ millions unless otherwise stated)

| | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Unclaimed dividend (June 30, 2021: ₹ 135,402) | 1 | (0) |
| **Net Cash (used in) financing activities (3)** | **(526)** | **(573)** |
| **Net (decrease)/increase in cash and cash equivalents (1+2+3)** | **(654)** | **842** |
| Add: Cash and cash equivalents at the beginning of the year | 1288 | 446 |
| **Cash and cash equivalents at the end of the year** | **634** | **1288** |
| **Cash and Cash equivalent as per above comprises of the following** | | |
| Balances with banks - In current accounts | 631 | 1135 |
| Cheques, drafts on hand | - | 5 |
| Cash on hand [June 30, 2022: ₹ 72,048 (June 30, 2021: ₹ 146,912)] | 0 | 0 |
| Investments in term deposits (with original maturity of less than 3 months) | 3 | 148 |
| **Balance as per Statement of Cash Flows** | **634** | **1288** |
| The accompanying notes are the integral part of these Consolidated Financial Statements. | | |

Note:

The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) statement of cash flows.

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

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
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Bengaluru
August 12, 2022

## Summary of significant accounting policies & other explanatory information

(All amounts in ₹ millions unless otherwise stated)

1 Background

1.1 Kennametal India Limited ("the Company" or "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") is in the business of manufacturing and trading of hard metal products and manufacturing of capital intensive machines along with fixtures and spares. The Group has its manufacturing facility in Bengaluru, sells its product and services through sales and support offices. The Holding Company is a public limited company incorporated and domiciled in India and has its registered office at 8/9th Mile, Tumkur Road, Bengaluru 560 073. The Holding Company is listed on the Bombay Stock Exchange Limited (BSE). The Consolidated financial statements were approved for issue by Company's Board of Director on August 12, 2022.

The Consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary, Widia India Tooling Private Limited, which was incorporated on December 13, 2018.

1.2 Further to the scheme of amalgamation (refer note 41) and approval of the Board of Directors in its meeting dated December 4, 2020, the operations of the wholly owned subsidiary, Widia India Tooling Private Limited ('WITPL') have been transferred to the Company. Consequently, the employees, creditors and property, plant and equipment have also been transferred to the Company. The amalgamation will enable the entities to integrate its business operations and provide impetus to the operations of the Company. The consolidation of the activities by way of an amalgamation will provide seamless access to the assets (including intangible assets, licenses and intellectual properties) of WITPL, which will lead to synergies of operations, reduction in overheads including administrative, managerial and other expenditure, operational rationalization, organizational efficiency and optimal utilization of resources. The combined entity will have a bigger portfolio of services targeted at a wider array of customers, which will strengthen its competitive position in providing products and services to the customers.

2 Significant accounting policies

2.1 Basis of preparation:

(i) Compliance with Ind AS :

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act. The financial statements have been prepared on accrual and going concern basis.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

a) Certain financial assets and liabilities are measured at fair value;

b) Assets held for sale- measured at fair value less cost to sales;

c) Defined benefit plans- plan assets measured at fair value; and

d) Share based payments- measured at fair value.

All assets and liabilities have been classified as current or non-current as per the Group's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current/ non-current classification of assets and liabilities.

2.1 Basis of preparation (cont'd)

(iii) Current / non-current classification

The Group presents assets and liabilities in the Consolidated Balance Sheet based on current / non-current classification.

An asset is treated as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has evaluated and considered its operating cycle as 12 months.

Deferred tax assets/ liabilities are classified as non-current assets/ liabilities.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at June 30, 2022. The Company and its subsidiary have a reporting date of June 30.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date control commences until the date control ceases.

The Group combines the financial statements of the Holding Company and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. The consolidated financial statements are prepared by applying uniform accounting policies in use at the group.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

2.3 Significant estimates, judgements and assumptions

The application of accounting standards and policies requires the Group to make estimates and assumptions about future events that directly affect its reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the Group considers to be most critical to its consolidated financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the Group's financial condition or operating performance.

The areas involving critical estimates are:

(i) Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

(ii) Evaluation of indicators for impairment of assets

The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(iii) Recoverability of advances / receivables

At each Consolidated Balance Sheet date, based on historical default rates observed over expected life, the management assesses the expected credit loss on outstanding receivables including Remission of Duties and Taxes(RODtep) and MEIS and other advances.

(iv) Useful lives of depreciable / amortisable assets

Management reviews its estimate of the useful lives of depreciable / amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain items of property, plant and equipment.

v) Estimate of product support and Commissioning Cost

At each balance sheet date basis the management judgement and historical trend, the Company assesses the requirement of provisions for product support and Machine commissioning cost. However, the actual future outcome may be different from the judgement.

The group provides a standard warranty of 12 months from the date of commissioning / sales or 15 months from the date of delivery, whichever is earlier. However in exceptional cases it provides a general warranty upto 24 months.

2.3 Significant estimates, judgements and assumptions (cont'd)

(vi) Estimation of defined benefit obligation

Measurement of obligation towards defined benefit plans such as gratuity and provident fund are based on the actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. Significant assumptions include determination of discount rate, future salary increases etc. Due to complexities involved in the valuation & its long term nature, defined benefit obligation is sensitive to changes in these assumptions (refer note 15).

(vii) Material return provision

At each balance sheet date basis the management judgement, the Group assesses the requirement of material return provision. However, the actual future outcome may be different from the judgement.

(viii) Customer loyalty programme

The Group recognises the provision for customer loyalty programme based on the ratio of sales targets met by the customers.

(ix) Litigations

The Group records provision and contingent liabilities for pending litigations by considering the probability and the amount of loss involved in each case.

2.4 Revenue recognition

The Group derives revenues primarily from sale of manufactured goods, traded goods and related services.

As per Ind AS 115, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the group expects to receive in exchange for those products or services. Revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates.

Revenue in excess of invoicing are classified as contract asset while invoicing in excess of revenues are classified as contract liabilities.

The Group operates a loyalty programme for the customers and dealers for the sale of goods. The customers are divided in different grades at the inception of the year and accordingly targets are also set. A contract liability is recorded on provisional basis at every reporting date. The provision of loyalty programme is netted-off to revenue.

The Group recognises provision for sales return, basis the judgement of the management. However, the actual future outcome may be different from the judgement. Therefore, a refund liability, included in other current liabilities, are recognized for the products expected to be returned.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Other operating revenue

Income from export incentives such as Duty Drawback and Merchandise Export Incentive Scheme are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and so its ultimate collections exists.

Commission on order based sales is recognised as and when the performance Obligation is completed and the right to receive the consideration is established.

2.5 Other income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the group, and the amount of dividend can be measured reliably.

2.6 Trade receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less loss allowance.

2.7 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Consolidated Statement of Profit or Loss during the reporting period in which they are incurred.

Advances paid towards the acquisition of property, plant and equipment outstanding at each Consolidated Balance Sheet date is classified as capital advances under other non-current assets and the cost of assets not put to use before such date are disclosed under 'Capital work-in-progress'. Subsequent expenditures relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the Group and the cost of the item can be measured reliably.

Depreciation method, useful lives and residual value

Depreciation is provided on a pro-rata basis on the straight-line method over the estimated useful life of the assets which are different from useful life indicated in Schedule II of Companies Act, 2013, in order to reflect the actual usage of the assets. The estimates of the useful life of the assets, based on technical evaluation, have not undergone a change on account of transition to the Companies Act, 2013. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

| Particulars | Estimated range of useful life (in years) |
|---|---|
| Buildings (including temporary structures) | 20 - 40 |
| Plant and machinery: | |
| Data processing equipment | 3 - 5 |
| Others | 5 - 15 |
| Vehicles | 5 |
| Office equipment | 5 |
| Furniture and fixtures | 10 |

Machinery spares of irregular usage are depreciated over the estimated useful life of the respective plant and machinery.

Schedule II requires the Group to identify and depreciate significant components with different useful lives separately. The Group has evaluated the applicability of component accounting as prescribed under Ind AS 16, Property, plant and equipment, and Schedule II of the Companies Act, 2013, The management has evaluated the requirement of Schedule II and has not identified any significant component having different useful lives.

2.8 Intangible assets

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

i) Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Amortisation methods and periods

Application software is expensed off on purchase, except in case of major application software having unit value exceeding ₹ 1 million or forming part of an overall project, which is amortised over its estimated useful life or project life not exceeding three years.

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

2.9 Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired, based on internal or

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

external factors. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit. If such recoverable amount of the asset or cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Consolidated Statement of Profit and Loss. If, at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount. Impairment losses previously recognised are accordingly reversed in the Consolidated Statement of Profit and Loss.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.10 Inventories

Raw materials and stores, work in progress, stock-in-trade and finished goods are stated at the lower of cost and net realisable value. Cost of raw materials and stock-in-trade comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs are assigned to individual items of raw materials, stores and spares, work in progress and stock-in-trade on the basis of weighted average whereas manufactured goods are ascertained on first-in-first-out method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.12 Leases

The Company's lease asset classes primarily consist of leases for buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contact involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements include the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows

2.13 Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

Defined benefit plan

Provident Fund

Eligible employees of the Group receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Group make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Group contributes to Kennametal India Limited Employee's Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Group has an obligation to make good the shortfall, if any, between the return from investments of the Trust and the notified interest rate.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Gratuity

The Group provides for gratuity, a defined benefit plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees a retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Group.

Liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary at each Consolidated Balance Sheet date using the projected unit credit method. The Group fully contributes all ascertained liabilities to the Kennametal India Limited Employees Gratuity Fund Trust (the Trust). Trustees administer contributes made to the Trust and contributions are invested in a scheme with Life Insurance Corporation of India and HDFC Life Insurance Company Limited as permitted by Indian law.

The Group recognises the net obligation of a defined benefit plan in its Consolidated Balance Sheet as an asset or liability. Gains and losses through re-measurements of the net defined liability / (asset) are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in net profit in the Consolidated Statement of Profit and Loss.

Other long-term employee benefit obligations

Compensated absences

The Group provides benefit of compensated absences under which unavailed leave are allowed to be accumulated to be availed in future. The compensated absences comprises of vesting benefit. The cost of short term compensated absences are provided for based on estimates. Long term compensated absence costs are provided for based on actuarial valuation using the project unit credit method. The Group presents the entire leave as a current liability in the Consolidated Balance Sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

The present value of the defined benefit obligation denominated in ₹ is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs.

Further, as required under Ind AS compliant Schedule III, the Group transfers those amounts recognized in other comprehensive income to retained earnings in the Consolidated Statement of Changes in Equity and in the Consolidated Balance Sheet.

Long-term service awards

Certain employees of the Group are entitled to other long-term benefits in the nature of long term service awards as per the policy of the Group. Liability for such benefits is provided on the basis of an independent actuarial valuation using the projected unit credit method at the Consolidated Balance Sheet date.

Short-term employee benefits

Short-term employee benefits comprise of employee costs such as salaries, bonus etc. is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

2.14 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates. ('the functional currency'). The consolidated financial statements are presented in Indian rupee , which is the Group's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates that approximate the actual rates at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in Consolidated Statement of Profit or Loss.

All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit and Loss on a net basis within other income/other expenses.

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM).

The managing director of the Group assesses the financial performance and position of the Group and makes strategic decisions. The managing director has been identified as being the CODM. Refer note 37 for segment information presented. The measurement of each segment's revenues, expenses and assets is consistent with the accounting policies that are used in preparation of the Group's financial statements.

2.16 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

period in the country where the Holding Company and its subsidiary operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets (DTA) are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Consolidated Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minimum Alternative Tax ("MAT") credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal period income tax during the specified period. Such asset is reviewed at each Consolidated Balance Sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer a convincing evidence to the effect that the Group will pay normal income tax during the specified period.

2.17 Share based payments

Stock-based compensation awards are provided to selected employees under the terms of the long-term incentive plan of the Kennametal Inc. USA, the ultimate holding company. Awards available under the plans include restricted stock units ("RSUs") which are granted to certain senior management employees of the Group. Stock-based compensation represents the cost related to group stock-based awards granted to employees.

