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/kennametalindia

KENNAMETAL

October 12, 2021

Ref: Sec/Sto/2021/10/01

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

Subject: **56th Annual General Meeting of the Company**
Ref: [Scrip code: 505890] - Kennametal India Limited

Dear Sir / Madam,

We wish to inform you that:

1. The 56th Annual General Meeting ('**AGM**') of the Company will be held on Wednesday, November 10, 2021, 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 Thursday, November 04, 2021, to Wednesday, November 10, 2021 (both days inclusive) for the purpose of the AGM.

3. The e-voting period commences on November 7, 2021 (09.00 A.M.) and ends on November 9, 2021 (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 3, 2021, 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 2020-21 along with the Notice calling the 56^{th} 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, a copy of the Notice calling the 56^{th} AGM and Annual Report for the year 2020-21 is enclosed to this letter.

Kindly take the same on record and oblige.

Thanking You.

Yours Truly,

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
E-mail: in.investorrelation@kennametal.com
Website: www.kennametal.com/kennametalindia

NOTICE TO MEMBERS

NOTICE is hereby given that the **Fifty Sixth (56th)** Annual General Meeting **("AGM")** of Kennametal India Limited (the **"Company"**) will be held on **Wednesday, November 10, 2021 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, 2021, 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, 2021 together with the Report of Auditors thereon.
2. To appoint Ms. Colleen Wood Cordova (DIN: 07568701), Director, who retires by rotation and being eligible, offers herself for re-appointment.
3. To confirm the interim dividend of ₹ 20/- per Equity Share (200%) on 2,19,78,240 Equity Shares of ₹10/- each already paid for the financial year 2020-21 (year ended June 30, 2021).

SPECIAL BUSINESS:

4. **Appointment of Mr. Franklin Gerardo Cardenas Castro (DIN: 09050884) as a Director of the Company:**

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

   "RESOLVED THAT based on recommendation of the Nomination and Remuneration Committee and the Board of Directors and pursuant to Articles of Association of the Company, Mr. Franklin Gerardo Cardenas Castro (DIN: 09050884), who was appointed as an Additional Director of the Company by the Board of Directors effective February 5, 2021 and who holds office until the date of this Annual General Meeting under the provisions of Section 161 of the Companies Act, 2013 be and is hereby appointed as Director of the Company.

   RESOLVED FURTHER THAT pursuant to the provisions of Section 152 and any other applicable provisions of the Companies Act, 2013 ("Act") and the Companies (Appointment and Qualification of Directors) Rules 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Regulation 17(1)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Mr. Franklin Gerardo Cardenas Castro (DIN: 09050884), who is eligible for appointment, be and is hereby appointed as Non-Executive Non-Independent Director of the Company and who shall be liable to retire by rotation.

   RESOLVED FURTHER THAT the Board of Directors of the Company and / or Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds and matters as may be considered or deemed fit to give effect to above resolution, including but not limited to filing of e-forms / returns, intimation to be given to any Statutory Authorities/Stock Exchange, if any."

5. **Ratification of 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, 2022, amounting to ₹ 2,00,000/- (Rupees Two Lakhs 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 returns with the Registrar of Companies and comply with other formalities, if any, as may be required pursuant to the provisions of Companies Act, 2013 or such other Regulations."

6. **Approval of Material Related Party Transactions with Kennametal Inc., USA:**

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

   "RESOLVED THAT pursuant to provisions of the Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, consent of the Members be and is hereby accorded in respect of the following material related party transaction(s) between the Company and Kennametal Inc., USA which are in the ordinary course of business and on arm's length basis:

₹ in Million

Sl. No.	Nature of Transactions	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2021 - i.e., amount not exceeding for FY22
1	Sales of products / components (receipts)	600.0
2	Cross Charge Revenue	40.0
3	Cross Charge- Debits expenses (Payable)	40.0
4	IT Cross charges (payment)	200.0
5	Professional Services- Expenses	25.0
6	Purchase of components/raw materials (payment)	1,800.0
7	Purchase- Capital Goods	50.0
8	Royalty (payment)	25.0

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."

7. **Approval of Material Related Party Transactions with Kennametal Europe GmbH, Switzerland:**

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

"RESOLVED THAT pursuant to provisions of Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, consent of the Members be and is hereby accorded in respect of the following material related party transaction(s) by the Company with Kennametal Europe GmbH, Switzerland which are in the ordinary course of business and on arm's length basis:

₹ in Million

Sl. No.	Nature of Transactions	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2021 - i.e., amount not exceeding for FY22
1	Sales of products / components (receipts)	900.0
2	Purchase of Components/raw materials (payment)	2500.0
3	Cross Charge-Revenue	10.0

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."

8. **Approval for payment of Commission to Independent Directors:**

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

"RESOLVED THAT pursuant to the provisions of Sections 197, 198 and any other applicable provisions of the Companies Act, 2013 ('the Act') including any amendments thereto or re-enactments thereof and Regulation 17(6) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, approval of the Members be and is hereby accorded for the payment of Commission, for a period of five years commencing from the Financial Year 2020-21, to the Non-Executive Directors of the Company as may be decided by the Board from time to time, provided that the total Commission payable to the Non-Executive Directors per annum shall not exceed the limit specified under the Act viz. one percent of the net profits of the Company for each year as computed in the manner prescribed under Section 198 of the Act, with authority to the Board to determine the quantum, manner and proportion in which the amount be distributed among individual Independent Directors.

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."

9. **Approval to pay commission, to the Chairman, exceeding fifty percent (50%) of the total commission payable to all 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, exceeding fifty percent (50%) of the total annual Commission payable to all Non-Executive Directors for the Financial Year 2020-21.

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 18, 2021

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 and General Circular No. 02/2021 dated January 13, 2021 (collectively **"MCA Circulars"**), permitted Companies to conduct Annual General Meeting (AGM) through video conferencing or other audio visual means till December 31, 2020, 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 (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, 2021. 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 56th AGM of your Company is being convened and conducted through VC.

2. The Company has facilitated the Members to participate in the 56th AGM through VC facility provided by Central Depository Services Limited ('CDSL'). The instructions for participation by Members are given in the subsequent paragraphs. Participation in AGM through VC shall be allowed on a first-come-first-served basis.

3. As per MCA Circulars, members attending the 56th 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 56th 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 56th 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 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 2020-21 along with Notice of 56th 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 www.kennametal.com/kennametalindia 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 10, 2021. Members seeking to inspect such documents may send an email to in.investorrelation@kennametal.com.

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, 2021. 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 4, 2021 to November 10, 2021 (Both days inclusive).

12. An interim dividend of ₹ 20/- per Equity Share of ₹ 10/- each (200% on the paid-up capital of the Company) was declared by the Board at its meeting held on May 12, 2021 for the financial year ended June 30, 2021 and May 25, 2021 was fixed as Record Date for the said purpose. The said interim dividend was paid on June 8, 2021.

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. Members holding Shares in single name in physical form are advised to make nomination in respect of their shareholding in the Company. The Nomination Form SH-13, as prescribed by the Government may be obtained from the Registrar and Share Transfer Agent or the Secretarial Department of the Company at its Registered Office.

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

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 56th 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 7, 2021 (09:00 AM) and ends on November 9, 2021 (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 3, 2021 may cast their votes electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

    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, 2021.

    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 detailed e-voting procedure is as under:

    (a) Pursuant to above said SEBI Circular, login procedure for e-voting and joining virtual Meetings for Individual Shareholders holding securities in demat mode is given below:

Shareholder Type	Login Method
Individual Shareholders holding securities in demat mode with CDSL	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 www.cdslindia.com and click on Login icon and select New System Myeasi. 2) After successful login the Easi / Easiest user will be able to see the e-voting option for eligible Companies where the e-voting is in progress as per the information provided by Company. On clicking the e-voting option, the user will be able to see e-voting page of the e-voting service provider for casting the vote during the remote e-voting period or joining virtual Meeting & voting during the Meeting. Additionally, there will be 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. 3) If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration. 4) Alternatively, the user may directly access e-voting page by providing demat Account Number and PAN from e-voting link available on www.cdslindia.com home page. 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 e-voting 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	1) Users who have already registered for NSDL IDeAS facility, may visit the e-Services website of NSDL i.e., https://eservices.nsdl.com either on a Personal Computer or on a mobile. On clicking on the 'Beneficial Owner' icon under 'Login' under 'IDeAS' section, a new screen will open. After successful authentication using the User ID and Password, user will be able to see e-voting services. Click on 'Access to e-Voting' under e-voting services will lead to e-voting page. Click on Company name or e-voting service provider name will redirect to e-voting service provider website for casting the vote during the remote e-voting period or joining virtual Meeting & voting during the Meeting. 2) If the user has 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. 3) Alternatively, the user may visit the e-voting website of NSDL i.e., 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	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 will redirect 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 above mentioned websites.

For any technical issues related to login through Depository i.e., CDSL and NSDL, individual Shareholders holding securities in demat mode may access the helpdesk as under:

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with **CDSL**	Members facing any technical issues in login may contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or call at 022- 23058738 and 22-23058542-43.
Individual Shareholders holding securities in demat mode with **NSDL**	Members facing any technical issues in login may 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) The instructions for remote e-voting for Members (other than individual Shareholders holding Shares in Demat form) & physical Shareholders are as under:

(i) The Members should log on to the e-voting website www.evotingindia.com.

(ii) Click on "Shareholders" module.

(iii) 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. Members holding shares in Physical Form should enter Folio Number registered with the Company.

(iv) Next enter the Image Verification as displayed and Click on Login.

(v) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.

(vi) If you are a first-time user, follow the steps given below :

	For Shareholders holding Shares in demat Form (other than Individual Shareholders) and in Physical Form
PAN	• Enter your 10-digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat Shareholders as well as physical Shareholders). • Members who have not updated their PAN with the Company/Depository Participant are requested to use 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. • If both the details are not recorded with the depository or the Company please enter the Member id / folio number in the Dividend Bank details field as mentioned in instruction (iii) above.

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

(d) Members holding Shares in physical form will then directly reach the Company selection screen. However, Members 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 account 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.

(e) For Members holding Shares in physical form, the details can be used only for e-voting on the Resolutions contained in this Notice.

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

(g) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same, the option "YES/NO" is available 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.

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

(i) After selecting the resolution, if 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.

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

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

(l) 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' and enter the details as prompted by the system.

Instructions for Members attending the AGM through VC are as under:

(i) Members will be provided with a facility to attend the AGM through VC through the CDSL e-voting system. Members may access the same at www.evotingindia.com under Shareholders/Members login by using the remote e-voting credentials. The link for VC will be available in shareholder/members login where the EVSN of Company will be displayed.

(ii) The Members can join the AGM through VC mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in this Notice. The facility of participation at the AGM through VC will be made available to at least 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 account of first come first served basis.

(iii) System requirements for best VC experience:

Though any internet enabled device i.e., Laptop, Desktop, Smartphone or a Tablet may be used to join the Meeting, Members are encouraged to join the AGM through Laptop/Tablet for better experience. Laptop with at least Core2duo processor, 1GB RAM, good quality multimedia kit and latest version of Internet Browser are preferred. Members are requested to download the Cisco WebEx meeting tool in advance and enable the camera during the AGM.

Members connecting from Mobile Devices, Tablets or Laptop connected via Mobile Hotspot might experience Audio/Video loss due to fluctuations in their respective networks. To mitigate any such glitches, it is recommended to use stable Wi-Fi or LAN connection(without proxy & firewall) with a speed of 2 Mbps or more.

(iv) Members who would like to ask questions or express their views at the AGM may register themselves as a speaker by sending a mail with their name, demat account number/folio number, email id, mobile number to in.investorrelation@kennametal.com on or before October 31, 2021. The Company reserves the right to limit the number of members asking the questions depending on the time availability at the AGM.

(v) Only those Shareholders who have registered themselves as a speaker will be allowed to express their views/ask questions during the meeting.

Instructions for Members for e-voting during the AGM are as under:

(i) The procedure for e-voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

(ii) Only those Members, who are present in the AGM through VC facility and have not cast 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.

(iii) If any votes are cast by the members through e-voting available during the AGM and if those Members have not participated in the meeting through VC facility, then the votes cast by such members shall be considered invalid as the facility of e-voting during the meeting is available only to the members attending the meeting.

(iv) 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.

Note for Non – Individual Shareholders and Custodians:

- 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 should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- 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 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.

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 3, 2021.

(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 General Meeting, 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 3, 2021 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].

In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com or call 022-23058738 and 022-23058542/43.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, 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 on 022-23058542/43.

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.

Explanatory Statement as required under Section 102 of the Companies Act, 2013 and Rules made thereunder

Item No.4:

Appointment of Mr. Franklin Gerardo Cardenas Castro (DIN: 09050884) as a Director of the Company:

Based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors at its meeting held on February 5, 2021 appointed Mr. Franklin Gerardo Cardenas Castro (DIN: 09050884) as an Additional Director, as per section 161 of the Act, with effect from February 5, 2021 who shall hold office upto the date of the ensuing Annual General Meeting (**"AGM"**).

Pursuant to the provisions of Section 161 of the Act, Additional Director appointed by the Board will hold office up to the date of the ensuing Annual General Meeting. Hence, approval of the Members of the Company is required to appoint Mr. Franklin Gerardo Cardenas Castro (DIN: 09050884) as a Director of the Company. The brief resume in relation to his experience, functional expertise is set out in **Annexure 'A'** to this Notice. The Board considers that his continued association as Director will be beneficial to, and in the interest of, the Company.

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

Except Mr. Franklin Gerardo Cardenas Castro, none of other Directors, Key Managerial Personnel or their relatives, are interested or concerned financially or otherwise in the resolution, by virtue of their directorships and to the extent of their shareholding in the Company.

This Explanatory Statement may be construed as a disclosure under SEBI (LODR) Regulations, 2015.

Item No. 5:

Ratification of remuneration to Cost Auditors:

The Board of Directors of the Company at its Meeting held on August 18, 2021 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, 2022 and have in this regard approved payment of ₹ 2,00,000 (Indian Rupees Two Lakhs Only) (excluding applicable taxes and re-imbursement of out of pocket expenses) as cost audit fees for FY 22. 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 2022 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 Nos. 6 & 7:

Approval of Related Party Transactions with Kennametal Inc. and Kennametal Europe GmbH:

As a part of its ongoing and in the ordinary course of business, the Company purchases/sells raw materials, hard metal products, avails/renders services from/to Kennametal Inc. and Kennametal Europe GmbH, at arm's length basis. For the Financial Year 2021-22 ("on-going transaction") the Audit Committee has reviewed and approved the transactions as mentioned in the resolutions set out under Item Nos. 6 & 7 of the Notice dated August 18, 2021.

Kennametal Inc. and Kennametal Europe GmbH are related to the Company as per Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

An analysis of all the Related Party Transactions (**'RPT'**) entered into/by the Company during Financial Year 2021 and the basis of charge was undertaken through a third-party professional firm. The Audit Committee upon review of such analysis is of the view that all related party transactions by the Company have been in the ordinary course of business and were/will be at Arm's length basis.

In addition to that the value of estimated RPTs approved for Financial Year 2022 are revised due to growth in the business activities along with inclusion of other transactions. (as mentioned in the resolutions set out under Item Nos. 6&7 of the Notice).

The Board of Directors at its Meeting held on August 18, 2021, reviewed the actual value of transactions for Financial Year 2021 and estimated value of the transactions on annual basis effective Financial Year 2022 in detail, for recommending the same to the Shareholders of the Company for their approval.

As per Regulation 23(1) of SEBI (LODR) Regulations, 2015, the transactions with Kennametal Inc. and Kennametal Europe GmbH are material in nature as these transactions on cumulative basis are likely to exceed 10% of the annual consolidated turnover as per the last audited financial statements of the Company.

Therefore, in terms of the SEBI (LODR) Regulations, 2015, the transactions with the said related parties require the approval of members of the Company by passing the resolutions at item Nos. 6 & 7 of the Notice.

As per SEBI (LODR) Regulations, 2015 all entities falling under the definition of related parties shall abstain from voting on the resolution and accordingly, the promoters will not vote on item Nos. (6) & (7).

Particulars	**Information**
Description of the Related parties	Kennametal Inc. and Kennametal Europe GmbH
Nature of relationship	Kennametal Inc. - Ultimate Holding Company Kennametal Europe GmbH – Enterprise holding, directly or indirectly, substantial interest in Meturit A.G., the Holding Company
Period for which the shareholders' approval is sought	July 1, 2021 to June 30, 2022
Nature and Particulars of transactions with Kennametal Inc. USA, Kennametal Europe GmbH and other members of the Kennametal Group ("RPTs")	Payments: Purchase of Components/raw materials, IT Cross charges, Royalty, Cross charge –expenses, Receipt: Sales of products/components, Cross charge –expenses
Material terms of the RPTs	Terms and conditions are similar for both the related parties. Salient Terms are given in the Board's Report.
Duration of these RPTs have been continued from the past	These transactions have been undertaken by the Company from time to time depending on the needs of business.
Estimated Monetary value of such RPTs	Considering the business phenomenon being dynamic and the nature of industry / business in which the Company operates, the Company expects the level of transactions with Kennametal Inc. and Kennametal Europe GmbH to be above the materiality threshold as prescribed under the SEBI (LODR) Regulations, 2015. Therefore, the approval of the Members is sought for an aggregate value of transactions for the financial year 2021-22 for ₹ 6190 million (Kennametal Inc. : ₹ 2780 million, Kennametal Europe GmbH : ₹ 3410 million).
Whether the transactions have been approved by the Audit Committee	Yes. The Audit Committee has granted omnibus approval as per the prevailing legal requirements. The proposed RPTs are in accordance with the RPT Policy of the Company.
Any other Information relevant or important for the Members to make a decision on the proposed transactions.	The details of Related Party Transactions are given in Note no. 37 & 40 in the standalone and consolidated Financial Statements respectively for the year 2020-21.

The proposed RPTs are in the ordinary and normal course of business and on arm's length basis and play a significant role in the Company's business operations and accordingly the Board recommends the Ordinary Resolutions set forth in item Nos. 6 and 7 of the Notice for the approval of the Members in terms of Regulation 23 of the SEBI (LODR) Regulations, 2015.

None of the Directors or Key Managerial Personnel of the Company and their relatives may be deemed to be concerned or interested, directly or indirectly, in this resolution. However, it may be noted that Mr. Franklin Gerardo Cardenas Castro, Mr. D. Parameswar Reddy and Ms. Colleen Wood Cordova are the Nominees of Kennametal Inc. on the Board of the Company.

The Members' approval is solicited for the resolutions at item Nos. 6 and 7 of the accompanying Notice as Ordinary Resolutions.

This Explanatory Statement may also be regarded as a disclosure under SEBI (LODR) Regulations, 2015.

Item No. 8:

Approval for payment of Commission to Independent Directors:

The Members had earlier approved the payment of commission to Independent Directors of the Company for a period of 5 years, of a sum not exceeding one percent per annum of the net profits of the Company, calculated in accordance with the provisions of the Companies Act, 2013.

The current competitive business environment, stringent accounting standards coupled with high levels of compliances and corporate governance norms require considerably enhanced levels of involvement of the Directors in the decision making process. The responsibility of the Directors has become more onerous and the Directors are required to give more time and attention to the business of the Company. It is therefore proposed to continue the payment of commission to the Independent Directors of the Company. The Board of Directors will determine each year, the specific amount to be paid as commission to the Independent Directors which shall not exceed one percent of the net profits of the Company for that year, as computed in the manner referred to in Section 198 of the Companies Act, 2013.

In view of the above, the Members' approval is being sought pursuant to Sections 197, 198 and other applicable provisions of the Companies Act, 2013, if any, and SEBI (LODR) Regulations, 2015 for the payment of commission to the Independent Directors of the Company for a period of five years commencing from FY 2020-21. The payment of commission would be in addition to the sitting fees payable for attending Meetings of the Board and Committees thereof.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 8 of the Notice for approval by the Members.

The Independent Directors of the Company are interested in the Resolution set out at Item No. 8 of the accompanying Notice, since it relates to their respective commission. None of the other Directors and

Key Managerial Personnel of the Company and their relatives are concerned or interested, financial or otherwise, in the said resolution.

This Explanatory Statement may also be regarded as a disclosure under SEBI (LODR) Regulations, 2015.

Item No. 9:

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, 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 non-interested Directors to the proposal have approved said payment of commission subject to the approval of the Shareholders.

Mr. B. Anjani Kumar, the 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 have recommended the Special Resolution set out at Item No. 9 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. 9 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 18, 2021

Annexure A

Brief Particulars of Director seeking appointment/re-appointment:

1. Mr. Franklin Gerardo Cardenas Castro

Name of the Director	Mr. Franklin Gerardo Cardenas Castro
Date of Birth	May 20, 1968
Relationship between Directors inter-se	None
Experience	Mr. Franklin Gerardo Cardenas Castro was appointed in Kennametal India Limited (**'KIL'**) as non-Executive Director on February 5, 2021. Mr. Castro is currently Vice President of Kennametal Inc., Ultimate Holding Company of KIL and President of the Infrastructure segment. Mr. Castro has global responsibility for the Infrastructure segment of Kennamatal group entities and is accountable for advancing the business strategy, driving operational excellence and delivering profitable growth in the advanced materials, earth cutting tools, engineered components, additive manufacturing and ceramics businesses within the segment. Mr. Castro spent nearly 25 years with Donaldson Company, Inc., starting with the company in Mexico in 1995. He has deep global experience having held various business and general management roles, with responsibility for commercial and operations, during his time with the company. He held management positions

	covering Mexican and Latin American markets prior to being named Managing Director, Latin America in 2005 and Vice President, Global Engine Aftermarket, in 2010. In his most recent role, he was the Vice President of Asia Pacific, and was responsible for accelerating profitable growth, driving market share and improving productivity.
Expertise in specific functional area	Sales, Marketing and Leadership
Qualifications	Mr. Castro earned a Bachelor of Science degree in industrial and systems engineering and a Master of Business Administration from Tec de Monterrey in Mexico City.
List of Directors in the Listed Entities (except KIL) and Memberships of Committees of the Board in India	None
No. of Shares held in Kennametal India Limited	Nil

2. Ms. Colleen Wood Cordova

Name of the Director	Ms. Colleen Wood Cordova
Date of Birth	April 5, 1958
Relationship between Directors inter-se	None
Experience	Ms. Cordova joined Kennametal India Limited (**'KIL'**) as non-Executive Director on August 9, 2016. Ms. Cordova is currently Vice President & General Manager Engineered Wear Components, Infrastructure at Kennametal Inc., Ultimate Holding Company of KIL and has been associated with Kennametal Inc. since the year 2006. In this role, Ms. Cordova is responsible for the P&L, commercial sales, and strategy of the business. She has had several positions within Kennametal Inc. across different functions and businesses. She has over 27 years of enriched experience in the fields of sales, marketing, strategy, product management, finance and general management.
Expertise in specific functional area	Sales, Marketing and Leadership
Qualifications	Ms. Cordova holds a Master of Science in Chemical Engineering from Virginia Polytechnic Institute and State University and also holds a Master of Business Administration (MBA) in International Marketing from University of Richmond-Robins School of Business. She is a recipient of the 2013 Woman in Manufacturing STEP Award presented by the Society of Manufacturing Engineers and the Manufacturing Institute.
List of Directors in the Listed Entities (except KIL) and Memberships of Committees of the Board in India	None
No. of Shares held in Kennametal India Limited	Nil

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 18, 2021

KENNAMETAL

To 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 2 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 Transfer Agent (R&T) – Integrated Registry Management Services Private Limited.

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

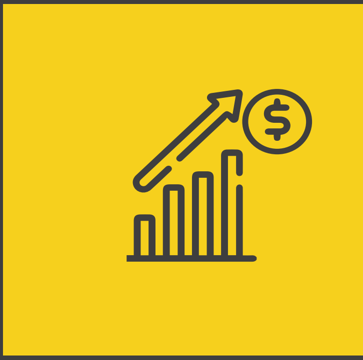
Naveen Chandra P
General Manager - Legal &
Company Secretary (ACS -30057)
Address : 8/9th Mile, Tumkur Road,
Bengaluru – 560073, Karnataka

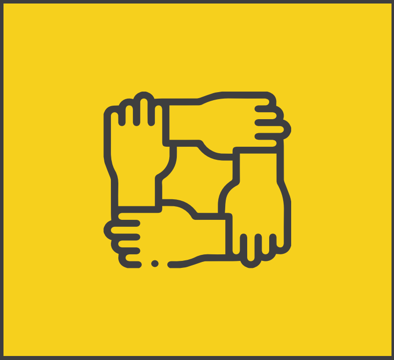
Bengaluru
August 18, 2021

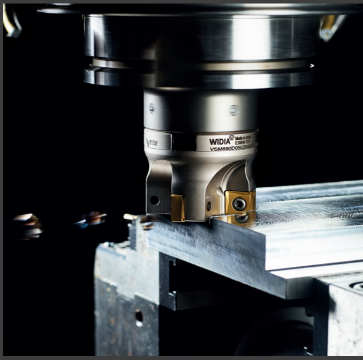
KENNAMETAL®

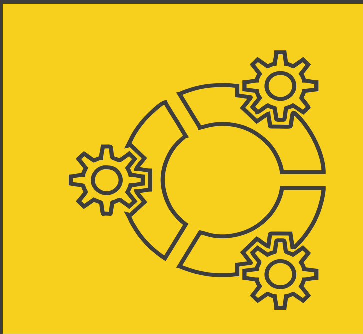
56th Annual Report

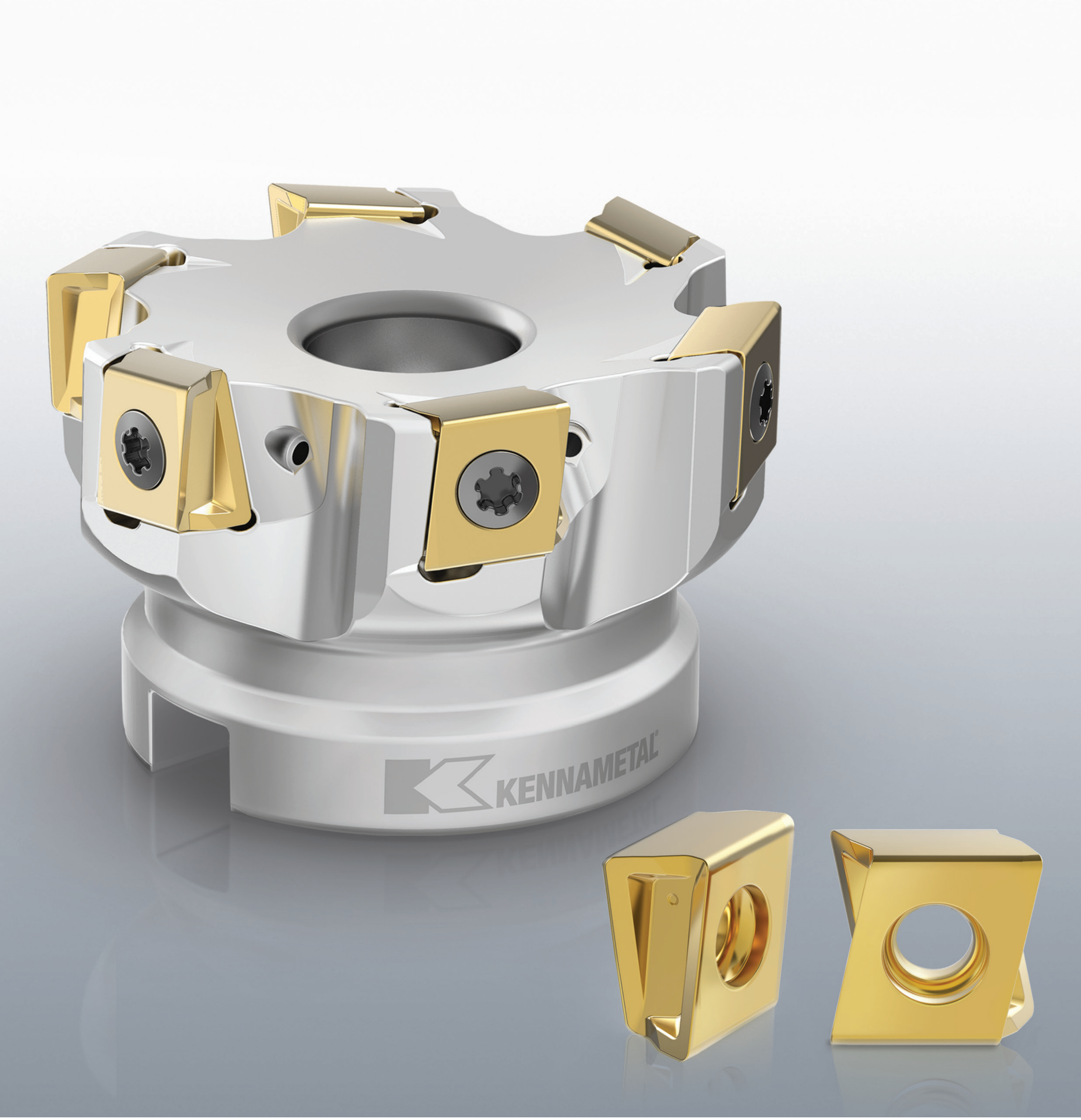
FY 21





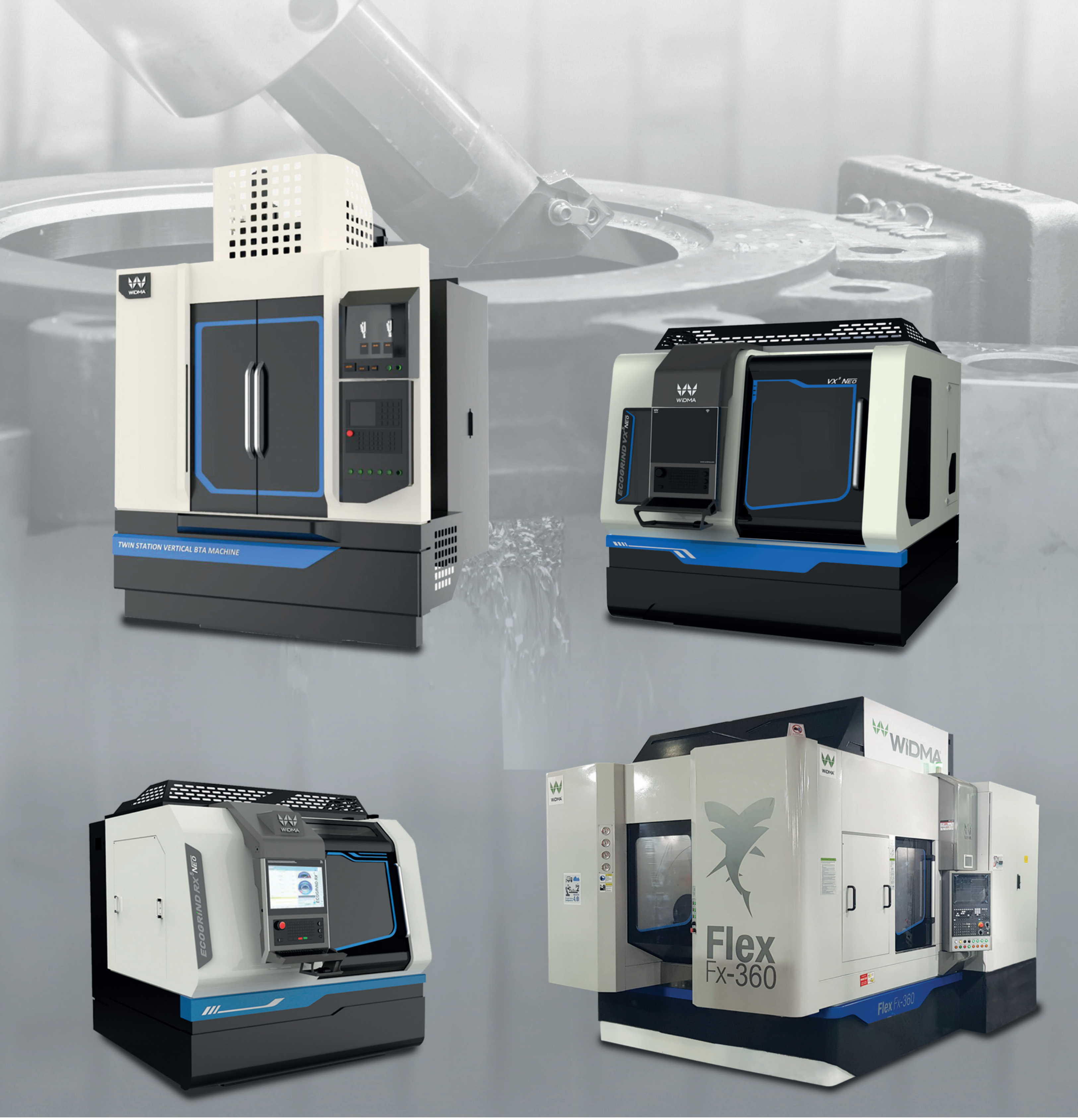






KENNAMETAL®

WIDIA™



TWIN STATION VERTICAL BTA MACHINE
WIDMA
ECOGRIND VX² NEO
ECOGRIND RX² NEO
WIDMA
Flex
Fx-360
Flex Fx-360

WiDMA®

KENNAMETAL INDIA LIMITED

(CIN: L27109KA1964PLC001546)

