Kennametal India Ltd
CIN: L27109KA1964PLC001546
8/9th Mile, Tumkur Road, Bangalore 560073,
INDIA www.kennametal.com

Ref:Sec/Sto/2020/10/07 **October 20, 2020**

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

Dear Sir/ Madam,

Subject : **55th Annual General Meeting of the Company – Completion of Dispatch of Notice along with Annual Report 2019-20 to eligible members.**
Ref: [Scrip Code: 505890] - Kennametal India Limited

In continuation of our letter dated October 19, 2020 on the 55th Annual General Meeting (AGM) of the Company and pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the Company has completed dispatching Notice of the 55th AGM along with Annual Report 2019-20 today i.e., October 20, 2020 to the eligible members. Copy of the Notice of AGM and Annual Report 2019-20 is enclosed with this letter. The above documents are also available on our Company's website i.e., www.kennametal.com/kennametalindia and also on https://www.evotingindia.com. Kindly take the same on record and oblige.

Kindly take the same on record and oblige.

Thanking You,

Yours faithfully,

For **Kennametal India Limited**

Naveen Chandra
General Manager – Legal & Company Secretary

As enclosed

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 Fifth (55th)** Annual General Meeting ("AGM") of Kennametal India Limited (the "Company") will be held on **Wednesday, November 11, 2020 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, 2020, 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, 2020 together with the Report of Auditors thereon.

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

SPECIAL BUSINESS:

3. **Appointment of Ms. Bhavna Bindra (DIN: 07314422) as a Director and an Independent 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 pursuant to Articles of Association of the Company, Ms. Bhavna Bindra (DIN: 07314422), who was appointed as an Additional Director of the Company by the Board of Directors w.e.f., January 3, 2020 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 Sections 149, 150, 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 Schedule IV to the Act and Regulation 16(1)(b) & 17 (1) (a) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, Ms. Bhavna Bindra (DIN: 07314422), who has submitted a declaration to the effect that she meets the criteria for independence as provided in Section 149(6) of the Act & Regulation 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and who is eligible for appointment, be and is hereby appointed as an Independent Non-Executive Director of the Company for a term of five consecutive years with effect from January 3, 2020 to January 2, 2025 and whose office shall not be liable to subject to retirement by rotation.".

   "RESOLVED FURTHER THAT any Director and/or the 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 exchanges, if any."

4. **Appointment of Mr. Vijaykrishnan Venkatesan (DIN: 07901688) as Director and Managing Director of the Company**

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

   "RESOLVED THAT based on recommendation of the Nomination and Remuneration Committee and pursuant to Articles of Association of the Company, Mr. Vijaykrishnan Venkatesan (DIN: 07901688), who was appointed as an Additional Director of the Company by the Board of Directors w.e.f September 17, 2020 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 Sections 196, 197, 198, 203 of the Companies Act, 2013 and all other applicable provisions (including any statutory modification or re-enactment thereof) and rules prescribed there under read with Schedule V of the Companies Act, 2013 and Articles of Association of the Company, approval of the Members of the Company be and is hereby accorded for the appointment of Mr. Vijaykrishnan Venkatesan (DIN: 07901688) as the Managing Director of the Company for a period of 5 years, commencing from September 17, 2020 to September 16, 2025, as per the terms and conditions as recommended by Nomination and Remuneration Committee and approved by the Board of Directors."

   "RESOLVED FURTHER THAT pursuant to the provisions of Section 197 and 198 of the Companies Act, 2013, read with Schedule V of the said Act and The Companies (Appointments and Remuneration of Managerial Personnel) Rules, 2014 and other applicable provisions, if any, the Members of the Company do hereby approve the remuneration payable to Mr. Vijaykrishnan Venkatesan (DIN: 07901688), Managing Director of the Company as set out in Schedule I to the agreement dated September 17, 2020 which is approved by the Board and entered into by the Company with Mr. Vijaykrishnan Venkatesan (DIN: 07901688) on September 17, 2020, which is reproduced here below:"

"Details of the remuneration:

I. Annual Guaranteed Cash:

i) Basic Salary: Rs.6,750,000 (Rupees six million, seven hundred fifty thousand Only) per annum or Rs.562,500 (Rupees five hundred and sixty two thousand five hundred only) per month.

ii) Housing (HRA): 50% of Basic Salary i.e. Rs.3,375,000 (Rupees three million, three hundred seventy-five thousand only) per annum or Rs.281,250 (Rupees two hundred eighty one thousand two fifty only) per month.

iii) Special Allowance of Rs.4,806,000 (Rupees Four million, Eight Hundred and Six thousand only) per annum or Rs.400,500 (Rupees four hundred thousand five hundred only) per month.

iv) Leave Travel Allowance (flat allowance) of Rs.54,000 (Rupees fifty-four thousand only) per annum.

v) Medical Allowance of Rs.15,000/-(Rupees fifteen thousand only) per annum or Rs.1,250 (Rupees one thousand two hundred fifty only) per month.