RSUs entitle the holder to shares of common stock as the award vest, typically over 3 years or 4 years depending upon the scheme and year of grant. RSUs are time vesting stock units and therefore the fair value of the units is determined and fixed on the grant date based on market value of Kennametal Inc's share price, adjusted for the exclusion of dividend equivalents. The Group measures stock-based compensation cost at the grant date, based on the estimated fair value of the award and recognizes the cost (net of estimated forfeitures) over the employee requisite service period.

The total expense in respect of the above share based payment scheme is recognised over the vesting period with a corresponding adjustment to equity compensation reserve as a capital contribution from Kennametal Inc. The inter-Group charge is offset against the equity compensation reserve. A liability is recognised when the award is released to or exercised by the Group's employees and billed by Kennametal Inc.

2.18 Provisions and contingent liabilities

Provisions for legal claims, service warranties, volume discounts and returns are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

2.19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition

The Group recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

Subsequent measurement

(i) Financial assets carried at amortised cost

A financial asset is subsequently measured at amortised cost if it is held with in a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in Consolidated Statement of Profit and Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(ii) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is subsequently measured at fair value through other comprehensive income if it is held with in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in Profit and Loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

(iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets which are not classified in any of the above categories are subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in Consolidated Statement of Profit or Loss and presented net in the period in which it arises. Interest income from these financial assets is included in other income.

(iv) Equity investments

All equity investments in scope of Ind AS 109, Financial Instruments, are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 Business Combinations, applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Group decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to Consolidated Statement of Profit and Loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109 'Financial Instruments'. A financial liability (or a part of a financial liability) is derecognised from the Group's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities

Initial recognition

All financial liabilities are recognised initially at fair value and transaction cost that is attributable to the acquisition of the financial liabilities is also adjusted. These instruments are classified as amortised cost.

Subsequent measurement

These liabilities includes deposits. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109, Financial Instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to Consolidated Statement of Profit and Loss. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the Consolidated Statement of Profit and Loss. The Group has not designated any financial liability as at fair value through profit and loss.

2.19 Financial Instruments (cont'd)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Statement of Profit and Loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts is reported in the Consolidated Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedge instrument, and if so, the nature of the item

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

being hedged and the type of hedge relationship designated.

When forward contracts are used to hedge forecast transactions, the group generally designates only the changes in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in Consolidated Statement of Profit and Loss.

2.20 Impairment of financial assets

In accordance with Ind AS 109 Financial Instruments, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

The Group tracks credit risk and changes thereon for each customer. For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, life time ECL is used. If in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the entity is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the Consolidated Statement of Profit and Loss. This amount is reflected under the head ‘other expenses’ in the Consolidated Statement of Profit and Loss.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines whether there has been a significant increase in the credit risk since initial recognition and if credit risk has increased significantly, impairment loss is provided.

2.21 Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Balance Sheet.

2.22 Dividends

Final dividends on shares are recorded as a liability on the date of approval by the share holders and interim dividends are recorded as a liability on the date of declaration by the respective Company's board of directors.

The group declares and pays dividends in Indian rupees. The remittance of dividends outside India is governed by Indian Law on foreign exchange and is subjected to applicable distribution taxes.

2.23 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of dilutive potential equity shares, if any.

2.24 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurements as a whole) at the end of each reporting period.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liabilities and the level of the fair value hierarchy as explained above.

2.25Borrowings

Borrowings are initially recognised at net of transaction costs incurred and measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Standalone Statement of Profit and Loss over the period of the borrowings using the effective interest method.

2.26 Borrowing costs

Interest and other borrowing costs attributable to qualifying assets are capitalised. Other interest and borrowing costs are charged to Standalone Statement of Profit and Loss.

3.26 Recent accounting pronouncements

Standards issued but not effective on Balance Sheet date:

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, as below;

Ind AS 109 - Financial Instruments

"The amendment clarifies that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability."

Ind AS 16 – Property Plant and equipment

The amendment clarifies that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment. The Company has evaluated the amendment and there is no impact on its standalone financial statements.

Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The Company has evaluated the amendment and there is no impact on its standalone financial statements.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

3A Property, plant and equipment

| Particulars | Freehold land | Buildings | Plant and machinery: Data processing equipment | Plant and machinery: Others | Furniture and fixtures | Office equipment | Total |
|---|---|---|---|---|---|---|---|
| Gross block as at July 1, 2020 | 1 | 249 | 75 | 2990 | 28 | 64 | 3407 |
| Additions during the year | - | 20 | 7 | 12 | 4 | 4 | 47 |
| Capital work-in-progress capitalised during the period [₹ 103,593] | - | 51 | 1 | 66 | - | 0 | 117 |
| Disposals during the year [₹ (119,888), ₹ (474,831)] | - | - | (8) | (14) | (0) | (0) | (22) |
| Gross block as at June 30, 2021 | 1 | 320 | 75 | 3054 | 31 | 68 | 3549 |
| Additions during the period | - | 6 | 5 | 83 | 2 | 4 | 101 |
| Capital work-in-progress capitalised during the period | - | - | 13 | 145 | - | - | 158 |
| Disposals during the year | - | - | (13) | (37) | (2) | (1) | (53) |
| Gross block as at June 30, 2022 | 1 | 326 | 80 | 3245 | 32 | 71 | 3755 |
| Accumulated depreciation as at July 1, 2020 | - | 28 | 19 | 851 | 9 | 39 | 945 |
| Depreciation charge for the year | - | 14 | 28 | 323 | 3 | 11 | 378 |
| Disposals during the year | - | - | (6) | (12) | (0) | (1) | (19) |
| Accumulated depreciation as at June 30, 2021 | - | 42 | 40 | 1161 | 11 | 49 | 1304 |
| Depreciation charge for the period | - | 15 | 28 | 306 | 3 | 4 | 356 |
| Disposals during the year | - | - | (13) | (31) | (2) | (1) | (47) |
| Accumulated depreciation as at June 30, 2022 | - | 57 | 56 | 1436 | 12 | 53 | 1613 |
| Net block | | | | | | | |
| As at June 30, 2021 | 1 | 278 | 35 | 1893 | 20 | 18 | 2245 |
| As at June 30, 2022 | 1 | 270 | 25 | 1809 | 20 | 18 | 2142 |

Contractual obligations:

Refer note 28 for contractual commitments for the acquisition of property, plant and equipment.

3B Capital work-in-progress

| Particulars | Amount |
|---|---|
| Balance as at July 1, 2020 | 321 |
| Additions during the year | 314 |
| Less: Capitalised during the year | (117) |
| Balance as at June 30, 2021 | 518 |
| Additions during the period | 412 |
| Less: Capitalised during the period | (158) |
| Balance as at June 30, 2022 | 772 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Ageing of Capital work-in-progress (CWIP) as at June 30, 2022*

| Particulars | Amount in CWIP for a period of | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | Total |
| Projects in Progress | 236 | - | - | 536 | 772 |
| Projects temporarily suspended | - | - | - | - | - |
| Total | 236 | - | - | 536 | 772 |

*It includes projects whose completion is overdue compared to its original plan. Following is thecompletion schedule of such projects:

| Particulars | To be Completed in | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | Total |
| Building | 485 | - | - | - | 485 |
| Plant and machinery | 51 | | | | 51 |
| Total | 536 | - | - | - | 536 |

Ageing of Capital work-in-progress (CWIP) as at June 30, 2021*

| Particulars | Amount in CWIP for a period of | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | Total |
| Projects in Progress | 80 | - | - | 438 | 518 |
| Projects temporarily suspended | - | - | - | - | - |
| Total | 80 | - | - | 438 | 518 |

*It includes projects whose completion is overdue compared to its original plan. Following is thecompletion schedule of such projects:

| Particulars | To be Completed in | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | Total |
| Building | - | 302 | - | - | 302 |
| Plant and machineries | 136 | - | - | - | 136 |
| Total | 136 | 302 | - | - | 438 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

4 Investment property

| Particulars | Amount |
|---|---|
| Gross block as at July 1, 2020 (₹ 67,049) | 0 |
| Additions | - |
| Disposals | - |
| Gross block as at June 30, 2021 (₹ 67,049) | 0 |
| Additions | - |
| Disposals | - |
| Gross block as at June 30, 2022 (₹ 67,049) | 0 |
| Accumulated depreciation as at July 1, 2020 | |
| Depreciation charge for the year | - |
| Disposals | - |
| Accumulated depreciation as at June 30, 2021 | - |
| Depreciation charge for the period | - |
| Disposals | - |
| Accumulated depreciation as at June 30, 2022 | - |
| Net block | |
| As at June 30, 2021 (₹ 67,049) | 0 |
| As at June 30, 2022 (₹ 67,049) | 0 |

Note:

a) Fair Value

Estimation of fair value

The best evidence of fair value is current prices in an active market for similar properties. The Group considers current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

The fair values of investment properties have been determined with reference to Bengaluru Municipal authority guidance value and Mehesana Municipal authority, Kalol district, Gujarat with certain restriction on the Group's ability to use or sell these investment properties. The fair value estimate for investment properties are included in level 2.

The fair value of investment properties is as below:

| Particulars | Amount |
|---|---|
| As at June 30, 2021 | 479 |
| As at June 30, 2022 | 479 |

b) There is no rental income derived from investment properties. Further, no direct operating expenses have been incurred to maintain the investment property.

c) The Group has no restriction on the realisability of the investment property, and no contractual obligation to purchase, construct or develop investment properties or for repair, maintenance and enhancement.

5 Other intangible assets

| Particulars | Computer software (acquired) | Total |
|---|---|---|
| Gross block as at July 1, 2020 | 10 | 10 |
| Additions | - | - |
| Disposals | - | - |
| Gross block as at June 30, 2021 | 10 | 10 |
| Additions | - | - |
| Disposals | - | - |
| Gross block as at June 30, 2022 | 10 | 10 |
| Accumulated amortisation as at July 1, 2020 | 3 | 3 |
| Amortisation charge for the year | 2 | 2 |
| Disposals | - | - |
| Accumulated amortisation as at June 30, 2021 | 5 | 5 |
| Amortisation charge for the period | 1 | 1 |
| Disposals | - | - |
| Accumulated amortisation as at June 30, 2022 | 7 | 7 |
| Net block | | |
| As at June 30, 2021 | 5 | 5 |
| As at June 30, 2022 | 4 | 4 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

6 Financial Assets

6(a) Trade receivables

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Secured, considered good* | 235 | 148 |
| Unsecured, considered good ^ | 1133 | 983 |
| Trade receivable - credoit impaired | 8 | 6 |
| | 1376 | 1137 |
| Less: Expected credit loss allowance | (8) | (6) |
| Total trade receivables | 1368 | 1131 |
| *Secured against bank guarantee | | |
| ^ includes receivables from related parties, refer note 38 | | |

Trade Receivables Ageing Schedule as at June 30, 2022

| Particulars | Not due | Outstanding for following periods | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 6 Months | 6 Months - 1 year | 1–2 years | 2-3 years | More than 3 years | |
| (i) Undisputed Trade Receivables - Secured, considered good | - | 235 | - | - | - | - | 235 |
| (ii) Undisputed Trade Receivables - Unsecured, considered good | 1029 | 80 | 14 | 10 | - | - | 1133 |
| (iii) Undisputed Trade Receivables - credit impaired | - | - | 6 | - | - | - | 6 |
| (iv) Disputed Trade Receivables - credit impaired | - | - | - | - | - | 2 | 2 |
| Total | | | | | | | 1376 |

Trade Receivables Ageing Schedule as at June 30, 2021

| Particulars | Not due | Outstanding for following periods | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Less than 6 Months | 6 Months -1 year | 1–2 years | 2-3 years | More than 3 years | |
| (i) Undisputed Trade Receivables - Secured, considered good | - | 217 | - | - | - | - | 217 |
| (ii) Undisputed Trade Receivables - Unsecured, considered good | 760 | 140 | 7 | 7 | - | - | 914 |
| (iii) Undisputed Trade Receivables - credit impaired | - | - | 4 | - | - | - | 4 |
| (iv) Disputed Trade Receivables - credit impaired | - | - | - | - | - | 2 | 2 |
| Total | | | | | | | 1137 |