Directors
Mr. B. Anjani Kumar
Chairman
Mr. Vijaykrishnan Venkatesan
Managing Director (Effective September 17, 2020)
Mr. Vinayak K. Deshpande
Ms. Bhavna Bindra
Mr. Franklin Gerardo Cardenas Castro
(Effective February 5, 2021)
Ms. Colleen Wood Cordova
Mr. D. Parameswar Reddy

Mr. Bhagya Chandra Rao,
Managing Director (Upto September 16, 2020)

Key Managerial Personnel
Mr. Vijaykrishnan Venkatesan
Managing Director (Effective September 17, 2020)
Mr. K.V. Suresh Reddy
Chief Financial Officer
Mr. Naveen Chandra Prakash
General Manager - Legal & Company Secretary

Mr. Bhagya Chandra Rao
Managing Director, (Upto September 16, 2020)

India Leadership Council (ILC)
Mr. Vijaykrishnan Venkatesan
Mr. Prashant Shetty
Mr. M. T. Swamy
Mr. J Prabhakar
Mr. M. N. Bhaskara Rao
Mr. K.V. Suresh Reddy
Mr. Manu Kidave
Mr. Naveen Chandra Prakash
Ms. Swastika Mukherjee

Mr. Bhagya Chandra Rao
(Upto September 16, 2020)

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
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

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

56th Annual General Meeting

Wednesday, November 10, 2021 at 12.00 noon
through Video Conferencing ("VC") or Other Audio Visual means ("OAVM")

Contents	Page No.

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am proud to present on behalf of the Board of Kennametal India Limited, the 56th Annual Report of the Company for the financial year ended June 30, 2021. As we close on another year of uncertainty dominated by the COVID-19 pandemic, I would like to laud the commitment and effort put in by the entire team in FY21 to register significant growth, despite the adverse circumstances faced by all, both in the manufacturing facility and in the sales territories.

Resilience, which indicates a high adversity quotient (AQ) and great teamwork have been the factors behind this commendable performance. Such qualities are going to be very important going forward, especially in this highly competitive and volatile environment, which is why the management and the Board wish to foster them at all levels of the organization.

The Kennametal India team has significantly customized its approach, protocols, and procedures to suit the 'New Normal'. The quick adoption of digitization to sustain business continuity and meet customer commitments by way of remote commissioning of large machines in the UK, China, and France is a worthy example of this. Plus, continued focus on the implementation of the integrated metal cutting strategy to support customers with a wider array of metal cutting tools, exploration of new avenues and markets by the infrastructure team, scaling of the machine building business outside India (in China and South Asia) to expand the order base – all these successes are testimony to the leadership team's vision and guidance.

With the economic situation slowly making a comeback, and an increasing number of our employees returning to work, your Company continues to prioritize health and safety by ensuring implementation of strict operating protocols across the facility.

International Economic Situation

The COVID – 19 induced periodic lockdowns, limited travel and curtailed economic activities led to a slump of 3.5% in global growth in 2020, according to the International Monetary Fund (IMF). However, policy response, economic stimulus measures, relief packages, and roll-out of COVID-19 vaccinations have led to a gradual economic recovery, and a revised global growth estimate of 6% in 2021, moderating to an anticipated 4.9% in 2022. Forecasts for advanced economies, especially the US, are expected to be higher on the back of additional fiscal support and improved health metrices, while emerging economies are expected to witness slower growth due to price pressures arising from supply chain disruptions and elevated inflation. The global recovery to pre-COVID levels continues to largely depend on wide coverage of inoculations in all countries, thereby limiting chances of new variants and renewed trade disruptions.

Manufacturing Sector in India– An Overview

According to Index of Industrial Production (IIP) data, India's industrial output contracted by 8.6% in FY20-21 (Financial year ending March 2021), as compared to 0.8% contraction in FY19-20, due to a nationwide lockdown in the initial months of the fiscal. Riding on a lower base effect, the first quarter of FY22 saw a 45% growth in IIP, where early indicators point towards resumption of pre-COVID economic activities, while acknowledging the downside risks from another wave of infections.

A subdued start to the fiscal FY21 (April 2020), followed by the massive resurgence of the second wave, just when the economy was at the brink of a 'V' shaped recovery, have led to contraction in the GDP by 7.3%, the worst in the last four decades. In contrast, the first quarter of FY22 (April-June 2022) witnessed a revival to 20.1% due to the low base, along with pent-up demand and easing of COVID restrictions. The manufacturing sector, constituting 16-17% of the GDP, was no exception to the slump with a proportionate degrowth and revival witnessed over the period in discussion. A silver lining has been signs of steady improvement in the average capacity utilization rate from the quarter of October 2020. Kennametal India has been a beneficiary to this momentum with an improved order book from the sector for all its business segments. With economic activity beginning to normalize, and improvement in private consumption and external demand regaining traction, the Reserve Bank of India estimates an economic growth of 9.5% for FY22.

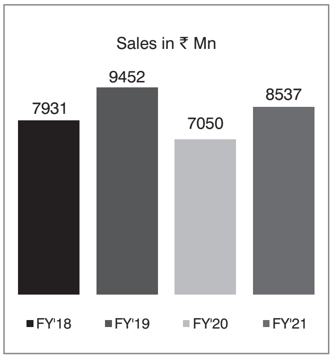
Automotive Industry in India

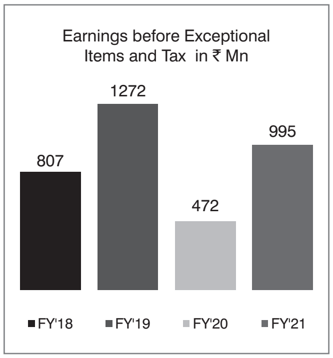
Automotive was one of the sectors that bore the highest brunt of the pandemic, with sales declining significantly in FY21. Retail sales for two wheelers declined by 34%, passenger vehicles saw a de-growth of 12% YoY, while commercial vehicle retail sales fell 51% YoY, affected by escalated vehicle prices due to BS-VI migration, restricted finance availability, coupled with the COVID impact. Contrary to the catastrophic slump in the overall industry, the tractors volumes sustained growth during the year by 23.9%, buoyed by a good monsoon, loan waivers and Minimum Support Prices (MSPs). The last quarter ending March 2021 saw a significant rebound in the volumes that continued into Q1 of FY22, hinting a promising outlook for FY22, backed by revival across segments, positive consumer sentiments and continued preference for personal mobility. This optimism is likely to be offset with headwinds in the form of chip shortages, a hike in vehicle prices and enforcement of stricter lockdown norms ahead of the festive season. The tractor industry continues to see green shoots with another year of favorable monsoon and government incentives for the agriculture sector.

The auto component industry fared significantly better with a decline of only 3% in FY21 (ending March 2021) and a spurt in sales in the subsequent quarter, riding on the low base effect and demand recovery of the auto sector. The outlook for the sector looks promising with ICRA estimating a growth of 20-23 percent in this fiscal. Apart from the positive outlook of auto demand, the surge in volumes in the coming years is likely to be driven by the PLI scheme, vehicle scrappage policy and government's focus on quick adoption of electric vehicles. However, the growth in FY22, is likely to be impacted by the shortage of semi-conductors, as shown by the large drop in passenger vehicle sales in the month of September 2021.

Financial Performance

Your Company's sales recorded a total of ₹ 8537 Million in FY21 showing a growth of 21% over the prior year, and the Earnings before Exceptional items and Tax came up to ₹ 995 Million for FY21, which was a growth of 110% over the prior year.





Net operational cash generated during the year increased from ₹ 336/- Million in FY20 to ₹ 1,660/- Million in FY21. The increase in the operating cash flows was mainly due to higher inflow from operations.

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:

Mr. Franklin Gerardo Cardenas Castro was appointed to the Board of Kennametal India Limited on February 5, 2021, as an Additional Director under the provisions of the Companies Act, 2013, and shall hold office up to the date of this Annual General Meeting (**'AGM'**). A resolution is placed at the ensuing AGM for his appointment as a Director of the Company.

Corporate Governance

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

Also noteworthy, are the ESG Environmental, Social and Governance (ESG) initiatives, which have already commenced in India well before the statutory timeline to report from FY-2023 onwards. With several environment initiatives, including energy conservation projects, lined up, I am confident that the team is well-equipped to bring about tangible results to all its stakeholders and share the benefits with the community at large.

Recognizing our achievements in this area, GreenCo (www.greenco.in) awarded Kennametal India a 'Gold' rating in November 2018, which has validity till October 2021. It is a prestigious award, and the rating is based on a holistic framework that evaluates companies on the environmental friendliness of their activities using a life cycle approach covering product design, materials used, procurement, vendor management, logistics, packaging, manufacturing, distribution, product use, disposal, and recycling.

Your Company was also presented with a coveted 'Safety Award' by the National Safety Council – Karnataka Chapter, in recognition of its overall safety performance and enforcement of best practices regarding employees' health during 2019-2020.

Corporate Social Responsibility (CSR)

During the last three fiscals, from FY19 to FY21, Kennametal India's community engagements have been executed primarily through non-governmental, non-profit, and charitable organizations that work extensively in and around the local communities in Bengaluru.

Your Company was required to spend ₹16.90 million on CSR projects during the financial year, and I am glad to confirm that we have fully met this requirement and in fact spent ₹ 0.06 million over and above this requirement leading to an actual total expenditure of ₹16.96 million on CSR activities by driving initiatives that significantly benefited the community, some of which are outlined below.

Your Company extended support to Katalyst - an award winning non-governmental organization (NGO) focused on the economic empowerment of women. We sponsored professional degree education expenses for 20 young girls from lower income communities, who will continue to receive support till they complete their professional degree course of 4 years and qualify as graduates.

As part of our ongoing engagement with Sparsha Trust, a non-profit organization working to promote equitable education and holistic development of underprivileged children, Kennametal India Limited continued its support to the 'Sparsha Nisarga Grama' facility, which provides accommodation for underprivileged boys and girls. Also notable is our partnership with the India Literacy Project (ILP) to help fund 'smart' classrooms in schools for underprivileged children. From computer and science labs to libraries, ILP is giving nearly 2,500 local students access to the critical educational infrastructure needed to build skills for the future.

Our community outreach efforts included extensive COVID relief initiatives as well. During the second wave of the pandemic outbreak, your Company helped government and private hospitals in the community by providing beds and oxygen concentrators. Plus, to address the growing shortage of masks, PPE kits, sanitizers, sanitizer dispensers and thermal scanners, Kennametal India donated these pertinent items to frontline workers, including police personnel.

Concluding Note

While community initiatives were underway, your Company took several decisive steps to mitigate risks to employees. Apart from the mandatory protocols of ensuring social distancing, proper use of face masks, thermal screening at entry & exit points, etc., your Company was instrumental in implementing measures like deploying a task force consisting of cross-functional team members to continuously monitor the COVID situation, organizing weekly safety leadership meetings, building protocols for reporting sickness, keeping tabs on the motivation levels of employees working from home, and strengthening employee communication, among others.

Your Company also supported employees and their family members by providing them medicines, food, and health-care advice by Company doctors, besides tying up with hospitals to make arrangements for inpatient care. With 5 vaccination drives completed and more being planned, your Company is optimistic on its business continuity planning with reduced anticipated risk during a plausible third wave of the pandemic.

As we move ahead into the post-pandemic world, 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 be remiss in my duty if I did not 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 express my sincere appreciation to the 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, the new Managing Director for all the novel initiatives he is spearheading across different areas.

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

Thank you,

Bidadi Anjani Kumar
Chairman

BOARD'S REPORT

Your Directors are pleased to present the 56th Annual Report along with the Consolidated and Standalone Audited Financial Statements for the financial year ended June 30, 2021:

FINANCIAL RESULTS (₹ In Million)

Particulars	Consolidated		Standalone	
	FY21	FY20*	FY21	FY20*
Total revenue	8,537	7050	8,114	6414
Profit before exceptional items and tax	**995**	**472**	**904**	**448**
Add/less-exceptional items income/(expense)	(10)	(51)	(10)	(44)
Profit after exceptional items and before tax	**985**	**421**	**894**	**404**
Less: provision for tax	**252**	**82**	**228**	**79**
Current tax	253	101	232	96
Tax adjustment relating to earlier years	-	(10)	-	(8)
Deferred tax (credit)/charge	(1)	(9)	(4)	(9)
Profit after tax	**733**	**339**	**666**	**325**
Other comprehensive income for the year, net of tax	**1**	**(10)**	**1**	**(10)**
Total comprehensive income for the year	**734**	**329**	**667**	**315**
Add: balance brought forward from previous year	5337	5010	5282	4969
Total available for appropriation	6071	5339	5949	5284
Dividend	440	-	440	-
Share based compensation adjustment	(6)	(2)	(5)	(2)
Balance transferred to balance sheet	5637	5337	5514	5282

**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 ₹ 20/- per Equity Share of ₹ 10/- (Rupees Ten only) each (200% on the Paid-up Share Capital of the Company) was declared by the Board for the financial year ended June 30, 2021 and May 25, 2021 was fixed as Record Date for the said purpose. The said Interim Dividend was paid on June 8, 2021. The Board of Directors have decided to treat the Interim Dividend as Final Dividend for the financial year ended June 30, 2021.

The Company has not transferred any amounts to reserves for the financial year ended June 30, 2021.

OPERATING RESULTS

The consolidated Profit Before Tax and Exceptional items was ₹ 995/- Million for FY21. The Company's performance for the financial year 2021 has shown substantial improvement in comparison with the previous year on account of the revival in economy post the COVID-19 wave-1 impact in FY20. However, during the fourth quarter of FY21, the COVID-19 wave-2 impacted your Company in many ways including consequent localized lockdowns from April 2021 onwards which had a negative bearing on the growth of your Company. Your Company witnessed drop in Sales by ₹ 160 million during fourth quarter of FY21 as compared to the third quarter of FY21 and by ₹ 49 million as compared to second quarter of FY21.

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 [Listing Obligations and Disclosure Requirements (LODR)] Regulations, 2015 (hereinafter referred as 'SEBI (LODR) Regulations 2015').

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, Ms. Colleen Wood Cordova, is due to retire by rotation at the forthcoming Annual General Meeting ('AGM') and, being eligible, offers herself for re-appointment. The Board recommends her 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 Director's 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, 2021, 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.

Mr. Bhagya Chandra (B.C.) Rao, Managing Director of your Company who lead Kennametal for almost 8 years retired from the services of the Company effective September 16, 2020. During his stint as the Managing Director, your Company achieved significant milestones including extraordinary growth in the top line of your Company during FY19. The Board of Directors places its sincere appreciation for the commendable leadership of Mr. B.C. Rao during his tenure as the Managing Director of the Company.

Effective, September 17, 2020, Mr. Vijaykrishnan Venkatesan was appointed as the Managing Director of your Company which was duly approved by the shareholders of the Company at the 55th Annual General Meeting ('AGM') held in November 2020. Mr. Vijaykrishnan comes with 23 years of experience, including 19 years in various senior and international roles in another large multinational organization.

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, ultimate holding Company of your Company. Mr. Franklin's appointment has been recommended for consideration and approval of the shareholders at the ensuing 56th AGM to be held on November 10, 2021.

A brief profile of the Directors being appointed / re-appointed as required under Regulation 36(3) of SEBI (LODR) Regulations, 2015 is furnished along with the Notice convening 56th 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. Further, shares on which dividends were unclaimed for seven consecutive years were transferred as per the requirements of the IEPF rules. Said details are available on our website at www.kennametal.com/kennametalindia.

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 FY21.

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, 2021 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 results of the Wholly Owned Subsidiary for the financial year ended June 30, 2021, are consolidated with the financial results of the Company for the financial year under review.

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.

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 has 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. Due to ongoing COVID-19 pandemic situation and the regular bench for NLCT-Bengaluru being in the process of getting constituted, the matter is yet to come up for next hearing.

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, 2021.

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 all 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 Additional Directors on Board viz., Mr. Franklin Cardenas (appointed effective February 5, 2021). 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.

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

CORPORATE GOVERNANCE

Pursuant to Regulation 34(3) read with Schedule V(C) of SEBI (LODR) Regulations, 2015, a report on Corporate Governance along with a certificate from Mr. Vijayakrishna K T, Practicing 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 K T, Practicing 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 Code.

As required by SEBI (LODR) (Amendment) Regulations, 2018, 'Annual Secretarial Compliance Report' issued by Mr. Vijayakrishna K T, Practicing Company Secretary for the financial year ended June 30, 2021 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 www.kennametal.com/kennametalindia

CEO / MD AND CFO CERTIFICATE

A Certificate from the Managing Director and the Chief Financial Officer dated August 17, 2021, on the Financial Statements of the Company for the financial year ended June 30, 2021 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 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 www.kennametal.com/kennametalindia.

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

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

In view of the same, the Company has appointed Messrs. Walker Chandiok & Co LLP, Chartered Accountants (FRN: 001076N/N500013) as Statutory Auditors 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 in the year 2022.

As per the Companies (Audit and Auditors) Second Amendments Rules, 2018, with effect from May 7, 2018, the Central Government has notified the omission of the requirement related to ratification of appointment of Statutory Auditors by members at every AGM. Accordingly, the resolution for ratification has not been placed before the members.

The Independent Auditors' Reports to the Members on the Standalone and Consolidated Financial Statements of the Company for the financial year ended June 30, 2021, 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 & CP 980) carried out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2020-21 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 Director of the 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 2021-22. 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 56th AGM.

The Cost Audit Report for FY21 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 2020-21.

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 2020-21 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 www.kennametal.com/kennametalindia

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 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 as required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

There were no complaints lodged to the Internal Complaint Committee 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.

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 Holding / Subsidiary 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 undertaken a number of initiatives to enable the Company to get reclassified as an 'orange' category industry by the authorities. 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. 80% 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 have 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 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.

About 14 percolation pits to enable soaking of water into soak pits; small bunds around the building to help in containing and soaking the rainwater into the ground; check dams at appropriate place make sure that rain waters that lands on limited concrete surfaces reaches the underground thereby aiding in strengthening the ground water table. Improved recycling of water has drastically reduced the freshwater consumption at the plant.

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 56th 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 56th 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.

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.

As part of continual initiatives in raising the bar of safety performance, your Company has during FY21 brought about considerable improvements in the safety performance:

- Continuing its drive to better the competence of all, a total of 1558 man hours of safety training and 1818 man hours of Covid-19 awareness session were spent by the employees of your company.
- Annual medical examination of employees was completed safely amidst pandemic circumstances and wellness awareness program continued throughout the year.
- Despite the COVID-19 pandemic outbreak, 516 'Find and Fix' by employees; Industrial Hygiene assessment to prevent Occupational Health Hazard to find and fix exposure levels to chemicals, noise, indoor air quality; Hazard identification and Risk assessment tool to minimize risk and further improve safe working environment amongst others were completed in FY21.

COVID-19 Safety Measures:

Apart from the protocols mandated by the Government in relation to maintaining safe working environment amidst COVID-19 pandemic, your Company was instrumental in conducting 5 vaccination drive and continued collaboration with governmental authorities in getting its employees vaccinated. The vaccination drive has immensely helped in reducing the risk on the campus. Amongst a host of other mandatory protocols, your Company actively engaged the employees by, imparting wellness training and awareness to all employees about "Do's and Don'ts"; awareness board on the COVID-19 information across the premises; building new protocols for third party entering & exiting out of the campus; regular monitoring of health status of each infected employee & their family members; "Work from Home" facility for eligible employees to reduce footfalls on the campus/ obviate risks for all; cross functional team headed by the Plant Manager and EHS to review and monitor the systems and their adequacy from time to time.

COVID-19 Infected employees who were quarantined at home were provided medicines, your Company supported few critical cases with available hospital support. To ensure safety of employees & their family members who were combating critical illness, your Company put in place about 15 oxygen concentrators to support.

ISO 14001 & ISO 45001: Your Company was recertified 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 is meeting all applicable EHS regulatory compliance by regular review mechanism and regular updates are provided to the Management.

Recognition to employees:

In the Regional Level Safety and Health Quiz-2021 competition organized by the Department of Factories, boilers, industrial safety and health, Govt. of Karnataka, your Company's employees secured First Prize in the competition.

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, 2021, are set out in "Annexure XIII" to this report.

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 www.kennametal.com/kennametalindia

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.

EXTRACT OF THE 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 2020-21 is uploaded on the website of the Company and the same is available at www.kennametal.com/kennametalindia

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.

NUMBER OF BOARD MEETINGS

The Board of Directors met Six (6) times during the financial year 2020-21. 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 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 Secretarial Standards issued by the Institute of Company Secretaries of India on Board Meetings and Annual 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, amidst all the COVID-19 uncertainties, 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 18, 2021

Annexure I to the Board's Report

Management Discussion and Analysis Report

Overview

1. Global Economy

FY2021 proved to be another year dominated by disruptions in the global economy on account of the COVID-19 pandemic. The deep despondency and risk psychosis that became globally pervasive with the outbreak of COVID, continued throughout the year with global output (as on March 31, 2021) sinking into its steepest contraction since the Great Depression at 3.3 per cent, advanced countries' GDP going down by 4.7 per cent and that of emerging and developing countries going down by 2.2 per cent. The Reserve Bank of India reports that the world trade volume of goods and services shrank by 8.5 per cent.

Global recovery, though softened in the near term post resurgence of COVID-19 cases, is expected to strengthen as business confidence, private and government consumption and trade gradually improve alongside ongoing vaccination coverage. As per World Bank estimates, the global economic output is expected to expand by 4 percent in calendar year 2021 and moderate to 3.8 percent in calendar year 2022. However, risks continue to dominate, including the possibility of subsequent waves of the virus spread, plausible delays in vaccine procurement and distribution, and financial impact on several of the world's emerging and developing economics. The severe impact on the global supply chain arising mainly from periodic lockdowns, trade tensions with China and the recent semi-conductor shortage issue continues to challenge businesses.

2. Indian Economy

The Indian economy witnessed an unprecedented setback from the first COVID wave (March to July 2020) as the Government announced nationwide and regional lockdowns to contain the spread of infections. Subsequently, signs of gradual recovery started surfacing during October to December 2020 with business activities resuming, manifesting in a modest GDP growth of 1.6% during the quarter ending March 2021. This momentum was marred by the onset of the second wave that took the nation's medical infrastructure by storm. Despite recording an average of 400,000 new cases per day during April and May 2021, the business environment showed resilience and recorded a high GDP of 20.1% during April-June 2021, driven by low base effect, limited COVID restrictions that supported business sustainability and uptick in demand from improved market sentiments.

With the COVID cases tapering southwards, extensive ramp up of the Government's vaccination drive, and increased spending on infrastructure projects, the economy is expected to revive to pre-COVID levels, provided there is no resurgence of another wave. The positive growth in FDIs into India from $ 42.5 billion to $ 54.5 billion showcases India's ability to attract foreign investments as a safe and reliable jurisdiction for trade.

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 hard metals and Machining Solutions Group (MSG), your Company is well positioned with 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

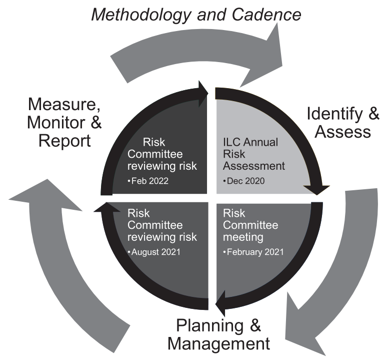
Before delving into risk & opportunities , we append hereunder a brief overview of your Company's ERM framework.

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:

i. 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'.

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 gross profit 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 and 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 Legal Counsel 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:

- 5 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:

This 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 21.09% year-on-year growth with operational revenue of ₹ 8,537 Million during FY21 against a revenue of ₹ 7,050 Million during FY20. The pandemic impacted the business with some of the customers not being able to pick up the finished goods on time and some of them deferring their capex investments, impacting the MSG sales.

To grow in this difficult market, your Company is continuously focused on development of new products and initiatives to bring operational effectiveness as well as cost optimization 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 possibility of a third wave, your Company remains cautious in its outlook for FY22.

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 FY22 as well.

While the automotive segment in India did see a de-growth over FY20, an exception being the tractor industry, your Company is geared to benefit from the demand recovery being witnessed, though challenged by the chip shortage issue. 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 bottomline 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 South East 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 sales (consolidated) of ₹ 8,537 Million in FY21 with a growth of 21.09% as compared to the previous year. The Earnings before Exceptional items and Tax viz., ₹ 995 Million recorded a growth of 110.8% year on year. The Company's performance for the year has shown substantial improvement in comparison with the previous year on account of revival in economy and in particular the auto segment from October 2020 onwards. Subsequent localized lockdown from April 2021 onwards negatively impacted the growth during Q4 whereby your Company witnessed a drop in sales by ₹ 160 Million as compared to the third quarter and by ₹ 49 Million as compared to second quarter of FY 20-21.

In order to cope up with the logistics challenges during the Pandemic 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 ('First Choice' from Kennametal, 'All Star' from WIDIA).

Your Company continues to have strong focus on receivables and even during the pandemic, 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.

Your Company continues to have clean receivables and no incremental provision for doubtful debts was required to be made during the year. Return (PAT) on net worth improved during the year from 6% in FY20 to 13% in FY21. Net operational cash flow generated during the year increased from ₹ 336 Million in FY20 to ₹ 1,660 Million in FY21. The increase in the operating cash flows is mainly due to higher inflow from operations.

Your Company has initiated various actions to rationalize the operational costs in line with market growth and efforts are on to minimize the impact of the downturn on the profitability of the Company.

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

Key Financial Ratios	FY21		FY20		% Change FY 21 vs FY 20	
	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Debtors Turnover Ratio*	8.38	8.45	5.45	5.71	54%	48%
Inventory Turnover Ratio	4.16	3.96	3.42	3.24	22%	22%
Interest Coverage Ratio**	332.67	302.33	25.84	41.73	1187%	625%
Current Ratio	2.42	2.34	2.58	2.61	-6%	-10%
Debt Equity Ratio***	0.00	0.00	0.02	0.02	-100%	-100%
Operating Profit Margin (%)****	11.69%	11.17%	6.96%	7.16%	68%	56%
Net Profit Margin (%)****	8.59%	8.20%	4.80%	5.07%	79%	62%
Return (PAT) on Net Worth (%)*****	12.52%	11.61%	6.10%	5.91%	105%	96%

**Improvement in Debtors Turnover Ratio in FY21 due to recovery from Covid-19 pandemic and consequential lock downs in FY20.*

***Improvement in interest coverage Ratio of the Company was due to repayment of loans taken from related parties. The Company has no borrowings as on June 30, 2021.*

****The Company had taken a loan from a related parties in previous years and the entire loan along with interest had been repaid during the current year and therefore, the Company has become debt free as on June 30, 2021.*

*****Improvement in Operating Profit & Net profit Margin was due to improvement in operations and due to opening up of economy post Covid-19 wave 1 and in particular, the auto segment from October 2020 onwards and also the various actions were taken to rationalize the operational costs.*

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

10. Material Developments in Human Resources & Industrial Relations

Your Company has been through a tough year with many months of lockdown in different parts of the country. While our offices were closed, 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, while working from home (WFH). The sales teams ensured continuous interaction with customers through virtual and physical means in adherence to COVID norms. The frond-ending employees received a sound support from all the support functions, who alternated between office and WFH. This required much more co-ordination and collaboration and the KIL team lived up to this expectation. Through this all, it's been our people who have stood up to the test of the tough times.