II. Incentive Plans:

a) Annual Incentive Plan (AIP):

Mr. Vijaykrishnan shall be entitled to the performance payment once per annum, subject to achievement of business targets as per Company's scheme and approval of the Board of Directors of the Company. Target amount will be equivalent to 30% of Annual Guaranteed Cash, upto a maximum of 200 % of the targeted amount. (The Annual Guaranteed Cash i.e. the Basic Salary, HRA, Special Allowance, LTA and Medical Allowance amount to Rs.150,00,000). The Target Amount at 30 % is therefore Rs. 4,500,000 up to a maximum of Rs.9,000,000). The performance payment is in lieu of any commission that may be payable to Mr. Vijaykrishnan.

b) Long Term Incentive Plan (LTIP):

Effective the next Long-Term Incentive Plan (LTIP) annual grant date, Mr. Vijaykrishnan shall be eligible for annual grants of LTIP awards in the form of 40% restricted stock units (RSUs) and 60% performance stock units (PSUs). RSUs may pro-rata vest over a three-year period with one-third vesting on each of the grant date anniversaries. PSUs may cliff vest on the third grant date anniversary subject to the achievement of certain Kennametal performance measures over the three-year performance period. Such annual grants of LTIP are generally made in August of each year and are contingent on the approval of the Company's Board of Directors. The LTIP are granted under the terms and conditions of the Kennametal 2016 Stock and Incentive Plan and your individual annual award agreements. The amount of RSUs and PSUs that may be granted on an annual basis will be based on a target of 60% of Mr. Vijaykrishnan's Annual Guaranteed Cash at the time of review, with such grant being further subject to adjustment based upon your performance and market conditions at the time of grant. Please refer to the LTIP Overview and Summary documents for more details regarding eligibility and design parameters.

III. Other Perquisites:

a. Leave on full pay and allowances, as per Company's rules.

b. Insurance – Coverage to be extended, as per Company's rules.

c. Club fees: Monthly subscription fees for any one club not exceeding Rs. 1200/- per month.

d. Contribution to Provident Fund at 12% of the salary.

e. Gratuity as per Company's Rules.

f. Encashment of leave at the end of tenure as per Company's rules.

g. Company maintained car with facility for driver.

h. Reimbursement of Telephone (Home) expenses (inclusive of Broadband) at actual.

i. Such other benefits, amenities, facilities and perquisites as per the rules of the Company, as applicable to senior executives, and as may be permitted by the Company.

"RESOLVED FURTHER THAT the terms and conditions, duties and responsibilities of Mr. Vijaykrishnan Venkatesan's (DIN: 07901688) shall be as set out in the agreement entered on September 17, 2020 between the Company through Mr. B. Anjani Kumar, Chairman of the Board and Mr. Vijaykrishnan Venkatesan (DIN: 07901688)."

"RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, the minimum remuneration payable to Mr. Vijaykrishnan Venkatesan (DIN: 07901688) shall be the Annual Guaranteed Cash, discretionary performance pay if applicable, and perquisites as stated above, subject to the applicable provisions of the Companies Act, 2013 and the rules made there under or any statutory modification or re-enactment thereof."

"RESOLVED FURTHER THAT the authorization and approval of the Members of the Company be and is hereby accorded to the Board of Directors of the Company to alter and vary the terms and conditions of appointment of Mr. Vijaykrishnan Venkatesan (DIN: 07901688), Managing Director including remuneration payable to him in accordance with the provisions of the Companies (Appointments and Remuneration of Managerial Personnel) Rules, 2014 and Schedule V of the Companies Act, 2013 (as amended from time to time to be in consonance with any revised terms and conditions as may be prescribed by the Central Government, if any in the aforesaid schedule V or the Companies (Appointments and Remuneration of Managerial Personnel) Rules, 2014 or any notification thereto) as the Board of Directors may deem fit and as may be agreed to by Mr. Vijaykrishnan Venkatesan (DIN: 07901688)."