6(b) Cash and cash equivalents

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Balances with banks - In current accounts | 631 | 1135 |
| Cheques, drafts on hand | - | 5 |
| Cash on hand [June 30, 2022: ₹ 72,048 (June 30, 2021: ₹ 146,912)] | 0 | 0 |
| Fixed deposits with original maturity of three months or less | 3 | 148 |
| Total cash and cash equivalents | 634 | 1288 |

There are no repatriation restriction with regard to cash and cash equivalent at the end of the reporting period and prior periods.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

6(c) Bank balances other than cash and cash equivalents

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Unclaimed dividends | 2 | 1 |
| Fixed deposits with original maturity more than 3 months and less than 12 months | 8 | 3 |
| Total bank balances other than cash and cash equivalents | 10 | 4 |

6(d) Other financial assets

Non-current

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Security deposits | 3 | 3 |
| Other deposits | 20 | 14 |
| Total non current financial assets | 23 | 18 |

Current

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| (Unsecured, considered good, unless stated otherwise) | | |
| Interest accrued on fixed deposits (June 30, 2022 : ₹ 124,662) | 0 | 1 |
| Export benefits receivable | 29 | 29 |
| Deposits with others (June 30, 2022 : ₹ 38,020) | 0 | 2 |
| Employee advances | 3 | 3 |
| Other receivables | 4 | 3 |
| | 35 | 38 |
| (Considered doubtful) | | |
| Other receivables | - | 1 |
| (Less): Loss allowance | - | (1) |
| Total current financial assets | 35 | 38 |

7 Deferred tax assets/(liabilities), (net)

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Deferred Tax liability arising on account of: | | |
| Depreciation and amortisation on property, plant and equipment and intangible assets | (53) | (62) |
| Deferred Tax asset arising on account of: | | |
| Provision for gratuity, leave encashment, long service award | 54 | 50 |
| Provision for doubtful debts | 2 | 2 |
| Voluntary retirement scheme/ employee separation | 3 | 7 |
| Others | 16 | 1 |
| Closing Balance | 22 | (2) |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Movement in the deferred tax asset / (liability) as at June 30, 2022

| Particulars | As at July 1, 2021 | (Charge)/ Credit to Statement of Profit and Loss | Charge/(Credit) to other comprehensive income | As at June 30, 2022 |
|---|---|---|---|---|
| Deferred Tax Asset: | | | | |
| Provision for gratuity, leave encashment, long service award | 50 | 1 | 4 | 54 |
| Provision for doubtful debts | 2 | 0 | - | 2 |
| Voluntary retirement scheme/ employee separation | 7 | (4) | - | 3 |
| Others | 1 | 14 | - | 16 |
| Deferred Tax Liability: | | | | |
| Depreciation and amortisation on property, plant and equipment and intangible assets | (62) | 8 | - | (53) |
| Total | (2) | 20 | 4 | 22 |

Movement in the deferred tax asset / (liability) as at June 30, 2021

| Particulars | As at July 1, 2020 | (Charge)/ Credit to Statement of Profit and Loss | Charge/ (Credit) to other comprehensive income | As at June 30, 2021 |
|---|---|---|---|---|
| Deferred Tax asset arising on account of: | | | | |
| Provision for gratuity, leave encashment, long service award | 52 | (1) | (1) | 50 |
| Provision for doubtful debts | 3 | (1) | - | 2 |
| Voluntary retirement scheme/ employee separation | 11 | (4) | - | 7 |
| Others (₹ 367,472) | 1 | 0 | - | 1 |
| Deferred Tax liability arising on account of: | | | | |
| Depreciation & amortisation on property, plant and equipment & intangible assets | (69) | 7 | - | (62) |
| Total | (2) | 1 | (1) | (2) |

8 Income tax assets (net)

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Income tax net of provision (June 30, 2022: ₹ 3050 million, June 30, 2021: ₹ 2771 million)* | 398 | 411 |
| Total income tax assets | 398 | 411 |

*also includes taxes paid under protest, amounting to ₹ 208 million for the year ended June 30, 2022 (June 30, 2021: ₹ 213 million). Also refer note 30.

9 Other non-current assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Capital advances | 133 | 2 |
| Prepaid expenses | 14 | - |
| Deposits with statutory / government authorities | 4 | 30 |
| Total non-current assets | 151 | 32 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

10 Inventories

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Raw materials (Including goods in transit ₹ 108 million [June 30, 2021: ₹ 76 million]) | 606 | 448 |
| Work-in-progress | 932 | 654 |
| Finished goods | 660 | 484 |
| Stock-in-trade (Including goods in transit ₹ 76 million [June 30, 2021: ₹ 53 million]) | 432 | 430 |
| Stores and spares | 36 | 35 |
| Total inventories | 2666 | 2051 |

Amounts recognised in Consolidated Statement of Profit and Loss:

Write-downs of inventories in the current year on account of obsolescence, slow moving inventory and lower net realisable value amounted to ₹ 107 million (June 30, 2021: ₹ 105 million). These were recognised as an expense during the year and included in "Changes in values in inventory of finished goods, work in progress and stock in trade" in Consolidated Statement of Profit and Loss.

10 Other current assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Deposits with statutory / government authorities (June 30, 2021: ₹ 470,000) | 15 | 0 |
| Advance to suppliers | 27 | 12 |
| Prepaid expenses | 30 | 21 |
| Travel advances to employees (June 30, 2021: ₹ 357,500) | 1 | 0 |
| Total other current assets | 73 | 33 |

12 Equity share capital

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Authorised | | |
| 21,978,240 (June 30, 2021: 21,978,240) Equity Shares of ₹ 10 each | 220 | 220 |
| Issued, subscribed and fully paid up | | |
| 21,978,240 (June 30, 2021: 21,978,240) Equity Shares of ₹ 10 each | 220 | 220 |
| Total equity share capital | 220 | 220 |

Notes:

a) Reconciliation of number of shares

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Balances as at the beginning of the year | 21,978,240 | 220 | 21,978,240 | 220 |
| Add: Issued and subscribed during the year | - | - | - | - |
| Balance at the end of the year | 21,978,240 | 220 | 21,978,240 | 220 |

(b) Rights, preferences and restrictions attached to shares

The Group has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Group after distribution of all preferential amounts, if any, in proportion to their shareholding.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(c) Shares held by ultimate holding company and holding company

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding company | 5,274,840 | 53 | 5,274,840 | 53 |
| Meturit AG., Zug, Switzerland, the holding company | 11,208,840 | 112 | 11,208,840 | 112 |
| Total shares held by holding and ultimate holding company | 16,483,680 | 165 | 16,483,680 | 165 |

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding company | 5,274,840 | 24.00% | 52,74,840 | 24.00% |
| Meturit AG., Zug, Switzerland, the holding company | 11,208,840 | 51.00% | 1,12,08,840 | 51.00% |
| Nippon Life India Trustee Limited | 2,032,159 | 9.25% | 2,032,159 | 9.25% |

(e) Shares held by promoters at the end of the period

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Kennametal Inc. USA, the ultimate holding company | 5,274,840 | 24.00% | 52,74,840 | 24.00% |
| Meturit AG., Zug, Switzerland, the holding company | 11,208,840 | 51.00% | 1,12,08,840 | 51.00% |

* There have been no change in the percentage held by the promoters in the current year and the previous year.

(f) During five years immediately preceding June 30, 2022 there are no shares allotted as fully paid up pursuant to contracts without payment being received in cash, shares allotted as fully paid up by way of bonus shares or shares bought back.

(g) There are no shares of the Group reserved for issue under any option, contracts, commitments for the sale of share or disinvestment.

12A Dividends

The Board of Directors, through its board meeting held on May 11, 2022, have declared an interim dividend of ₹ 24 to be paid per equity share (₹ 10 each) outstanding as at date of board meeting (amounting to ₹ 527 million) for the financial year ended June 30, 2022 and no further dividend is recommended during the year (June 30, 2021: ₹ 440 million)

The Group paid interim dividend of ₹ 527 million during the year ended June 30, 2022 (June 30, 2021: ₹ 440 million)

13 Other equity

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Securities premium | 1 | 1 |
| Share based compensation reserve | 11 | 7 |
| General reserve | 1488 | 1488 |
| Retained earnings | 4742 | 4140 |
| Total reserves and surplus | 6243 | 5637 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Nature and purpose of reserve:

Securities premium reserve

Securities Premium reserve is used to record the premium on issue of shares. This reserve is utilised in accordance with provisions of the Act.

Share based compensation reserve

This reserve relates to share based compensation received by the employees of the Group from Kennametal Inc., USA the ultimate holding company, net of cross charge received. The reserve is used to recognise grant date fair value of awards issued to the employees (refer note 30).

14 Financial Liabilities

14A Trade payables

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Due to micro enterprises and small enterprises | 34 | 22 |
| Due to creditors other than micro enterprises and small enterprises | | |
| Amounts due to related parties (also refer note 38) | 510 | 468 |
| Amounts due to third parties | 482 | 535 |
| Total trade payables | 1026 | 1025 |

Disclosure of dues/payments to Micro and Small Enterprises to the extent such enterprises are identified by the Group

| | Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|---|
| a) | Principal amount due to suppliers registered under the Micro, Small and Medium Enterprises and Development Act and remaining unpaid as at year end; | 33 | 21 |
| b) | Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end; | - | - |
| c) | Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year; | - | - |
| d) | Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year; | - | - |
| e) | Interest paid, under Section 16 of the MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year; | - | - |
| f) | Interest due and payable towards suppliers registered under the MSMED Act, for payments already made; | 1 | 1 |
| g) | Further interest remaining due and payable for earlier years; | - | - |
| | Total dues to micro enterprises and small enterprises | 34 | 22 |

Note: The management has identified enterprises which have provided goods and services to the Group and which qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act,2006 (MSMEDA). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at the year end has been made in the consolidated financial statements based on information received and available with the Group. There was no MSME for which the amount was overdue for more than 45 days.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Ageing Schedule as at June 30 2022

| Particulars | Outstanding for following periods from due date of payment | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | Total |
| (i) Undisputed Trade Payables - MSME | 33 | 1 | - | - | 34 |
| (ii) Undisputed Trade Payables - Related Parties | 515 | - | - | - | 515 |
| (iii) Undisputed Trade Payables - Others | 475 | 1 | - | 1 | 477 |
| (iv) Disputed Trade Payables - MSME | - | - | - | - | - |
| (v) Disputed Trade Payables - Others | - | - | - | - | - |
| Total | 1023 | 1 | - | 1 | 1026 |

Ageing Schedule as at June 30 2021

| Particulars | Outstanding for following periods from due date of payment | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 1–2 years | 2–3 years | More than 3 years | Total |
| (i) Undisputed Trade Payables - MSME | 21 | 1 | - | - | 22 |
| (ii) Undisputed Trade Payables - Related Parties | 468 | - | - | - | 468 |
| (iii) Undisputed Trade Payables - Others | 534 | 1 | - | - | 535 |
| (iv) Disputed Trade Payables - MSME | - | - | - | - | - |
| (v) Disputed Trade Payables - Others | - | - | - | - | - |
| Total | 1023 | 1 | - | - | 1025 |

14B Other financial liabilities

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Non-Current | Current | Non-Current | Current |
| Deposit from customers (June 30, 2022: ₹ 335,000) | 0 | - | 1 | - |
| Capital creditors | - | 19 | - | 31 |
| Unpaid dividends | - | 2 | - | 1 |
| Employee benefits payable | - | 195 | - | 308 |
| Other current liability | - | 4 | - | 5 |
| Total financial liabilities | 0 | 220 | 1 | 345 |