During the year under review, safety of our employees continued to be the priority for us as always. Employees impacted by COVID -19 were covered by the COVID leave as well as insurance (Corona Kavach). Our Company doctors also guided and advised our employees and their families who were impacted with COVID. They also facilitated hospitalization and all emergency support (including oxygen cylinders) wherever required.

We ensured a limited footfall at our manufacturing site and those present adhered strictly to the safety protocols.

Further, we stepped up our focus on vaccinating employees at site and our endeavor is to vaccinate all our employees at the earliest. To that extent, we conducted multiple vaccination camps for our employees at the Kennametal site and thus were able to mitigate the health risks during the second wave.

Employees working from home were offered flexible hours and could choose when to come to office, following all safety protocols. 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.

This year, your Company continued with the focus on commercial and operational excellence. In line with our 'True North' initiatives, your Company laid more emphasis on the Culture Transformation journey, a crucial step to building a culture a culture of accountability. Your Company has now ensured that all professionals participate in the Culture transformation workshop, and are tuned to 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.

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.

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.

Though the pandemic hit us hard, we continued to engage our employees through on-line training and development initiatives. As we continued to invest in technology, our Human Resource Information System portal (One Team) is now enabled to empower our employees with more learning opportunities. With the launch of on-line learning portal, all our employees have access to learning material, which they can leverage to plan and complete their Individual Development plan, in agreement with their managers.

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 persons employed in your Company as on June 30, 2021, was 747.

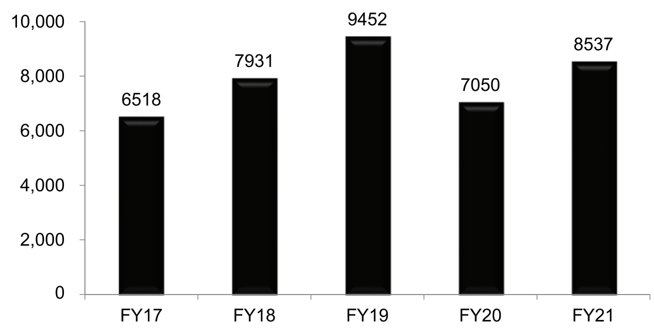
Safe harbour statement

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.

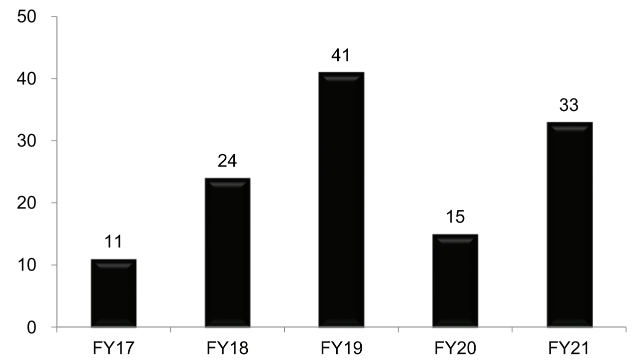
The information contained herein may not be disclosed, reproduced, or used in whole or in part for any purpose or furnished to any other person(s) without the express prior written permission of the Company.

FIVE YEARS CHART FOR KEY FINANCIAL INDICATORS (CONSOLIDATED)

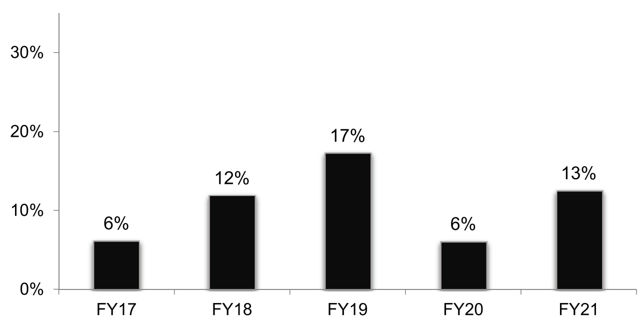
Sales (Rs. In Mn)



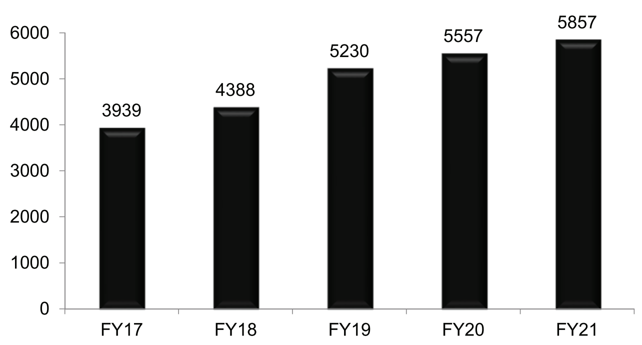
Earning Per Share(EPS) in Rs.



***Return (PAT) on Net Worth (RONW) in percentage**



Net Worth (Rs. In Mn)



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 18, 2021

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 ii. Paid up capital	 ₹ 20 million ₹ 20 million
5	Reserves and surplus	₹ 124.18 million
6	Total assets	₹ 145.99 million
7	Total Liabilities	₹ 1.81 million
8	Investments	Nil
9	Turnover	₹ 948.66 million
10	Profit before taxation	₹ 91.78 million
11	Provision for taxation	₹ 23.54 million
12	Profit after taxation	₹ 68.24 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 18, 2021

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 at the heart of our business practices, globally. Kennametal Group continues to enjoy its coveted position as being one of the most ethical Companies in the world for many years at a stretch. 'Governance' is an internally developed system guiding a company to make decisions that are fair and ethical for all its stakeholders and indicates adherence beyond the requirement of law In its constant drive for raising its standards, the Company has rededicated its efforts to focus on long-term stakeholder value creation with its zero-compromise approach towards integrity, social obligations, transparency, and regulatory compliances.

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'.

1. Composition of the Board of Directors

   The Board of Directors has Seven (7) members (as on June 30, 2021), 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 a wide range of skills and experiences to the Board, making it '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 constitutes more than one-third of the total number of Directors on Board. The Chairman is neither a Promoter of the Company nor is he related to any Promoter or person occupying Management positions at the Board level or at one level below the Board, 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	Original date of Appointment	Date of re-appointment	Due date of current term
1	Mr. B. Anjani Kumar	02/04/2010	04/11/2019	03/11/2024
2	Mr. Vinayak K. Deshpande	06/09/2010	04/11/2019	03/11/2024
3	Ms. Bhavna Bindra	03/01/2020	11/11/2020	02/01/2025
4	Mr. Franklin Gerardo Cardenas Castro*	05/02/2021	NA	NA#
5	Mr. Vijaykrishnan Venkatesan**	17/09/2020	First Tenure	16/09/2025 #
6	Mr. Bhagya Chandra Rao***	17/09/2012	16/11/2016	Retired effective 16/09/2020
7	Ms. Colleen Wood Cordova	09/08/2016	13/11/2019	NA#
8	Mr. D. Parameshwar Reddy	23/08/2018	11/11/2020	NA#

**Mr. Franklin Gerardo Cardenas Castro was appointed as an Additional Director effective February 5, 2021, and a resolution is placed at the ensuing Annual General Meeting of the Company to be held on November 10, 2021 for his appointment as a Director of the Company.*

***Mr. Vijaykrishnan Venkatesan was appointed as Managing Director effective September 17, 2020 and his appointment was approved by the Shareholders at the 55th Annual General Meeting of the Company held on November 11, 2020.*

****Mr. Bhagya Chandra Rao retired from the services of the Company as Managing Director effective September 16, 2020.*

 # Liable to retire by rotation.

Roles, Duties and Responsibilities of the Chairman

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 no obvious overlap between the responsibilities of the Managing Director and that of the Chairman.

Mr. Anjani Kumar comes with 45+ years of rich experience in Finance and Accounts, Compliance, Corporate Governance, M&A and Due Diligence. He is a Chartered Accountant by qualification. As on August 18, 2021, Mr. Anjani Kumar is also on the Boards of The Hi-Tech Gears Limited, Premium Transmission Private Limited, Ampere Vehicles Private Limited, WIDIA India Tooling Private Limited, Mikrotek Machines Limited and Premium Motion Private 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, besides takeing a lead 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 individual responsibilities. The Chairman provides independent leadership to the Board and oversees the management of the Board's administrative activities, such as meetings, schedules, agendas, communication and documentation. He is also responsible for the overall strategy of the Company along with the other members of the Board and 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 of time and the Board is 'well balanced'. He also actively participates in charting out attributes expected of new Directors, interviewing them, planning Board succession and meeting auditors/individual Directors ('one on one') to receive/provide constructive feedback from time to time.

Statutory Reports

Role and Responsibilities of the Managing Director

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 its vision and mission, while fostering growth on a sustainable basis, based on the strong foundation of Governance, Risk Management and Compliance (GRC).

The Managing Director is responsible for the execution of annual and long-term business targets of the Company. He provides strong and positive leadership to the management of the company, and reports details regarding 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 effectively implements 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 Board members from time to time.

Role and Responsibilities of the Lead Independent Director

The Chairman of the Board acts as the Lead Independent Director, whose role includes hearing the ideas, opinions, and concerns (if any) of the Independent Directors from time to time and ensuring implementation of the observations of the Independent Directors, wherever suitable. The Lead Independent Director also engages in communication with other Independent Directors and Board members to discuss on matters of interest that are pertaining to Board management, management leadership, business performance, and the like. The Lead Independent Director also ensures the Board's effectiveness by encouraging active participation of the Independent Directors and fostering the spirit of leadership.

Role and Responsibilities of the Board of Directors

The primary role of the Board is that of a trusteeship to protect and enhance shareholder value through strategic direction to the Company. As a 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 in all relevant matters. It sets strategic goals and seeks accountability for their fulfillment, andalso directs and exercises appropriate control to ensure that the Company is managed in a manner that matches stakeholders' aspirations and societal expectations.

The Board is vested with the responsibility of monitoring 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 also has a dedicated Risk Management Committee, which oversees the Enterprise Risk Management and shares updates with the collective Board members.

Board Membership Criteria

The Members 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 have the 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 Independent Directors is 73 (Seventy-three) years and for the Managing Director, it is 70 (Seventy) years.

Based on the disclosures received from all the Independent Directors and 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

The Kennametal India Limited Board comprises 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 Board members 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

Directors	Areas of Expertise					
	Financial	Diversity*	Engineering & Technology	Leadership	Board service and governance	Business experience (Operations background)/ Marketing)
Mr. B. Anjani Kumar Chairman & Independent Director	Yes	---	---	Yes	Yes	Yes
Mr. Vinayak K. Deshpande Independent Director	---	---	Yes	Yes	Yes	Yes
Ms. Bhavna Bindra Woman Independent Director	---	Yes	Yes	Yes	Yes	Yes
Mr. Franklin Gerardo Cardenas Castro Non-Executive Director	---	Yes	Yes	Yes	---	Yes
Mr. Vijaykrishnan Venkatesan ^ Managing Director	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Bhagya Chandra Rao # Managing Director	Yes	—	Yes	Yes	---	Yes
Ms. Colleen Wood Cordova Non-Executive Director	---	---	Yes	Yes	---	Yes
Mr. D. Parameswar Reddy Non-Executive Director	Yes	---	---	Yes	---	Yes

** Gender, ethnicity, nationality and others*
^ Appointed as Managing Director of the Company effective September 17, 2020
 # Retired as Managing Director of the Company effective September 16, 2020

Selection of new Directors

The NRC 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 NRC 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 NRC decides on the skill sets 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' i.e., having optimal representation of experts from various realms after understanding the gaps in skill sets in the Board from time to time.

Chairman of the 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 is composed of the NRC Members, Chairman of the Board and representatives from Kennametal Inc, the holding company of Kennametal India Limited. The panel's unanimous decision is presented before the 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 a formal letter of appointment to all the Independent Directors of the Company, all of whom have been disclosed on the website of the Company at www.kennametal.com/kennametalindia

All Independent Directors of the Company have registered 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 for the year 2020-21 contain affirmations regarding registrations in the data bank.

Familiarization program for newly appointed Directors:

All appointed Directors 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 document is also disclosed on the website of the Company at www.kennametal.com/kennametalindia

As required, brief profiles and other particulars of the Director seeking appointment/re-appointment are exhibited in the notice convening the 56th 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, six (6) meetings of the Board of Directors were held on the following dates:

July 14, 2020, August 19, 2020, November 13, 2020, December 4, 2020, February 5, 2021, and May 12, 2021.

During the year, a separate Meeting of the Independent Directors was held on May 12, 2021, 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:

Name	No. of Board Meetings attended	Attendance at the last AGM held on November 11, 2020
Mr. B. Anjani Kumar	6	Yes
Mr. Vinayak K. Deshpande	5	Yes
Ms. Bhavna Bindra	6	Yes
Mr. Franklin Gerardo Cardenas Castro*	2	Not applicable
Mr. Vijaykrishnan Venkatesan**	4	Yes
Mr. Bhagya Chandra Rao***	2	Not applicable
Ms. Colleen Wood Cordova	6	Yes
Mr. D. Parameswar Reddy	5	Yes

** Appointed as an Additional Director effective February 5, 2021*

*** Appointed as Managing Director effective September 17, 2020*

**** Retired from the post of Managing Director effective September 16, 2020*

Memberships of Directors in Other Company's Boards

None of the Directors hold the position of Director in more than ten (10) Public Limited Companies, or act as Independent Directors 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 act 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 does not serve as an Independent Director on any listed company and there is no relationship amongst Directors inter-se.

An Executive Director may, with the prior consent of the Chairman 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 a 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, 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, 2021, following are the particulars of Directorships and Memberships of Board Committees held at other Companies:

Name of the Director	Other Directorships held*	Board Committees # (in other companies)		Directorship in other listed entities
		Chairman	Member	
Non-Executive, Independent Directors				
Mr. B. Anjani Kumar Chairman	2	0	0	The Hi-Tech Gears Limited
Mr. Vinayak K. Deshpande	6	1	2	• Voltas Limited • TRF Limited • Artson Engineering Limited
Ms. Bhavna Bindra	3	0	1	Automotive Stampings and Assemblies Limited
Managing Director - Executive & Non-Independent				
Mr. Vijaykrishnan Venkatesan	0	0	0	Nil
Non-Executive Directors & Non-Independent ^				
Mr. D. Parameswar Reddy	0	0	0	Nil
Ms. Colleen Wood Cordova	0	0	0	Nil
Mr. Franklin Gerardo Cardenas Castro	0	0	0	Nil

^ Mr. D. Parameswar Reddy, Ms. Colleen Wood Cordova and Mr. Franklin Gerardo Cardenas Castro are the Nominees of 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 & Stakeholders' Relationship Committees in public limited companies are considered (non-profit associations, private & foreign companies and offices held as Alternate Director have been excluded).

The composition of the Board and Directorships held (all category of companies) including Kennametal India Limited as on June 30, 2021 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.	Premium Transmission Private Limited	Director	Nil	July 31, 2015
03.	The HI-Tech Gears Limited	Director	Nil	November 03, 2015
04.	Mikrotek Machines Limited	Director	Nil	June 16, 2017
05.	Ampere Vehicles Private Limited	Director	Nil	October 09, 2018
06.	WIDIA India Tooling Private Limited	Director	Nil	December 13, 2018
07.	Premium Motion Private Limited	Director	Nil	January 28, 2021

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
01.	Artson Engineering Limited	Chairman	Nil	February 01, 2012
02.	Voltas Limited	Director	Nil	February 14, 2012
03.	Tata Projects Limited	Managing Director	Nil	July 01, 2011
04.	Signify Innovation India Limited	Director	Nil	April 27, 2016

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
05.	Kennametal India Limited	Independent Director	Nil	September 06, 2010
06.	TRF Limited	Director	Nil	May 29, 2018
07.	Pune IT City Metro Limited	Director	Nil	May 15, 2019

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 Cutting Tool Manufacturer’s Association	Director	Nil	September 14, 2021
05.	CII- Confederation of Indian Industry	Member	Nil	September 17, 2020
06.	AMCHAM India - American Chamber of Commerce in India	Member	Nil	April 1, 2021
07.	IMTMA – Indian Machine Tool Manufacturers Association	Member	Nil	September 17, 2020

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

Ms. Colleen Wood Cordova, 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 09, 2016

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	Additional Director	Nil	February 5, 2021

Notes:

- There are no inter-se relationships between the Board members. The Company doesn’t 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 www.kennametal.com/kennametalindia

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 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 www.kennametal.com/kennametalindia.

Periodical code of conduct trainings are conducted to remind all stakeholders (viz., distributors, suppliers, customers, job contractors etc. of the provisions of the code of conduct. In particular, specific trainings were conducted during the year under review, to all Directors and Designated Persons, 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 a culture of speaking up against what is not right, export trade compliance regulation and preserving confidential information.

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 in-depth by the Legal Counsel-India and a written report on the findings is created To maintain the independency of the investigation, the Company engages third party investigators in most of the complaints. The complainant (if the identity and address is mentioned by the complainant) is informed 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 a 'decision making tree' analysis of the findings, which is a structured process to make sure that the Company makes decisions in a standard manner for similar 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 the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
3. The Chairman of the Audit Committee shall be an Independent Director;
4. The Chairman of the Audit Committee shall be present at the Annual General Meeting to answer shareholder queries;
5. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the Meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Chief Financial Officer (CFO), the Internal Auditors and a representative of the Statutory Auditors may be present as invitees for the meetings of the Audit Committee;
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 :

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, 2021, 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 45+ years' experience in various facets. The members of the Committee are (i) Mr. B. Anjani Kumar, Chairman of the Committee (ii) Mr. Vijaykrishnan Venkatesan (iii) Mr. Vinayak K. Deshpande and (iv) Ms. Bhavna Bindra.

Mr. Bhagya Chandra Rao, Managing Director ceased to be member of the Committee consequent to his retirement effective September 16, 2020. The Committee was reconstituted and Mr. Vijaykrishnan Venkatesan was inducted to the Committee on September 17, 2020.

During the year under review, five (5) Meetings of the Audit Committee of Directors were held on the following dates: August 19, 2020, November 13, 2020, December 4, 2020, February 5, 2021 and May 12, 2021.

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 Chairman & Independent Director	5
Mr. Vinayak K. Deshpande Independent Director	4
Ms. Bhavna Bindra Independent Director	5
Mr. Vijaykrishnan Venkatesan* Managing Director	4
Mr. Bhagya Chandra Rao** Managing Director	1

** Mr. Vijaykrishnan Venkatesan was appointed on the Audit Committee effective September 17, 2020.*

***Mr. Bhagya Chandra Rao, ceased to be member of the Committee consequent upon his retirement effective September 16, 2020.*

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

The Company Secretary is the Secretary to the Audit Committee.

3. Nomination and Remuneration Committee

In compliance with 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 at least three Directors;
2. All members of the Committee shall be Non-Executive Directors and at least fifty percent of the members shall be Independent Directors; and
3. The Chairman of the Committee shall be an Independent Director as may be elected by the members of the Committee.

The Nomination and Remuneration Committee has the following 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, Senior Management and other employees.

ii. Recommend to the Board, all remuneration, in whatever form, payable to Directors, Key Managerial Personnel and Senior Management.

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

iv. Formulating 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.

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

B. Performance Evaluation

The NRC 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 concerned Director being evaluated. Some of the performance indicators, based on which the independent Directors are evaluated include:

- Knowledge of the business
- Attendance and participation 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, and communicating effectively with others
- Value addition to the Board and contributing significantly in relevant areas 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 its decision-making ability by utilizing the different skills, experiences and backgrounds, ethnicities, genders, knowledge, 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 its overall effectiveness. .

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 www.kennametal.com/kennametalindia

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

As on June 30, 2021, the Nomination and Remuneration Committee of the Company consists 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. Colleen Wood Cordova and (iv) Mr. Franklin Gerardo Cardenas Castro.

During the year under review, the Committee met five (5) times on July 14, 2020, August 18, 2020, November 11, 2020, February 4, 2021 and May 11, 2021. 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 Chairman, Independent Director	4
Mr. B. Anjani Kumar Independent Director	5
Ms. Colleen Wood Cordova Non-Executive Director	5
Mr. Franklin Gerardo Cardenas Castro* Non-Executive Director	1

**Mr. Franklin Gerardo Cardenas Castro was appointed effective February 5, 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 2020-21.

Managing Director	Amount (₹ in Million) *
Mr. Vijaykrishnan Venkatesan (From 17.09.2020)	17.10
Mr. Bhagya Chandra Rao (Up to 16.09.2020)	7.86

*includes salary, fixed allowance, housing, leave travel allowance, contribution to retiral benefits, performance pay, etc. It also includes Stock options of ₹ 5.88 Million (to Mr. Vijaykrishnan Venkatesan only) granted by Kennametal Inc., (the ultimate holding company). 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 terminatable with a notice period of three months or such notice as may be mutually determined as per the agreement dated September 17, 2021 with no severance fees. The Shareholders have confirmed the appointment of Mr. Vijaykrishnan Venkatesan as a Managing Director in 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	0.67
Mr. Vinayak K. Deshpande	0.91	0.51
Mr. Bhavna Bindra	0.91	0.53
Mr. D. Parameswar Reddy	Nil	Nil
Ms. Colleen W. Cordova	Nil	Nil
Mr. Franklin Gerardo Cardenas Castro	Nil	Nil

* Payable in FY22

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 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 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. Parameshwar Reddy.

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

During the year under review, One (1) Meeting of the said Committee was held on February 4, 2021. 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 held	Number of Meetings attended
Mr. B. Anjani Kumar Chairman, Independent Director	1	1
Mr. Vijaykrishnan Venkatesan Managing Director	1	1
Mr. D Parameshwar Reddy	1	1

During the year, the Company has not received any complaint from the shareholders of the Company.

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, re-materialization of shares etc.

   As on June 30, 2021, 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, two (2) meetings of the said Committee were held on, November 30, 2020 and March 30, 2021.

   **Mr. Bhagya Chandra Rao was the Chairman of the Committee up to September 16, 2020 and thereafter, Mr. Vijaykrishnan Venkatesan took the Chair effective September 17, 2020.*

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 CSR Policy of the Company from time to time; and 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) Ms. Colleen Wood Cordova and (e) Mr. Franklin Gerardo Cardenas Castro as on June 30, 2021. During the year, two (2) Meetings of the said Committee were held. The Minutes of the Corporate Social Responsibility Committee Meetings were tabled and noted at the Board Meetings.

The Committee met on August 18, 2020, and February 04, 2021, during the year under review, and the attendance of the members at the said meetings is provided below:

Name of the Committee Members	Number of Meetings attended
Mr. Vijaykrishnan Venkatesan* Chairman, Managing Director	1
Mr. Bhagya Chandra Rao# Chairman, Managing Director	1
Mr. B. Anjani Kumar Independent Director	2
Ms. Colleen Wood Cordova Non-Executive Director	2
Ms. Bhavna Bindra Independent Director	2
Mr. Franklin Gerardo Cardenas Castro ^ Non-Executive Director	NA

** Mr. Vijaykrishnan Venkatesan was appointed as Chairman of CSR Committee effective September 17, 2020.*

 # Mr. Bhagya Chandra Rao, ceased to be Chairman of CSR Committee consequent upon his retirement effective September 16, 2020.

^ Mr. Franklin Gerardo Cardenas Castro was appointed as Member of CSR Committee effective February 5, 2021.

TheCorporate Social Responsibility Policy is also disclosed on the website of the Company at www.kennametal.com/kennametalindia

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, 2021, the Risk Management Committee comprises 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 Committee met once on February 4, 2021, during the financial year under review, and the attendance of the members at the said meetings is provided below:

Name of the Committee Members	Number of Meetings attended
Mr. B. Anjani Kumar Chairman, Independent Director	1
Mr. Vinayak Deshpande Independent Director	0
Ms. Bhavna Bindra Independent Director	1
Mr. Vijaykrishnan Venkatesan Managing Director	1
Mr. Parameshwar Reddy Non-Executive Director	1

8. General Meetings

Date and Time	Location	Special Resolutions passed
53rd AGM, November 9, 2018 12.30 PM	Registered Office at 8/9th Mile, Tumkur Road, Bengaluru – 560 073	None
54th AGM, November 13, 2019 12.00 Noon	Registered Office at 8/9th Mile, Tumkur Road, Bengaluru – 560 073	None
55th AGM, November 11, 2020 12.00 Noon	Through Video Conferencing (VC)	Appointment of Mr. Vijaykrishnan Venkatesan (DIN: 07901688) as Director and Managing Director of the Company

During the year under review, a meeting of the Shareholders and Unsecured Creditors was convened by the Hon'ble National Company Law Tribunal, Bengaluru for the merger of Widia India Tooling Private Limited with the company on April 12, 2021:

Shareholders' Meeting April 12, 2021 10:30 AM	Through Video Conferencing (VC)	Approval of the Scheme of Amalgamation of WIDIA India Tooling Private Limited with the Company.
Unsecured Creditors Meeting April 12, 2021 12:00 Noon	Survey No. 11, Nagasandra, Adjacent to Nagasandra Metro station, Bengaluru - 560073	

9. Postal Ballot:

The Company had no occasion to approach the Shareholders through Postal Ballot during the year for any approval. No special resolution is proposed to be conducted through postal ballot as on the date of this report.

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 Company has in place a Code of Conduct applicable to the Board of Directors as well as the Senior Management. The Managing Director has confirmed and declared that all the members of the Board and Senior Management personnel have affirmed compliance with the Code of Conduct for the financial year 2021.
- As on June 30, 2021, the following Directors hold shares of the Company:

Sl. No.	Name of the Directors	No. of Shares held as on June 30, 2021
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
- All the Equity Shares of your Company are listed.
- The Company places the requisite information about related party transactions before the Audit Committee from time to time. Please refer to notes on Accounts for materially significant related party transactions. None of the said transactions were potentially in conflict with the interest of the Company at large. The Related Party Transaction Policy of the Company can be accessed from the website of the Company at www.kennametal.com/kennametalindia
- 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. 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.
- The Managing Director and Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of SEBI (LODR) Regulations, 2015, for the year ended June 30, 2021.
- The Company has a wholly owned subsidiary with the name WIDIA India Tooling Private Limited. The weblink for accessing the policy for determining 'material subsidiary' is www.kennametal.com/kennametalindia
- The Company has not made any capital issues during the financial year ended June 30, 2021.
- The details of the total fees for all services paid by the listed entity and its subsidiary, 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 FY 21 (₹in Million)
Audit of statutory accounts	3.45
Taxation matters	0.70
Group Reporting	0.20
Others	0.30
Total	4.65

- 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 unutilized.
- The Company has complied with Corporate Governance requirements as prescribed under SEBI (LODR) Regulations, 2015

11. Adoption of non-mandatory requirements

i) 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.

ii) Audit Qualifications

There are no qualifications/ modified audit opinion in the Auditors' Reports on the Standalone and Consolidated Audited Annual Accounts for the financial year ended June 30, 2021.

iii) 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.

iv) 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. The results are also published in Financial Express (English) and Sanjevani (Kannada) newspapers within 48 hours of the conclusion of the Board Meetings.

During the financial year, the Company had an institutional investor meeting with L & T Mutual Fund Trustee Limited on February 9, 2021, to discuss the 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 including intimation of the meeting & the outcome thereto have been communicated to BSE Limited. The Company does not display any official news release as of now.

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 56th Annual General Meeting of the Company is scheduled to be held on November 10, 2021 through Video Conferencing or Other Audio Visual Means in line with the Ministry of Corporate Affairs (MCA) Circular No. 14/2020, 17/2020, 20/2020 and 02/2021 and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 and SEBI/HO/CFD/CMD2/CIR/P/2021/11.

Dividend Payment Date:

The Company had declared Interim Dividend 2020-21 at its Board Meeting held on May 12, 2021 and the said Dividend was paid out on June 8, 2021.

Book Closure:

The Register of Members and share transfer books will remain closed from Thursday, November 04, 2021 to Wednesday, November 10, 2021 (both days inclusive).

The Company follows July 1 to June 30 as its financial year. Financial calendar for the financial year 2021-22 is as follows:

Event	Month (tentative)
Un-audited results for the first quarter ending September 30, 2021	November, 2021
Un-audited results for the second quarter ending December 31, 2021	February, 2022
Un-audited results for the third quarter ending March 31, 2022	May, 2022
Audited results for the fourth quarter and year ending June 30, 2022	August, 2022

Stock Exchange:

The Equity Shares of the Company are listed with BSE Limited, Mumbai (Scrip code: 505890) and the listing fee has been paid for the financial year 2021-22.

Annual Custody / Issuer Charges:

The Company has paid the Annual Custody / Issuer charges for the financial year 2020-21 to NSDL and CDSL.