"RESOLVED FURTHER THAT any Director and/or the 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 the above resolution, including filing of e-forms / returns, intimation to be given to any statutory authorities/stock exchanges, 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, 2021, amounting to ₹ 150,000/- (Rupees One Hundred and Fifty Thousand only) excluding applicable taxes and re-imbursement 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 the Section 188 of the Companies Act, 2013 and provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), 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 on arm's length basis:

₹ in Mn

Sl. No.	Nature of Transactions	Actual Transaction value for financial year July 01, 2019 to June 30, 2020 i.e. FY20 amount	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2020 - i.e. FY21 not exceeding amount
1	Sales of products/components (receipts)	408.6	550.0
2	Cross Charge Revenue	19.2	30.0
3	Cross Charge- Debits expenses (Payable)	16.3	30.0
4	IT Cross charges (payment)	177.4	200.0
5	Professional Services- Expenses	16.9	25.0
6	Purchase of components/raw materials (payment)	986.2	1,350.0
7	Purchase- Capital Goods	0.4	20.0
8	Royalty (payment)	9.2	15.0

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:

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

"RESOLVED THAT pursuant to Section 188 of the Companies Act, 2013 and provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), 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 on arm's length basis:

₹ in Mn

Sl. No.	Nature of Transactions	Actual Transaction value for financial year July 01, 2019 to June 30, 2020 i.e. FY20 amount	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2020 - i.e. FY21 not exceeding amount
1	Sales of products/components (receipts)	531.4	750.0
2	Purchase of Components/raw materials (payment)	1,024.7	1,900.0
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."

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 19, 2020

NOTES

1. In view of the continuing Covid-19 pandemic situation, the Ministry of Corporate Affairs ("MCA") has vide its General Circular No. 20/2020 dated May 5, 2020, read with Circular No. 14/2020 dated April 8, 2020 and Circular No. 17/2020 dated April 13, 2020 (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM.

2. The Company has facilitated the Members to participate in the 55th 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 first come first serve basis.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, November 04, 2020 to Wednesday, November 11, 2020 (both days inclusive) for the purpose of the Annual General Meeting (AGM).

4. Pursuant to the provisions of 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 the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

5. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of details relating to Special Businesses is annexed hereto.

6. There was no dividend declared or paid during the year.

7. At the 52nd AGM held on November 07, 2017 the Members approved appointment of Walker Chandiok & Co LLP, Chartered Accountants (FRN: 001076N/N500013) as the Statutory Auditors of the Company to hold office for a period of five years from the conclusion of that AGM till the conclusion of the 57th AGM, subject to ratification of their appointment by Members at every AGM, if so required under the Act. The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM has been done away by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the 55th AGM.

8. Institutional / Corporate Shareholders (i.e., other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution / Authorisation etc., authorising its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution / Authorisation shall be sent to the Scrutinizer by email through its registered email address to vijaykt@vjkt.in with a copy marked to in.investorrelation@kennametal.com.

9. Pursuant to Section 124 and 125 of the Companies Act, 2013 read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the amount of dividends remaining unclaimed for a period of seven years are to be transferred to the Investor Education and Protection Fund. Accordingly, the dividend declared for all the applicable Financial Years has been transferred to Investor Education and Protection Fund. Further, shares on which dividends were unclaimed for seven consecutive years were transferred to IEPF Authority as per the requirements of the IEPF Rules.

   Members who have not encashed the dividend warrants/ demand drafts for the financial year ended June 30, 2012 onwards are requested to write to the Company giving the necessary details.

   Pursuant to The Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company shall provide/host the required details of unclaimed amounts referred to under Section 124 and 125 of the Companies Act, 2013 on its website page at https://www.kennametal.com/in/en/about-us/kil-financials.html and also Ministry of Corporate Affairs (MCA) website in the relevant form every year.

10. In compliance with the MCA Circular No. 17/2020 dated April 13, 2020 and SEBI Circular dated May 12, 2020, Annual Report 2019-20 along with the Notice of the 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. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website https://www.kennametal.com/in/en/about-us/kil-financials.html, websites of the Stock Exchanges i.e., BSE Limited at www.bseindia.com , and on the website of CDSL www.evotingindia.com.

11. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before November 09, 2020 through email on in.investorrelation@kennametal.com. The same will be replied by the Company suitably.