15 Provisions

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Non-Current | Current | Non-Current | Current |
| Provisions for employee benefit | | | | |
| Gratuity (refer note d) | 67 | 9 | 26 | 3 |
| Compensated absences (refer note e) | - | 140 | - | 128 |
| Long service award | 4 | 1 | 5 | 2 |
| Other provisions | | | | |
| Product support (refer note a and c) | 5 | 49 | 3 | 41 |
| Disputed taxes and duties (refer note b and c) | - | 10 | - | 19 |
| Total provision | 76 | 209 | 34 | 193 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

a) Product support

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year for Hard Metal Tooling segment and 15 months in Machining Solutions Group segment. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

b) Disputed taxes and duties:

Provision for disputed taxes and duties is towards CST, VAT and excise duty that are expected to materialise.

c) Movement in provisions :

| Particulars | Gratuity | Compensated absences | Long service award | Total |
|---|---|---|---|---|
| Balance as at July 1, 2020 | 54 | 145 | 6 | 205 |
| Addition* | 16 | 24 | - | 40 |
| Utilisation/Reversal* | (41) | (41) | 1 | (82) |
| Balance as at June 30, 2021 | 29 | 128 | 7 | 163 |
| Addition* | 55 | 26 | 2 | 83 |
| Utilisation/Reversal* | (8) | (14) | (3) | (24) |
| Balance as at June 30, 2022 | 76 | 140 | 6 | 222 |

| Particulars | Product support | | Disputed taxes & Duties | Total | |
|---|---|---|---|---|---|
| | Current | Non-current | Current | Current | Non-current |
| Balance as at July 1, 2020 | 4 | 34 | 22 | 4 | 56 |
| Addition* | - | 34 | - | - | 34 |
| Utilisation/Reversal* | (1) | (27) | (2) | (1) | (29) |
| Balance as at June 30, 2021 | 3 | 41 | 20 | 3 | 61 |
| Addition* | 3 | 30 | - | 3 | 30 |
| Utilisation/Reversal* | (1) | (22) | (10) | (1) | (32) |
| Balance as at June 30, 2022 | 5 | 49 | 10 | 5 | 59 |

*Included under various heads in the Statement of Profit and Loss

d) Defined benefit obligation (Gratuity - Funded)

The Group operates a gratuity plan through the "KENNAMETAL INDIA LIMITED EMPLOYEES' GRATUITY TRUST". Every employee is entitled to a benefit equivalent to fifteen days salary last drawn for each completed year of service in line with the Payment of Gratuity Act, 1972. The same is payable at time of separation from the Group or retirement, whichever is earlier. The benefits vest after 5 years of continuous service. The Board of trustees is responsible for the administration of the Plan assets and investment strategy.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

i) Change in defined benefit obligation

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Defined benefit obligation at beginning of the year | 273 | 280 |
| a. Current service cost | 17 | 16 |
| b. Past service cost | 46 | (2) |
| c. Interest expenses | 18 | 15 |
| c. Benefits payments from employer | (23) | (41) |
| d. Transfer in/out | - | (8) |
| Add/(Less) Remeasurement (gain)/loss | | |
| Acquisition / Divestiture | - | 9 |
| a. Due to change in demographic assumptions | (3) | 0 |
| b. Due to change in financial assumptions (2021: ₹ 390,594) | (17) | (0) |
| c. Due to experience adjustments | 27 | 4 |
| Defined benefit obligation at end of year | 338 | 273 |
| | | |
| ii) **Fair value of plan assets at end of prior year** | **245** | **226** |
| Adjustment in opening Fair value of Assets | - | 8 |
| a. Investment income | 16 | 13 |
| b. Employer contribution | 33 | 33 |
| c Benefit payments from employer | (23) | (41) |
| d. Transfer out | - | (8) |
| **Remeasurements:** | | |
| Acquisition / Divestiture | - | 8 |
| a. Returns on assets (excluding interest income) | (9) | 6 |
| **Fair value of plan assets at end of year** | **262** | **245** |
| | | |
| iii) **Assets and liabilities recognised in the Consolidated Balance Sheet:** | | |
| Present value of defined benefit obligations | 338 | 273 |
| (Less): Fair value of plan assets | (262) | (245) |
| **Deficit** | **76** | **28** |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

iv) Expense recognised in the Consolidated Statement of Profit and Loss

| Particulars | | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|---|
| Remeasurement of other long term benefits | | | |
| a. | Current service cost | 17 | 16 |
| b. | Past service cost | 45 | (2) |
| Total Service cost | | 62 | 14 |
| Net interest cost | | | |
| a. | Interest expenses on Defined benefit obligation | 18 | 15 |
| b. | Interest income on plan assets | (16) | (13) |
| Total net interest cost | | 2 | 2 |
| A. Defined benefit cost included in Consolidated Statement of Profit and Loss | | 64 | 17 |
| | | | |
| Remeasurement (recognised in Other comprehensive income (OCI)) | | | |
| a. | Due to change in demographic assumptions | (2) | - |
| b. | Due to change in financial assumptions | (9) | (6) |
| c. | Due to experience adjustments | 27 | 4 |
| B. | Total remeasurement in OCI | 16 | (2) |
| Total defined benefit cost recognised in Consolidated Statement of Profit and Loss | | 80 | 14 |

Note: In the previous year ended June 30, 2021, the Group recorded an expense of ₹ 24 million on a best estimate by the management of the Holding Company towards gratuity expenses (included as part of Salaries wages and bonus, refer note 22) pertaining to the wage settlement of workmen, which was over and above the amount as per actuarial valuation. Accordingly, the expense recognised in the Statement of Profit and Loss for the year ended June 30, 2022 is lower by ₹ 24 million.

v) Major category of plan asset as % of total plan assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Government Bonds | 0.00% | 0.00% |
| PSU | 0.00% | 0.00% |
| Mutual Funds | 0.00% | 0.00% |
| Deposits with Banks and FIs | 0.00% | 0.00% |
| Others : Funds managed by insurer | 100.00% | 100.00% |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

vi) Significant actuarial assumptions

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Discount rate per annum | 7.69% | 6.81% |
| Expected return on plan assets | 6.25% | 6.25% |
| Expected salary increase per annum | | |
| Officers (2022: Year 1- 9% therafter 5%) | 9.00% & 5.00% | 5.00% |
| Workmen (2022: Year 1- 3% therafter 5%) | 3.00% & 5.00% | 5.00% |
| Mortality rate per annum | 100% of IALM | 100% of IALM |
| | 2012-14 | 2012-14 |
| Withdrawal (rate of employee turnover) | | |
| Officers | 9.00% | 4.50% |
| Workmen | 0.00% | 4.50% |
| Retirement age | 60 | 60 |

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

vii) Sensitivity analysis

Gratuity

Gratuity is a lumpsum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The actuarial assumptions to which the benefit obligations results are particularly sensitive to are discount rate, salary escalation rate, attrition rate and mortality rate. The following table summarises impact on the reported defined benefit obligation arising on account of an increase or decrease in the reported assumptions.

| Particulars | Change in assumption | As at June 30, 2022 Increase/ (decrease) | As at June 30, 2022 Increase/ (decrease) | As at June 30, 2021 Increase/ (decrease) | As at June 30, 2021 Increase/ (decrease) |
|---|---|---|---|---|---|
| Discount rate | +1% / -1% | (17) | 19 | (15) | 17 |
| Salary rate | +1% / -1% | (18) | 20 | 17 | (16) |
| Attrition rate | +50% / -50% | 3 | (5) | 4 | (4) |
| Mortality rate | +10% / -10% | 0 | (0) | (0) | 0 |

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation assuming there are no other changes in market condition as at the Consolidated Balance Sheet date.

viii) The weighted average duration of the defined benefit obligation is 6 years (June 30, 2021: 6 years). The expected maturity analysis of undiscounted gratuity is as below:

| Particulars | 1 year | 2–5 years | 6–10 years | More than 10 years | Total |
|---|---|---|---|---|---|
| Gratuity | | | | | |
| June 30, 2022 | 40 | 180 | 169 | 183 | 572 |
| June 30, 2021 | 23 | 141 | 132 | 144 | 440 |

ix) Risk exposure

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary overtime. Thus, the Group is exposed to various risks in providing the above benefit which are as follows:

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(a) Interest rate risk

The plan exposes the Group to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability as shown in Consolidated Financial Statements.

(b) Salary escalation risk

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of employees in future. Deviation in the rate of interest in future for employees from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

(c) Demographic risk

The Group has used certain mortality and attrition assumptions in valuation of the liability. The Group is exposed to the risk of actual experience turning out to be worse compared to the assumption.

(d) Liquidity risk

The Group does not perceive any liquidity risk as the Group has investments in Government Securities and Corporate Bonds offers the best returns over the long term, within an acceptable level of risk.

e) Compensated absences

The leave obligation cover the Group's liability for sick and earned leave. The amount of the provision of ₹ 140 million (June 30, 2021: ₹ 128 million) is presented as current, since the Company doesn't have an unconditional right to defer settlement for any of these obligations.

16 Other current liabilities

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Advances from customers | 255 | 251 |
| Statutory dues | 30 | 38 |
| Refund liabilities (refer note 2.4) | 20 | 27 |
| Total current liabilities | 305 | 316 |

a) Defined benefits plan (Provident Fund - Trust set by employer)

Provident fund for certain eligible employees is managed by Group through the "KENNAMETAL INDIA LIMITED EMPLOYEES' PROVIDENT FUND TRUST" in line with the Provident Fund and Miscellaneous Provisions Act, 1952. The plan guarantees interest at the rate notified by the Provident Fund Authorities. The contribution by the employer and the employee together with the interest accumulated there on are payable to the employees at the time of their separation from the Group or retirement, whichever is earlier. The benefits vests immediately on rendering of the services by the employee. The Group currently does not have any unfunded plans. The Board of trustees is responsible for the administration of the Plan assets and investment strategy.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

i) Changes in present value of defined benefits plan

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Defined benefit obligation at beginning of the year | 1289 | 1129 |
| Add: Current service cost | 53 | 35 |
| Add: Interest expenses | 110 | 97 |
| a. Benefit payments from employer | (131) | (108) |
| b. Other (employee contribution, taxes, expenses): | 136 | 110 |
| Add/(Less): Remeasurement loss/ (gain) | | |
| a. Due to financial assumptions | (31) | - |
| b. Due to experience adjustments | 70 | 26 |
| **Defined benefit obligation at end of year** | **1496** | **1289** |

16 Other current liabilities (cont'd)

a) Defined benefits plan (Provident Fund - Trust set by employer) (cont'd)

ii) Changes in plan assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Fair value of plan assets at end of prior year | 1399 | 1262 |
| a. Investment income | 121 | 109 |
| b. Employer contribution | 53 | 35 |
| c. Benefit payments from employer | (131) | (108) |
| d. Other (employee contribution, taxes, expenses) | 136 | 110 |
| e. Returns on assets (excluding interest income) | (71) | (9) |
| **Fair value of plan assets at end of year** | **1507** | **1399** |

iii) Assets and liabilities:

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Present value of defined benefit obligations | 1496 | 1289 |
| Fair value of plan assets | (1507) | (1399) |
| Total | (11) | (110) |

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Non-current provision | 1362 | 1173 |
| Current provision | 134 | 116 |
| Total | **1496** | **1289** |

Note:

The Provident fund expenses other than contribution is not recognised in Consolidated Statement of Profit and Loss as the fair value of plan assets exceeds the present value of obligation. Accordingly, the excess of plan assets over present value of obligation has not been recorded in Consolidated Financial Statements.

Provident fund expenses excluding contribution towards national pension scheme recognised in the books for the year ended June 30, 2022 amount to ₹ 67 million (June 30, 2021: ₹ 47 million).