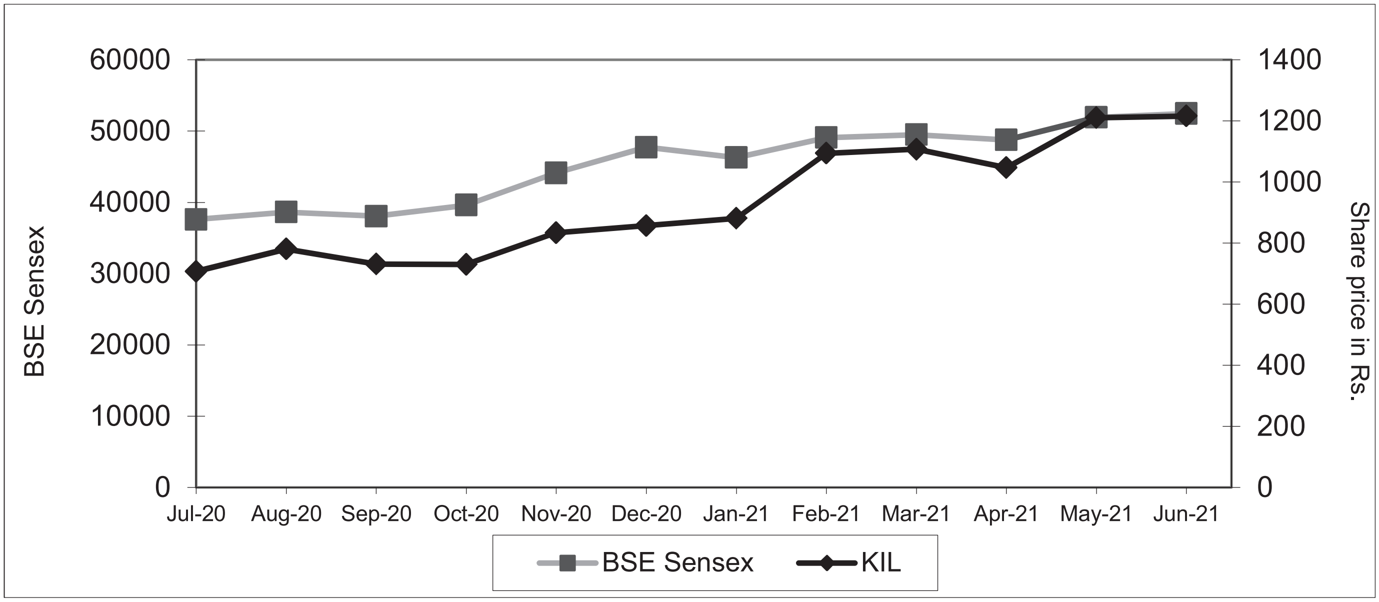
Stock Price Data for the Financial Year 2020-21:

Market Price Data - High & Low on BSE Limited and Number of shares traded from July 01, 2020 to June 30, 2021, under review as follows:

Month and Year	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades
Jul-20	740.1	833	701.1	707.55	14906	2511
Aug-20	712	905.5	705.95	780.35	38310	5529
Sep-20	770.4	817	696	731.2	14229	2313
Oct-20	737.9	757	700	729.75	8372	1570
Nov-20	731.3	848.8	700	833.95	23831	4053
Dec-20	824.45	905.5	786.45	857.35	23000	4168
Jan-21	856.05	997	836.95	881.45	27318	4356
Feb-21	883	1240	870	1093.85	40047	5335
Mar-21	1150	1200.9	1017.2	1107.3	187955	2598
Apr-21	1086	1190	1014.95	1047	9394	2430
May-21	1030.65	1359	1007.95	1210.15	63679	9869
Jun-21	1165	1268	1092.2	1216.05	56283	13423

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.*

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, 2021 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	2,813,858	12.80
Foreign Portfolio Investors	153,212	0.70
Alternate Investment Funds	19,400	0.09
Financial Institutions/Banks	960	0.00
C) Public (Non- Institutions)	2,507,130	11.41
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. 99.19% of the Equity Shares of the Company are held in demat form as on June 30, 2021.

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

Distribution of Shares as of June 30, 2021 is as follows:

No. of Shares	No. of Shareholders	% to Total	Shares held	% to Total
Up to 5000	9892	99.07	16,08,335	7.32
5001 to 10000	49	0.49	3,30,908	1.51
10001 to 20000	23	0.23	3,26,279	1.48
20001 to 30000	8	0.08	2,04,976	0.93
30001 to 40000	0	0.00	0	0.00
40001 to 50000	2	0.02	92,312	0.42
51001 to 100000	3	0.03	1,95,379	0.89
100001 and above	8	0.08	1,92,20,051	87.45
Total	9985		2,19,78,240	100.00

Commodity price risk and foreign exchange risk and hedging activities :

The Company does not deal in Commodities. There are no significant foreign exchange risks and Majority of the purchases are in INR. Against a small quantity of imports, the export receivables offset the impact to a major extent.

Credit Rating:

The Company has not obtained any Credit Ratings during the year ended June 30, 2021.

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, remat, annual report, etc.

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

Annexure – 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 (the "Company").

"Key Managerial Personnel" means

i. Managing Director, or Chief Executive Officer or Manager;

ii. Chief Financial Officer;

iii. Company Secretary; and

iv. such other officer as may be prescribed.

"Senior Management" means Senior Management means the personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Managing Director, including the functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 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 officials comprising the 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

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

3. Policy for appointment and 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 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.
- 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, 1956, 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).

3.3. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel 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 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 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 Central Government, wherever required 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 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 and Central Government, wherever required.

b) Minimum Remuneration:

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

Statutory requirements:

- Section 197(1) of the Companies Act, 2013 provides for the total managerial remuneration payable by the Company to its directors, including Managing Director and Whole-time Director, and its manager in respect of any financial year. This remuneration amount shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 of the Act.
- The Company may with the approval of the shareholders authorize the payment of remuneration upto five percent of the net profits of the Company to the Managing Director or Whole Time Director or Manager and ten percent in case of more than one such official.

c) Provisions for excess remuneration:

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

4.3. Remuneration to Non- Executive / Independent Director:

a) Remuneration / Commission:

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

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 a Commission to Independent Directors within the limit approved by shareholders, 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 while attending Board/Board Committee meetings, general meetings, court convened meetings, site visits, induction and training sessions (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.

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, 2021 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: F001788C000799332

Bengaluru
August 18, 2021

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 8/9, 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, 2021 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.	Ms. Colleen Wood Cordova	07568701	09/08/2016
6.	Mr. Venkatesan Vijaykrishnan	07901688	17/09/2020
7.	Mr. Franklin Gerardo Cardenas Castro	09050884	05/02/2021

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: F001788C000799365

Bengaluru
August 18, 2021

Annexure V to the Board's Report

SECRETARIAL COMPLIANCE REPORT OF KENNAMETAL INDIA LIMITED FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2021

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, 2021 ("1st July, 2020 to 30th June, 2021") 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) 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	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
NIL*				

** The Company has established Structured Digital Database (SDD) in software format with the required details as prescribed in Regulation 3(5) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, and the Company has represented that there is a robust prevailing system for tracking of sharing the Un-published Price Sensitive Information (UPSI).*

(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
NIL				

(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 2020	Actions taken by the Listed Entity, if any	Comments of the Practising Company Secretary on the actions taken by the Listed Entity
	Regulation 39 (3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.	The Listed Entity has not intimated Loss and Issue of Duplicate Share Certificates in few instances to the Stock Exchanges.	The Listed Entity has ensured and notified all Loss and Issue of Duplicate Share Certificates to the Stock Exchanges for the year ended 30th June, 2021.	None

Bengaluru
August 18, 2021

Vijayakrishna K T
Practising Company Secretary
FCS.:1788 CP.: 980
UDIN: F001788C000799398

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, 2021.

For Kennametal India Limited
Vijaykrishnan Venkatesan

Bengaluru
August 18, 2021

Managing Director
DIN: 07901688

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 financial statements and the cash flow statement for the year ended June 30, 2021 to the best of our knowledge and belief:

  1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

  2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct (Kennametal Code of Business Ethics and Conduct).

C. We accept the responsibility for establishing and maintaining Internal Controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of Internal Controls, if any, of which we are aware and the steps we have taken or propose to take to rectify such deficiencies.

D. We have indicated to the Auditors and the Audit Committee

  1. that there were no significant changes in internal control during the year other than those which have already been brought to the notice of the Audit Committee of Directors and the Statutory Auditors.

  2. that there were no significant changes in accounting policies during the year and that the same, if any, have been disclosed in the notes to the financial statements; and

  3. that there were no instances of significant fraud of which we have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the company's Internal Control System over financial reporting.

We declare that all Board members and Senior Management personnel have affirmed compliance with the Code of Conduct for the year ended June 30, 2021.

Vijaykrishnan Venkatesan
Managing Director

K. V. Suresh Reddy
Chief Financial Officer

Bengaluru
August 17, 2021

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:

i. Energy Conservation Measures implemented in FY21:

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. Reduction of compressed air pressure across the plant
3. Installation of energy efficient pumps instead of conventional pumps in water pumping system
4. High flow, low energy exhaust fans replacing conventional fans in many of the rest rooms, and controlled through a programmable timer to switch off during non-working hours.
5. Introduction of brushless DC electric motor (BLDC) energy efficient fans in cafeteria
6. Interlocking of shopfloor exhausts with fresh air ventilation blowers to save energy during working hours.
7. SPM office AC controlled with timers to ensure scheduled timing of operations such that energy is saved.
8. The new FRIGEL adiabatic cooler (ALD furnace) of PU3 was used for new sintering furnaces in PU2 by switching off its existing cooler.
9. Energy consumption in shop floors on Saturday, Sunday and holidays were reviewed with MIS Reports generated from the Energy Management System and actions were taken to optimize energy consumption.
10. 82% of facility's power was catered by Solar Power.
11. Expansion of energy efficient & low water consuming adiabatic coolers for the new furnace.
12. Agreement with an Independent Solar Power Producer which will benefit to use of renewable energy sources and significant reduction in carbon footprint

ii. Impact of the Above Measures:

1. Due to the above energy conservation measures, the Company conserved about 4,54,000 units which contributed to savings of 372 ton of CO_2.
2. The total annual CO_2 reduction, inclusive of energy conservation and usage of green power was 11094 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 existing CVD grades
2. Qualification and implementation of new equipment for manufacturing of inserts
3. Indigenization and implementation of refractory carbide manufacturing
4. Process development and implementation for inhouse powder manufacturing as and import substitution
5. Process development to reduce raw material powder cost
6. Benchmarking of new PVD coating for cutting tool
7. Qualification of global grades
8. Continued research and process development on powder metallurgy processes and coatings to improve quality and performance
9. New product testing and validation tests for tools
10. Benchmarking tests for assessment of product performance
11. Analysis and evaluation of test results for product compliances to standards

12. Reverse engineering work for both metal cutting and infrastructure product lines
13. Prototyping of steel milling cutters

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.

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 ppen 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

v) Expenditure on R & D

Particulars (₹ in Million)	FY21	FY20
Capital	1	61
Recurring	52	49
Total	53	110
Total R&D expenditure (as a percentage of turnover)	0.62%	1.56%

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

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	FY21	FY20
Capital Expenditure	156	584
Raw Materials	4260	2845
Cross Charge	172	215
Royalty	24	18
Expenditure	10	10
Total	**4622**	**3672**

iii. Total foreign exchange used and earned: FY21 (₹ in Million)

1. Foreign Exchange earned 1916
2. Foreign Exchange used 4622

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 18, 2021

Annexure IX to the Board's Report

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 30.06.2021
[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 30.06.2021 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 30.06.2021 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, 2009;
- (d) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (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, 2009;
- (h) Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and
- (i) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations');

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

(2) Environment Related Acts & Rules:

i. The Environment Protection Act, 1986

ii. The Water (Prevention & Control of Pollution) Act, 1974

iii. The Air (Prevention & Control of Pollution) Act, 1981

iv. Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008.

(3) Economic/Commercial Laws & Rules:

i. The Competition Act, 2002

ii. The Indian Contract Act, 1872

iii. The Sales of Goods Act, 1930

iv. The Forward Contracts (Regulation) Act, 1952

v. The Indian Stamp Act, 1899

vi. The Transfer of Property Act, 1882

I have also examined compliances with the applicable clauses of the 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. Certain non-material findings made during the course of the audit relating to the provisions of the Act, Listing Regulations, Secretarial Standards, Labour Laws were addressed by the Management.

Further, I report that as per the documents produced and representations furnished before me, the Company has established Structured Digital Database (SDD) in software format with the required details as prescribed in Regulation 3(5) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, and the Company has represented that there is a robust prevailing system for tracking of sharing the Un-published Price Sensitive Information (UPSI).

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.

I further report that I could not physically verify documents/registers/ returns due to Lockdown situation in relation to outbreak of Pandemic Covid-19 and I have relied up on the soft copies/information shared with me.

(Vijayakrishna K T)
Practising Company Secretary
FCS: 1788 C P.: 980
UDIN: F001788C000799277

Bengaluru
August 18, 2021

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' to the SECRETARIAL AUDIT REPORT

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 18, 2021

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

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

- (e) Date of approval by the Board / Audit Committee, if any - Omnibus approval for the estimated value of the transactions for the year 2020-2021 was obtained at the Audit Committee Meeting held on May 13, 2020 and the approval of the transactions were obtained at the meetings held on August 19, 2020, November 13, 2020, February 5, 2021 and May 12, 2021.
- (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, 2020 to June 30, 2021 i.e. Fy21 amount	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2021 i.e. amount not exceeding for FY22
1	Sales of products/components (receipts)	486.5	600.0
2	Cross Charge Revenue	14.5	40.0
3	Cross Charge- Debits expenses (Payable)	25.5	40.0
4	IT Cross charges (payment)	127.1	200.0
5	Professional Services- Expenses	10.7	25.0
6	Purchase of components/raw materials (payment)	1,387.0	1,800.0
7	Purchase- Capital Goods	43.6	50.0
8	Royalty (payment)	9.6	25.0

2) Particulars of transactions with Kennametal Europe GmbH (₹ In Mn)

Sl. No.	Nature of Transactions	Actual Transaction value for financial year July 01, 2020 to June 30, 2021 i.e. Fy21 amount	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2021 i.e. amount not exceeding for FY22
1	Sales of products / components (receipts)	682.8	900.0
2	Purchase of Components / raw materials (payment)	1,248.1	2500.0
3	Cross Charge-Revenue	-	10.0

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 18, 2021

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: 1:31.10.
   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: 18.46%
      - CFO: (3.51%)
      - Company Secretary: 12.97%
   iii. the percentage increase / (decrease) in the median remuneration of employees in the financial year: (14.19%)
   iv. the number of permanent employees on the rolls of Company: 747
   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: (16.27%)
   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.

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, 2021

Name	Mr. Vijaykrishnan Venkatesan*	Mr. Bhagya Chandra Rao#
Designation / Nature of duties	Managing Director	Managing Director
Age (in years)	47	65
Qualifications	B.E. (Mechanical) and MBA (Marketing)	B.E. (Mechanical)
Experience (in years)	23	40
Date of Joining	17-09-2020	17-09-2012
Remuneration Received (₹ in Million)	₹17.10^	₹ 7.86
Particulars of last employment held	3M India Limited	Sandvik Asia Private Limited

** Appointed as Managing Director of the Company effective September 17, 2020*

 # Retired from the post of Managing Director of the Company effective September 16, 2020

^ Including stock options of ₹ 5.88 million granted by Kennametal Inc

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 7 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 boys 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:

   - Supported Government hospitals under Bengaluru urban jurisdiction, BBMP staff and police personnel with oxygen concentrators, face shields, oximeters, sanitizers, sanitizer dispensers, thermal scanners, large quantities of N95 masks and triple layers masks, and home quarantine kits for low-income households.
   - Supported a private hospital close to our facility in increasing their infrastructure to treat more COVID patients by sponsoring ICU beds, cardiac table, bed side table ABS and oxygen concentrators.
   - Kennametal India employees contributed INR 0.36 million for COVID-19 relief. KIL CSR will match equal amount from CSR funds to bring the total to INR 0.73 million and extend support to COVID-19 relief in FY22.
   - Kennametal U.S. employees donated more than US $6,000 to our United Way campaign for India COVID-19 relief. Kennametal Inc. matched those donations, bringing the total relief efforts to nearly US $12,500. The funds will be utilized in FY22 to extend support to COVID-19 relief.

   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, we hope to develop individuals who are capable, confident, inquisitive and value conscious.

   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 project of 'One Billion Drops'. This project is being implemented at the identified Bio-diversity Park in Mathikere, Bengaluru where percolation pits / rainwater harvesting pits will be dug to improve ground water table. 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 89 wells which can hold 1,14,00,900 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.

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	1	1
2	Mr. B. Anjani Kumar	Member	2	2
3	Ms. Bhavna Bindra	Member	2	2
4	Ms. Colleen Wood Cordova	Member	2	2
5	Mr. Franklin Gerardo Cardenas**	Member	NA	NA
6	Bhagya Chandra Rao***	Chairman	1	1

** Mr. Vijaykrishnan Venkatesan was appointed as Chairman of CSR Committee effective September 17, 2020.*

*** Mr. Franklin Gerardo Cardenas Castro was appointed as Member of CSR Committee effective February 5, 2021.*

**** Mr. Bhagya Chandra Rao, ceased to be Chairman of CSR Committee consequent to his retirement effective September 16, 2020.*

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	2017-18	NA	NA
2	2018-19	NA	NA
3	2019-20	NA	NA
	TOTAL	NA	NA

6. Average net profit of the Company as per Section 135(5): ₹ 845 million

7.

Sl. No.	Particulars	Amount (₹ in Million)
7a	Two percent of average net profit of the company as per section 135(5)	16.90
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).	16.90

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	Amount	Amount	Amount
16.96	NA				

(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 implementation - 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	2.00	No	Sparsha Trust	CSR00002356
3		VII (ii)	Yes	Karnataka	Bangalore	0.57	No	SOS Childrens Villages of India	CSR00000692
4		VII (xii)	Yes	Karnataka	Bangalore	3.15	Yes	-	-
5		VII (xii)	Yes	Karnataka	Bangalore	3.34	No	United Way of India	CSR00002748
6		VII (i)	Yes	Karnataka	Bangalore	0.5	No	People Tree Foundation	*
7	Promotion of Tech Education	VII (ii)	Yes	Karnataka	Bangalore	0.66	No	India Literacy Project	CSR00001431
8		VII (ii)	Yes	Karnataka	Bangalore	1.11	No	United Way of India	CSR00002748
9		VII (ii)	No	Tamil Nadu	Coimbatore	0.72	Yes	-	-
10	Protect our Planet 'One Billion Drops'	VII (iv)	Yes	Karnataka	Bangalore	4.10	No	United Way of India	CSR00002748
	TOTAL					16.51			

* Pending for CSR registration.

(d) Amount spent in Administrative Overheads: ₹ 0.45 million

(e) Amount spent on Impact Assessment, if applicable: Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹ 16.96 million

(g) Excess amount for set off, if any:

Sl. No.	Particular	Amount (₹ in Million)
(i)	Two percent of average net profit of the company as per section 135(5)	16.90
(ii)	Total amount spent for the Financial Year	16.96
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.06
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	0.06

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): Not Applicable

Vijaykrishnan Venkatesan
Managing Director & Chairman
of CSR Committee
DIN: 07901688

Bengaluru
August 18, 2021

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
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, 2020 to June 30, 2021
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Description / Activity - code: Hard Metal Products – 25910 Machine Tools – 282
8	List three key products/services that the Company manufactures/provides (as in balance sheet)	a) Hard Metal Products b) Machining Solution Group
9	Total number of locations where business activity is undertaken by the Company	(a) Number of International Locations: 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. (b) Number of National Locations: • Manufacturing location: Kennametal India Limited, 8/9th Mile, Tumkur Road, Bengaluru – 560073, Karnataka. Sales offices: • Kennametal India Limited, 3rd Floor, "Tamilvanan Complex", AA144, 3rd Avenue, Anna Nagar, Chennai – 600040 • Kennametal India Limited, 209 Zenith Complex, K.M. Gandhi Path, Shivajinagar, Pune 411005 • Kennametal India Limited, 601, A/B/C, 6th Floor, Welldone Tech Park, Sohna Road, Sector -48 Gurgaon-122001 • Kennametal India Limited, 10 C.H. Area North, Road No. 5, Jamshedpur – 831001 • Kennametal India Limited, B-607B, Mondeal Square, Nr. Prahlad Nagar Garden, S G Highway, Ahmedabad – 380015
10	Markets served by the Company	i. Predominantly serving Indian market 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 as on June 30, 2021
2	Total Turnover (INR)	₹ 8,537 as on June 30, 2021
3	Total profit after taxes (INR)	₹ 733 as on June 30, 2021
4	Total spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax	₹ 16.96 for FY21 2% of profit after tax as at FY21
5	List of activities in which expenditure in 4 above has been incurred:	(a) Promotion of Tech. education (b) Kennametal in the community (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, during December 2020, 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 Kennametal India Limited ("**KIL**" or 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: Business Responsibility Information

1. Details of Director/Directors responsible for BR

   (a) Details of the Director/Directors 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 Legal Counsel-Region drives the BR initiatives for the Company.

   (b) Details of the BR head

Sl. No.	Particulars	Details
1	DIN Number	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:

   (a) 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	The policies of your Company are integrated with the policies of the ultimate holding company viz. Kennametal Inc.
2	Has the policy been 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 being driven by the ultimate holding company, Kennametal Inc., all policies comply with US legislations. Suitable edits as required to comply with the law in India are carried with approval from Kennametal Inc. and the Board of Kennametal India Limited.
4	Has the policy been 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.

Statutory Reports

Principles No.	Name of the Policy	Link
Principle 1: Business should conduct and govern themselves with Ethics, Transparency and Accountability **(Ethics, transparency, accountability)**	Code of Conduct Vigil Mechanism Policy	www.kennametal.com/ kennametalindia
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)**	Code of Conduct Environment, Health and Safety Policy	
Principle 3: Businesses should promote the wellbeing of all employees **(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 **(Responsiveness to all Stakeholders)**	Code of Conduct	
Principle 5: Businesses should respect and promote human rights **(Promoting human rights)**	Code of Conduct Vigil Mechanism Policy	
Principle 6: Business should respect, protect, and make efforts to restore the environment **(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 **(Responsible policy advocacy)**	Code of Conduct Vigil Mechanism Policy	
Principle 8: Businesses should support inclusive growth and equitable development **(Supporting inclusive development)**	Code of Conduct	
Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner **(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 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 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.

Said report can be accessed at www.kennametal.com/ kennametalindia

Section E- Principle wise Performance

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

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 group of companies, globally, have a robust mechanism of implementing anti-bribery practices, ethical conduct of the business, and instilling accountability at various levels of the organization. Ethics, integrity, accountability and transparency being at the heart of decision making, Kennametal reinforces all of these through annual virtual training sessions to suppliers, distributors and employees. Every employee/ stakeholder across the globe is individually responsible for holding up integrity and ethical conduct of business. Investigation mechanisms are built in to enforce disciplinary action against 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 stakeholder complaints on ethics, transparency and accountability. However, one whistle blower intimation received by the Company was duly investigated in detail and reported back to the whistle blower. With none of the allegations substantiated, there were no follow up action points required.

The Company did not receive any sexual harassment complaints during FY21.

Principle 2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and / or opportunities.

(a) CNC two-way multi spindle machines for two-wheeler crank case fine boring:

By redesigning the hydraulic power pack in this machine with requisite changes to the tank, LPM flow and motor, the Company was able to derive the following benefits:

- 80% direct reduction of consumption of oil which helps saving the cost
- 80% reduction in energy consumption

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

While the Company is in the process of putting in place a structured methodology to assess the impact on per unit of product, few positive impacts have been mentioned in point number 1 - Principle 2.

(a) Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain

Energy:

During the year under review, there were 11 energy-saving projects that were implemented as against 5 projects during FY20. The total savings emanating from the implementation of the 8 projects was INR 688,199.

During FY21, we have gradually shifted to a lower carbon fuel mix through several initiatives, the most noteworthy being incremental solar energy usage through purchased solar energy. At present about 80% of our energy demand is met through solar energy.

Some areas of significant energy consumption include our lighting and air compressor system. Over the last three fiscals, we have identified an energy reduction opportunity in our lighting system through the use of LEDs in place of fluorescent / CFL bulbs. LEDs provide an energy efficiency of 90% over that of conventional bulbs while also providing a longer life span. Since the implementation of this project, energy savings (in KWh) of the lighting system improved by 75% in FY20 and 25% in FY21. We have recently taken up other initiatives like propeller fan installation in the toilets, energy efficient ceiling fan installation in our canteen and have installed a timer-controlled car parking light, to optimize energy savings across our operating facilities.

In our compressed air system, we have reduced the air pressure by more than 25% resulting in significant energy savings. Also, we have increased the AC temperature in the six UPS rooms of our facility, saving more than 3% energy daily. During FY21, we optimized the operating duration of the ACs using electronic timers in our control unit, resulting in further improvement in energy saving.

In order to increase the energy saving of the sintering furnace at our processing unit, we installed an adiabatic cooler. Previously, the furnace required a continuous flow of water to operate. After studying the running parameters (water flow, pressure, temperature), we switched off the old cooler system which is being used for sintering furnaces and connected it with the new adiabatic cooler. The pumping station of the new cooler has resulted in more than 10% energy saving over the old pumping station. This was in addition to the energy saving of the new radiator over the old one.

Our energy management initiatives and shift towards cleaner renewable energy has not only created a better and a cleaner working environment for us, but it has also reduced our energy cost significantly thus positively impacting our financials. While the tangible value creation of our energy can be seen in the cost savings, the value created by making our products less energy and carbon intensive goes a long way towards our product stewardship efforts.

Water:

Regarding reduction in water consumption, your Company has taken significant steps in its continuous drive to reduce its water footprint. During FY20, your Company was consuming 47,651 kiloliters of water and during FY21, your Company has consumed 44,477 kiloliters of water. The drastic reduction in water consumption is attributable to a number of conscious efforts that the management has taken. Some of the significant steps taken have been enumerated hereunder:

- 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 2% reduction in water consumption footprint in the facility over FY20.
- The new washer with closed loop RO plant has resulted in better quality of cleaning, saving significant amount of water, and reducing effluents. Similarly, the new initiative to use saved condensate in topping up fire hydrant water saves about 365 kilolitres of water per year.
- To make sure that we give back to groundwater reserves, your Company has built 14 soak pits close to the main roads and small bunds around the buildings to enable percolation of rainwater into the ground.

  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 three 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 three years, as a matter of abundant caution, so that there is no risk on the quality of our products and processes.

From 7.2 bar in 2019 we have reduced to 5.7 bar in 2021 resulting in GHG emissions coming down by around 186 tCO_2e per year.

(b) Reduction during usage by consumers (energy, water) achieved since the previous year

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 your Company as a choice looks for local sourcing of materials and services. 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 were 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 of your Company situated in Bengaluru to reduce carbon footprint and optimize costs.

Your Company has also taken steps to substitute imports by locally sourcing intermediate carbide powders and hard metal powders. Tantalum Niobium carbide was being imported during the previous year. During FY21, 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 and small producers, including communities surrounding their place of work?

Your Company has also taken steps to substitute imports by locally sourcing intermediate carbide powders and hard metal powders. Tantalum Niobium carbide was being imported during the previous year. During FY21, 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?

Your Company is collaborating with the MSME (Micro, Small and Medium Enterprises) vendors to improve their capacity by placing continuous and firm orders.

Amongt various initiatives towards development of MSME vendors, during the year under review, your Company:

- Outsourced operations of carbide rolls for hard metal business to a MSME vendor. With continuous flow of firm orders from KIL, the vendor made CAPEX investments to the tune of about ₹ 2 million during the year under review.
- Continued to outsource processes including grinding, brazing, mechanical testing during FY21 to aid local vendors.

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.

Yes.

Annually, your Company has been able to reduce waste generation by 3%. Recycling of products is a continuous initiative and in the coming financial year, your Company will be putting in place appropriate metrics to track the recycling of products.

Eliminating waste from processes is a focal point of our sustainability efforts. Engineers, operators, supply chain, and lean manufacturing teams work together in new project design and implementation phases to achieve this vision. Existing operations are reviewed on a continuous basis to determine the most efficient methods to minimize waste and the efforts to reduce the waste generation by about 3% annually.

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:

- Reduction in oil-soaked cotton waste generation: We could reduce generation of this hazardous waste by bringing in continuous awareness among operators and replacement of cotton by Wypol paper, which is a great absorbent of oil, a property that helps us in reducing the quantity of cotton used.
- Reduction of packaging waste: On an average, your Company has been able to achieve reduction of about 5 kilograms of packaging material per machine in the Machine Solutions Group division, by switching to more environment-friendly packaging. Apart from reducing the thickness in packaging material, your Company eliminated usage of Aluminum foil, foam sheets and certain covers, which were being used hitherto as double protection. This change has no impact on the product being dispatched to customers.
- Dust collectors were installed in each production machine and cyclone separators to collect and recycle the waste in-house.
- To reduce the quantity of paint fumes being released in the environment, a special transfer trolley was designed to handle heavy machines inside the paint booth.
- 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.
- We have a buy back policy for used carbide - the details of which can be read at: https://www.kennametal.com/content/kennametal/us/en/services/carbide-recycling.html

Principle 3 - Businesses should promote the wellbeing of all employees

1. Please indicate the total number of employees: 855
2. Please indicate the total number of employees hired on temporary/ contractual/ casual basis: 246
3. Please indicate the number of permanent women employees: 15
4. Please indicate the number of permanent employees with disabilities: Zero
5. Do you have an employee association that is recognized by management: Yes
6. What percentage of your permanent employees are members of this recognized employee association: 35.67%
7. Please indicate the number of complaints relating to child labor, forced labor, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

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 Employees: 58%

   (b) Permanent Women Employees: 53%

   (c) Casual/Temporary/Contractual Employees: 26%

   (d) Employees with Disabilities: N.A.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. Has 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 and marginalized communities as a part of its CSR initiatives. With regard to 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 - Businesses should respect and promote human rights

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 and stakeholders, prohibiting child labor, fostering gender diversity, and prohibiting 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 are dealt with seriously and disciplinary actions are initiated against 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, 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 a separate committee and policy with respect to Prevention of Sexual Harassment of women in workplace. The Company has zero tolerance towards sexual harassment both at physical and virtual workspace . It has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (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 of workplace harassments.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

   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 - Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others

   Yes. Your Company engages with suppliers, vendors, job contractors in its efforts to reduce environmental impact.

   Our environmental management is based on the principles of Leadership, Goals, Communication, Support, Responsibility, Learning, Resilience, Engagement, and Trust. Your Company is an ISO 14001:2015 and ISO 45001:2018 certified company and the management's environmental initiatives are framed around our employee driven Protecting Our Planet (PoP) initiatives. These are carried out across our operations, as well as supply chain encompassing:

Aspects	Impacted UN SDG
• Energy	United Nations (UN) Sustainability Development Goals (SDGs) 7, 8, 13
• Emissions	UN SDG 13
• Water	UN SDGs 6, 15
• Waste	UN SDGs 8, 12, 15
• Reconditioning & Recycling	UN SDG 8,12
• Health & Safety	UN SDG 3
• Community Engagement	UN SDGs 1, 2, 4, 6

   Recognizing our achievements, Kennametal India was awarded a 'Gold' rating by GreenCo (www.greenco.in) in November 2018, valid till October 2021. It is a prestigious award, and the rating is based on a holistic framework that evaluates companies on the environmental friendliness of their activities using life cycle approach covering product design, materials used, procurement, vendor management, logistics, packaging, manufacturing, distribution, product use, disposal and recycling.