12. The Securities and Exchange Board of India (SEBI) vide Circular No. SEBI/HO/MIRSD/DOP1/CIR/P/2018/73 dated April 20, 2018, requires all those Shareholders who have not updated their PAN numbers and Bank Account Details to accordingly furnish their PAN numbers and Bank Account Details to our Registrar and Share Transfer Agents in the prescribed format.

   Updating the Bank particulars will also enable the Company to credit the dividend declared directly to your bank account thereby reducing the risk of loss of dividend warrants.

   SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 dated June 08, 2018 circular reads as follows :

   “Provided that, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository”.

Accordingly, the Shareholders are requested to dematerialize the physical shares held by them before attempting to transfer the shares.

13. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act. Subject to receipt of requisite number of votes, the resolutions shall be deemed to be passed on the date of the AGM, i.e., Wednesday, November 11, 2020.

14. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.

15. Pursuant to Section 72 of the Companies Act, 2013, members are entitled to make a nomination in respect of shares held by them. Members desirous of making a nomination are requested to send their requests in Form No. SH.13, pursuant to the Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014 (which will be made available on request) to the RTA of the Company.

16. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for electronic inspection by the members at 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 11th November, 2020. Members seeking to inspect such documents may send an email to in.investorrelation@kennametal.com.

17. Members may address all matters relating to shares, demat, remat, annual report, etc. to the Company's Registrar & Share Transfer Agent (RTA) at the following address:

    Integrated Registry Management Services Private Limited
    CIN No: U74900TN2015PTC101466
    No.30,'Ramana Residency',
    4th Cross, Sampige Road, Malleswaram,
    Bengaluru- 560003
    Tel: +91-80-23460815 – 818, Fax: +91-80-23460819
    E-mail: irg@integratedindia.in

    For dividend queries and other general matters:
    The Company Secretary
    Kennametal India Limited
    8/9th Mile, Tumkur Road, Bengaluru - 560 073.
    Phone: 080-28394321 and 080 22198345, Fax: 080 28397572
    E-mail: in.investorrelation@kennametal.com
    E-mail: naveen.c@kennametal.com

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

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

18. **Remote E-Voting through electronic mode:**

    Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and MCA Circulars dated April 08, 2020, April 13, 2020 and May 05, 2020 the Company is providing facility of remote e-voting to its Members in respect of the business to be transacted at the 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's agency. The facility of casting votes by a member using remote e-voting as well as the e-voting system on the date of the AGM will be provided by CDSL.

    The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to 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 serve basis.

THE INSTRUCTIONS FOR SHARE HOLDERS FOR REMOTE E-VOTING ARE AS UNDER:

(i) **The voting period begins on November 8, 2020 (09:00 AM) and ends on November 10, 2020 (05:00 PM). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of November 3, 2020 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.**

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

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

(iv) Click on "Shareholders" module.

(v) Now enter your User ID

    a. For CDSL: 16 digits beneficiary ID,

    b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

    c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.

    OR

    Alternatively, if you are registered for CDSL's EASI/EASIEST e-services, you can log-in at https://www.cdslindia.com from Login - Myeasi using your login credentials. Once you successfully log-in to CDSL's EASI/EASIEST e-services, click on e-Voting option and proceed directly to cast your vote electronically.

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

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

(viii) If you are a first time user follow the steps given below:

	For Shareholders holding shares in Demat Form and 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) Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number. Please send a request to RTA email ID irg@integratedindia.in to get sequence number.
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 company, please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v).

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

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

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

(xii) Click on the EVSN for the relevant <Company Name> on which you choose to vote.

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

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

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

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

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

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

(xix) Shareholders can also cast their vote using CDSL's mobile app "m-Voting". The m-Voting app can be downloaded from respective Store. Please follow the instructions as prompted by the mobile app while Remote Voting on your mobile.

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING FOR THE RESOLUTIONS PROPOSED IN THIS NOTICE:

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to Company/RTA email id.
2. For Demat shareholders -, please provide Demat account detials (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to Company/RTA email id.

INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Members will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at https://www.evotingindia.com under Shareholders/Members login by using the remote e-voting credentials. The link for VC/OAVM will be available in Shareholder/Members login where the EVSN of Company will be displayed.
2. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
3. Further Shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
5. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast **Seven (7) days prior to AGM** mentioning their name, demat account number/folio number, email id, mobile number at (company email id). The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **Seven (7) days prior to AGM** mentioning their name, demat account number/folio number, email id, mobile number at (company email id). These queries will be replied to by the company suitably by email.