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

iv) Major Categories of plan assets as percentage of total plan assets

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Government Bonds | 53.97% | 60.44% |
| Public sector understanding | 36.52% | 33.51% |
| Others : Funds managed by insurer | 9.05% | 6.05% |

v) Significant Actuarial Assumptions

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Discount rate per annum | 7.69% | 6.81% |
| Expected return on plan assets | 7.80% | 7.75% |
| Expected salary increase per annum | | |
| Officers (2022: Year 1- 9%, therafter 5%) | 9.00% and 5.00% | 5.00% |
| Workmen (2022: Year 1- 3%, therafter 5%) | 3.00% and 5.00% | 5.00% |
| Mortality rate per annum | "100% of IALM | "100% of IALM |
| | 2012-14" | 2012-14" |
| Withdrawal (rate of employee turnover) | | |
| Officers | 9.00% | 4.50% |
| Workmen | 0.00% | 4.50% |
| Retirement age | 60 | 60 |
| Interest rate guarantee | 8.10% | 8.50% |

The estimates of future increase in salary, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

vi) Sensitivity analysis

Provident Fund

| | | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|---|
| Particulars | Change in assumption | Increase/ (decrease) | Increase/ (decrease) | Increase/ (decrease) | Increase/ (decrease) |
| Discount rate | +1%/-1% | (43) | 88 | (24) | 61 |
| Interest guarantee rate | +1%/-1% | 81 | (43) | 57 | (24) |

17 Revenue from operations

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Sale of products | | |
| Finished goods | 6264 | 5235 |
| Stock-in-trade | 3472 | 3193 |
| Sale of services | 138 | 85 |
| Other operating income | | |
| Sale of scrap | 6 | 5 |
| Export incentives | 22 | 9 |
| Commission on order based sales | 5 | 10 |
| **Total revenue from operations** | **9907** | **8537** |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

A) Disaggregation of revenue

a) Revenue based on Geography

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Domestic | 7598 | 6663 |
| Export | 2309 | 1874 |
| Total revenue from operations | 9907 | 8537 |

b) Revenue based on Business Segment

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Hard Metal Products | 8442 | 7433 |
| Machining Solutions | 1465 | 1104 |
| Total revenue from operations | 9907 | 8537 |

B) Reconciliation of Revenue from operations

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Contract Price | 10042 | 8695 |
| Less: | | |
| Other liabilities | (7) | (12) |
| Customer loyalty programme | (109) | (139) |
| Others | (19) | (7) |
| Total revenue from operations | 9907 | 8537 |

C) Assets and liabilities related to contracts with customers

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Contract liabilities | | |
| Current | | |
| Advance from customers | 255 | 251 |
| Other liabilities | 20 | 27 |
| Non-current | | |
| Deposit for customers (June 30, 2022: ₹ 335,000) | 0 | 1 |
| Contract assets | | |
| Current | | |
| Trade receivables | 1368 | 1131 |

D) Reconciliation of contract liabilitlies

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Opening balance | 278 | 253 |
| Less: Amount utilised during the year | (221) | (106) |
| Add: Amount recognised during the year | 218 | 131 |
| Closing balance | 275 | 278 |

E) Revenue recognised during the year from the performance obligation satisfied upto previous year amounts to ₹ 221 million (June 30, 2021: ₹ 106 million)

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

18 Other income

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Interest income on bank deposits | 16 | 3 |
| Other non-operating income | | |
| Gain on Sale of Investment | 14 | 12 |
| Provision no longer required written back | 24 | 14 |
| Net foreign exchange gains | - | 1 |
| Net gain on sale of property, plant and equipment (June 30, 2022: ₹ 223,559) | 0 | 2 |
| Lease rentals | 23 | 19 |
| Support service charges from fellow subsidiary (refer note 38) | 13 | 11 |
| Refund of income tax | - | 1 |
| Miscellaneous income | 4 | 6 |
| Total other income | 94 | 69 |

19 Cost of materials consumed

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Consumption of raw materials and components | | |
| Opening inventory | 448 | 427 |
| Add: Purchases during the year | 3097 | 2217 |
| Less: Closing inventory | (606) | (448) |
| Total cost of materials consumed | 2939 | 2196 |

20 Purchase of stock in trade

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Stock-in-trade | 2518 | 2327 |
| Total purchases of stock in trade | 2518 | 2327 |

21 Changes in inventories of finished goods, work in progress and stock in trade

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Opening stock: | | |
| Finished goods | 484 | 498 |
| Work-in-progress (WIP) | 654 | 616 |
| Stock-in-trade | 430 | 491 |
| | 1568 | 1605 |
| Closing stock: | | |
| Finished goods | 660 | 484 |
| Work-in-progress (WIP) | 932 | 654 |
| Stock-in-trade | 432 | 430 |
| | 2024 | 1,568 |
| Total changes in inventories of finished goods, WIP and stock in trade | (456) | 37 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

22 Employee benefit expense

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Salaries, wages and bonus | 1178 | 1078 |
| Contribution to provident and other funds | 70 | 49 |
| Gratuity [refer note 15] | 40 | 18 |
| Share based payment expenses [refer note 30 and note 40] | 29 | 24 |
| Staff welfare expenses | 135 | 98 |
| Total employee benefit expense | 1452 | 1267 |

23 Finance costs

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Interest expense | - | 3 |
| Total finance costs | - | 3 |

24 Depreciation and amortisation expense

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Depreciation on property, plant and equipment [refer note 3A] | 356 | 377 |
| Amortisation on other intangible assets [refer note 5] | 1 | 2 |
| Total depreciation and amortisation expense | 357 | 379 |

25 Other expenses

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Subcontracting charges | 347 | 267 |
| Consumption of stores and spare parts | 246 | 214 |
| Forwarding and freight | 226 | 182 |
| Information technology services (refer note 38) | 128 | 132 |
| Power and fuel | 140 | 119 |
| Legal and professional (Note a) | 113 | 107 |
| Repairs and maintenance | 128 | 101 |
| Travelling and conveyance | 75 | 46 |
| Provision for product support | 32 | 32 |
| Royalty (refer note 38) | 24 | 24 |
| Insurance | 25 | 21 |
| Business promotion expenses | 26 | 21 |
| Rates and taxes | 22 | 27 |
| Expenditure towards Corporate Social Responsibility (CSR) (Note b) | 18 | 17 |
| Commission on sales (liaisoning agent commission) | 14 | 21 |
| Communication | 8 | 8 |
| Advertisement and sales promotion | 6 | 1 |
| Rent | 7 | 7 |
| Printing and stationery | 7 | 5 |
| Provision doubtful debts and deposits (net) | 2 | - |
| Net loss on foreign currency transaction and translation | 2 | - |
| Directors commission | 4 | 4 |
| Directors' sitting fee | 2 | 2 |
| Miscellaneous expenses | 63 | 44 |
| Total other expenses | 1665 | 1402 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

a) Payments to Auditors (excluding GST) included under legal and professional above:

| | | |
|---|---|---|
| Statutory Audit | 2 | 2 |
| Audit of tax accounts and tax audit | 1 | 1 |
| Limited reviews | 1 | 1 |
| Group audit fees [June 30, 2022: ₹ 200,000 (June 30, 2021: ₹ 200,000)] | 0 | 0 |
| Out of pocket expenses [June 30, 2022: ₹ 200,000 (June 30, 2021: ₹ 300,000)] | 0 | 0 |
| Total payment to auditors | 4 | 4 |

b) Expenditure towards CSR:

| | | |
|---|---|---|
| i. Gross amount required to be spent by the Company during the year | 18 | 17 |
| ii. Amount spent during the year : | | |
| Amount spent on construction / acquisition of an asset | - | - |
| Amount spent on purpose other than above | 16 | 17 |
| | | |
| iii. Nature of CSR Activies | | |
| Eradicating hunger, poverty and malnutrition | 1 | 1 |
| Promoting education | 6 | 3 |
| Promoting gender equality | 2 | 2 |
| Environmental initiatives | 7 | 4 |
| Disaster management (June 30, 2022: ₹ 300,000) | 0 | 7 |
| iv. Related party transactions | - | - |
| v) Shortfall at the end of the year | 2 | - |
| vi) Movements in provision of liability created | - | - |

Details of CSR expenditure under Section 135(5) of the Act in respect of other than ongoing projects

| Balance as at July 01, 2021 | | Amount deposited in Specified Fund of Schedule VII of the Act within 6 months | Amount required to be spent during the year | Amount spent during the year | Balance unspent as at June 30, 2022 |
|---|---|---|---|---|---|
| | - | - | 18 | 16 | 2 |

* The Company has spent the shortfall by way of a deposit to a specified fund of Schedule VII on August 11, 2022, i.e., within 6 months from the expiry of the financial year.

26 Exceptional items debited to the statement of profit and loss

| | Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|---|
| (i) | The Group also has a severance / separation scheme for certain employees and the aggregate compensation paid in accordance with the said scheme has been fully charged to the Consolidated Statement of Profit and Loss. | - | 10 |
| | Total exceptional items | - | 10 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

27 Tax expense

| | Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|---|
| (a) | Income tax expense | | |
| | Current tax | 405 | 253 |
| | Total current tax expense | 405 | 253 |
| | | | |
| | Deferred tax (credit): | | |
| | Deferred tax on account of origination and reversal of timing difference | (11) | (1) |
| | Tax Adjustments relating to earlier years | (9) | - |
| | Total deferred tax (credit) | (20) | (1) |
| | Income tax expense | 385 | 252 |
| | | | |
| | Deferred tax related to items recognised in OCI | | |
| | Income tax relating to re-measurement gains on defined benefit plans | (4) | 1 |
| | Income tax expense reported in OCI | (4) | 1 |

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Profit for the year before tax expense | 1526 | 985 |
| Tax at the Indian tax rate of 25.17% | 384 | 248 |
| Expenses that are not deductible in determining taxable profit | 5 | 4 |
| Tax effect of amounts which are not taxable in calculating taxable income (June 30, 2022: ₹ 117,000) | (0) | (1) |
| Other Items | (4) | 1 |
| Tax expense | 385 | 252 |

28 Capital and other commitments

Capital expenditure contracted for at the end of year of the reporting period but not recognised as liabilities is as follows:

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Property, plant and equipment | 437 | 15 |

29 Contingent liabilities

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Income tax matters [note (a)]* | 305 | 265 |
| Sales tax matters under dispute | - | 3 |

a) Primarily relates to transfer pricing adjustments/ disallowances relating to IT cross charge, research and development expenditure and additions made on account of manufacturing margins by the Income Tax Department for the tax assessment years 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2014-15, 2017-18 and 2018-19 which is disputed by the Company and the said matters are lying under appeal with the Income Tax Appellate Tribunal, Bengaluru/ the Commissioner of Income Tax (Appeals) LTU, Bengaluru/The Dispute Resolution Panel, Bengaluru. For the matters concerning the TP cross charge, the company has made paid the amounts contested and the same is recorded as an income tax related asset.Further in other years, there has been no payments made, however there are refund claims withheld which cover for the tax amounts being litigated and as such there may not be any additional cash outflow warranted.

The Group is contesting the above mentioned demands and the management believes that its position will likely be upheld in the appellate process. Further, considering the facts and the nature of the disallowances, the management believes that the final outcome of the disputes should be in favour of the Group and will not have any material adverse effect on the financial position and results of operations.

b) The Honourable Supreme Court, has passed a decision on February 28, 2019 in relation to inclusion of certain allowances within the scope of “Basic wages” for the purpose of determining contribution to provident fund under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952. The management, based on legal advice, is of the view that the applicability of the judgement to the Group, with respect to the period and the nature of allowances to be covered due to interpretation challenges, and resultant impact on the past provident fund liability, cannot be reasonably ascertained.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

30 Shared based payment

This pertains to the Restricted Stock Units (RSUs) which are granted to certain senior management employees of the Group under the long-term incentive plan in relation to the share based compensation plan of Kennametal Inc. USA, the ultimate holding company.

Restricted stock units (RSUs)

RSUs are stock awards granted to employees that entitle the holder to shares of common stock as the award vests, over 2 or 3 years depending on the scheme and year of grant. The options granted under the plan have a graded vesting over a period of two or three years, which are immediately exercised on the vesting date. All the options granted under the plan are equity settled.

The fair value of time vesting stock units is determined and fixed on the grant date based on the Kennametal Inc.'s stock price adjusted for the exclusion of dividend equivalents.