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.

Statutory Reports

Yes. Your Company has lined up a number of environmental initiatives outside its premises to augment underground water and promote afforestation during FY22.

These projects are expected to have a positive impact on the environment and a detailed report on these would be provided in the forthcoming Annual Report of FY22.

3. Does the company identify and assess potential environmental risks? Y/N

   Yes. Your Company schedules awareness campaigns periodically for employees, as well as the supply chain and meaningful contributions from people in this regard are incentivized suitably. Initiatives taken to improve energy efficiency systematically have been elucidated in the paras above. Installation of new washer process with better cleaning technology that recycles nearly 94% of the washing solution and saves over 9400 liters of water every day, less cleaning chemicals and virtually eliminates all wastewater, even with higher production.

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?

   No.

   While your Company is consciously reducing its carbon footprint as detailed under earlier paras, the plans to have a CDM (Clean Development Mechanism) would be explored in the coming years.

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.

   Yes. Company is engaged in making continuous efforts to ensure energy efficiency by incorporating energy saving solutions. Detailed energy conservation measures and steps taken by our company is reported in the earlier paras of this report.

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

   Yes. All emissions / waste generated by the company are within the permissible limits outlined by the Central Pollution Control Board / State Pollution Control Board. As mentioned above, apart from adhering to all applicable environmental legislations, your Company is ISO 14001 & ISO 45001 certified and is also certified as green company. The Green Co. certification in manufacturing realm is a testimony to the environmental consciousness of Kennametal India.

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.

   During the year under review, there was one demand notice from the State Pollution Control Board ('SPCB') for non-compliance in the levels of discharge from Sewage Treatment Plants, the same being allegedly higher than permissible limits.

   Upon filing of requisite documents showcasing the compliance levels of your Company before the State Pollution Control Board authorities, the issue stands resolved with SPCB.

   Meanwhile, your Company had alongside challenged the said demand notice before the Hon'ble High Court of Karnataka and the Hon'ble High Court quashed the said demand notice.

Principle 7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

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 the industry and society at large.

Principle 8 - Businesses should support inclusive growth and equitable development

1. Does the company have specified programes / initiatives / projects in pursuit of the policy related to Principle 8? If yes, provide details.

   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 programs/ 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 ₹ 1.69 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 - Businesses should engage with and provide value to their customers and consumers in a responsible manner

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.

   As on June 30, 2021, 6.67% of the complaints/ consumer cases were pending, all of which were still within the time limit of 45 days for disposal.

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.

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.

   No. 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?

   During the year under review, your Company conduced customer survey to understand customer experience on the products and services of the Company. This initiative helps your Company to understand strengths and the opportunity areas where we can work better.

NOTES

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 2021, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement 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 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, of the state of affairs of the Company as at 30 June 2021, 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 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 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 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: Refer note 2.9 for accounting policy and note 12 for financial disclosures in relation to inventory. At the Standalone Balance Sheet dated 30 June 2021, the Company held inventories comprising of raw materials and components, finished goods, work-in-progress and stores and spares worth ₹ 2,051 millions detailed in note 12 to the accompanying standalone financial statements. During the year ended 30 June 2021, the management has performed 100% physical verification for the inventory between 28 June 2021 and 15 July 2021 in multiple intervals with the assistance of management experts and has performed roll forward/roll back workings based on system generated reports. 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. 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. In addition to the above, the complexities involved in this assessment include: • 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: Existence, Completeness, Cut-off and Accuracy of Inventory: • 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; • Evaluated the design effectiveness of controls over inventory management process/inventory physical verification and tested key controls for their operating effectiveness; • Observed physical count carried out by the management. • Obtained the report of the expert and verified the treatment of count difference in the books of accounts. 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. • On test check basis, tested the roll forward/back procedures from the date of management count to the balance sheet date. • 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. Valuation of inventory: • Obtained an understanding of the management's process of valuation of inventory. • Evaluated the design and tested the operating effectiveness of key

• Assessment of the completion percentage of products. • Allocation of price variance on raw materials to inventories in work-in-progress and finished goods. 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. 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. • 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. • 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. • Evaluated the appropriateness of the Company's accounting policy and valuation method of inventory in accordance with the accounting standards. Inventory allowance: • Obtained and understood management process for identification of slow moving, non-moving or obsolete inventories and ensured that the same is consistently applied. • 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. • On sample basis, tested the ageing of inventory items obtained through system reports, as applicable. • For slow and non-moving inventories as at 30 June 2021 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. Presentation and disclosure: • Evaluated the disclosures made in the accompanying 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 Annual 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 is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation 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 accounting principles generally accepted in India, including the Ind AS specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting

records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the 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 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 management's 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 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 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, 2016 ('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.

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 2021 from being appointed as a director in terms of Section 164(2) of the Act;

    f) we have also audited the internal financial controls with reference to the financial statements of the Company as on 30 June 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 18 August 2021 as per Annexure II 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 litigations on its financial position as at 30 June 2021;

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 2021;

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 2021; and

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN:21059139AAAAEH3170

Bengaluru
18 August 2021

Annexure I to the Independent Auditor's Report of even date to the members of Kennametal India Limited, on the financial statements for the year ended 30 June 2021

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The title deeds of all the immovable properties (which are included under the head 'Property, plant and equipment') are held in the name of the Company.

(ii) In our opinion, the management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management. No material discrepancies were noticed on the aforesaid verification.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) 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 under sub-Section (1) of Section 148 of the Act in respect of Company's products 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) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, duty of customs, duty of excise, value added taxes, cess and other material statutory dues, as applicable, to the appropriate authorities. 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 become payable.

(b) The dues outstanding in respect of income-tax, goods and services taxes, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Statement of Disputed Dues (₹ in millions)

Name of the statute	Nature of dues	Amount (₹)	Amount paid under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act,1944	Excise Duty	8.75	4.14	April 2006 to June 2013	The Customs, Excise & service Tax Appellate Tribunal (CESTAT), Bangalore
Finance Act, 1994	Service Tax	1.15	0.58	April 2007 to March 2008	The Customs, Excise & service Tax Appellate Tribunal (CESTAT), Bangalore
The Karnataka Tax on Entry of Goods Act, 1979	Entry Tax	12.23	12.23	April 2010 to June 2017	The Commissioner of Commercial Tax, Bangalore
The Customs Act, 1962	Customs Duty	15.91	15.91	August 2009 to October 2013	The Customs, Excise & service Tax Appellate Tribunal (CESTAT), Bangalore
The Central Sales Tax Act, 1956	Sales Tax	6.40	6.19	April 2010 to March 2011	The Customs, Excise & service Tax Appellate Tribunal (CESTAT), Bangalore
		1.83	3.27	April 2011 to March 2012	The Assistant Commissioner of Commercial Tax, Bangalore
		1.65	6.91	April 2013 to March 2014	The Assistant Commissioner of Commercial Tax, Bangalore
		0.03	0.03	April 2014 to March 2015	The Assistant Commissioner of Commercial Tax, Jamshedpur
		0.53	9.11	April 2015 to March 2016	The Deputy Commissioner of Commercial Tax, Bangalore
		0.75	0.75	April 2015 to March 2016	The Deputy Commissioner of Commercial Tax, Bangalore
Income Tax Act, 1961	Income Tax	0.75	0.75	April 1993 to March 1994	The Income Tax Appellate Tribunal, Bangalore
		2.20	-	April 1999 to March 2001	Supreme Court of India
		54.97	54.97	April 2007 to March 2008	The Commissioner of Income Tax, (Appeals), Bangalore
		50.52	50.52	April 2008 to March 2009	The Commissioner of Income Tax, (Appeals), Bangalore
Income Tax Act, 1961	Income Tax	52.78	49.40	April 2009 to March 2010	The Commissioner of Income Tax, (Appeals), Bangalore
		47.30	47.30	April 2010 to March 2011	The Commissioner of Income Tax, (Appeals), Bangalore
		10.81	10.81	April 2011 to March 2012	The Commissioner of Income Tax (Appeals) , Bangalore
		16.45	16.45	April 2012 to March 2013	The Income Tax Appellate Tribunal, Bangalore
		17.04	17.04	April 2013 to March 2014	The Income Tax Appellate Tribunal, Bangalore

(viii) The Company has no loans or borrowings payable to a financial institution or a bank or government and no dues payable to debenture-holders during the year. Accordingly, the provisions of clause 3(viii) of the Order are not applicable.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the term loans were applied for the purposes for which the loans were obtained.

(x) No fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by our audit.

(xi) Managerial remuneration has been paid by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the standalone financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 21059139AAAAEH3170

Bengaluru
18 August 2021

Annexure II to the Independent Auditor's Report of even date to the members of Kennametal India Limited, on the financial statements for the year ended 30 June 2021

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 financial statements of Kennametal India Limited ('the Company') as at and for the year ended 31 March 2021, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

Responsibilities of Management 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 2021, 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: 21059139AAAAEH3170

Bengaluru
18 August 2021

Standalone Balance Sheet as at June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

		Note	As at June 30, 2021	As at June 30, 2020
I.	ASSETS			
1.	Non-current assets			
	(a) Property, plant and equipment	3A	2245	2459
	(b) Capital work-in-progress	3B	518	321
	(c) Investment property [June 30, 2021: ₹ 67,049 (June 30, 2020: ₹ 67,049)]	4	0	0
	(d) Other intangible assets	5	5	7
	(e) Investment in subsidiary	6	20	20
	(f) Financial assets			
	(i) Other financial assets	7(e)	20	54
	(g) Income tax assets (net)	9	409	461
	(h) Other non-current assets	10	32	132
	Total non-current assets		3249	3454
2.	Current assets			
	(a) Inventories	12	2051	1979
	(b) Financial assets			
	(i) Trade receivables	7(b)	1131	789
	(ii) Cash and cash equivalents	7(c)	1145	414
	(iii) Bank balances other than (ii) above	7(d)	1	1
	(iv) Loans	7(a)	3	102
	(v) Other financial assets	7(e)	34	15
	(c) Other current assets	11	34	117
	Total current assets		4399	3417
	Total assets		7648	6871
II.	EQUITY AND LIABILITIES			
1.	Equity			
	(a) Equity share capital	13	220	220
	(b) Other equity	14	5514	5282
	Total equity		5734	5502

Standalone Balance Sheet as at June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

	Note	As at June 30, 2021	As at June 30, 2020
2. Liabilities			
Non-current liabilities			
(a) Financial liabilities			
(i) Other financial liabilities	15C	1	1
(b) Provisions	16	34	53
(c) Deferred tax liabilities (net)	8	2	5
Total non-current liabilities		37	59
Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	15A	-	130
(ii) Trade payables	15B		
Total outstanding dues of micro enterprises and small enterprises		22	27
Total outstanding dues of other than micro enterprises and small enterprises		1001	541
(iii) Other financial liabilities	15C	345	137
(b) Provisions	16	193	196
(c) Other current liabilities	17	316	279
Total current liabilities		1877	1310
Total Equity and Liabilities		7648	6871

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 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

Standalone Statement of Profit and Loss for the year ended June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

	Note	Year ended June 30, 2021	Year ended June 30, 2020
I. INCOME			
Revenue from operations	18	8114	6414
Other income	19	85	192
Total income		8199	6606
II. EXPENSES			
Cost of materials consumed	20	2196	1970
Purchases of stock-in-trade	21	2175	1585
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	(46)	(88)
Employee benefits expense	23	1215	1086
Finance costs	24	3	11
Depreciation and amortisation expenses	25	378	342
Other expenses	26	1374	1251
Total expenses		7295	6158
III. Profit before exceptional items and tax		904	448
Exceptional items	27	(10)	(44)
IV. Profit before tax		894	404
V. Tax expense/ (credit)	28		
Current tax		232	96
Tax adjustments relating to earlier years		-	(8)
Deferred tax credit		(4)	(9)
Total tax expense		228	79
VI. Profit after tax for the year		666	325
VII. Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit plans		2	(13)
Income tax relating to above item (charge) / credit		(1)	3
Total other comprehensive income for the year (net of tax)		1	(10)
VIII. Total comprehensive income for the year		667	315
IX. Earnings per equity share in ₹ [Nominal Value per share ₹ 10 (June 30, 2020: ₹ 10)]	33		
Basic and diluted		30.29	14.79

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 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

Standalone Statement of Changes in Equity for the year ended June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

(A) Equity Share Capital

	Amount
Balance as at July 1, 2019	220
Changes in equity share capital during the year	-
Balance as at June 30, 2020	220
Changes in equity share capital during the year	-
Balance as at June 30, 2021	220

(B) Other equity

	Securities premium	Share based compensation reserve	General reserve	Retained earnings	Total
Balance as at July 1, 2019	1	4	1488	3476	4969
Profit for the year	-	-	-	325	325
Other comprehensive Income	-	-	-	(10)	(10)
	1	4	1488	3791	5284
Transactions with owners in their capacity as owners:					
Interim dividends	-	-	-	-	-
Dividend distribution tax	-	-	-	-	-
Share based compensation expense	-	11	-	-	11
Payment during the year towards share based compensation	-	(13)	-	-	(13)
Balance as at June 30, 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

The accompanying notes are the integral part of these Standalone Financial Statements.

This is the 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
August 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

Standalone Statement of Cash Flows for the year ended June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

	Year ended June 30, 2021	Year ended June 30, 2020
Cash flow from operating activities		
Profit before taxation and exceptional items	904	448
Adjustments for:		
Depreciation and amortisation expense	378	342
Dividend income	(12)	(4)
Provision no longer required written back	-	(11)
Provision for product support	31	19
Provision made for doubtful debts and deposits	-	1
Loss/ (Gain) on sale of property, plant and equipment (net)	(2)	2
Interest expense	3	11
Interest income	(7)	(53)
Income tax refund received	(1)	(33)
Unrealised foreign exchange gain (net)	(0)	(2)
Share based compensation expense	22	11
Operating profit before working capital changes	1316	731
(Increase) / Decrease in inventories	(72)	52
(Increase) / Decrease in trade and other receivables	(158)	940
Decrease in financial assets	15	1
Increase / (Decrease) in other liabilities and provisions	626	(1293)
Cash generated from operations	1727	431
Taxes paid (net of refunds)	(180)	(153)
Net cash generated from operations (1)	1547	278
Cash flow from investing activities		
Purchase of property, plant and equipment	(264)	(610)
Investment in subsidiary	-	(20)
Interest received	5	15
Loan to subsidiary	-	(250)
Repayment of loan by subsidiary	-	500
Sale proceeds of property, plant and equipment	3	2
Dividend received on investments	12	4
Interest received	1	40
Net cash (used in) investing activities (2)	(243)	(319)

Standalone Statement of Cash Flows for the year ended June 30, 2020

(All amounts in ₹ millions unless otherwise stated)

	Year ended June 30, 2020	Year ended June 30, 2019
Cash flow from financing activities		
Loan from fellow subsidiary	-	30
Repayment of loan to fellow subsidiary	(130)	-
Interest paid	(3)	(11)
Dividends paid	(440)	-
Unclaimed dividend paid (June 30, 2021: ₹ 135,402)	(0)	(1)
Net cash (used in)/ generated from financing activities (3)	**(573)**	**18**
Net increase in cash and cash equivalents (1+2+3)	**731**	**(23)**
Add: Cash and cash equivalents at the beginning of the year	414	437
Cash and cash equivalents at the end of the year	**1145**	**414**
Cash and Cash equivalent as per above comprises of the following		
Cash on hand [June 30, 2021: ₹ 135,260 (June 30, 2020: ₹ 81,703)]	0	0
Investments in term deposits (with original maturity of less than 12 months)	8	174
Cheques, drafts on hand	5	2
Balances with banks - In current accounts	1132	238
Balance as per Statement of Cash Flows	**1145**	**414**
The accompanying notes are the integral part of the Standalone Financial Statements.		
Note:		
Also, refer note 39 for "Net debt reconciliation"		

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 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

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 18, 2021.

1.2 Further to the scheme of amalgamation (refer note 40) 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.

1.3 Recent accounting pronouncements:

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

(i) Change in existing presentation requirements for certain items in Balance sheet, for eg. lease liabilities, security deposits, current maturities of long term borrowings, effect of prior period errors on equity share capital.

(ii) Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.

(iii) Additional disclosure requirements in specified formats, for eg. ageing of trade receivables, trade payables, capital work in progress, intangible assets under development, shareholding of promoters, etc

(iv) Disclosure if funds have been used other than for the specific purpose for which it was borrowed from banks and financial institutions.

(v) Additional Regulatory Information, such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

(vi) Disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency.

The amendments are extensive and the Company is evaluating the same

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.

(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;

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

- 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 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 and 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

At each balance sheet date basis the management judgement and historical trend, the Company assesses the requirement of provisions. 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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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.

2.3 Revenue recognition (cont'd)

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 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 internal 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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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 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

Effective from July 1, 2019, the Company has applied Ind AS 116, which replaces the existing lease standard, Ind AS 17 Leases and other interpretations. The Company has applied Ind AS 116 using the modified retrospective approach and has accordingly not restated the comparative information. The Company at the inception of a contract, assesses whether a contract, is or contains a lease. 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. Ind AS 116 introduces a single balance sheet lease accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company has elected not to recognise right-of-use of assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets. The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term. Lessor accounting remains similar to the accounting under the previous standard i.e. lessor continues to classify leases as finance or operating lease. Lease income from operating leases, where the Company is a lessor, is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflation. This policy is applied to contracts entered into, or changed, on or after July 1, 2019.

For contracts entered into before July 1, 2019, the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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 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 38 for segment information presented.

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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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 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)

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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.

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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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, 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.

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, 2019	1	96	65	2281	11	53	2507
Additions during the year	-	31	12	267	17	11	338
Capital work-in-progress capitalised during the year	-	128	37	467	-	-	632
Disposals during the year	-	(5)	(45)	(26)	-	(1)	(77)
Gross block as at June 30, 2020	1	250	69	2989	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
Accumulated depreciation as at July 1, 2019	-	19	33	586	7	28	673
Depreciation charge for the year	-	11	25	292	1	12	341
Disposals during the year	-	(2)	(43)	(27)	-	(1)	(73)
Accumulated depreciation as at June 30, 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
Net block							
As at June 30, 2020	1	222	54	2138	20	24	2459
As at June 30, 2021	1	278	35	1893	20	18	2245

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, 2019	672
Additions during the year	281
Less: Capitalised during the year	(632)
Balance as at June 30, 2020	321
Additions during the year	314
Less: Capitalised during the year	(117)
Balance as at June 30, 2021	518

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, 2019	0
Additions during the year	-
Disposals during the year	-
Gross block as at June 30, 2020	0
Additions during the year	-
Disposals during the year	-
Gross block as at June 30, 2021	0
Accumulated depreciation as at July 1, 2019	
Depreciation charge for the year	-
Disposals during the year	-
Accumulated depreciation as at June 30, 2020	-
Depreciation charge for the year	-
Disposals during the year	-
Accumulated depreciation as at June 30, 2021	-
Net block	
As at June 30, 2020 (₹ 67,049)	0
As at June 30, 2021 (₹ 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 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, 2020	479
As at June 30, 2021	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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

5 Other intangible assets

Particulars	Computer software (acquired)	Total
Gross block as at July 1, 2019	3	3
Additions for the year	7	7
Disposals for the year	-	-
Gross block as at June 30, 2020	10	10
Additions for the year	-	-
Disposals for the year	-	-
Gross block as at June 30, 2021	10	10
Accumulated amortisation as at July 1, 2019	2	1
Amortisation charge for the year	1	1
Disposals for the year	-	-
Accumulated amortisation as at June 30, 2020	3	3
Amortisation charge for the year	2	2
Disposals for the year	-	-
Accumulated amortisation as at June 30, 2021	5	5
Net block		
As at June 30, 2020	7	7
As at June 30, 2021	5	5

6 Investment in subsidiary

Particulars	As at June 30, 2021		As at June 30, 2020	
	No. of units	Amount	No. of units	Amount
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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

7 Financial Assets

7(a) Loans

Particulars	As at June 30, 2021		As at June 30, 2020	
	Current	Non-current	Current	Non-current
Unsecured, considered good				
(Carried at amortised cost)				
Employee advances	3	-	2	0
Loan to subsidiary (refer note a below)	-	-	100	-
Total loans	3	-	102	0

Note:

The Company had advanced a loan to its subsidiairy, Widia India Tooling Private Limited in FY 2018-19. The loan was repayable within 2 years from the date of the disbursement at an interest rate of 7.95% p.a towards working capital requirement. The loan outstanding amount was ₹ Nil as at June 30, 2021 (June 30, 2020: ₹ 101 million). The loan has been repaid along with interest during the month of February 2021 (refer note 37)

7(b) Trade receivables

Particulars	As at June 30, 2021	As at June 30, 2020
Trade receivables	989	637
Receivable from related parties	148	166
Less: Loss allowance	(6)	(14)
Total trade receivables	1131	789
Current	1131	789
Break-up of security details		
Secured, considered good*	217	6
Unsecured, considered good	920	797
Total	1137	803
Loss allowance (refer note 35)	(6)	(14)
Total trade receivables	1131	789

*Secured against bank guarantee

7(c) Cash and cash equivalents

Particulars	As at June 30, 2021	As at June 30, 2020
Cash on hand [June 30, 2021: ₹ 135,260 (June 30, 2020: ₹ 81,703)]	0	0
Investments in term deposits (with original maturity of less than 12 months)	8	174
Cheques, drafts on hand	5	2
Balances with banks - In current accounts	1132	238
Total cash and cash equivalents	1145	414

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)

7(d) Bank balances other than cash and cash equivalents

Particulars	As at June 30, 2021	As at June 30, 2020
Unclaimed dividends	1	1
Total bank balances other than cash and cash equivalents	1	1

7(e) Other financial assets

(i) Non-current

Particulars	As at June 30, 2021	As at June 30, 2020
Long term deposits with banks with maturity period of more than 12 months	3	3
Security deposits	3	3
Other deposits	14	14
Export benefits receivable	-	34
Total non current financial assets	20	54

(ii) Current

Particulars	As at June 30, 2021	As at June 30, 2020
(Unsecured, considered good, unless stated otherwise)		
Interest accrued on fixed deposits [June 30, 2021: ₹ 120,325 (June 30, 2020: ₹ 107,636)]	0	0
Export benefits receivable	29	12
Deposits with others	2	1
Other receivables	3	2
	34	15
(Considered doubtful)		
Other receivables (June 30, 2020: ₹ 495,275)	1	0
(Less): Loss allowance (June 30, 2020: ₹ 495,275)	(1)	(0)
Total current financial assets	34	15

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

8 Deferred tax liability (net)

Movement in the deferred tax asset / (liability)

Particulars	As at July 1, 2019	(Charge)/ Credit to Standalone Statement of Profit and Loss	Charge/(Credit) Credit to other comprehensive income	As at June 30, 2020
Deferred Tax Assets:				
Provision for gratuity, leave encashment, long service award	63	(17)	3	49
Provision for doubtful debts	6	(3)	-	3
Voluntary retirement scheme/ employee separation	12	(1)	-	11
Others	3	(2)	-	1
Deferred Tax Liabilities:				
Depreciation	(101)	32	-	(69)
Closing Balance	**(17)**	**9**	**3**	**(5)**

Movement in the deferred tax asset / (liability) Charge / (Credit)

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 Assets:				
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 Liabilities:				
Depreciation	(69)	7	-	(62)
Closing Balance	**(5)**	**4**	**(1)**	**(2)**

9 Income tax assets (net)

Particulars	As at June 30, 2021	As at June 30, 2020
Income tax [net of provision (June 30, 2021: ₹ 2729 million, June 30, 2020: ₹ 2497 million)]*	409	461
Total income tax assets	**409**	**461**

*includes taxes paid under protest, [net of provision (June 30, 2021: ₹ 34 million, June 30, 2020: ₹ 34 million)] amounting to ₹ 213 million for the year ended June 30, 2021 (June 30, 2020: ₹ 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, 2021	As at June 30, 2020
Capital advances	2	102
Deposits with statutory / government authorities	30	30
Total non-current assets	32	132

11 Other current assets

Particulars	As at June 30, 2021	As at June 30, 2020
Deposits with statutory / government authorities	-	89
Advance to suppliers	12	14
Prepaid expenses	21	14
Travel advances to employees [June 30, 2021: ₹ 357,500]	0	-
Total other current assets	33	117

12 Inventories

Particulars	As at June 30, 2021	As at June 30, 2020
Raw materials (Including goods in transit ₹ 76 million [June 30, 2020: ₹ 71 million])	448	427
Stores and spares	35	30
Work-in-progress	654	616
Finished goods	484	498
Stock-in-trade (Including goods in transit ₹ 53 million [June 30, 2020: ₹ 27 million])	430	408
Total inventories	2051	1979

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 net realisable value amounted to ₹ 105 million (June 30, 2020: ₹ 94 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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

13 Equity share capital

Particulars	As at June 30, 2021	As at June 30, 2020
Authorised		
21,978,240 (June 30, 2020: 21,978,240) Equity Shares of ₹ 10 each	220	220
Issued, subscribed and fully paid up		
21,978,240 (June 30, 2020: 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, 2021		As at June 30, 2020
	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 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, 2021		As at June 30, 2020
	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, 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%
Reliance Capital Trustee Company Limited*	2,032,159	9.25%	2,119,040	9.64%

* 1,737,159 (June 30, 2020: 1,639,159) shares are held by Nippon India Multi Cap Fund comprising 7.9% (June 30, 2020: 7.46%) of the shareholding, 295,000 shares are held by Nippon India Opportunities Fund - Series A comprising 1.34%of the shareholding and (June 30, 2020: 479,881 shares are held by Nippon India Tax saver Fund comprising 2.18% of the shareholding)

(e) During five years immediately preceding June 30, 2021 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.

(f) There are no shares of the Company reserved for issue under any option, contracts, commitments for the sale of share or disinvestment.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

13A Dividends

The Board of Directors, through its board meeting held on May 12, 2021, have declared an interim dividend of ₹ 20 to be paid per equity share (₹ 10 each) outstanding as at date of board meeting (amounting to ₹ 440 million) for the financial year ended June 30, 2021 and no further dividend is recommended during the year (June 30, 2020: ₹ Nil)

The Company paid interim dividend of ₹ 440 million during the year ended June 30, 2021 (June 30, 2020: ₹ Nil)

14 Other equity

Particulars	As at June 30, 2021	As at June 30, 2020
Securities premium	1	1
Share based compensation reserve	7	2
General reserve	1488	1488
Retained earnings	4018	3791
Total reserves and surplus	**5514**	**5282**

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 Borrowings

Particulars	As at June 30, 2021		As at June 30, 2020	
	Current	Non-current	Current	Non-current
Unsecured				
Borrowings	-	-	130	-
Total borrowings	-	-	**130**	-

The Company had taken a loan from a related party. The loan is repayable within 2 years from the date of the disbursement at an interest rate of 7.55% (MCLR+0.5%) p.a towards working capital requirement. However, the entire loan along with interest had been repaid during the current year in the month of October 2020, and therefore, there is no outstanding liability as on date (also refer note 37).

15B Trade payables

Particulars	As at June 30, 2021	As at June 30, 2020
Due to micro enterprises and small enterprises	22	27
Due to creditors other than micro enterprises and small enterprises		
Amounts due to related parties (also refer note 37)	468	216
Amount due to third parties	533	325
Total trade payables	**1023**	**568**

Disclosure of dues/payments to Micro enterprises and Small enterprises to the extent such enterprises are identified by the Company

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

	Particulars	As at June 30, 2020	As at June 30, 2019
a)	Principal amount due to suppliers registered under the Micro, Small and Medium Enterprises and Development Act and remaining unpaid as at year end;	21	16
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;	-	11
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; [June 30, 2020: ₹ 243,790]	1	0
g)	Further interest remaining due and payable for earlier years;	-	-
	Total due to micro enterprises and small enterprises	22	27

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 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.

15C Other financial liabilities

Particulars	As at June 30, 2021		As at June 30, 2020	
	Current	Non-current	Current	Non-current
Deposit from customers	-	1	-	1
Capital creditors	31	-	36	-
Unpaid dividends	1	-	1	-
Employee benefits payable	309	-	96	-
Other current liability	4	-	4	-
Total financial liabilities	345	1	137	1

16 Provisions

Particulars	As at June 30, 2021		As at June 30, 2020	
	Current	Non-current	Current	Non-current
Provisions for employee benefit				
Gratuity (refer note d)	3	26	7	45
Compensated absences (refer note e)	128	-	135	-
Long service award	2	5	2	4
Other provisions				
Product support (refer note a and c)	41	3	30	4
Disputed taxes and duties (refer note b and c)	20	-	22	-
Total provision	193	34	196	53

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.