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

INSTRUCTIONS FOR SHAREHOLDERS FOR E-VOTING DURING THE AGM ARE AS UNDER:-

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
2. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.
3. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility , then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.
4. Shareholders who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

(xx) 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 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.

If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, 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 contact Mr. Nitin Kunder (022- 23058738) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022-23058542/43.

(xxi) Any person, who acquires equity shares of the Company and become Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. November 3, 2020 may follow the same instructions as mentioned above for e-Voting.

OTHER INSTRUCTIONS:

(i) The voting rights of the shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date i.e. November 3, 2020.

(ii) The Board of Directors has appointed Mr. Vijayakrishna K T, Practicing Company Secretary as Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

(iii) The scrutinizer shall submit his report to the Chairman of the Company or Managing Director or Company Secretary or to any other person authorized by the Chairman after the completion of the scrutiny of e-voting (votes casted during the AGM and votes casted through remote e voting), not later than 48 hours from the conclusionof the AGM. The results of the e-voting along with the scrutinizer's report shall be placed on the Company's website www.kennametal.com/kennametalindia and on the website of CDSL: www.cdslindia.com within Forty Eight (48) hours from the conclusion of the AGM of the Company. The results will also be communicated to the stock exchange where the shares of the Company are listed.

19. AGM has been convened through VC/OAVM in compliance with applicable provisions of the Companies Act, 2013 read with MCA Circular No. 14/2020 dated April 8, 2020 and MCA Circular No. 17/2020 dated April 13, 2020 and MCA Circular No. 20/2020 dated May 5, 2020.

20. Brief resume/ profile and other information in respect of the Directors seeking appointment at the Annual General Meeting as required under Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) 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. 3

Appointment of Ms. Bhavna Bindra (DIN: 07314422) as an Independent Director of the Company

Pursuant to the provisions of Section 149 of the Companies Act, 2013 read with regulation 17 of the SEBI (LODR) Regulations, 2015, Kennametal India Limited ("KIL" or the "Company") is required to appoint at least one Independent Woman Director on the Board on or before April 1, 2020.

Accordingly, based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors at their meeting held on January 3, 2020 appointed Ms. Bhavna Bindra (DIN: 07314422) as Additional Director (Woman Independent Director) with effect from January 3, 2020 who shall hold office upto the date of the ensuing Annual General Meeting ("AGM").

Pursuant to the provisions of Section 161 of the Companies Act, 2013, 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 Ms. Bhavna Bindra (DIN: 07314422) as a Director and an Independent Director of the Company.

The brief resume in relation to her experience, functional expertise and memberships on other companies' Boards and Committees as required under SEBI (LODR) Regulations, 2015 is set out in Annexure 'A-I' to this Notice. The Board considers that her continued association as Director (Women Independent) will be beneficial to and in the interest of the Company.

In opinion of the Board, she fulfils the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and is Independent of the Management. The Board of Directors recommends the Ordinary Resolution set out at Item No.3 of the Notice for approval by the Members.

Except Ms. Bhavna Bindra, 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. 4

Appointment of Mr. Vijaykrishnan Venkatesan (DIN: 07901688) as Director and Managing Director of the Company

The immediate past Managing Director, Mr. Bhagya Chandra Rao had retired from the services of the Company w.e.f., September 16, 2020. The Board of Directors at their meeting held on August 19, 2020 had appointed Mr. Vijaykrishnan Venkatesan (DIN: 07901688) as an Additional Director of the Company w.e.f. September 17, 2020 who holds office until the date of this Annual General Meeting. The Board in the same meeting had also approved the appointment of Mr. Vijaykrishnan as Managing Director of the Company w.e.f., 17th September, 2020 for a period of Five (5) years subject to approval of Shareholders. The Company has entered into an employment agreement with Mr. Vijaykrishnan listing out his terms of appointment and remuneration.

Mr. Vijaykrishnan has a total work experience of over 22 years which includes exposure across various industry verticals including Infrastructure, Automotive, Construction, Mining, Oil & Gas and General Engineering industries. He has handled various roles of increasing responsibilities which includes Vice President of Abrasive Systems Division ; 3M India Ltd, Vice President – Strategic planning ; 3M India Ltd, Executive Director – Safety and Graphics Business ; 3M India Ltd, Business development Manager, Asia Pacific Region - Personal Safety division at 3M and most recently as the Global Portfolio Leader for Disposal respirators at 3M.The brief profile in relation to his experience, functional expertise and memberships on other companies' Boards and Committees as required under SEBI (LODR) Regulations, 2015 is set out in Annexure 'A-II' to this Notice.