The Group recognises stock-based compensation expense for restricted stock units over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service (substantive vesting period).

Details of number and weighted average exercise price of share options:

(amount in USD)

| Particulars | As at June 30, 2022 | | As at June 30, 2021 | |
|---|---|---|---|---|
| | Weighted Average fair value per award (in USD) | Number of Awards in units | Weighted Average fair value per award (in USD) | Number of Awards in units |
| Options outstanding at the beginning of the year | 31.57 | 9136 | 29.43 | 3921 |
| Granted during the year | 36.79 | 10069 | 32.15 | 14331 |
| Exercised during the year | 38.25 | (11424) | 31.56 | (9116) |
| Outstanding at the end of the year | 28.52 | 7781 | 31.57 | 9136 |
| Excercisable as at the end of the year | | 19205 | | 18252 |

Note 1: No RSU's expired during the period covered in the above table

Note 2: The weighted average remaining contractual life of RSUs outstanding at the end of the year is 1.47 years (June 30, 2021: 1.26 years).

Expenses arising from share based payments transactions

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Shares issued under RSU | 29 | 24 |
| Total | 29 | 24 |

31 Earnings per equity share

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Profit attributable to equity shareholders (₹) | 1141 | 733 |
| Weighted average number of equity shares outstanding during the year | 21,978,240 | 21,978,240 |
| Nominal value of equity share (₹) | 10 | 10 |
| Basic and diluted earnings per share (₹) | 51.94 | 33.35 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

32 Fair value measurements

i) Financial instruments by category

The carrying value and fair value of financial instruments by categories as at June 30, 2022 are as follows:

| Particulars | Amortised Cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTCOI | Carrying value | Fair Value |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Trade receivables [refer note 6(a)] | 1368 | - | - | 1368 | 1368 |
| Cash and cash equivalents [refer note 6(b)] | 634 | - | - | 634 | 634 |
| Bank balances other than cash and cash equivalents [refer note 6(c)] | 10 | - | - | 10 | 10 |
| Other financial assets [refer note 6(d)] | 59 | - | - | 59 | 59 |
| **Total** | **2071** | - | - | **2071** | **2071** |
| | | | | | |
| Liabilities: | | | | | |
| Trade payables [refer note 14A] | 1026 | - | - | 1026 | 1026 |
| Other financial liabilities [refer note 14B] | 220 | - | - | 220 | 220 |
| **Total** | **1246** | - | - | **1246** | **1246** |

The carrying value and fair value of financial instruments by categories as at June 30, 2021 are as follows:

| Particulars | Amortised Cost | Financial assets / liabilities at FVTPL | Financial assets / liabilities at FVTCOI | Carrying value | Fair Value |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Trade receivables [refer note 6(a)] | 1131 | - | - | 1131 | 1131 |
| Cash and cash equivalents [refer note 6(b)] | 1288 | - | - | 1288 | 1288 |
| Bank balances other than cash and cash equivalents [refer note 6(c)] | 3 | - | - | 3 | 3 |
| Other financial assets [refer note 6(d)] | 55 | - | - | 55 | 55 |
| **Total** | **2478** | - | - | **2478** | **2478** |
| | | | | | |
| Liabilities: | | | | | |
| Trade payables [refer note 14A] | 1025 | - | - | 1025 | 1025 |
| Other financial liabilities [refer note 14B] | 346 | - | - | 346 | 346 |
| **Total** | **1371** | - | - | **1371** | **1371** |

The management assessed that the fair value of cash and cash equivalents, trade receivables, loans, other financial assets, trade payables and other financial liabilities approximate the carrying amount largely due to short-term maturity of these instruments. The carrying amounts of trade receivables, cash and cash equivalents, bank deposits with more than 12 months maturity, trade payables, items falling under other financial assets and financial liabilities are considered to be the same as their fair values.

The fair value of investment in loans and security deposits are determined based on discounted cash flows calculated using deposit rates for similar terms and credit risk at the inception. There are no significant changes in fair value of such assets during the year.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

ii) Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There are no transfers between the levels during the year.

iii) Valuation process:

The finance department of the Group includes people capable of performing valuation of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. The significant level 3 inputs for determining the fair values of security deposits and loan to employees are discount rates using a long term bank deposit rate to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

33. Financial risk management

The Group's activities expose it to market risk, liquidity risk and credit risk. The Group's risk management is carried out by the Management under the policies approved of the Board of Directors that help in identification, measurement, mitigation and reporting all risks associated with the activities of the Group. These risks are identified on a continuous basis and assessed for the impact on the financial performance. Information on risks and the response strategy is escalated in a timely manner to facilitate timely decision making. Risk response strategy is formulated for key risks by Management.

The below note explains the sources of risk which the Group is exposed to and how the Group manages the risk in the Consolidated Financial Statements:

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Credit risk | Cash and cash equivalents, trade receivables, financial assets measured at amortised cost | Ageing analysis, credit ratings | Diversification of bank deposits, credit limits |
| Liquidity risk | Other liabilities | Rolling cash flow forecasts | Availability of surplus cash and time deposits |
| Market risk - foreign exchange | Future commercial transactions, recognised financial assets and liabilities not denominated in Indian rupee (Rupees) | Cash flow forecasting, sensitivity analysis | Natural hedge exist between export receivable and import payables |

A Credit Risk

Credit risk arises from cash and cash equivalents, security deposits carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

Credit risk refers to the risk of default on its obligation by the counter party resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to ₹ 1368 as of June 30 2022 [30 June 2021: ₹ 1131].

| Assets under credit risk | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Trade receivables | 1368 | 1131 |
| Other financial assets | 35 | 38 |
| Total | 1404 | 1169 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Credit risk on cash and cash equivalents is limited as the Group generally invest in deposits with banks with high credit ratings as signed by international and domestic credit rating agencies.

Trade receivables are typically unsecured and are derived from revenue earned from customers primarily located in India, Germany and US. Credit risk has always been managed by the Group through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of Ind AS 109, Financial Instruments, the Group uses expected credit loss model to assess the impairment loss or gain. The provision for expected credit loss takes into account available external and internal credit risk factors including the credit ratings of the various customers and Group's historical experience for customers. The Group applies the simplified approach to provide for expected credit losses prescribed by Ind AS 109, which permits the use of lifetime expected loss provision for all the trade receivables. The Group measures the expected credit loss of trade receivables based on historical trend, industry.

Expected credit loss for trade receivables

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Opening provision for loss allowance | 6 | 14 |
| Additional provision | 1 | - |
| Utilisation/ reversal | - | (8) |
| Closing provision | 7 | 6 |

Financial assets that are past due but not impaired

There is no other class of financial assets that is past due but not impaired except for receivables of ₹ 7 and ₹ 6 as at 30 June 2022 and 30 June 2021 respectively. The Group’s credit period generally ranges from 60-180 days from invoicing date. The aging analysis of the receivables has been considered from the date the invoice falls due.

No expected credit loss provision has been created for Loans i.e. security deposits on leased premises and advances given to employees, since the Group considers the life time credit risk of these financial assets to be very low.

33 Financial risk management (cont'd)

B Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, Group's treasury maintains flexibility in funding by maintaining availability of required funds.

Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows.

Maturities of financial Liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

| Particulars | Less than 1 year | 1 - 2 years | More than 2 years | Total |
|---|---|---|---|---|
| As at June 30, 2022 | | | | |
| Other financial liabilities | 220 | - | - | 220 |
| Trade payables | 1026 | - | - | 1026 |
| Total | 1245 | - | - | 1245 |
| | | | | |
| As at June 30, 2021 | | | | |
| Other financial liabilities | 345 | 1 | - | 346 |
| Trade payables | 1025 | - | - | 1025 |
| Total | 1370 | 1 | - | 1371 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

C. Market Risk

(i) Foreign currency risk

The Group is exposed to foreign currency exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the companies functional currency (Rupees).

The risk is measured through a forecast of highly probable foreign currency on cash flows. To mitigate the risk of changes in exchange rates on foreign currency exposures, the Group has natural hedge between export receivable and import payables.

The Group exposure to foreign currency risk at the end of the reporting period expressed in ₹ as follows:

| Particulars | Amounts in foreign currency | | Amounts in ₹ | |
|---|---|---|---|---|
| | As at June 30, 2022 | As at June 30, 2021 | As at June 30, 2022 | As at June 30, 2021 |
| Financial assets | | | | |
| Trade receivables | | | | |
| USD | 1891742 | 1420669 | 149 | 106 |
| EUR | 952424 | 731133 | 78 | 65 |
| GBP | - | 36000 | - | 4 |
| BRL | 1383 | 54721 | 0 | 1 |
| JPY | 299457 | 763801 | 0 | 1 |
| KRW | 9309552 | 13674094 | 1 | 1 |
| Net exposure to foreign currency risk (assets) | | | 228 | 178 |
| | | | | |
| Financial liabilities | | | | |
| Trade Payables | | | | |
| USD | (708422) | (630038) | (56) | (47) |
| EUR | (251178) | (710534) | (21) | (63) |
| CHF | (5507) | (57645) | (0) | (5) |
| GBP | (5726) | (24340) | (1) | (3) |
| JPY | (4072400) | (5128119) | (2) | (3) |
| Total financial liabilities | | | (80) | (121) |
| Net foreign exchange exposure | | | 148 | 57 |

* Conversion rate ₹ 78.99/USD, ₹ 82.12/EUR, ₹ 95.73/GBP, ₹ 15.05/BRL, ₹ 0.58/JPY, ₹ 82.44/CHF and ₹ 0.06/KRW (30 June 2021 ₹ 74.35/USD, ₹ 88.31/EUR, ₹ 102.89/GBP, ₹ 14.93/BRL, ₹ 0.67/JPY, ₹ 80.44/CHF, and ₹ 0.07/KRW).

33 Financial risk management (cont'd)

C. Market Risk (Cont'd)

Sensitivity

A reasonably possible strengthening (weakening) of the rupee, foreign currency against all other currencies at June 30, would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amount shown below. This analysis assumes that all other variables remain constant and ignores any impact of forecast sales and purchases.

| Particulars | Impact on profit before tax | | | |
|---|---|---|---|---|
| | As at June 30, 2022 | | As at June 30, 2021 | |
| | 1% Increase | 1% Decrease | 1% Increase | 1% Decrease |
| USD | 0.93 | (0.93) | 0.59 | (0.59) |
| EUR | 0.58 | (0.58) | 0.02 | (0.02) |
| BRL | 0.00 | (0.00) | 0.01 | (0.01) |
| CHF | (0.00) | 0.00 | (0.05) | 0.05 |
| GBP | (0.01) | 0.01 | 0.01 | (0.01) |
| JPY | (0.02) | 0.02 | (0.03) | 0.03 |
| KRW | 0.01 | (0.01) | 0.01 | (0.01) |
| Increase or (decrease) in profit or loss | 1.49 | (1.49) | 0.56 | (0.56) |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. In order to optimize the Company's position with regards to interest income and interest expenses and to manage the interest ate risk, treasury performs a comprehensive corporate interest rate risk management by balancing the proportion of fixed rate and floating rate financial instruments in its total portfolio.

Exposure to interest rate risk related to borrowings with floating rate of interest

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Borrowings | - | - |
| Interest rate sensitivity | | |
| A change of 50 bps in interest rate would have following impact on profit before tax | | |

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| 50bp increase - decrease in profits* | - | - |
| 50bp decrease - increase in profits* | - | - |

*Sensitivity is calculated based on the assumption that amount outstanding as at reporting dates were utilised for the whole financial year.

34 Capital Management

Risk management

The Group's objectives when managing capital is to:

i) safeguard their ability to continue as going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and;

ii) maintain an optimal capital structure to reduce the cost of capital.