Standalone Financial Statements

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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	Product support		Disputed taxes	Total	
	Current	Non-current	Current	Current	Non-current
Balance as at July 1, 2019	40	6	29	69	6
Addition	21	-	-	21	-
Utilisation	(31)	(2)	-	(31)	(2)
Reversal	-	-	(7)	(7)	-
Balance as at June 30, 2020	30	4	22	52	4
Addition	36	-	-	36	-
Utilisation	(25)	(1)	-	(25)	(1)
Reversal (Non-current: ₹ 183,417)	-	(0)	(2)	(2)	(0)
Balance as at June 30, 2021	41	3	20	61	3

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, 2021	As at June 30, 2020
Defined benefit obligation at beginning of the year	272	253
a. Current service cost	16	15
b. Past service cost	(2)	-
c. Interest expenses	15	18
d. Benefits payments from employer	(41)	(30)
Add/(Less) Remeasurement (gain)/loss		
Acquisition / Divestiture	9	-
a. Due to change in demographic assumptions	-	-
b. Due to change in financial assumptions (June 30, 2021: ₹ 390,594)	(0)	14
c. Due to experience adjustments	4	1
Defined benefit obligation at end of year	273	271

ii) Changes in plan assets

Particulars	As at June 30, 2021	As at June 30, 2020
Fair value of plan assets at end of prior year	219	201
Adjustment in opening fair value of assets	8	-
a. Interest income on plan assets	13	14
b. Employer contribution	33	32
c. Benefit payments from employer	(41)	(30)
Remeasurements:		
Acquisition / Divestiture	8	-
a. Returns on assets (excluding interest income)	6	2
Fair value of plan assets at end of year	245	219

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

16 Provision (cont'd)

iii) Assets and liabilities recognised in the Balance Sheet:

Particulars	As at June 30, 2021	As at June 30, 2020
Present value of defined benefit obligations	273	271
(Less): Fair value of plan assets	(245)	(219)
Deficit	29	53

iv) Expense recognised in the Standalone Statement of Profit and Loss

Particulars	As at June 30, 2021	As at June 30, 2020
Remeasurement of other long term benefits		
a. Current service cost	16	15
Total Service cost	**16**	**15**
Net interest cost		
a. Interest expenses on defined benefit obligation	15	18
b. Interest income on plan assets	(13)	(14)
Total net interest cost	**2**	**4**
A. Defined benefit cost included in P&L	**18**	**19**
Remeasurement (recognised in Other comprehensive income (OCI))		
a. Due to change in demographic assumptions	-	-
b. Due to change in financial assumptions	(7)	12
c. Due to experience adjustments	4	1
B. Total remeasurement in OCI	**(2)**	**13**
Total defined benefit cost recognised in P&L and OCI	**16**	**32**

v) Major category of plan asset as % of total plan assets

Particulars	As at June 30, 2021	As at June 30, 2020
Government Bonds	0%	0%
PSU	0%	0%
Mutual Funds	0%	0%
Deposits with Banks and FIs	0%	0%
Others : Funds managed by insurer	100%	100%

vi) Significant actuarial assumptions

Particulars	As at June 30, 2021	As at June 30, 2020
Discount rate per annum	6.81%	6.25%
Expected return on plan assets	6.25%	6.25%
Expected salary increase per annum (2020: Officers 5% and workmen 4%)	5%	5% & 4%
Mortality rate per annum	100% of IALM	100% of IALM
	2012-14	2012-14
Withdrawal (rate of employee turnover)	4.50%	4.50%
Retirement age (2020: Officers 58 years and workmen 60 years)	60	58 & 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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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, 2021 Increase/ (decrease)	As at June 30, 2021 Increase/ (decrease)	As at June 30, 2020 Increase/ (decrease)	As at June 30, 2020 Increase/ (decrease)
Discount rate	+1% / -1%	(15)	17	(16)	18
Salary rate	+1% / -1%	17	(16)	18	(16)
Attrition rate	+50% / -50%	4	(4)	3	(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 balance sheet date.

16 Provisions (cont'd)

(viii) The weighted average duration of the defined benefit obligation is 6 years (June 30, 2020: 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, 2021	23	141	132	144	440
June 30, 2020	30	132	126	132	420

(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 ₹ 128 million (June 30, 2020: ₹ 135 million) is presented as current, since the Company doesn't have an unconditional right to defer settlement for any of these obligations.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

17 Other current liabilities

Particulars	As at June 30, 2021	As at June 30, 2020
Advances from customers	251	220
Statutory dues (refer note 17A)	38	26
Contract liabilities (refer note 2.3)		
Refund liabilities	27	33
Total current liabilities	316	279

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, 2021	As at June 30, 2020
Defined benefit obligation at beginning of the year	1129	1049
Add: Current service cost	35	32
Add: Interest expenses	98	85
a. Benefit payments from employer	(108)	(90)
b. Other (employee contribution, taxes, expenses):	110	48
Add/(Less): Remeasurement loss/ (gain)		
a. Due to experience adjustments	26	5
Defined benefit obligation at end of year	1289	1129

ii) Changes in plan assets

Particulars	As at June 30, 2021	As at June 30, 2020
Fair value of plan assets at end of prior year	1261	1111
a. Investment income	109	96
b. Employer contribution	35	32
c. Benefit payments from employer	(107)	(90)
d. Other (employee contribution, taxes, expenses)	110	113
e. Returns on assets (excluding interest income)	(9)	(1)
Fair value of plan assets at end of year	1399	1261

iii) Assets and liabilities:

Particulars	As at June 30, 2021	As at June 30, 2020
Present value of defined benefit obligations	1289	1129
Fair value of plan assets	(1399)	(1262)
Total	(109)	(133)

Standalone Financial Statements

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Particulars	As at June 30, 2021	As at June 30, 2020
Non-current provision	1173	1031
Current provision	116	98
Total	1289	1129

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 recognised in the books for the year ended June 30, 2021 amount to ₹ 49 million (June 30, 2020: ₹ 47 million).

iv) Major Categories of plan assets as percentage of total plan assets

Particulars	As at June 30, 2021	As at June 30, 2020
Government Bonds	60%	62%
Public sector understanding	34%	34%
Others: Funds managed by insurer	6%	4%

v) Significant Actuarial Assumptions

Particulars	As at June 30, 2021	As at June 30, 2020
Discount rate per annum	6.81%	6.25%
Expected return on plan assets	8.50%	8.50%
Expected salary increase per annum	5%	5% & 4%
Mortality rate per annum	"100% of IALM 2012-14"	"100% of IALM 2012-14"
Withdrawal (rate of employee turnover)	4.50%	4.50%
Retirement age	60	58 & 60
Interest rate guarantee	8.50%	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

Particulars	Change in assumption	As at June 30, 2021		As at June 30, 2020	
		Increase/ (decrease) in liability	Increase/ (decrease) in liability	Increase/ (decrease) in liability	Increase/ (decrease) in liability
Discount rate	+1% / -1%	(24)	61	(1)	1
Interest guarantee rate	+1% / -1%	57	(24)	46	(23)

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

18 Revenue from operations

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Sale of products		
Finished goods	5423	4390
Traded goods	2583	1903
Sale of services	85	63
Other operating income		
Sale of scrap	5	5
Export incentives	9	44
Commission on order based sales	9	9
Total revenue from operations	8114	6414

A) Disaggregation of Revenue

a) Revenue based on Geography

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Domestic	6259	5116
Export	1855	1298
Total revenue from operations	8114	6414

b) Revenue based on Business Segment

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Hard Metal Products	7010	4933
Machining Solutions	1104	1481
Total revenue from operations	8114	6414

B) Reconciliation of Revenue from operations

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Contract Price	8230	6441
Less:		
Refund liabilities	7	(1)
Customer loyalty programme	(118)	(26)
Others (June 30, 2020: ₹ 69,970)	(5)	(0)
Total revenue from operations	8114	6414

C) Assets and liabilities related to contracts with customers

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Contract Liabilities		
Current		
Advances from customers	251	220
Refund liabilities	27	33
Non-current		
Deposits from customers	1	1
Contract Assets		
Current		
Trade receivables	1131	789

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

19 Other income

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Dividend income	12	4
Interest income on bank deposits	2	1
Interest income on loan to subsidiary	5	15
Interest on income tax refund	-	37
Provision no longer required written back	-	11
Net foreign exchange gains	1	8
Net gain on sale of property, plant and equipment	2	-
Lease rentals	19	15
Support service charges from related party (refer note 37)	39	63
Refund of income tax	1	33
Miscellaneous income	4	5
Total other income	85	192

20 Cost of materials consumed

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Consumption of raw materials and components		
Opening inventory	427	567
Add: Purchases during the year	2217	1830
Less: Closing inventory	(448)	(427)
Total cost of materials consumed	2196	1970

21 Purchase of stock in trade

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Stock-in-trade	2175	1586
Total purchases of stock in trade	2175	1586

22 Changes in inventories of finished goods, work in progress and stock in trade

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Opening stock:		
Finished goods	498	461
Work-in-progress (WIP)	616	703
Stock-in-trade	408	270
	1,522	1434
Closing stock:		
Finished goods	484	498
Work-in-progress (WIP)	654	616
Stock-in-trade	430	408
	1,568	1522
Total changes in inventories of finished goods, WIP and stock in trade	(46)	(88)

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

23 Employee benefits expense

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Salaries, wages and bonus	1032	915
Contribution to provident and other funds	47	49
Gratuity [refer note 16]	18	19
Share based payment expenses [refer note 31 and note 37]	22	11
Staff welfare expenses	96	92
Total employee benefit expense	**1215**	**1086**

24 Finance costs

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Interest expense [refer note 15A]	3	11
Total finance costs	**3**	**11**

25 Depreciation and amortisation expense

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Depreciation on property, plant and equipment [refer note 3A]	375	341
Amortisation on other intangible assets [refer note 5]	3	1
Total depreciation and amortisation expense	**378**	**342**

26 Other expenses

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Subcontracting charges	267	218
Consumption of stores and spare parts	215	156
Forwarding and freight	169	107
Information technology services	127	177
Power and fuel	119	103
Legal and professional (note a)	106	114
Repairs and maintenance	101	87
Travelling and conveyance	43	82
Provision for product support	31	19
Rates and taxes	26	12
Royalty (refer note 37)	24	18
Commission on sales (liaisoning agent commission)	21	20
Insurance	21	12
Expenditure towards Corporate Social Responsibility (CSR) (note b)	17	16
Business promotion expenses	17	21
Communication	8	10
Rent	7	8
Printing and stationery	5	6
Directors commission	4	4
Directors' sitting fee	2	2
Advertisement and sales promotion	1	1
Provision doubtful debts and deposits (net)	-	1
Loss on property, plant and equipments sold (net)	-	2
Miscellaneous expenses	43	55
Total other expenses	**1374**	**1251**

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:

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Statutory Audit	2	2
Audit of tax accounts and tax audit	1	1
Limited reviews	1	1
Group audit fees [June 30, 2021: ₹ 200,000 (June 30, 2020: ₹ 200,000)]	0	0
Out of pocket expenses [June 30, 2021: ₹ 300,000 (June 30, 2020: ₹ 268,208)]	0	0
Total payment to auditors	4	4

(b) Expenditure towards CSR:

Gross amount required to be spent by the Company as per Section 135 of the Act is ₹ 17 million (June 30, 2020: ₹16 million)

Amount spent on construction / acquisition of an asset	-	-
Amount spent on purpose other than above	17	16
Total expenditure towards CSR	17	16

27 Exceptional items debited to the Standalone Statement of Profit and Loss

	Particulars	Year ended June 30, 2021	Year ended June 30, 2020
(i)	The Company announced a voluntary retirement scheme (VRS) for its workmen. Several workmen opted for the VRS and the aggregate expenditure incurred in this regard has been fully charged to the Standalone Statement of Profit and Loss in accordance with Ind AS - 19, Employee Benefits.	-	22
(ii)	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	22
	Total exceptional items	10	44

28 Tax expense

	Particulars	Year ended June 30, 2021	Year ended June 30, 2020
(a)	Income tax expense		
	Current tax	232	96
	Tax Adjustments relating to earlier years	-	(8)
	Total current tax expense	232	88
	Deferred tax charge/ (credit):		
	Deferred tax on account of origination and reversal of timing differences	(4)	(4)
	Change in tax rates	0	(5)
	Total deferred tax expense/ (benefit)	(4)	(9)
	Income tax expense	228	79
	Deferred tax related to items recognised in OCI		
	Income tax relating to re-measurement gains on defined benefit plans	(1)	(3)
	Income tax expense reported in OCI	(1)	(3)

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Profit for the year before tax expense	894	404
Tax at the Indian tax rate of 25.168%	225	102
Expenses that are not deductible in determining taxable profit	4	4
Tax effect of amounts which are not taxable in calculating taxable income	(2)	(10)
Income tax expenses for prior years	-	(8)
Change in deferred tax charges due to change in rate	-	(5)
Others	1	(3)
Tax expense	228	79

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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, 2021	As at June 30, 2020
Property, plant and equipment	15	158

30 Contingent liabilities

Particulars	As at June 30, 2021	As at June 30, 2020
Income tax matters [note (a)]	265	219
Sales tax matters under dispute	3	1

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, 2013-14, 2014-15 and 2016-17 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. The Company has paid ₹ 213 million (refer note 9) under protest (net of provision) towards above tax demand and recorded the same under non-current income-tax assets.

b) The sales tax assessment for the period FY 2015-16 was completed with a demand of ₹ 2 million. The demand primarily relates to the disallowance of ITC on account of non furnishing of invoices relating to the ITC claimed. The Company has subsequently filed an appeal and is in possession of all the relevant documentation in relation to the disallowance and based on the available documentation, reasonably believes that the appellate body will rule the case in favour of the company and accordingly no provision has been made in the books in this regard. In addition to this, there is a contingency of ₹ 1 million towards sales tax litigation of FY 2010-11 relating to interchange of VAT and CST Turnover erroneously.

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.

c) 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 USD)

Particulars	As at June 30, 2021 Weighted Average fair value per award	As at June 30, 2021 Number of Awards in units	As at June 30, 2020 Weighted Average fair value per award	As at June 30, 2020 Number of Awards in units
Options outstanding at the beginning of the year	29.45	3374	37.54	2427
Transferred in/(out) during the year	29.45	548	37.54	(312)
Granted during the year	32.15	14331	27.82	6417
Exercised during the year	31.56	(9116)	30.74	(5158)
Outstanding at the end of the year	31.57	9136	29.45	3374

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 1.26 years (June 30, 2020: 1.28 years)

Expenses arising from share based payments transactions

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Shares issued under RSU	22	11
Total	22	11

32 Operating lease

The Company's lease premises have a lease term of 12 months or less or are leases of low value.

The Company has taken certain office facilities on operating lease. These lease arrangements range for a period of 11 months to 5 years and are renewable for further period on mutually agreeable terms.

The total future minimum lease rentals receivable at the Balance Sheet date is as under :

Particulars	As at June 30, 2021	As at June 30, 2020
For a period not later than one year	5	18
For a period later than one year and not later than five years	6	17
For a period later than five years	-	-

33 Earnings per equity share

Particulars	As at June 30, 2021	As at June 30, 2020
Profit attributable to equity shareholders (₹)	666	325
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 (₹)	30.29	14.79

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

34 Fair value measurements

i) Financial instruments by category

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:					
Loans [refer note 7(a)]	3	-	-	3	3
Trade receivables [refer note 7(b)]	1131	-	-	1131	1131
Cash and cash equivalents [refer note 7(c)]	1145	-	-	1145	1145
Bank balances other than cash and cash equivalents [refer note 7(d)]	1	-	-	1	1
Other financial assets [refer note 7(e)]	54	-	-	54	54
Total	**2334**	**-**	**-**	**2334**	**2334**
Liabilities:					
Borrowings [refer note 15A]	-			-	-
Other financial liabilities [refer note 15C]	347	-	-	347	347
Trade payables [refer note 15B]	1023	-	-	1023	1023
Total	**1370**	**-**	**-**	**1370**	**1370**

The carrying value and fair value of financial instruments by categories as at June 30, 2020 are as follows:

Particulars	Amortised Cost	Financial assets / liabilities at FVTPL	Financial assets / liabilities at FVTCOI	Carrying Value	Fair Value
Assets:					
Loans [refer note 7(a)]	102	-	-	102	102
Trade receivables [refer note 7(b)]	789	-	-	789	789
Cash and cash equivalents [refer note 7(c)]	414	-	-	414	414
Bank balances other than cash and cash equivalents [refer note 7(d)]	1	-	-	1	1
Other financial assets [refer note 7(e)]	69	-	-	69	69
Total	**1375**	**-**	**-**	**1375**	**1375**
Liabilities:					
Borrowings [refer note 15A]	130			130	130
Other financial liabilities [refer note 15C]	138	-	-	138	138
Trade payables [refer note 15B]	568	-	-	568	568
Total	**836**	**-**	**-**	**836**	**836**

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 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.

35 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 ₹ 1131 as of June 30, 2021 [June 30, 2020: ₹ 803].

Assets under credit risk	As at June 30, 2021	As at June 30, 2020
Trade receivables	1131	789
Loans	3	102
Other financial assets	34	15
Total	**1168**	**906**

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 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, 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, 2021	As at June 30, 2020
Opening provision	14	16
Additional provision	-	-
Utilisation/ reversal	(8)	(2)
Closing provision	6	14

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 ₹ 6 million and ₹ 14 million as at June 30, 2021 and June 30, 2020 respectively. The Company'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 Company considers the life time credit risk of these financial assets to be very low. "

35 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, 2021				
Borrowings	-	-	-	-
Other financial liabilities	345	1	-	346
Trade payables	1023	-	-	1023
Total	1368	1	-	1369
As at June 30, 2020				
Borrowings	130	-	-	130
Other financial liabilities	137	1	-	138
Trade payables	568	-	-	568
Total	835	1	-	836

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 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).

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 June 30, 2021"	"As at June 30, 2021"	"As at June 30, 2021"	"As at June 30, 2020"
Trade receivables				
USD	1420669	1130269	106	85
EUR	731133	526022	65	45
GBP	36000	-	4	-
BRL	54721	91187	1	1
JPY	763801	719523	1	1
KRW	13674094	7036686	1	0
AUD	-	8732	-	0
Net exposure to foreign currency risk (assets)			178	132
Trade Payables				
USD	(630038)	(139454)	(47)	(11)
EUR	(710534)	(77881)	(63)	(7)
CHF	(57645)	(9825)	(5)	(1)
GBP	(24340)	(110908)	(3)	(10)
JPY	(5128119)	(1925415)	(3)	(1)
SGD	-	(8645)	-	(0)
Total financial liabilities			(121)	(30)
Net foreign exchange exposure			57	102

35 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, 2021		As at June 30, 2020	
	1% Increase	1% Decrease	1% Increase	1% Decrease
USD	0.59	(0.59)	0.75	(0.75)
EUR	0.02	(0.02)	0.38	(0.38)
GBP	0.01	(0.01)	(0.10)	0.10
BRL	(0.03)	(0.01)	0.01	(0.01)
JPY	0.01	0.03	(0.01)	0.01
KRW	0.01	(0.01)	-	-
CHF	(0.05)	0.05	(0.01)	0.01
AUD	-	-	0.00	(0.00)
SGD	-	-	(0.00)	0.00
Increase/(decrease) in profit or loss	0.56	(0.56)	1.02	(1.02)

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, 2021	As at June 30, 2020
Borrowings bearing floating rate of interest	-	130

Interest rate sensitivity

A change of 50 bps in interest rate would have following impact on profit before tax

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
50bp increase - decrease in profits*	-	1
50bp decrease - increase in profits*	-	(1)

*Sensitivity is calculated based on the assumption that amount outstanding as at reporting dates were utilised for the whole financial year.

36 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, 2021	As at June 30, 2020
Borrowings	-	130
Trade payables	1023	568
Less: Cash and short-term deposits	(1023)	(414)
Net debt	-	**284**
Equity	220	220
Other Equity	5514	5282
Capital and net debt	**5734**	**5785**
Gearing ratio	0%	5%

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

37 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	Bhagya Chandra Rao – Managing Director (July 1, 2020 to September 16, 2020)
	Vijaykrishnan Venkatesan – Managing Director (From September 17, 2020)
	Suresh Reddy K V - Chief Financial Officer
	Naveen Chandra Prakash (Company Secretary)
	Anjani Kumar - Independent Director
	Vinayak Deshpande - Independent Director
	Bhavana Bindra - 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)

37. 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	**1169**	**940**	**334**	**242**	**469**	**795**	**-**	**-**	**1972**	**1977**
Kennametal Inc, USA	486	409	-	-	-	-	-	-	486	409
Kennametal Europe GmbH, Switzerland	683	531	-	-	-	-	-	-	683	531
Widia India Tooling Pvt. Ltd	-	-	-	-	469	795	-	-	469	795
Kennametal HardPoint (Shanghai) Ltd, China	-	-	213	130	-	-	-	-	213	130
Kennametal Distribution Services Asia Pte. Ltd, Singapore	-	-	57	50	-	-	-	-	57	50
Others	-	-	64	62	-	-	-	-	64	62
Other income	**-**	**-**	**31**	**27**	**5**	**15**	**-**	**-**	**37**	**42**
Kennametal Shared Services Private Ltd, India	-	-	22	18	-	-	-	-	22	18
Kennametal Stellite L.P. USA	-	-	9	9	-	-	-	-	9	9
Widia India Tooling Pvt. Ltd, (Interest Income on Loan Given)	-	-	-	-	5	15	-	-	5	15
Reimbursement of expenses (income)	**14**	**19**	**18**	**16**	**74**	**52**	**-**	**-**	**106**	**87**
Kennametal Inc,USA	14	19	-	-	-	-	-	-	14	19
Widia India Tooling Pvt. Ltd	-	-	-	-	74	52	-	-	74	52
Kennametal Shared Services Private Ltd, India	-	-	2	-	-	-	-	-	2	-
Kennametal Distribution Services Asia Pte. Ltd, Singapore	-	-	15	15	-	-	-	-	15	15
Others	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**1**	**1**
Capital assets sold	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**2**
Widia India Tooling Pvt. Ltd	-	-	-	-	-	2	-	-	-	2
Loans and advances given during the year	**-**	**-**	**-**	**-**	**-**	**250**	**-**	**-**	**-**	**250**
Widia India Tooling Pvt. Ltd	-	-	-	-	-	250	-	-	-	250
Loans and advances recovered during the year	**-**	**-**	**-**	**-**	**100**	**500**	**-**	**-**	**100**	**500**
Widia India Tooling Pvt. Ltd	-	-	-	-	100	500	-	-	100	500
Loans and advances received during the year	**-**	**-**	**-**	**30**	**-**	**-**	**-**	**-**	**-**	**30**
Kennametal Shared Services Private Ltd, India	-	-	-	30	-	-	-	-	-	30
Loans repaid during the year	**-**	**-**	**130**	**-**	**-**	**-**	**-**	**-**	**130**	**-**
Kennametal Shared Services Private Ltd, India	-	-	130	-	-	-	-	-	130	-
Interest on loan taken	**-**	**-**	**3**	**10**	**-**	**-**	**-**	**-**	**3**	**10**
Kennametal Shared Services Pvt Ltd, India (Interest on Loan Taken)	-	-	3	10	-	-	-	-	3	10
Interim dividend paid	**330**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**330**	**-**
Metruit A.G. Zug, Switzerland	224	-	-	-	-	-	-	-	224	-
Kennametal Inc,USA	105	-	-	-	-	-	-	-	105	-
Managerial remuneration	**-**	**-**	**-**	**-**	**-**	**-**	**46**	**41**	**46**	**41**
Bhagya Chandra Rao (MD) (1st July 2020 - 16th Sep 2020)	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**21**	**17**	**21**
Salary and allowances	-	-	-	-	-	-	8	13	8	13
Performance pay	-	-	-	-	-	-	-	3	-	3
Share based payment	-	-	-	-	-	-	9	5	9	5
Vijaykrishnan Venkatesan (MD) (From 17th Sep 2020)	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**-**	**13**	**-**
Salary and allowances	-	-	-	-	-	-	13	-	13	-
Performance pay	-	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-	-	-	-
Suresh Reddy K V (CFO)	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**8**	**6**	**8**
Salary and allowances	-	-	-	-	-	-	6	6	6	6
Performance pay	-	-	-	-	-	-	-	1	-	1
Share based payment	-	-	-	-	-	-	1	1	1	1
Naveen Chandra Prakash (Company Secretary)	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**6**	**4**	**6**
Salary and allowances	-	-	-	-	-	-	4	5	4	5
Performance pay (2020: ₹ 469,010)	-	-	-	-	-	-	-	0	-	0
Share based payment (2021: ₹ 317,534, 2020: ₹ 241,997)	-	-	-	-	-	-	0	0	0	0
Independent Director Commission	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**4**	**4**	**4**
Anjani Kumar	-	-	-	-	-	-	2	2	2	2
Vinayak Despande	-	-	-	-	-	-	1	1	1	1

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
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 (2020: ₹ 300,000)	-	-	-	-	-	-	1	0	1	0
Purchases	**2679**	**2013**	**212**	**185**	**59**	**2**	**-**	**-**	**2950**	**2200**
Purchase of capital goods	**44**	**1**	**-**	**24**	**2**	**-**	**-**	**-**	**45**	**25**
Kennametal Inc.,USA	44	1	-	-	-	-	-	-	44	1
Hanita Metal Works Ltd. (P), Israel	-	-	-	24	-	-	-	-	-	24
Widia India Tooling Pvt. Ltd	-	-	-	-	2	-	-	-	2	-
Purchase of goods - other	**2635**	**2012**	**212**	**161**	**57**	**2**	**-**	**-**	**2905**	**2175**
Kennametal Inc, USA	1387	987	-	-	-	-	-	-	1387	987
Kennametal Europe GmbH, Switzerland	1248	1025	-	-	-	-	-	-	1248	1025
Widia India Tooling Pvt. Ltd	-	-	-	-	57	2	-	-	57	2
Others	-	-	212	161	-	-	-	-	212	161
Services received / Recharge of expenses	**190**	**219**	**67**	**55**	**3**	**16**	**-**	**-**	**259**	**290**
Information technology services	**127**	**177**	**-**	**-**	**-**	**-**	**-**	**-**	**127**	**177**
Kennametal Inc, USA	127	177	-	-	-	-	-	-	127	177
Professional fees (Technical services)	**11**	**17**	**47**	**42**	**-**	**-**	**-**	**-**	**57**	**59**
Kennametal Inc, USA	11	17	-	-	-	-	-	-	11	17
Kennametal Shared Services Pvt Ltd, India (Technical Services)	-	-	47	42	-	-	-	-	47	42
Royalty payments	**10**	**9**	**14**	**9**	**-**	**-**	**-**	**-**	**24**	**18**
Kennametal Inc, USA	10	9	-	-	-	-	-	-	10	9
Hanita Metal Works Ltd, Israel	-	-	14	9	-	-	-	-	14	9
Cross charge of expenses	**26**	**3**	**5**	**4**	**3**	**16**	**-**	**-**	**34**	**23**
Kennametal Inc, USA	26	3	-	-	-	-	-	-	26	3
Widia India Tooling Pvt. Ltd		-	-	-	3	16	-	-	3	16
Others	-	-	5	4	-	-	-	-	5	4
Stock compensation expenses	**17**	**13**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**13**
Kennametal Inc, USA	17	13	-	-	-	-	-	-	17	13
Outstanding receivables - Trade and others	**118**	**103**	**28**	**28**	**-**	**37**	**-**	**-**	**147**	**168**
Trade receivables	**115**	**101**	**26**	**28**	**-**	**37**	**-**	**-**	**142**	**166**
Kennametal Inc, USA	55	57	-	-	-	-	-	-	55	57
Kennametal Europe GmbH, Switzerland	60	44	-	-	-	-	-	-	60	44
Widia India Tooling Pvt. Ltd	-	-	-	-	-	37	-	-	0	37
Others	-	-	26	28	-	-	-	-	26	28
Outstanding other receivables	**3**	**2**	**2**	**-**	**-**	**-**	**-**	**-**	**5**	**2**
Kennametal Inc, USA	3	2	-	-	-	-	-	-	3	2
Others	-	-	2	-	-	-	-	-	2	-
Outstanding payable - Trade	**429**	**196**	**39**	**20**	**-**	**-**	**-**	**-**	**468**	**216**
Kennametal Inc.,USA	259	150	-	-	-	-	-	-	259	150
Kennametal Europe GmbH, Switzerland	170	46	-	-	-	-	-	-	170	46
Others	**-**	**-**	**39**	**20**	**-**	**-**	**-**	**-**	**39**	**20**
Outstanding loan receivable	**-**	**-**	**-**	**-**	**-**	**100**	**-**	**-**	**-**	**100**
Widia India Tooling Pvt. Ltd	-	-	-	-	-	100	-	-	-	100
Outstanding loan payable	**-**	**-**	**-**	**130**	**-**	**-**	**-**	**-**	**-**	**130**
Kennametal Shared Services Private Ltd, India	-	-	-	130	-	-	-	-	-	130

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

38 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, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
B.1	Segment revenue						
	Segment revenue (external customers)	1104	1481	7010	4933	8114	6414
	Inter-segment revenue	-	-	-	-	-	-
	Total segment revenue	**1104**	**1481**	**7010**	**4933**	**8114**	**6414**
B.2	Segment Result						
	Segment Result	70	296	1073	377	1,143	673
	Unallocated Corporate Income	-	-	-	-	31	34
	Unallocated Corporate Expense	-	-	-	-	(277)	(297)
	Interest Income	-	-	-	-	7	38
	Exceptional Items	-	-	-	-	(10)	(44)
	Profit before tax					**894**	**404**
	Tax expense	-	-	-	-	(228)	(79)
	Profit after tax					**666**	**325**
B.3	Segment Assets						
	Segment Assets	697	849	5406	4801	6103	5650
	Unallocated Corporate Assets	-	-	-	-	1545	1235
	Total segment assets	**697**	**849**	**5406**	**4801**	**7648**	**6885**
B.4	Segment Liabilities						
	Segment liabilities	567	451	1257	742	1824	1193
	Unallocated corporate liabilities	-	-	-	-	90	190
	Total segment liabilities	**567**	**451**	**1257**	**742**	**1914**	**1383**
B.5	Capital Expenditure						
	Capital expenditure	12	12	237	590	249	602
	Unallocated corporate capital expenditure	-	-	-	-	15	8
	Total capital expenditure	**12**	**12**	**237**	**590**	**264**	**610**
B.6	Depreciation and amortisation						
	Depreciation and amortisation	33	29	339	307	373	336
	Unallocated corporate depreciation	-	-	-	-	5	6
	Total Depreciation and amortisation	**33**	**29**	**339**	**307**	**378**	**342**

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, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
India	719	1333	5540	3783	6259	5116
Germany	0	-	683	531	683	531
USA	1	32	492	409	493	441
China	49	23	202	124	251	147
Others	335	93	93	86	428	179
Total	1104	1481	7010	4933	8114	6414

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, 2021 and June 30, 2020.

(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.

39 Net debt reconciliation

Particulars	As at June 30, 2021	As at June 30, 2020
Cash and cash equivalents (refer note 7C)	1145	414
Current borrowings (refer note 15A)	-	(130)
Net debt	1145	284

40 Status of scheme of amalgamation

The Board of Directors had approved a Scheme of Amalgamation ('Scheme') for the merger of its wholly owned subsidiary, WIDIA India Tooling Private Limited ('WITPL') at its meeting held on December 4, 2020. Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company had furnished the Scheme details to the Bombay Stock Exchange. The appointed date of the Scheme is April 1, 2021. The Company has received approval for the said Scheme from the shareholders and unsecured creditors through its meeting held on on April 12, 2021 convened by Honourable National Company Law Tribunal ("NCLT"), Bengaluru bench and the petition to that effect was filed with the NCLT on April 29, 2021. The Company is awaiting the approval from the NCLT for the next course of action (also refer note 1.2)

41 Impact of COVID-19 Pandemic

"The Covid 19 pandemic is unprecedented and measures to control it has caused significant disturbances and slowdown of economic activity. The Company operations and the financial statements for the year have been partially impacted due to localized lockdowns / micro containment zones, supply chain constraints, shortage of workforce and various safety measures have been taken across all areas of operations."