Keeping in view the expertise, managerial and leadership skill of Mr. Vijaykrishnan, the resolution as set out under item no. 4 is placed before you for your approval and the Board recommends the adoption of the resolution in the best interest of the Company, as Special Resolution.

The main terms of the agreement dated September 17, 2020 are set out in the resolution no. 4.

None of the Directors and/or Key Managerial Personnel's and their relatives except Mr. Vijaykrishnan Venkatesan, is in any way concerned or interested financially or otherwise in the said Resolution.

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

Item No. 5

Ratification of remuneration to Cost Auditor

The Board of Directors of the Company at its Meeting held on August 19, 2020 on the recommendation of the Audit Committee, approved the appointment and remuneration of Messrs. K. S. Kamalakara & Co., Cost Auditors, Bengaluru (FRN: 0000296), to conduct the audit of the cost records of the Company for the financial year ending June 30, 2021 and have in this regard approved payment of Rs. 150,000 (One Hundred & Fifty Thousand Only) (excluding applicable taxes and re-imbursement of out of pocket expenses) as cost audit fees for FY21. In terms of the provisions of Section 148(3) of the Companies Act, 2013 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 2021 as set out in the Resolution aforesaid.

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

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

Item No. 6 & 7

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

As a part of its regular 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 2019-20 ("on-going transaction") the Audit Committee has reviewed and approved the transactions as mentioned in the resolutions set out under Item No. 6 & 7 of the Notice, on August 19, 2020.

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

An analysis of all the related party transactions (RPT) entered into/by the Company during FY20 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 are at Arm's length basis.

In 54th Annual General Meeting of the Company held on November 13, 2019, Shareholders approved all Material Related Party Transactions for a period of 3 years.

In addition to that the value of estimated RPTs approved for FY21 are revised due to growth in the business activities along with inclusion of other transactions. (as mentioned in the resolutions set out under Item No. 6 & 7 of the Notice)

The Board of Directors at its Meeting held on August 19, 2020, reviewed the actual value of transactions for FY20 and estimated value of the transactions on annual basis effective FY21 in detail, for recommending the same to the shareholders of the Company for their approval.

As per Regulation 23(1) 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 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 resolution 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 items (6) & (7).

Particulars	**Information**
Description of the Related parties	Kennametal Inc. and Kennametal Europe GmbH
Nature of relationship	Holding Company and its group companies (e.g. subsidiaries, associate companies and joint venture companies)
Period for which the shareholders' approval is sought	July 1, 2020 to June 30, 2021
Nature and Particulars of transactions with Kennametal Inc. USA, Kennametal Europe GmbH	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 Listing Regulations. Therefore, the approval of the Members is sought for an aggregate value of transactions for the financial year 2020-21 for Rs. 4880 Million (Kennametal Inc. – Rs. 2220 Million and Kennametal Europe GmbH – Rs. 2660 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. 35 to the Notes to the Financial Statements for the year 2019-20.

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 Resolution set forth in item No. 6 and 7 of the Notice for the approval of the Members in terms of Regulation 23 of the Listing Regulations.

None of the Directors or Key Managerial Personnel of the Company except Mr. D. Parameswar Reddy and Ms. Colleen Wood Cordova (being representatives of Kennametal Inc. on the Board of the Company) and their relatives may be deemed to be concerned or interested, directly or indirectly, in this Resolution.

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.

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 19, 2020

Annexure A (I & II)