The Management regularly monitors rolling forecasts of liquidity position and cash on the basis of expected cash flows. In addition, the Group projects cash flows in major currencies and considers the level of liquid assets necessary to meet them.

| Particulars | As at June 30, 2022 | As at June 30, 2021 |
|---|---|---|
| Trade payables | 1026 | 1025 |
| Less: Cash and short-term deposits | (1026) | (1025) |
| Net debt | - | - |
| Equity | 220 | 220 |
| Other Equity | 6243 | 5637 |
| Capital and net debt | 6463 | 5857 |
| Gearing ratio | 0% | 0% |
| Also refer note 40 for information on ratio analysis. | | |

35 Amounts remitted in foreign currency during the year on account of dividends paid

| Particulars | Year ended June 30, 2022 | Year ended June 30, 2021 |
|---|---|---|
| Amounts of dividend remitted in foreign currency | 401 | 335 |
| Total number of non-resident shareholders (to whom the dividends were remitted in foreign currency) | 372 | 321 |
| Total number of shares held by them on which dividend was due | 16,702,091 | 16,767,424 |
| Years to which the dividend relates | 2021-22 | 2020-21 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

36 Transfer Pricing

As per transfer pricing legislation under sections under 92-92F of the Income Tax Act, 1961, the Group is required to use certain specific methods in computing arm's length prices of international transactions with associated enterprises and maintain adequate documentation in this respect. Since law requires existence of such information and documentation to be contemporaneous In nature, the Group updates the transfer pricing study every year to ensure that the transactions with associate enterprises undertaken are at "arms length basis". Management is of the opinion that the Group's international transactions are at arm's length as there is no significant change in assumptions or terms of contract. The Group has carried out a detailed transfer pricing study for the period April 1, 2020 to March 31, 2021 and is in the process of updating the transfer pricing documentation for the period April 1, 2021 to March 31, 2022. In the opinion of the management, the same would not have an impact on these consolidated financial statements. Accordingly, these consolidated financial statements do not include the effect of the transfer pricing implications, if any.

37 Segment Information

A. Description of segments and principal activities

The Group is in the business of manufacturing and trading of hard metal products and manufacturing of machine tools (also known as machining solutions), which are sold in domestic and export markets. The Managing Director of the Group has been identified as the Chief operating decision maker (CODM). Managing Director examines the Group's performance both from product and geographic perspective and has identified two reportable segments in its business:

(i) Machining solutions: Machining solutions segment manufactures and sells customised capital intensive machines. Group specialises in providing end to end solution i.e. from design to manufacture and after sales service. The sales comprise of machines, fixtures, sale of spares and after sales service.

(ii) Hard metal products: Hard metal products segment deals in metal and metal cutting tools. The sales of this segment comprise of manufactured and traded goods.

B. Segment information:

| Particulars | Machining Solutions | | Hard Metal Products | | Total | |
|---|---|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **B.1 Segment revenue** | | | | | | |
| Segment revenue (external customers) | 1465 | 1104 | 8442 | 7433 | 9907 | 8537 |
| **Total segment revenue** | **1465** | **1104** | **8442** | **7433** | **9907** | **8537** |
| **B.2 Segment Result** | | | | | | |
| Segment Result | 206 | 70 | 1578 | 1175 | 1784 | 1245 |
| Unallocated Corporate Income | - | | - | | 37 | 31 |
| Unallocated Corporate Expense | - | | - | | (310) | (284) |
| Interest Income | - | | - | | 15 | 3 |
| Exceptional Items | - | | - | | - | (10) |
| **Profit before tax** | | | | | **1526** | **985** |
| Tax (expense)/credit | | | | | (385) | (252) |
| **Profit after tax** | | | | | **1141** | **733** |
| **B.3 Segment Assets** | | | | | | |
| Segment Assets | 1105 | 697 | 6031 | 5405 | 7136 | 6102 |
| Unallocated Corporate Assets | - | | - | | 1161 | 1671 |
| **Total segment assets** | **1105** | **697** | **6031** | **5405** | **8298** | **7773** |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

| | | | | | | |
|---|---|---|---|---|---|---|
| B.4 Segment Liabilities | | | | | | |
| Segment liabilities | 566 | 568 | 1191 | 1257 | 1757 | 1825 |
| Unallocated corporate liabilities | - | | - | | 79 | 91 |
| **Total segment liabilities** | **566** | **568** | **1191** | **1257** | **1836** | **1916** |
| B.5 Capital Expenditure | | | | | | |
| Capital expenditure | 12 | 12 | 632 | 236 | 644 | 248 |
| Unallocated corporate capital expenditure | - | | - | | 6 | 15 |
| **Total capital expenditure** | **12** | **12** | **632** | **236** | **650** | **263** |
| B.6 Depreciation and amortisation | | | | | | |
| Depreciation and amortisation | 32 | 33 | 320 | 341 | 352 | 374 |
| Unallocated corporate depreciation | - | | - | | 5 | 5 |
| **Total Depreciation and amortisation** | **32** | **33** | **320** | **341** | **357** | **379** |

C. Geographical Information:

The Group's operations are predominantly restricted to the domestic market (within India). However, the Group exports goods to Germany, USA, China and others. Accordingly, geographical information are given below:

| Particulars | Machining Solutions | | Hard Metal Products | | Total | |
|---|---|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| India | 884 | 719 | 6714 | 5944 | 7598 | 6663 |
| Germany (2021: ₹ 196,273) | - | 0 | 789 | 683 | 789 | 683 |
| USA | 1 | 1 | 667 | 495 | 668 | 496 |
| China | 575 | 320 | 146 | 203 | 721 | 523 |
| Others | 5 | 64 | 126 | 108 | 131 | 172 |
| **Total** | **1465** | **1104** | **8442** | **7433** | **9907** | **8537** |

D. Notes

(i) The segment-wise revenue, results, assets and liabilities relate to the respective amounts directly identifiable to each of the segments.

(ii) The segment revenue is measured in the same way as in the Consolidated Statement of Profit and Loss.

(iii) No customer individually account for more than 10% of the revenue in the year ended June 30, 2022 and June 30, 2021.

(iv) The expenses that are not directly attributable and that can't be allocated to an operating segment on a reasonable basis are shown as unallocated corporate expenses.

(v) Segment assets include all operating assets used by the segment and consists primarily of property, plant and equipment and current assets. Segment liabilities comprise of liabilities which can be directly allocated against respective segments. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

38 Related party disclosures

A) Names of related parties and description of relationship:

| | | |
|---|---|---|
| a) | Parties where control exists: | |
| (i) | Ultimate Holding Company | Kennametal Inc, USA |
| (ii) | Immediate Holding company | Meturit A.G. Zug, Switzerland |
| (iii) | Enterprises holding, directly or indirectly, substantial interest in Meturit A.G. Zug | Widia GmbH, Germany<br>Kennametal Holding GmbH, Germany<br>Kennametal Europe GmbH, Switzerland<br>Kennametal Luxembourg Holding S.A.R.L<br>Kennametal Holdings , LLC, Luxembourg S.C.S<br>Kennametal Holdings Europe Inc, USA |
| (iv) | Wholly Owned Subsidiary | Widia India Tooling Pvt. Ltd. |
| b) | Parties under common control with whom transactions have taken place during the year:<br>Fellow Subsidiaries | Kennametal Australia Pty Ltd, Australia<br>Kennametal Korea Ltd, Korea<br>Kennametal Japan Ltd, Japan<br>Kennametal Do Brasil LTDA, Brazil<br>Kennametal Hard Point (Shanghai) Ltd, China<br>Kennametal Distribution Services Asia PTE. Ltd, Singapore<br>Kennametal Shared Services Pvt Ltd, India<br>Kennametal (China) Co Ltd, China<br>Hanita Metal Works Ltd. (P), Israel<br>Kennametal Asia China Management Company, Shanghai<br>Kennametal Stellite L.P, USA<br>Kennametal Stellite Inc, USA<br>Kennametal Stellite Shanghai Co, Shanghai<br>Kennametal (Malaysia) Sdn. Bhd, Malaysia<br>PT. Kennametal Indonesia Services, Indonesia<br>Kennametal (Xuzhou) Co Ltd, China<br>Kennametal Produktions GmbH & Co. KG, Germany<br>Widia Shrinki Vietnam LLC. Vietnam<br>Kennametal UK Ltd.,United Kingdom*<br>Kennametal Produkcja Sp. Z O.O, Poland*<br>Kennametal (Singapore) PTE. Ltd, Singapore<br>Kennametal Logistics GmbH, Germany |
| c) | Key Management Personnel | Vijaykrishnan Venkatesan – Managing Director<br>Prashant Ramesh Shetty- Non-Executive Director<br>Suresh Reddy K V - Chief Financial Officer<br>Naveen Chandra Prakash - Company Secretary<br>B. Anjani Kumar - Non-Executive - Independent Director-Chairman<br>Vinayak Deshpande - Non-Executive - Independent Director<br>Bhavna Bindra - Non-Executive - Independent Director |

* No transaction during the year

Notes:

i) The above information has been determined to the extent such parties have been identified on the basis of information available with the Group.

ii) The above does not include related party transactions with employee trusts, as management personnel of the Group who are trustees of funds cannot individually exercise significant influence on the trusts transactions.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

38. Related party disclosures (cont'd)

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

| Particulars | Parties where control exist [A(a)] | | Fellow subsidiaries [A(b)] | | Key management personnel [A(c)] | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Revenue** | **1455** | **1188** | **265** | **334** | **-** | **-** | **1720** | **1522** |
| Kennametal Inc, USA | 667 | 490 | - | - | - | - | 667 | 490 |
| Kennametal Europe GmbH, Switzerland | 788 | 698 | - | - | - | - | 788 | 698 |
| Kennametal HardPoint (Shanghai) Ltd, China | - | - | 148 | 213 | - | - | 148 | 213 |
| Kennametal Distribution Services Asia Pte. Ltd, Singapore | - | - | 81 | 57 | - | - | 81 | 57 |
| Others | - | - | 36 | 64 | - | - | 36 | 64 |
| | | | | | | | | |
| **Other income** | **-** | **-** | **28** | **31** | **-** | **-** | **28** | **31** |
| Kennametal Shared Services Private Ltd, India | - | - | 23 | 22 | - | - | 23 | 22 |
| Kennametal Stellite L.P, USA | - | - | 5 | 9 | - | - | 5 | 9 |
| | | | | | | | | |
| **Reimbursement of expenses (income)** | **26** | **14** | **18** | **20** | **-** | **-** | **44** | **34** |
| Kennametal Inc, USA | 26 | 14 | - | - | - | - | 26 | 14 |
| Kennametal Shared Services Private Ltd, India | - | - | 3 | 2 | - | - | 3 | 2 |
| Kennametal Distribution Services Asia Pte. Ltd, Singapore | - | - | 15 | 15 | - | - | 15 | 15 |
| Others | - | - | - | 3 | - | - | - | 3 |
| | | | | | | | | |
| **Loans repaid during the year** | **-** | **-** | **-** | **130** | **-** | **-** | **-** | **130** |
| Kennametal Shared Services Private Ltd, India | - | - | - | 130 | - | - | - | 130 |
| **Interim dividend paid** | **396** | **330** | **-** | **-** | **-** | **-** | **396** | **330** |
| Metruit A.G. Zug, Switzerland | 269 | 224 | - | - | - | - | 269 | 224 |
| Kennametal Inc, USA | 127 | 106 | - | - | - | - | 127 | 106 |
| | | | | | | | | |
| **Managerial remuneration paid** | **-** | **-** | **-** | **-** | **60** | **54** | **60** | **54** |
| **Bhagya Chandra Rao (MD) (July 1 2020 - Sep 16 2020)** | **-** | **-** | **-** | **-** | **-** | **17** | **-** | **17** |
| Salary & allowances | - | - | - | - | - | 8 | - | 8 |
| Performance pay | - | - | - | - | - | - | - | - |
| Share based payment | - | - | - | - | - | 9 | - | 9 |
| **Vijaykrishnan Venkatesan (MD) ( From Sep 17 2020)** | **-** | **-** | **-** | **-** | **25** | **13** | **25** | **13** |
| Salary & allowances | - | - | - | - | 16 | 13 | 16 | 13 |
| Performance pay | - | - | - | - | 7 | - | 7 | - |
| Share based payment | - | - | - | - | 3 | - | 3 | - |
| **Suresh Reddy K V (CFO)** | **-** | **-** | **-** | **-** | **10** | **6** | **10** | **6** |
| Salary & allowances | - | - | - | - | 6 | 6 | 6 | 6 |
| Performance pay | - | - | - | - | 1 | - | 1 | - |
| Share based payment | - | - | - | - | 2 | 1 | 2 | 1 |
| **Naveen Chandra Prakash (Company Secretary)** | **-** | **-** | **-** | **-** | **7** | **5** | **7** | **5** |
| Salary & allowances | - | - | - | - | 5 | 4 | 5 | 4 |
| Performance pay | - | - | - | - | 1 | - | 1 | - |
| Share based payment (2021: ₹ 317,534) | - | - | - | - | 1 | 0 | 1 | 0 |
| **Prashant Ramesh Shetty - Non Execetive Director** | **-** | **-** | **-** | **-** | **12** | **7** | **12** | **7** |
| Salary and allowances | - | - | - | - | 7 | 6 | 7 | 6 |
| Performance Pay | - | - | - | - | 2 | - | 2 | - |
| Share Based Payment | - | - | - | - | 3 | 1 | 3 | 1 |
| * The remuneration to key management personnel excludes gratuity, compensated absences and long term service award which can not be separately identified from the composite amount advised by the actuary. | | | | | | | | |
| **Independent Director Commission** | - | - | - | - | 4 | 4 | 4 | 4 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