The operations have revived at a better pace as the year progressed. The Company has relied on the available information and assumptions, as at the date of approval of these financial results, to arrive at its estimates. The Company continues to monitor the economic effects of the pandemic while taking steps to improve its execution efficiencies and the financial outcome.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

42 Amounts remitted in foreign currency during the year on account of dividends paid

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Amounts of dividend remitted in foreign currency	335	-
Total number of non-resident shareholders (to whom the dividends were remitted in foreign currency)	321	-
Total number of shares held by them on which dividend was due	16,767,424	-
Years to which the dividend relates	2020-21	2019-20

43 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, 2019 to March 31, 2020 and is in the process of updating the transfer pricing documentation for the period April 1, 2020 to March 31, 2021. 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.

44 Previous period comparitives

Prior year amounts have been regrouped/ reclassified wherever necessary, to conform to current year's presentation.

45 Additional disclosures

Additional information as required under Schedule III to the Act to the extent either "nil" or "not applicable" has not been furnished.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

NOTES

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 2021, 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 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act, of the consolidated state of affairs of the Group, as at 30 June 2021, 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 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 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 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 : Refer note 2.10 for accounting policy and note 10 for financial disclosures in relation to inventory. At the Consolidated Balance Sheet dated 30 June 2021, the Group held inventories comprising of raw materials and components, finished goods, work-in-progress and stores and spares worth ₹ 2,051 million detailed in note 10 to the accompanying consolidated financial statements. During the year ended 30 June 2021, the management has performed 100% physical verification for the inventory between 28 June 2021 and 15 July 2021 in multiple intervals with the assistance of management experts and has performed roll forward/roll back workings based on system generated reports. 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. 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. In addition to the above, the complexities involved in this assessment include:	Our audit procedures around inventory to assessvaluation and allowance for inventories included, but were not limited to the following: Existence, Completeness, Cut-off and Accuracy of inventory: • 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; • Evaluated the design effectiveness of controls over inventory management process/inventory physical verification and tested key controls for their operating effectiveness; • Observed physical count carried out by the management. • Obtained the report of the expert and verified the treatment of count difference in the books of accounts. • 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. • On test check basis, tested the roll forward/back procedures from the date of management count to the balance sheet date. • Performed cut-off procedures to ensure completeness of the inventory recorded in the books of accounts and completeness of goods-intransit as at reporting date. Valuation of inventory: • 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. • Assessment of the completion percentage of products. • Allocation of price variance on raw materials to inventories in work-in-progress and finished goods. 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. 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. • 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. • 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. • Evaluated the appropriateness of the Group's accounting policy and valuation method of inventory in accordance with the accounting standards. Inventory allowance: • Obtained and understood management process for identification of slow moving, non-moving or obsolete inventories and ensured that the same is consistently applied. • 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, nonmoving and obsolete. • On sample basis, tested the ageing of inventory items obtained through system reports, as applicable. • For slow and non-moving inventories as at 30 June 2021 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. Presentation and disclosure: • 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 is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation 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 accounting principles generally accepted in India, including the Ind AS specified under Section 133 of the Act. The respective Board of Directors/management 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 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 consolidated 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 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 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 Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the 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 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 management's 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.

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 Company covered under the Act 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 Section 143 (3) of the Act, based on our audit and other financial information of the subsidiary, 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;

   e) on the basis of the written representations received from the directors of the Holding Company and taken on record by the Board of Directors of the Holding Company, none of the directors of the Group companies covered under the Act, are disqualified as on 30 June 2021 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 financial statements of the Holding Company, and its subsidiary Company covered under the Act, and the operating effectiveness of such controls, refer to our separate report in 'Annexure I'; 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 and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiary:

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 Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 30 June 2021;

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 company covered under the Act, during the year ended 30 June 2021; and

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these consolidated financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 21059139AAAAEJ1803

Bengaluru
18 August 2021

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 2021

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 2021, 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 2021, 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: 21059139AAAAEJ1803

Bengaluru
18 August 2021

Consolidated Balance Sheet as at June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

	Note	As at June 30, 2021	As at June 30, 2020
(i) Other Financial ASSETS			
1. Non-current assets			
(a) Property, plant and equipment	3A	2245	2462
(b) Capital work-in-progress	3B	518	321
(c) Investment property [June 30, 2021: ₹ 67,049 (June 30, 2020: ₹ 67,049)]	4	0	0
(d) Other intangible assets	5	5	7
(e) Financial assets			
(i) Other financial assets	6(e)	20	54
(f) Deferred tax assets (net)	7A	-	3
(g) Income tax assets (net)	8A	411	466
(h) Other non-current assets	9	32	132
Total non-current assets		3231	3445
2. Current assets			
(a) Inventories	10	2051	2062
(b) Financial assets			
(i) Trade receivables	6(b)	1131	906
(ii) Cash and cash equivalents	6(c)	1288	446
(iii) Bank balances other than cash and cash equivalents	6(d)	1	1
(iv) Loans	6(a)	3	2
(v) Other financial assets	6(e)	35	15
(c) Other current assets	11	33	118
Total current assets		4542	3550
Total assets		7773	6995
II. EQUITY AND LIABILITIES			
1. Equity			
(a) Equity share capital	12	220	220
(b) Other equity	13	5637	5338
Total equity Equity attributable to owners		5857	5557
Non-controlling interests		-	-
Total Equity		5857	5557

Consolidated Balance Sheet as at June 30, 2020

(All amounts in ₹ millions unless otherwise stated)

	Note	As at June 30, 2020	As at June 30, 2019
2. Liabilities			
Non-current liablities			
(a) Financial liabilities			
(i) Other financial liabilities	14C	1	1
(b) Provisions	15	34	55
(c) Deferred tax liabilities	7B	2	5
Total non-current liabilities		**37**	**61**
Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	14A	-	130
(ii) Trade payables	14B		
Total outstanding dues of micro enterprises and small enterprises		22	27
Total outstanding dues of other than micro enterprises and small enterprises		1003	576
(iii) Other financial liabilities	14C	345	145
(b) Provisions	15	193	210
(c) Other current liabilities	16	316	289
Total current liabilities		**1879**	**1377**
Total equity and liabilities		**7773**	**6995**

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 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

Consolidated Statement of Profit and Loss for the year ended June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

		Note	Year ended June 30, 2021	Year ended June 30, 2020
I.	INCOME			
	Revenue from operations	17	8537	7050
	Other income	18	69	126
	Total income		8606	7176
II.	EXPENSES			
	Cost of materials consumed	19	2196	1970
	Purchases of stock-in-trade	20	2327	1961
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	37	(110)
	Employee benefits expense	22	1267	1186
	Finance costs	23	3	19
	Depreciation and amortisation expenss	24	379	344
	Other expenses	25	1402	1334
	Total expenses		7611	6704
III.	Profit before exceptional items and tax		995	472
	Exceptional item	26	(10)	(51)
IV.	Profit before tax		985	421
V.	Tax expense/ (credit)	27		
	Current tax		253	101
	Tax adjustments relating to earlier years		-	(10)
	Deferred tax charge / (credit)		(1)	(9)
	Total tax expense		252	82
VI.	Profit after tax for the year		733	339
VII.	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	Remeasurements of net defined benefit plans		2	(13)
	Income tax relating to above item (charge) / credit		(1)	3
	Total other comprehensive income for the year (net of tax)		1	(10)
VIII.	Total comprehensive income for the year		734	329
	Profit attributable to:			
	Owners		733	339
	Non-controlling interests		-	-
	Other Comprehensive Income attributable to:			
	Owners		1	(10)
	Non-controlling interests		-	-
	Total Comprehensive Income attributable to:			
	Owners		734	329
	Non-controlling interests		-	-
			734	329
IX.	Earnings per equity share in ₹ [Nominal Value per share ₹ 10 (June 30, 2020 ₹ 10)]	32		
	Basic and diluted		33.35	15.42

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
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

Consolidated Statement of Changes in Equity for the year ended June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

(A) Equity Share Capital

	Amount
Balance as at July 1, 2019	220
Changes in equity share capital during the year	-
Balance as at June 30, 2020	220
Changes in equity share capital during the year	-
Balance as at June 30, 2021	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, 2019 (₹ 1)	1	4	1488	3517	0	5010
Profit for the year	-	-	-	340	-	339
Other comprehensive Income	-	-	-	(10)	-	(10)
Total comprehensive Income for the year	1	4	1488	3847	-	5339
Interim dividends	-	-	-	-	-	-
Dividend distribution tax	-	-	-	-	-	-
Share based compensation expense	-	13	-	-	-	13
Payment during the year towards share based compensation	-	(15)	-	-	-	(15)
Balance as at June 30, 2020 (₹ 1)	1	2	1488	3847	0	5337
Profit for the year	-	-	-	733	-	733
Other comprehensive Income	-	-	-	1	-	1
Total comprehensive Income for the year	1	2	1488	4581	-	6071
Interim dividends	-	-	-	(440)	-	(440)
Dividend distribution tax	-	-	-	-	-	-
Share based compensation expense	-	24	-	-	-	24
Payment during the year towards share based compensation	-	(18)	-	-	-	(18)
Balance as at June 30, 2021 (₹ 1)	1	7	1488	4141	0	5637

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
August 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

Consolidated Statement of Cash Flows for the year ended June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

	Year ended June 30, 2021	Year ended June 30, 2020
Cash flow from operating activities		
Profit before taxation and exceptional items	995	472
Adjustments for:		
Depreciation and amortisation expenses	379	344
Dividend Income	(12)	(4)
Provision no longer required written back	(14)	(11)
Provision for product support	32	24
Bad debts written off (2021: ₹ 73,049)	0	-
Provision made for doubtful debts and deposits	-	1
Profit on sale of property, plant and equipments (net)	(2)	2
Interest expense	3	19
Interest income	(3)	(38)
Income tax refund received	-	(33)
Unrealised foreign exchange (gain)/ loss (net)	(1)	(2)
Share based compensation expense	24	13
Operating profit before working capital changes	1401	787
Decrease in inventories	11	29
(Increase) / Decrease in trade and other receivables	(140)	766
Decrease in financial assets	14	1
Increase / (Decrease) in other liabilities and provisions	572	(1076)
Cash generated from operations	1858	507
Taxes paid (net of refunds)	(198)	(171)
Net cash generated from operations (1)	1660	336
Cash flow from investing activities		
Purchase of property, plant and equipment	(263)	(579)
Dividend received on mutual funds	12	4
Proceeds from sale of property, plant and equipment	4	-
Interest received	2	38
Net Cash used in investing activities (2)	(245)	(537)
Cash flow from financing activities		
Loan from fellow subsidiary	-	30
Repayment of loan to fellow subsidiary	(130)	-

Consolidated Statement of Cash Flows for the year ended June 30, 2021

(All amounts in ₹ millions unless otherwise stated)

	Year ended June 30, 2021	Year ended June 30, 2020
Interest paid	(3)	(19)
Dividends paid	(440)	-
Unclaimed dividend paid (2021: ₹ 135,402)	(0)	(1)
Net Cash used in/ generated from Financing activities (3)	**(573)**	**10**
Net increase/ (decrease) in cash and cash equivalents (1+2+3)	**842**	**(191)**
Add: Cash and cash equivalents at the beginning of the year	446	637
Cash and cash equivalents at the end of the year	**1288**	**446**
Cash and Cash equivalent as per above comprises of the following		
Cash on hand [June 30, 2021: ₹ 146,912 (June 30, 2020: ₹ 93,355)]	0	0
Investments in term deposits (with original maturity of less than 12 months)	148	174
Cheques, drafts on hand	5	2
Balances with banks - In current accounts	1135	270
Balance as per Statement of Cash Flows	**1288**	**446**

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.

Also refer "Net debt reconciliation" as given in note 33.

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
August 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

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 18, 2021.

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 42) 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.

1.3 Recent accounting pronouncements:

On March 24, 2021, the Ministry of Corporate Affairs ("MCA") through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021. Key amendments relating to Division II which relate to companies whose financial statements are required to comply with Companies (Indian Accounting Standards) Rules 2015 are:

(i) Change in existing presentation requirements for certain items in Balance sheet, for eg. lease liabilities, security deposits, current maturities of long term borrowings, effect of prior period errors on equity share capital.

(ii) Certain additional disclosures in the statement of changes in equity such as changes in equity share capital due to prior period errors and restated balances at the beginning of the current reporting period.

(iii) Additional disclosure requirements in specified formats, for eg. ageing of trade receivables, trade payables, capital work in progress, intangible assets under development, shareholding of promoters, etc

iv) Disclosure if funds have been used other than for the specific purpose for which it was borrowed from banks and financial institutions.

v) Additional Regulatory Information, for eg.,such as compliance with approved schemes of arrangements, compliance with number of layers of companies, title deeds of immovable property not held in name of company, loans and advances to promoters, directors, key managerial personnel (KMP) and related parties, details of benami property held etc.

vi) Disclosures relating to Corporate Social Responsibility (CSR), undisclosed income and crypto or virtual currency.

The amendments are extensive and the Group is evaluating the same.

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.

(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.

(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;

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

- 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, 2021. 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.

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 and 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

At each Consolidated Balance Sheet date basis the management judgment and historical trend, the Group assesses the requirement of provisions. However, the actual future outcome may be different from the judgment.

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.

(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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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.

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 internal 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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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 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

Effective from July 1, 2019, the Group has applied Ind AS 116, which replaces the existing lease standard, Ind AS 17 Leases and other interpretations. The Group has applied Ind AS 116 using the modified retrospective approach and has accordingly not restated the comparative information. The Group at the inception of a contract, assesses whether a contract, is or contains a lease. 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. Ind AS 116 introduces a single balance sheet lease accounting model for lessees. A lessee recognises a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group has elected not to recognise right-of-use of assets and lease liabilities for short term leases that have a lease term of 12 months or less, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term. Lessor accounting remains similar to the accounting under the previous standard i.e. lessor continues to classify leases as finance or operating lease. Lease income from operating leases, where the Group is a lessor, is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflation. This policy is applied to contracts entered into, or changed, on or after July 1, 2019.

For contracts entered into before July 1, 2019, the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

make good the shortfall, if any, between the return from investments of the Trust and the notified interest rate.

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 39 for segment information presented.

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 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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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.

(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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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 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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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.

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.

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 equipment	Others			
Gross block as at July 1, 2019	1	95	69	2282	11	54	2512
Additions	-	31	12	267	17	11	338
Capital work-in-progress capitalised during the year	-	128	37	467	-	-	632
Disposals	-	(5)	(43)	(26)	-	(1)	(75)
Gross block as at June 30, 2020	1	249	75	2990	28	64	3407
Additions	-	20	7	12	4	4	47
Capital work-in-progress capitalised during the year [₹ 103,593]	-	50	1	66	0	0	117
Disposals [₹ (119,888), ₹ (474,831)]	-	-	(8)	(13)	(0)	(0)	(21)
Gross block as at June 30, 2021	1	319	75	3055	32	68	3550
Accumulated depreciation as at July 1, 2019	-	19	35	585	8	28	675
Depreciation charge for the year	-	11	27	292	1	12	343
Disposals	-	(2)	(43)	(27)	-	(1)	(73)
Accumulated depreciation as at June 30, 2020	-	28	19	850	9	39	945
Depreciation charge for the year	-	14	28	323	3	11	379
Disposals [₹ (119,888)]	-	-	(6)	(12)	(0)	(1)	(19)
Accumulated depreciation as at June 30, 2021	-	42	41	1161	12	49	1305
Net block							
As at June 30, 2020	1	221	56	2140	19	25	2462
As at June 30, 2021	1	277	34	1894	20	19	2245

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, 2019	671
Additions during the year	282
Less: Capitalised during the year	(632)
Balance as at June 30, 2020	321
Additions during the year	314
Less: Capitalised during the year	(117)
Balance as at June 30, 2021	518

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, 2019 (₹ 67,049)	0
Additions	-
Disposals	-
Gross block as at June 30, 2020 (₹ 67,049)	0
Additions	-
Disposals	-
Gross block as at June 30, 2021 (₹ 67,049)	0
Accumulated depreciation as at July 1, 2019	
Depreciation charge for the year	-
Disposals	-
Accumulated depreciation as at June 30, 2020	-
Depreciation charge for the year	-
Disposals	-
Accumulated depreciation as at June 30, 2021	-
Net block	
As at June 30, 2020 (₹ 67,049)	0
As at June 30, 2021 (₹ 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, 2020	479
As at June 30, 2021	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, 2019	3	3
Additions	7	7
Disposals	-	-
Gross block as at June 30, 2020	10	10
Additions	-	-
Disposals	-	-
Gross block as at June 30, 2021	10	10
Accumulated amortisation as at July 1, 2019	2	2
Amortisation charge for the year	1	1
Disposals	-	-
Accumulated amortisation as at June 30, 2020	3	3
Amortisation charge for the year	2	2
Disposals	-	-
Accumulated amortisation as at June 30, 2021	5	5
Net block		
As at June 30, 2020	7	7
As at June 30, 2021	5	5

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

6 Financial Assets

6(a) Loans

Particulars	As at June 30, 2021		As at June 30, 2020	
	Current	Non-Current	Current	Non-Current
Unsecured, considered good				
Employee advances	3	-	2	-
Total loans	**3**	**-**	**2**	**-**

6(b) Trade receivables

Particulars	As at June 30, 2021	As at June 30, 2020
Trade receivables	989	789
Receivable from related parties	148	131
Less: Loss allowance	(6)	(14)
Total trade receivables	**1131**	**906**
Current	1131	906
Break-up of security details		
Secured, considered good*	217	148
Unsecured, considered good	920	772
Total	**1137**	**920**
Loss allowance (refer note 35)	(6)	(14)
Total trade receivables	**1131**	**906**

*Secured against bank guarantee

6(c) Cash and cash equivalents

Particulars	As at June 30, 2021	As at June 30, 2020
Cash on hand [June 30, 2021: ₹ 146,912 (June 30, 2020: ₹ 93,355)]	0	0
Investments in term deposits (with original maturity of less than 12 months)	148	174
Cheques, drafts on hand	5	2
Balances with banks - In current accounts	1135	270
Total cash and cash equivalents	**1288**	**446**

There are no repatriation restriction with regard to cash and cash equivalent at the end of the reporting period and prior periods.

6(d) Bank balances other than cash and cash equivalents

Particulars	As at June 30, 2021	As at June 30, 2020
Unclaimed dividends	1	1
Total bank balances other than cash and cash equivalents	**1**	**1**

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

6(e) Other financial assets

Non-current

Particulars	As at June 30, 2021	As at June 30, 2020
Long term deposits with banks with maturity period of more than 12 months	3	3
Security deposits	3	3
Export benefit receivable	-	34
Other deposits	14	14
Total non current financial assets	20	54

Current

Particulars	As at June 30, 2021	As at June 30, 2020
(Unsecured, considered good, unless stated otherwise)		
Interest accrued on fixed deposits (June 30, 2020 : ₹ 107,636)	1	0
Export benefits receivable	29	12
Deposits with others	2	1
Other receivables	3	2
	35	15
(Considered doubtful)		
Other receivables (June 30, 2020: ₹ 495,275)	1	0
(Less): Loss allowance (June 30, 2020: ₹ 495,275)	(1)	(0)
Total current financial assets	35	15

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

7 Deferred tax assets/(liabilities), (net)

Movement in the deferred tax asset / (liability)

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:				
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:				
Depreciation	(69)	7	-	(62)
Total	**(2)**	**1**	**(1)**	**(2)**

Movement in the deferred tax asset / (liability)

Particulars	As at July 1, 2019	(Charge)/ Credit to Statement of Profit and Loss	Charge/ (Credit) to other comprehensive income	As at June 30, 2020
Deferred Tax Asset:				
Provision for gratuity, leave encashment, long service award	66	(17)	3	52
Provision for doubtful debts	5	(2)	-	3
Voluntary retirement scheme/ employee separation	13	(2)	-	11
Others	3	(2)	-	1
Deferred Tax Liability:				
Depreciation	(101)	32	-	(69)
Total	**(14)**	**9**	**3**	**(2)**

7A Deferred tax asset (net)

Particulars	As at June 30, 2020	As at June 30, 2019
Deferred Tax Assets:		
Provision for gratuity, leave encashment, long service award	-	3
Deferred Tax Liability:		
Depreciation and amortisation (June 30, 2020: ₹ 150,000)	-	0
Closing Balance	-	**3**

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

7B Deferred tax liabilities (net)

Particulars	As at June 30, 2021	As at June 30, 2020
Deferred Tax Liabilities:		
Depreciation	62	69
Deferred Tax Assets:		
Provision for gratuity, leave encashment, long service award	(50)	(49)
Provision for doubtful debts	(2)	(3)
Voluntary retirement scheme/ employee separation	(7)	(11)
Others	(1)	(1)
Closing Balance	2	5

8 Income tax assets/ liabilities, (net)

8A Income tax assets (net)

Particulars	As at June 30, 2021	As at June 30, 2020
Income tax net of provision (June 30, 2021: ₹ 2771 million, June 30, 2020: ₹ 2527 million)*	411	466
Total income tax assets	411	466

*includes taxes paid under protest, net of provision (June 30, 2021: ₹ 34 million, June 30, 2020: ₹ 34 million) amounting to ₹ 213 million for the year ended June 30, 2021 (June 30, 2020: ₹ 213 million). Also refer note 29.

9 Other non-current assets

Particulars	As at June 30, 2021	As at June 30, 2020
Capital advances	2	102
Deposits with statutory / government authorities	30	30
Total non-current assets	32	132

10 Inventories

Particulars	As at June 30, 2021	As at June 30, 2020
Raw materials (Including goods in transit ₹ 76 million [June 30, 2020: ₹ 71 million])	448	427
Stores and spares	35	30
Work-in-progress	654	616
Finished goods	484	498
Stock-in-trade (Including goods in transit ₹ 53 million [June 30, 2020: ₹ 27 million])	430	491
Total inventories	2051	2062

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 ₹ 105 million (June 30, 2020: ₹ 94 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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

11 Other current assets

Particulars	As at June 30, 2021	As at June 30, 2020
Deposits with statutory / government authorities (June 30, 2021: ₹ 470,000)	0	90
Advance to suppliers	12	14
Prepaid expenses	21	14
Travel advances to employees (June 30, 2021: ₹ 357,500)	0	-
Total other current assets	33	118

12 Equity share capital

Particulars	As at June 30, 2021	As at June 30, 2020
Authorised		
21,978,240 (June 30, 2020: 21,978,240) Equity Shares of ₹ 10 each	220	220
Issued, subscribed and fully paid up		
21,978,240 (June 30, 2020: 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, 2021		As at June 30, 2020	
	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.

(c) Shares held by ultimate holding company and holding company

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	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

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

(d) Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

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	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%
Reliance Capital Trustee Company Limited*	2,032,159	9.25%	2,119,040	9.64%

*1,737,159 (June 30, 2020: 1,639,159) shares are held by Nippon India Multi Cap Fund comprising 7.9% (June 30, 2020: 7.46%) of the shareholding, 295,000 shares are held by Nippon India Opportunities Fund - Series A comprising 1.34%of the shareholding and (June 30, 2020: 479,881 shares are held by Nippon India Tax saver Fund comprising 2.18% of the shareholding)

(e) During five years immediately preceding June 30, 2021 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.

(f) 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 12, 2021, have declared an interim dividend of ₹ 20 to be paid per equity share (₹ 10 each) outstanding as at date of board meeting (amounting to ₹ 440 million) for the financial year ended June 30, 2021 and no further dividend is recommended during the year (June 30, 2020: ₹ Nil)

The Group paid interim dividend of ₹ 440 million during the year ended June 30, 2021 (June 30, 2020: ₹ Nil)"

13 Other equity

Particulars	As at June 30, 2021	As at June 30, 2020
Securities premium	1	1
Share based compensation reserve	7	2
General reserve	1488	1488
Retained earnings	4141	3847
Total reserves and surplus	5637	5338

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).

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

14 Financial Liabilities

14A Borrowings

Particulars	As at June 30, 2021		As at June 30, 2020	
	Current	Non-current	Current	Non-current
Unsecured				
Borrowings	-	-	130	-
Total borrowings	-	-	130	-

The Group had taken a loan from a related party. The loan is repayable within 2 years from the date of the disbursement at an interest rate of 7.55% (MCLR+0.5%) p.a towards working capital requirement. However, the entire loan along with interest had been repaid during the current year in the month of October 2020, and therefore, there is no outstanding liability as on date (also refer note 40).

14B Trade payables

Particulars	As at June 30, 2021	As at June 30, 2020
Due to micro enterprises and small enterprises	22	27
Due to creditors other than micro enterprises and small enterprises		
Amounts due to related parties (also refer note 40)	468	237
Amounts due to third parties	535	338
Total trade payables	1025	602

Disclosure of dues/payments to Micro and Small Enterprises to the extent such enterprises are identified by the Group

	Particulars	As at June 30, 2021	As at June 30, 2020
a)	Principal amount due to suppliers registered under the Micro, Small and Medium Enterprises and Development Act and remaining unpaid as at year end;	21	16
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;	-	21
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	22	38

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.

14C Other financial liabilities

Particulars	As at June 30, 2021		As at June 30, 2020	
	Current	Non-current	Current	Non-current
Deposit from customers	-	1	-	1
Capital creditors	31	-	36	-
Unpaid dividends	1	-	1	-
Employee benefits payable	309	-	104	-
Other current liability	4	-	4	-
Total financial liabilities	345	1	145	1

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

15 Provisions

Particulars	As at June 30, 2021		As at June 30, 2020	
	Current	Non-current	Current	Non-current
Provisions for employee benefit				
Gratuity (refer note d)	3	26	7	47
Compensated absences (refer note e)	128	-	145	-
Long service award	2	5	2	4
Other provisions				
Product support (refer note a and c)	41	3	34	4
Disputed taxes and duties (refer note b and c)	19	-	22	-
Total provision	193	34	210	55

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	Product support		Disputed taxes	Total	
	Current	Non-current	Current	Current	Non-current
Balance as at July 1, 2019	43	5	29	72	5
Addition	25	-	-	25	-
Utilisation	(34)	(1)	-	(34)	(1)
Reversal			(7)	(7)	-
Balance as at June 30, 2020	34	4	22	56	4
Addition	34	-	-	34	-
Utilisation	(27)	(1)	-	(27)	(1)
Reversal		-	(3)	(3)	-
Balance as at June 30, 2021	41	3	19	60	3

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, 2021	As at June 30, 2020
	Defined benefit obligation at beginning of the year	**280**	**259**
	a. Current service cost	16	17
	b. Past service cost	(2)	-
	c. Interest expenses	15	19
	c. Benefits payments from employer	(41)	(30)
	d. Transfer in/out	(8)	0
	Add/(Less) Remeasurement (gain)/loss		
	Acquisition / Divestiture	9	
	a. Due to change in demographic assumptions	-	-
	b. Due to change in financial assumptions (2021: ₹ 390,594)	(0)	14
	c. Due to experience adjustments	4	1
	Defined benefit obligation at end of year	**273**	**280**
ii)	**Fair value of plan assets at end of prior year**	**226**	**206**
	Adjustment in opening Fair value of Assets	8	
	a. Investment income	13	15
	b. Employer contribution	33	33
	c Benefit payments from employer	(41)	(30)
	d. Transfer out	(8)	-
	Remeasurements:		
	Acquisition / Divestiture	8	
	a. Returns on assets (excluding interest income)	6	2
	Fair value of plan assets at end of year	**245**	**226**
iii)	**Assets and liabilities recognised in the Consolidated Balance Sheet:**		
	Present value of defined benefit obligations	273	280
	(Less): Fair value of plan assets	(245)	(226)
	Deficit/ (Surplus)	29	54

d) Defined benefit obligation (Gratuity - Funded) (cont'd)

i) Expense recognised in the Consolidated Statement of Profit and Loss

Particulars	As at June 30, 2021	As at June 30, 2020
Remeasurement of other long term benefits		
a. Current service cost	16	17
Total Service cost	**16**	**17**
Net interest cost		
a. Interest expenses on Defined benefit obligation	15	19
b. Interest income on plan assets	(13)	(15)
Total net interest cost	**2**	**4**
A. Defined benefit cost included in P&L	**18**	**21**

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

Remeasurement (recognised in Other comprehensive income (OCI))		
a. Due to change in demographic assumptions	-	-
b. Due to change in financial assumptions	(6)	12
c. Due to experience adjustments	4	1
B. Total remeasurement in OCI	(2)	13
Total defined benefit cost recognised in P&L and OCI	16	34

v) Major category of plan asset as % of total plan assets

Particulars	As at June 30, 2021	As at June 30, 2020
Government Bonds	0%	0%
PSU	0%	0%
Mutual Funds	0%	0%
Deposits with Banks and FIs	0%	0%
Others : Funds managed by insurer	100%	100%

vi) Significant actuarial assumptions

Particulars	As at June 30, 2021	As at June 30, 2020
Discount rate per annum	6.81%	6.25%
Expected return on plan assets	6.25%	6.25%
Expected salary increase per annum (2020: Officers 5% and workmen 4%)	5%	5% & 4%
Mortality rate per annum	100% of IALM	100% of IALM
	2012-14	2012-14
Withdrawal (rate of employee turnover)	4.50%	4.50%
Retirement age (2020: Officers 58 years and workmen 60 years)	60	58 & 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, 2021		As at June 30, 2020	
		Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
Discount rate	+1% / -1%	(15)	17	(17)	19
Salary rate	+1% / -1%	17	(16)	19	(17)
Attrition rate	+50% / -50%	4	(4)	3	(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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

d) Defined benefit obligation (Gratuity - Funded) (cont'd)

viii) The weighted average duration of the defined benefit obligation is 6 years (June 30, 2019: 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, 2021	23	141	132	144	440
June 30, 2020	31	137	129	143	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:

(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 ₹ 128 million (June 30, 2020: ₹ 145 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, 2021	As at June 30, 2020
Advances from customers	251	221
Statutory dues	38	29
Contract liabilities (refer note 2.4)		
Refund liabilities	27	39
Total current liabilities	**316**	**289**