Brief Particulars of Directors seeking appointment / reappointment

I. Ms. Bhavna Bindra

Name of the Director	Ms. Bhavna Bindra
Date of Birth	08/05/1977
Relationship between Directors inter-se	None
Experience	Ms. Bhavna Bindra (DIN: 07314422) was the Managing Director-Materials (Accelerate India Program) at DSM India Private Limited since August 2019 wherein she was responsible for growth of Materials Cluster in the region, including alliances, Mergers & Acquisitions and investments. Prior to joining DSM India Private Limited, Ms. Bhavna Bindra led the Rs. 1300 cr. Distribution Business unit at Cummins India Ltd., where she was charged with providing aftermarket support across India for over half a million Cummins engines powering various applications including Power Generation, Mining, Railways, Defence, etc. Prior to taking this role in 2015, Ms. Bhavna led Cummins India's Automotive business from 2010. Ms. Bhavna has been on the Boards of Valvoline Cummins Private Ltd. and Cummins Sales and Service Private Limited as well as on the Board of Cummins DKSH. Before joining Cummins, Ms. Bhavna worked as a Consultant with The Boston Consulting Group across different industry verticals including Financial Services and Pharmaceuticals. She has also held a leadership position at Boston Analytics, a start-up focusing on Research and Analytics. A strong advocate of workplace Diversity, Ms. Bhavna worked actively to help developing strategies to attract and retain women employees for Cummins entities in India. Ms. Bhavna was recognized as one of India Inc.'s 25 Rising Women Leaders in 2015 by Economic Times. She was also among the "40 Under Forty" Young Leaders list of Economic Times in 2016.
Expertise in specific functional area	Sales, Marketing and Leadership
Qualifications	Certified six sigma green belt, Economics (Honors) from ShriRam College of Commerce, Delhi Post-graduate from IIM Bangalore.
List of Directors in the Listed Entities and Memberships of Committees of the Board in India	Independent Director and a member of Audit Committee and CSR Committee of M/s. Automotive Stampings & Assemblies Limited, a (TACO) Tata Auto Component Company
No. of Shares held in Kennametal India Limited	NIL

II. Mr. Vijaykrishnan Venkatesan

Name of the Director	Mr. Vijaykrishnan Venkatesan
Date of Birth	09/09/1974
Relationship between Directors inter-se	None
Experience	Vijaykrishnan Venkatesan has more than 22 years of strategic and operational leadership experience in India and Asia Pacific region. Experienced in working across various industry verticals including Infrastructure, Automotive, Construction, Mining, Oil & Gas and General Engineering industries. Prior to joining Kennametal India Limited, He has handled various roles of increasing responsibilities which includes Vice President of Abrasive Systems Division ; 3M India Ltd, Vice President – Strategic planning ; 3M India Ltd, Executive Director – Safety and Graphics Business ; 3M India Ltd, Business development Manager, Asia Pacific Region - Personal Safety division at 3M and most recently as the Global Portfolio Leader for Disposal respirators at 3M.
Expertise in specific functional area	Infrastructure, Automotive, Construction, Mining, Oil & Gas and General Engineering industries
Qualifications	Graduate of Madras University with a Degree in Mechanical Engineering and is also an MBA with specialization in Marketing.
List of Directorships in the Listed Entities 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 19, 2020

To the kind attention of the Members of the Company holding shares in physical form:

As you all 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 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? ; 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;
   - No stamp duty on transfers;
   - 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 Rs. 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 Rs. 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 19, 2020