| Particulars | Parties where control exist [A(a)] | | Fellow subsidiaries [A(b)] | | Key management personnel [A(c)] | | Total | |
|---|---|---|---|---|---|---|---|---|
| Anjani Kumar | - | - | - | - | 2 | 2 | 2 | 2 |
| Vinayak Despande | - | - | - | - | 1 | 1 | 1 | 1 |
| Bhavana Bindra | - | - | - | - | 1 | 1 | 1 | 1 |
| **Independent Director Sitting Fees** | **-** | **-** | **-** | **-** | **2** | **2** | **2** | **2** |
| Anjani Kumar | - | - | - | - | 1 | 1 | 1 | 1 |
| Vinayak Despande | - | - | - | - | 1 | 1 | 1 | 1 |
| Bhavana Bindra | - | - | - | - | 1 | 1 | 1 | 1 |
| **Purchases** | **2992** | **2853** | **329** | **222** | **-** | **-** | **3321** | **3075** |
| **Purchase of capital goods** | **-** | **46** | **39** | **-** | **-** | **-** | **39** | **46** |
| Kennametal Inc, USA | - | 46 | - | - | - | - | - | 46 |
| Kennametal (Xuzhou) Co.,Ltd. | - | - | 39 | - | - | - | 39 | - |
| | | | | | | | | |
| **Purchase of goods - others** | **2992** | **2807** | **290** | **222** | **-** | **-** | **3282** | **3029** |
| Kennametal Inc, USA | 1471 | 1422 | - | - | - | - | 1471 | 1422 |
| Kennametal Europe GmbH, Switzerland | 1521 | 1385 | - | - | - | - | 1521 | 1385 |
| Others | - | - | 290 | 222 | - | - | 290 | 222 |
| | | | | | | | | |
| **Services received / Recharge of expenses** | **202** | **180** | **88** | **72** | **-** | **-** | **290** | **252** |
| **Information technology services** | **128** | **132** | **-** | **-** | **-** | **-** | **128** | **132** |
| Kennametal Inc, USA | 128 | 132 | - | - | - | - | 128 | 132 |
| | | | | | | | | |
| **Professional fees (Technical services)** | **10** | **11** | **59** | **47** | **-** | **-** | **69** | **58** |
| Kennametal Inc, USA | 10 | 11 | - | - | - | - | 10 | 11 |
| "Kennametal Shared Services Private Ltd, India | | | | | | | | |
| (Technical Services)" | - | - | 59 | 47 | - | - | 59 | 47 |
| | | | | | | | | |
| **Royalty payments** | **11** | **10** | **13** | **14** | **-** | **-** | **24** | **24** |
| Kennametal Inc, USA | 11 | 10 | - | - | - | - | 11 | 10 |
| Hanita Metal Works Ltd, Israel | - | - | 13 | 14 | - | - | 13 | 14 |
| | | | | | | | | |
| **Cross charge of expenses** | **25** | **9** | **16** | **11** | **-** | **-** | **41** | **20** |
| Kennametal Inc, USA | 25 | 9 | - | - | - | - | 25 | 9 |
| "Kennametal Shared Services Private Ltd, India | | | | | | | | |
| (Interest on Loan Taken)" | - | - | - | 5 | - | - | - | 5 |
| Others | - | - | 16 | 6 | - | - | 16 | 6 |
| Stock compensation expenses | 28 | 18 | - | - | - | - | 28 | 18 |
| Kennametal Inc, USA | 28 | 18 | - | - | - | - | 28 | 18 |
| | | | | | | | | |
| **Outstanding receivables - Trade and others** | **156** | **118** | **2** | **28** | **-** | **-** | **158** | **146** |
| **Trade receivables** | **154** | **115** | **-** | **26** | **-** | **-** | **154** | **141** |
| Kennametal Inc, USA | 79 | 55 | - | - | - | - | 79 | 55 |
| Kennametal Europe GmbH, Switzerland | 75 | 60 | - | - | - | - | 75 | 60 |
| Others | - | - | | 26 | - | - | - | 26 |
| **Outstanding other receivables** | **2** | **3** | **2** | **2** | **-** | **-** | **4** | **5** |
| Kennametal Inc, USA | 2 | 3 | - | - | - | - | 2 | 3 |
| Others | - | - | 2 | 2 | - | - | 2 | 2 |
| | | | | | | | | |
| **Outstanding payable - Trade** | **468** | **343** | **47** | **125** | **-** | **-** | **515** | **468** |
| Kennametal Inc, USA | 288 | 173 | - | - | - | - | 288 | 173 |
| Kennametal Europe GmbH, Switzerland | 180 | 170 | - | - | - | - | 180 | 170 |
| Others | - | - | 47 | 125 | - | - | 47 | 125 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

39 Disclosures mandated by Schedule III of Companies Act 2013, by way of additional information, refer below

As at June 30, 2022

| Name of the Entities | Net Assets (total assets - total liabilities) | | Share in profit (loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As a % of consolidated net assets | Amount | As a % of share in profit (loss) | Amount | As a % of share in OCI | Amount | As a % of share in consolidated profit | Amount |
| Parent: | | | | | | | | |
| Kennametal India Limited | 98.16% | 6344 | 100.40% | 1146 | 100.00% | (12) | 100.41% | 1134 |
| Subsidiary | | | | | | | | |
| Widia India Tooling Private Limited | 2.14% | 138 | -0.48% | (5) | 0.00% | - | -0.48% | (5) |
| Intercompany Elimination and consolidation adjustments | -0.30% | (20) | 0.09% | 1 | 0% | - | 0.09% | 1 |
| Total | 100.00% | 6463 | 100.00% | 1141 | 100.00% | (12) | 100.00% | 1130 |
| Non-controlling interest in subsidiary | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - |
| Grand Total | 100.00% | 6463 | 100.00% | 1141 | 100.00% | (12) | 100.00% | 1130 |

As at June 30, 2021

| Name of the Entities | Net Assets (total assets - total liabilities) | | Share in profit (loss) | | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|---|---|---|
| | As a % of consolidated net assets | Amount | As a % of share in profit (loss) | Amount | As a % of share in OCI | Amount | As a % of share in consolidated profit | Amount |
| Parent: | | | | | | | | |
| Kennametal India Limited | 97.89% | 5734 | 90.79% | 666 | 100.00% | 1 | 90.78% | 666 |
| Subsidiary | | | | | | | | |
| Widia India Tooling Private Limited | 2.46% | 144 | 9.31% | 68 | 0.00% | - | 9.28% | 68 |
| Intercompany Elimination and consolidation adjustments | -0.35% | (21) | -0.10% | (1) | 0% | - | 0.00% | - |
| Total | 100.00% | 5857 | 100.00% | 733 | 100.00% | 1 | 100.00% | 734 |
| Non-controlling interest in subsidiary | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - |
| Grand Total | 100.00% | 5857 | 100.00% | 733 | 100.00% | 1 | 100.00% | 734 |

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

40 Key Ratios

| S.No | Particulars | Numerator | Denominator | June 30, 2022 | June 30, 2021 | % Variance |
|---|---|---|---|---|---|---|
| 1 | Current Ratio (times) | Current Assets | Current Liabilities | 2.72 | 2.42 | 12% |
| 2 | Return on Equity Ratio (percentage) ^ | Net Profit after Taxes | Capital Employed | 18% | 13% | 41% |
| 3 | Trade Receivable Turnover Ratio (times) | Net Credit Sales | Average Trade Receivable | 7.90 | 8.36 | -5% |
| 4 | Trade Payable Turnover Ratio (times) | Cost of materials consumed, purchase of stock in trade and operating expenses (Excluding provision for product support, provision for doubtful debts, rates and taxes and net loss on foreign currency translation) | Average Trade Payables | 6.44 | 7.58 | -15% |
| 5 | Net Capital Turnover Ratio (times) | Net Sales | Working Capital (Current Assets less Current Liabilities) | 3.27 | 3.20 | 2% |
| 6 | Net Profit Ratio (percentage) ^ | Net Profit after Taxes | Net Sales | 12% | 9% | 34% |
| 7 | Return on Capital Employed (percentage) ^ | Earnings before Interest and taxes (EBIT) | Capital Employed | 24% | 17% | 39% |

^ Increase in sales and improved management of costs contributes to an increase in this ratio.

* Explanations have been provided for any change in the ratio by more than 25% as compared to June 30, 2021.

* Debt Equity Ratio, Debt Service Coverage Ratio(DSCR) and Return on Investment Ratio are not applicable as the Company has no debt or investments as on June 30, 2022 and June 30, 2021.

41 Status of Scheme of Amalgamation

The Board of Directors at its meeting held on December 4, 2020 had approved a Scheme of Amalgamation ('Scheme') for the merger of its wholly owned subsidiary, WIDIA India Tooling Private Limited ('WITPL') with its Holding Company, Kennametal India Limited ('KIL' or 'Company'). Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has furnished the Scheme details to the Bombay Stock Exchange. The appointed date of the Scheme was 1st April 2021. Further, the Company has received approval for the said Scheme from the shareholders and Unsecured creditors of the Company at its meeting held on April 12, 2021 convened by Hon'ble NCLT, Bengaluru bench and the petition to that effect was filed with NCLT on April 29, 2021. There were multiple dates of hearing some of which were non effective and the last hearing date was scheduled on August 2, 2022 which was also not heard due to paucity of time. The Group awaits for the next date of hearing.

42 Disclosure Of Transactions With Struck Off Companies

The Company did not have any material transactions with companies struck off under Section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956 during the financial year.

## Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

43 No transactions to report against the following disclosure requirements as notified by MCA pursuant to amended Schedule III:

(a) Crypto Currency or Virtual Currency

(b) Benami Property held under Benami Transactions (Prohibition) Act, 1988 (45 of 1988)

(c) Registration of charges or satisfaction with Registrar of Companies

(d) Relating to borrowed funds:

i. Wilful defaulter

ii. Utilisation of borrowed funds & share premium

iii. Borrowings obtained on the basis of security of current assets

iv. Discrepancy in utilisation of borrowings

v. Current maturity of long term borrowings

44 No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries).

The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

45 Previous period comparatives

Prior year amounts have been regrouped/ reclassified wherever necessary, to conform to current year's presentation.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 12, 2022

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 12, 2022

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 12, 2022

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 12, 2022

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 12, 2022

# NOTES

# NOTES

# NOTES


Supporting initiatives focused on promoting education


Ushering in a new brand identity for WIDMA

Celebrating diversity and inclusion on International Women's Day 2022


Working to accelerate growth plans

KENNAMETAL

**Kennametal India Limited**


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