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.

i) Changes in present value of defined benefits plan

Particulars	As at June 30, 2021	As at June 30, 2020
Defined benefit obligation at beginning of the year	1129	1049
Add: Current service cost	35	32
Add: Interest expenses	97	85
a. Benefit payments from employer	(108)	(90)
b. Other (employee contribution, taxes, expenses):	110	48
Add/(Less): Remeasurement loss/ (gain)		
a. Due to experience adjustments	26	5
Defined benefit obligation at end of year	1289	1129

Consolidated Financial Statements

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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, 2021	As at June 30, 2020
Fair value of plan assets at end of prior year	1262	1111
a. Investment income	109	96
b. Employer contribution	35	32
c. Benefit payments from employer	(108)	(90)
d. Other (employee contribution, taxes, expenses)	110	114
e. Returns on assets (excluding interest income)	(9)	(1)
Fair value of plan assets at end of year	1399	1262

iii) Assets and liabilities:

Particulars	As at June 30, 2021	As at June 30, 2020
Present value of defined benefit obligations	1289	1129
Fair value of plan assets	(1399)	(1262)
Total	(110)	(133)

Particulars	As at June 30, 2021	As at June 30, 2020
Non-current provision	1173	1031
Current provision	116	98
Total	1289	1129

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 recognised in the books for the year ended June 30, 2021 amount to ₹ 50 million (June 30, 2020: ₹ 53 million).

iv) Major Categories of plan assets as percentage of total plan assets

Particulars	As at June 30, 2021	As at June 30, 2020
Government Bonds	60%	62%
Public sector understanding	34%	34%
Others : Funds managed by insurer	6%	4%

v) Significant Actuarial Assumptions

Particulars	As at June 30, 2021	As at June 30, 2020
Discount rate per annum	6.81%	6.25%
Expected return on plan assets	8.50%	8.50%
Expected salary increase per annum	5%	5% & 4%
Mortality rate per annum	"100% of IALM	"100% of IALM
	2012-14"	2012-14"
Withdrawal (rate of employee turnover)	4.50%	4.50%
Retirement age	60	58 & 60
Interest rate guarantee	8.50%	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

Provident Fund

Particulars	Change in assumption	As at June 30, 2021 Increase/ (decrease)	As at June 30, 2021 Increase/ (decrease)	As at June 30, 2020 Increase/ (decrease)	As at June 30, 2020 Increase/ (decrease)
Discount rate	+1%/-1%	(24)	61	(1)	1
Interest guarantee rate	+1%/-1%	57	(24)	46	(23)

17 Revenue from operations

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Sale of products		
Finished goods	5565	4565
Stock-in-trade	2863	2364
Sale of services	85	63
Other operating income		
Sale of scrap	5	5
Export incentives	9	44
Commission on order based sales	10	9
Total revenue from operations	**8537**	**7050**

A) Disaggregation of revenue

Revenue based on Geography

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Domestic	6663	5734
Export	1874	1316
Total revenue from operations	**8537**	**7050**

B) Revenue based on Business Segment

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Hard Metal Products	7433	5569
Machining Solutions	1104	1481
Total revenue from operations	**8537**	**7050**

C) Reconciliation of Revenue from operations

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Contract Price	8672	7096
Less:		
Refund liabilities	12	(6)
Customer loyalty programme	(139)	(36)
Others	(8)	(4)
Total revenue from operations	**8537**	**7050**

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

D) Assets and liabilities related to contracts with customers

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Contract Liabilities		
Current		
Advance from customers	251	221
Refund liability	27	39
Non-current		
Deposit for customers	1	1
Contract assets		
Current		
Trade receivables	1131	906

18 Other income

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Dividend income	12	4
Interest income on bank deposits	3	1
Interest on income tax refund	-	37
Provision no longer required written back	14	11
Net foreign exchange gains	1	8
Net gain on sale of property, plant and equipment	2	-
Lease rentals	19	15
Support service charges from fellow subsidiary (refer note 40)	11	11
Refund of income tax	1	33
Miscellaneous income	6	6
Total other income	69	126

19 Cost of materials consumed

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Consumption of raw materials and components		
Opening inventory	427	566
Add: Purchases	2217	1831
Less: Closing inventory	(448)	(427)
Total cost of materials consumed	2196	1970

20 Purchase of stock in trade

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Stock-in-trade	2327	1961
Total purchases of stock in trade	2327	1961

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

21 Changes in inventories of finished goods, work in progress and stock in trade

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Opening stock:		
Finished goods	498	462
Work-in-progress (WIP)	616	703
Stock-in-trade	491	330
	1605	1495
Closing stock:		
Finished goods	484	498
Work-in-progress (WIP)	654	616
Stock-in-trade	430	491
	1568	1605
Total changes in inventories of finished goods, WIP and stock in trade	37	(110)

22 Employee benefit expense

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Salaries, wages and bonus	1078	1006
Contribution to provident and other funds	49	53
Gratuity [refer note 15]	18	21
Share based payment expenses [refer note 30 and note 40]	24	13
Staff welfare expenses	98	93
Total employee benefit expense	1267	1186

23 Finance costs

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Interest expense	3	19
Total finance costs	3	19

24 Depreciation and amortisation expense

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Depreciation on property, plant and equipment	377	343
Amortisation on other intangible assets	2	1
Total depreciation and amortisation expense	379	344

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

25 Other expenses

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Subcontracting charges	267	218
Consumption of stores and spare parts	214	156
Forwarding and freight	182	131
Information technology services	132	198
Power and fuel	119	102
Legal and professional (Note a)	107	117
Repairs and maintenance	101	87
Travelling and conveyance	46	98
Provision for product support	32	24
Rates and taxes	27	12
Royalty (refer note 40)	24	18
Insurance	21	13
Business promotion expenses	21	31
Commission on sales (liaisoning agent commission)	21	20
Expenditure towards Corporate Social Responsibility (CSR) (Note b)	17	16
Communication	8	11
Rent	7	8
Printing and stationery	5	7
Directors commission	4	4
Directors' sitting fee	2	2
Advertisement and sales promotion	1	1
Provision doubtful debts and deposits (net)	-	1
Loss on property, plant and equipments sold (net)	-	2
Miscellaneous expenses	44	57
Total other expenses	**1402**	**1334**

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, 2021: ₹200,000 (June 30, 2020: ₹ 200,000)]	0	0
Out of pocket expenses [June 30, 2021: ₹ 300,000 (June 30, 2020: ₹ 268,208)]	0	0
Total payment to auditors	**4**	**4**

b) Expenditure towards CSR:

Gross amount required to be spent as per Section 135 of the Act is ₹ 17 million (June 30, 2020: ₹16 million)		
Amount spent on construction / acquisition of an asset	-	-
Amount spent on purpose other than above	17	16
Total expenditure towards CSR	**17**	**16**

26 Exceptional items debited to the statement of profit and loss

	Particulars	Year ended June 30, 2021	Year ended June 30, 2020
(i)	The Group announced a voluntary retirement scheme (VRS) for its workmen. Several workmen opted for the VRS and the aggregate expenditure incurred in this regard has been fully charged to the Consolidated Statement of Profit and Loss in accordance with Ind AS - 19, Employee Benefits.	-	22
(ii)	The Group also has a severance / separation scheme for certain employees & the aggregate compensation paid in accordance with the said scheme has been fully charged to the Consolidated Statement of Profit and Loss.	10	29
Total exceptional items		10	51

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, 2021	Year ended June 30, 2020
(a)	Income tax expense		
	Current tax	253	101
	Tax Adjustments relating to earlier years	-	(10)
	Total current tax expense		
	Deferred tax charge/ (credit):		
	Deferred tax on account of origination and reversal of timing difference	(1)	(9)
	Income tax expense	252	82
	Deferred tax related to items recognised in OCI		
	Income tax relating to re-measurement gains on defined benefit plans	1	(3)
	Income tax expense reported in OCI	1	(3)

(b) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Profit for the year before tax expense	985	421
Tax at the Indian tax rate of 25.168%	248	106
Expenses that are not deductible in determining taxable profit	4	4
Tax effect of amounts which are not taxable in calculating taxable income	(1)	(10)
Income tax expenses for prior years	-	(10)
Change in deferred tax charges due to change in rate	-	(5)
Other Items	1	(3)
Tax expense	252	82

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, 2021	As at June 30, 2020
Property, plant and equipment	15	158

28 Contingent liabilities

Particulars	As at June 30, 2021	As at June 30, 2020
Income tax matters [note (a)]	265	219
Sales tax matters under dispute	3	1

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, 2013-14, 2014-15 and 2016-17 which is disputed by the Group 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. The Group has paid ₹ 213 million (refer note 8) under protest (net of provision) towards above tax demand and recorded the same under non-current income-tax assets.

b) The sales tax assessment for the period FY 2015-16 was completed with a demand of ₹ 2 million. The demand primarily relates to the disallowance of ITC on account of non furnishing of invoices relating to the ITC claimed. The Group has subsequently filed an appeal and is in possession of all the relevant documentation in relation to the disallowance and based on the available documentation, reasonably believes that the appellate body will rule the case in favour of the Group and accordingly no provision has been made in the books in this regard. In addition to this, there is a contingency of ₹ 1 million towards sales tax litigation of FY 2010-11 relating to interchange of VAT and CST Turnover erroneously.

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.

c) 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, 2021		As at June 30, 2020	
	Weighted Average fair value per award	Number of Awards in units	Weighted Average fair value per award	Number of Awards in units
Options outstanding at the beginning of the year	29.43	3921	37.55	2427
Granted during the year	32.15	14331	27.82	7476
Exercised during the year	31.56	(9116)	30.72	(5982)
Outstanding at the end of the year	31.57	9136	29.43	3921

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 1.26 years (June 30, 2020: 1.28 years).

Expenses arising from share based payments transactions

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Shares issued under RSU	24	13
Total	24	13

31 Operating lease

The Group's lease premises have a lease term of 12 months or less or are leases of low value

The Group has taken certain office facilities and motor vehicles on operating lease. These lease arrangements range for a period of 11 months to 5 years and are renewable for further period on mutually agreeable terms.

The total future minimum lease rentals receivable at the Consolidated Balance Sheet date is as under:

Particulars	As at June 30, 2021	As at June 30, 2020
For a period not later than one year	5	18
For a period later than one year and later than five years	6	17
For a period later than five years	-	-

32 Earnings per equity share

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Profit attributable to equity shareholders (₹)	733	339
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 (₹)	33.35	15.42

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

33 Net debt reconciliation

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Cash and cash equivalents (refer note 6C)	1288	446
Current borrowings (refer note 14A)	-	(130)
Net debt	**1288**	**316**

34 Fair value measurements

i) Financial instruments by category

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:					
Loans [refer note 6(a)]	3	-	-	3	3
Trade receivables [refer note 6(b)]	1131	-	-	1131	1131
Cash and cash equivalents [refer note 6(c)]	1288	-	-	1288	1288
Bank balances other than cash and cash equivalents [refer note 6(d)]	1	-	-	1	1
Other financial assets [refer note 6(e)]	55	-	-	55	55
Total	**2477**	-	-	**2477**	**2477**
Liabilities:					
Borrowings [refer note 14A]	-	-	-	0	0
Trade payables [refer note 14B]	1025	-	-	1025	1025
Other financial liabilities [refer note 14C]	346	-	-	346	346
Total	**1371**	-	-	**1371**	**1371**

The carrying value and fair value of financial instruments by categories as at June 30, 2020 are as follows:

Particulars	Amortised Cost	Financial assets / liabilities at FVTPL	Financial assets / liabilities at FVTCOI	Carrying value	Fair Value
Assets:					
Loans [refer note 6(a)]	2	-	-	2	2
Trade receivables [refer note 6(b)]	906	-	-	906	906
Cashand cash equivalents [refer note 6(c)]	446	-	-	446	446
Bank balances other than cash and cash equivalents [refer note 6(d)]	1	-	-	1	1
Other financial assets [refer note 6(e)]	69	-	-	69	69
Total	**1424**	-	-	**1424**	**1424**
Liabilities:					
Borrowings [refer note 14A]	130	-	-	130	130
Trade payables [refer note 14B]	603	-	-	603	603
Other financial liabilities [refer note 14C]	146	-	-	146	146
Total	**879**	-	-	**879**	**879**

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

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:

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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

35. 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 ₹ 1131 as of June 30 2021 [30 June 2020: ₹ 929].

Assets under credit risk	As at June 30, 2020	As at June 30, 2019
Trade receivables	1131	906
Loans	3	2
Other financial assets	35	15
Total	**1169**	**923**

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, 2021	As at June 30, 2020
Opening provision for loss allowance	14	16
Additional provision	-	-
Utilisation/ reversal	(8)	(2)
Closing provision for loss allowance	6	14

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 ₹6 and ₹14 as at 30 June 2021 and 30 June 2020 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.

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

35 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, 2021				
Borrowings	- -	-	-	
Other financial liabilities	345	1	-	346
Trade payables	1025	-	-	1025
Total	**1370**	**1**	**-**	**1371**
As at June 30, 2020				
Borrowings	130	-	-	130
Other financial liabilities	145	1	-	146
Trade payables	603	-	-	603
Total	**878**	**1**	**-**	**879**

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:

	Amounts in foreign currency			Amounts in ₹
Particulars	As at June 30, 2021	As at June 30, 2020	As at June 30, 2021	As at June 30, 2020
Financial assets				
Trade receivables				
USD	1420669	1130269	106	85
EUR	731133	526022	65	45
GBP	36000	-	4	-
BRL	54721	91187	1	1
JPY	763801	719523	1	1
KRW	13674094	7036686	1	0
AUD	-	8732	-	0
Net exposure to foreign currency risk (assets)			**178**	**132**
Financial liabilities				
Trade Payables				
USD	(630038)	(139454)	(47)	(11)
EUR	(710534)	(77881)	(63)	(7)
CHF	(57645)	(9825)	(5)	(1)
GBP	(24340)	(110908)	(3)	(10)
JPY	(5128119)	(1925415)	(3)	(1)
SGD	-	(8645)	-	(0)
Total Financial liabilities			**(121)**	**(30)**
Net foreign exchange exposure			**57**	**102**

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

35 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, 2021		As at June 30, 2020	
	1% Increase	1% Decrease	1% Increase	1% Decrease
USD	0.59	(0.59)	0.75	(0.75)
EUR	0.02	(0.02)	0.38	(0.38)
BRL	0.01	(0.01)	0.01	(0.01)
CHF	(0.05)	0.05	(0.01)	0.01
GBP	0.01	(0.01)	(0.10)	0.10
JPY	(0.03)	0.03	(0.01)	0.01
KRW	0.01	(0.01)	(0.00)	0.00
AUD	-	-	0.00	(0.00)
SGD	-	-	(0.00)	0.00
Increase or (decrease) in profit or loss	0.56	(0.56)	1.02	(1.02)

36 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, 2021	As at June 30, 2020
Borrowings	-	130
Trade payables	1025	602
Less: Cash and short-term deposits	(1025)	(446)
Net debt	0	286
Equity	220	220
Other Equity	5637	5338
Capital and net debt	5857	5844
Gearing ratio	0%	5%

37 Amounts remitted in foreign currency during the year on account of dividends paid

Particulars	Year ended June 30, 2021	Year ended June 30, 2020
Amounts of dividend remitted in foreign currency	335	-
Total number of non-resident shareholders (to whom the dividends were remitted in foreign currency)	321	-
Total number of shares held by them on which dividend was due	16,767,424	-
Years to which the dividend relates	2020-21	2019-20

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

38 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, 2019 to March 31, 2020 and is in the process of updating the transfer pricing documentation for the period April 1, 2020 to March 31, 2021. 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.

39 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, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
B.1 Segment revenue						
Segment revenue (external customers)	1104	1481	7433	5569	8537	7050
Inter-segment revenue	-	-	-	-	-	-
Total segment revenue	**1104**	**1481**	**7433**	**5569**	**8537**	**7050**
B.2 Segment Result						
Segment Result	70	296	1175	438	1245	734
Unallocated Corporate Income	-		-		31	20
Unallocated Corporate Expense	-		-		(284)	(318)
Interest Income	-		-		3	37
Exceptional Items	-		-		(10)	(51)
Profit before tax					**985**	**422**
Tax (expense)/credit					(252)	(82)
Profit after tax					**733**	**340**
B.3 Segment Assets						
Segment Assets	697	849	5405	4998	6102	5847
Unallocated Corporate Assets	-		-		1671	1171
Total segment assets	**697**	**849**	**5405**	**4998**	**7773**	**7018**

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

B.4 Segment Liabilities						
Segment liabilities	568	451	1257	805	1825	1256
Unallocated corporate liabilities	-		-		91	205
Total segment liabilities	**568**	**451**	**1257**	**805**	**1916**	**1461**
B.5 Capital Expenditure						
Capital expenditure	12	12	236	559	248	571
Unallocated corporate capital expenditure	-		-		15	8
Total capital expenditure	**12**	**12**	**236**	**559**	**263**	**579**
B.6 Depreciation and amortisation						
Depreciation and amortisation	33	29	341	309	374	338
Unallocated corporate depreciation	-		-		5	7
Total Depreciation and amortisation	**33**	**29**	**341**	**309**	**379**	**345**

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, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
India	719	1333	5944	4401	6662	5734
Germany	0	-	683	541	683	541
USA	1	32	495	416	497	448
China	49	23	203	125	252	148
Others	335	93	108	86	443	179
Total	1104	1481	7433	5569	8537	7050

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, 2021 and June 30, 2020.

(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)

40 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

- Bhagya Chandra Rao – Managing Director (July 1, 2020 - Sep 16, 2020)
- Vijaykrishnan Venkatesan – Managing Director (From 17th Sep 2020)
- Suresh Reddy K V - Chief Financial Officer
- Prashant Ramesh Shetty- Executive Director (Till January 1, 2021 and Non-Executive Director w.e.f January 1, 2021)
- Naveen Chandra Prakash - Company Secretary
- Anjani Kumar - Independent Director
- Vinayak Deshpande - Independent Director
- Bhavana Bindra - 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)

40. 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	**1188**	**957**	**334**	**240**	**-**	**-**	**1522**	**1197**
Kennametal Inc, USA	490	416	-	-	-	-	490	416
Kennametal Europe GmbH, Switzerland	698	541	-	-	-	-	698	541
Kennametal HardPoint (Shanghai) Ltd, China	-	-	213	131	-	-	213	131
Kennametal Distribution Services Asia Pte. Ltd, Singapore	-	-	57	50	-	-	57	50
Others	-	-	64	59	-	-	64	59
Other income	**-**	**-**	**31**	**27**	**-**	**-**	**31**	**27**
Kennametal Shared Services Private Ltd, India	-	-	22	18	-	-	22	18
Kennametal Stellite L.P, USA	-	-	9	9	-	-	9	9
Reimbursement of expenses (income)	**14**	**19**	**19**	**16**	**-**	**-**	**34**	**35**
Kennametal Inc, USA	14	19	-	-	-	-	14	19
Kennametal Shared Services Private Ltd, India	-	-	2	-	-	-	2	-
Kennametal Distribution Services Asia Pte. Ltd, Singapore	-	-	15	15	-	-	15	15
Others	-	-	3	1	-	-	3	1
Loans & advances received	**-**	**-**	**-**	**30**	**-**	**-**	**-**	**30**
Kennametal Shared Services Private Ltd, India	-	-	-	30	-	-	-	30
Loans repaid during the year	**-**	**-**	**130**	**-**	**-**	**-**	**130**	**-**
Kennametal Shared Services Private Ltd, India	-	-	130	-	-	-	130	-
Interim dividend paid	**330**	**-**	**-**	**-**	**-**	**-**	**330**	**-**
Metruit A.G. Zug, Switzerland	224	-	-	-	-	-	224	-
Kennametal Inc, USA	105	-	-	-	-	-	105	-
Managerial remuneration paid	**-**	**-**	**-**	**-**	**53**	**49**	**53**	**49**
Bhagya Chandra Rao (MD) (1st July 2020 - 16th Sep 2020)	**-**	**-**	**-**	**-**	**17**	**21**	**17**	**21**
Salary & allowances	-	-	-	-	8	13	8	13
Performance pay	-	-	-	-	-	3	-	3
Share based payment	-	-	-	-	9	5	9	5
Vijaykrishnan Venkatesan (MD) (From 17th Sep 2020)	**-**	**-**	**-**	**-**	**13**	**-**	**13**	**-**
Salary & allowances	-	-	-	-	13	-	13	-
Performance pay	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-	-
Suresh Reddy K V (CFO)	**-**	**-**	**-**	**-**	**6**	**8**	**6**	**8**
Salary & allowances	-	-	-	-	6	6	6	6
Performance pay	-	-	-	-	-	1	-	1
Share based payment	-	-	-	-	1	1	1	1
Naveen Chandra Prakash (Company Secretary)	**-**	**-**	**-**	**-**	**5**	**6**	**5**	**6**
Salary & allowances	-	-	-	-	4	5	4	5
Performance pay (2020: ₹ 469,010)	-	-	-	-	-	0	-	0
Share based payment (2021: ₹ 317,534, 2020: ₹ 241,997)	-	-	-	-	0	0	0	0
Prashant Ramesh Shetty - Non Execetive Director	**-**	**-**	**-**	**-**	**7**	**9**	**7**	**9**
Salary and allowances					6	7	6	7
Performance Pay					-	0	-	0
Share Based Payment					1	2	1	2
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**

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	
	2021	2020	2021	2020	2021	2020	2021	2020
Anjani Kumar	-	-	-	-	1	1	1	1
Vinayak Despande	-	-	-	-	1	1	1	1
Bhavana Bindra	-	-	-	-	1	-	1	-
Purchases	**2853**	**2341**	**222**	**175**	**-**	**-**	**3075**	**2516**
Purchase of capital goods	**46**	**-**	**-**	**-**	**-**	**-**	**46**	**-**
Kennametal Inc, USA	46	-	-	-	-	-	46	-
Hanita Metal Works Ltd. (P), Israel	-	-	-	-	-	-	-	-
Purchase of goods - others	**2807**	**2341**	**222**	**175**	**-**	**-**	**3029**	**2516**
Kennametal Inc, USA	1422	1025	-	-	-	-	1422	1025
Kennametal Europe GmbH, Switzerland	1385	1316	-	-	-	-	1385	1316
Others	-	-	222	175	-	-	222	175
Services received / Recharge of expenses	**180**	**241**	**72**	**65**	**-**	**-**	**251**	**306**
Information technology services	**132**	**198**	**-**	**-**	**-**	**-**	**132**	**198**
Kennametal Inc, USA	132	198	-	-	-	-	132	198
Professional fees (Technical services)	**11**	**18**	**47**	**42**	**-**	**-**	**58**	**60**
Kennametal Inc, USA	11	18	-	-	-	-	11	18
Kennametal Shared Services Private Ltd, India (Technical Services)	-	-	47	42	-	-	47	42
Royalty payments	**10**	**9**	**14**	**9**	**-**	**-**	**24**	**18**
Kennametal Inc, USA	10	9	-	-	-	-	10	9
Hanita Metal Works Ltd, Israel	-	-	14	9	-	-	14	9
Cross charge of expenses	**9**	**1**	**11**	**14**	**-**	**-**	**20**	**15**
Kennametal Inc, USA	9	1	-	-	-	-	9	1
Kennametal Shared Services Private Ltd, India (Interest on Loan Taken)			5	10	-	-	5	10
Others	-	-	6	4	-	-	6	4
Stock compensation expenses	**18**	**15**	**-**	**-**	**-**	**-**	**18**	**15**
Kennametal Inc, USA	18	15	-	-	-	-	18	15
Outstanding receivables - Trade and others	**118**	**103**	**28**	**30**	**-**	**-**	**147**	**133**
Trade receivables	**115**	**101**	**26**	**30**	**-**	**-**	**142**	**131**
Kennametal Inc, USA	55	57	-	-	-	-	55	57
Kennametal Europe GmbH, Switzerland	60	44	-	-	-	-	60	44
Others	-	-	26	30	-	-	26	30
Outstanding other receivables	**3**	**2**	**2**	**-**	**-**	**-**	**5**	**2**
Kennametal Inc, USA	3	2	-	-	-	-	3	2
Others	-	-	2	-	-	-	2	-
Outstanding payable - Trade	**343**	**216**	**125**	**21**	**-**	**-**	**468**	**237**
Kennametal Inc, USA	173	160	-	-	-	-	173	160
Kennametal Europe GmbH, Switzerland	170	56	-	-	-	-	170	56
Others	-	-	125	21	-	-	125	21
Outstanding loan payable	**-**	**-**	**-**	**130**	**-**	**-**	**-**	**130**
Kennametal Shared Services Private Ltd, India	-	-	-	130	-	-	-	130

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

41 Disclosures mandated by Schedule III of Companies Act 2013, by way of additional information, refer below

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	97.97%	5,738	0.00%	-	0.00%	-	0.00%	-
Subsidiary								
Widia India Tooling Private Limited	2.46%	144	9.31%	68	0.00%	0	9.27%	68
Intercompany Elimination and consolidation adjustments	-0.43%	(25)	90.69%	665	100%	1	90.72%	666
Total	100.00%	5857	100.00%	733	100.00%	1	100.00%	734
Non-controlling interest in subsidiary	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Grand Total	100.00%	5857	100.00%	733	100.00%	1	100.00%	734

As at June 30, 2020

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	99.01%	5,502	95.87%	325	100.00%	(10)	95.74%	315
Subsidiary								
Widia India Tooling Private Limited	1.35%	75	4.42%	15	0.00%	-	4.56%	15
Intercompany Elimination and consolidation adjustments	-0.36%	(20)	-0.29%	(1)	0%	-	-0.30%	(1)
Total	100.00%	5557	100.00%	339	100.00%	(10)	100.00%	329
Non-controlling interest in subsidiary	0.00%	0	0.00%	-	0.00%	-	0.00%	-
Grand Total	100.00%	5557	100.00%	339	100.00%	(10)	100.00%	329

Summary of significant accounting policies & other explanatory information (cont'd)

(All amounts in ₹ millions unless otherwise stated)

42 Status of Scheme of Amalgamation

The Board of Directors had approved a Scheme of Amalgamation ('Scheme') for the merger of the wholly owned subsidiary, WIDIA India Tooling Private Limited ('WITPL') at its meeting held on December 4, 2020. Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Group had furnished the Scheme details to the Bombay Stock Exchange Limited. The appointed date of the Scheme is April 1, 2021. The Group has received approval for the said Scheme from the shareholders and unsecured creditors through its meeting held on on April 12, 2021 convened by Honourable National Company Law Tribunal ("NCLT"), Bengaluru bench and the petition to that effect was filed with the NCLT on April 29, 2021. The Group is awaiting the approval from the NCLT for the next course of action (also refer note 1.2)

43 Impact of COVID-19 Pandemic

"The Covid 19 pandemic is unprecedented and measures to control it has caused significant disturbances and slowdown of economic activity. The Group operations and financial results for the year have been partially impacted due to localized lockdowns / micro containment zones, supply chain constraints, shortage of workforce and various safety measures have been taken across all areas of operations. "

The operations have revived at a better pace as the year progressed. The Group has relied on the available information and assumptions, as at the date of approval of these financial results, to arrive at its estimates. The Group continues to monitor the economic effects of the pandemic while taking steps to improve its execution efficiencies and the financial outcome.

44 Previous period comparatives

Prior year amounts have been regrouped/ reclassified wherever necessary, to conform to current year's presentation.

45 Additional disclosures

Additional information as required under Schedule III to the Act to the extent either "nil" or "not applicable" has not been furnished

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration Number: 001076N/N500013

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 18, 2021

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

Venkatesan Vijaykrishnan
Managing Director
DIN - 07901688
Bengaluru
August 18, 2021

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 18, 2021

Suresh Reddy K V
Chief Financial Officer
Mem No: 205555
Bengaluru
August 18, 2021

Naveen Chandra Prakash
Company Secretary
Mem No: ACS - 30057
Bengaluru
August 18, 2021

NOTES

NOTES

NOTES

NOTES

CSR INITIATIVES

COVID RELIEF EFFORTS

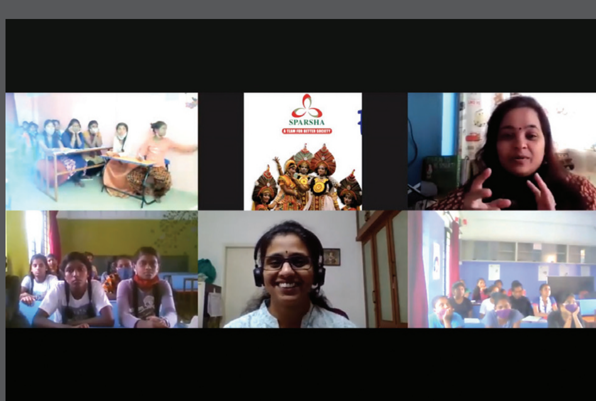
We have been doing our part to help the community during the COVID-19 pandemic. From donating much needed PPE kits to frontline workers and medical equipment to local hospitals, to contributing to the Government relief fund - we're committed to helping our community through this challenging time. We have also organized 6 vaccination drives for our employees.

INDIA LITERACY PROJECT

We have partnered with the India Literacy Project to help fund "smart" classrooms in schools for underprivileged children. From computer and science labs to libraries, the project is giving nearly 2,500 local students access to the critical educational infrastructure needed to build skills for the future.

SPARSHA TRUST

The Sparsha Trust is a non-profit organization focused on promoting equitable education and holistic development of underprivileged children and organizes several interactive events revolving around these topics. Several of our employees regularly interact with the beneficiaries of the Trust, to mentor them.



KATALYST

Kennametal India has partnered with Katalyst, an NGO that supports girls from low-income facilities across India by educating, mentoring, and providing Internship opportunities to enable them to gain a level playing field in their professional education and the corporate world, going forward. In the last decade, Katalyst has impacted the lives of 500 girls and through this NGO, KIL is funding the engineering studies of 20 girls.

Kennametal India Limited

CIN: L27109KA1964PLC001546

8/9th Mile, Tumkur Road
Bengaluru - 560 073, India

Tel.: 080 4328 1444 | 2839 4321

Toll Free: 1800 103 5227

E-mail: in.investorrelation@kennametal.com

kennametal.com/kennametalindia