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55th ANNUAL REPORT

FY20

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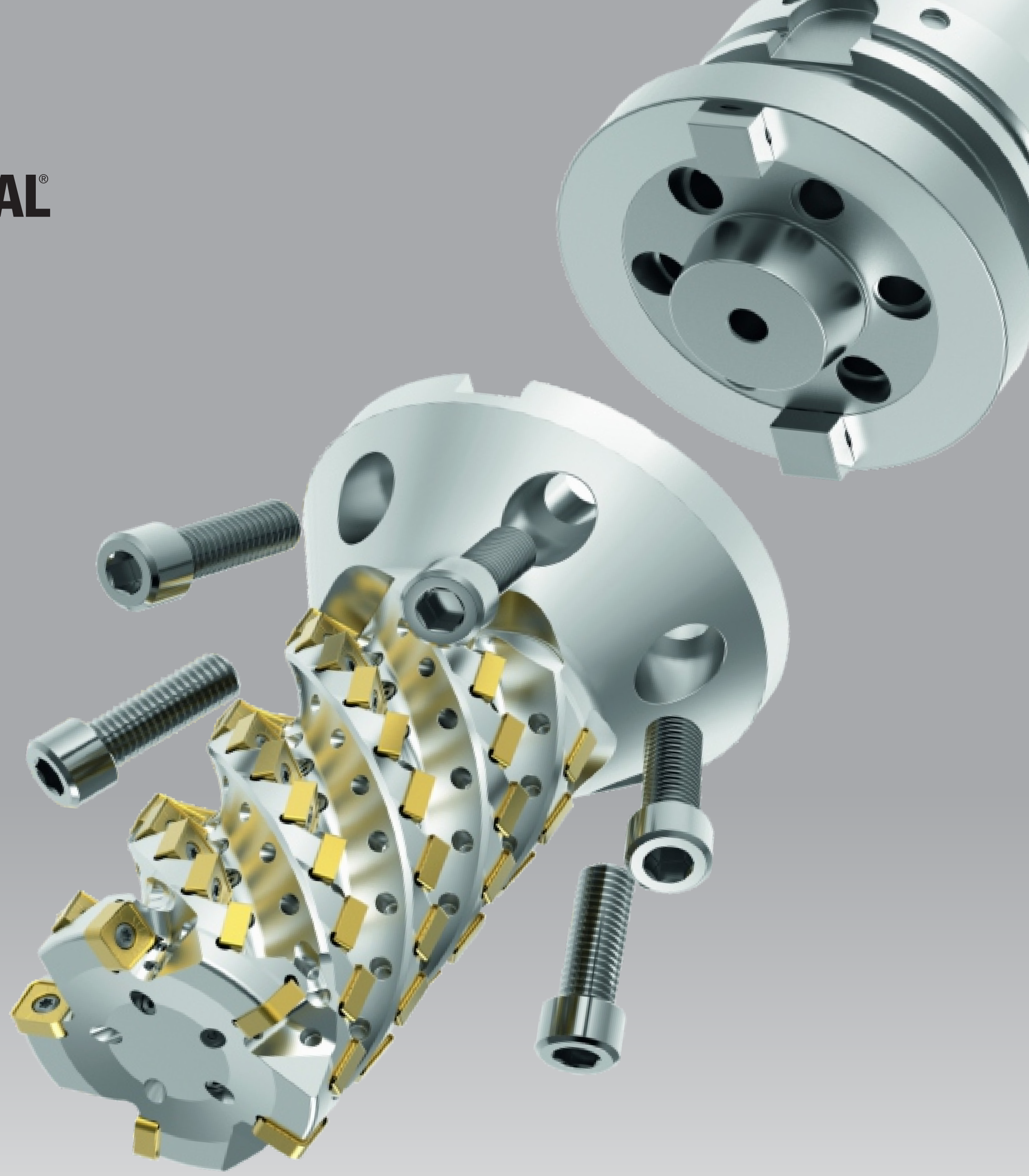

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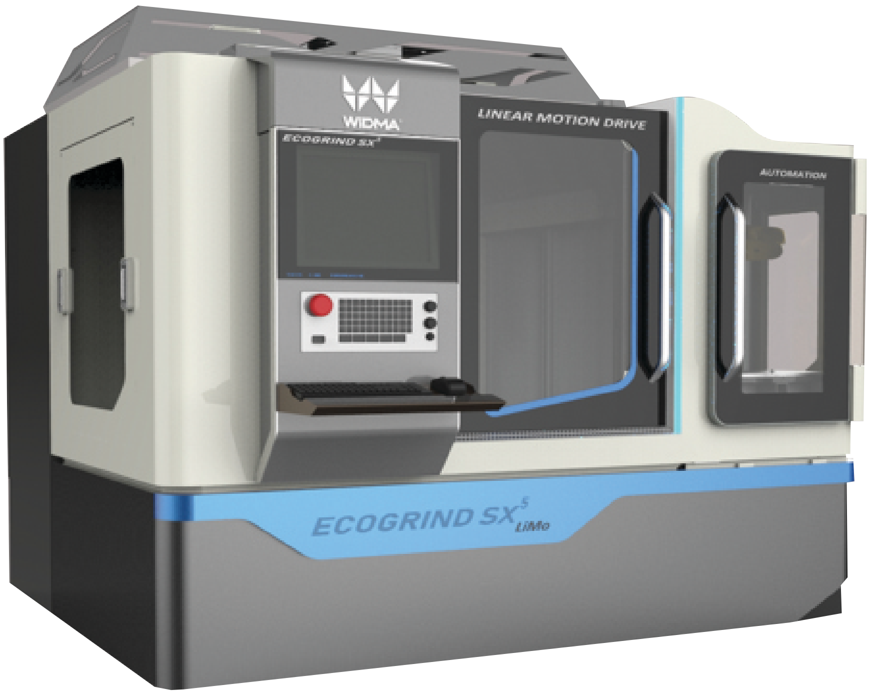
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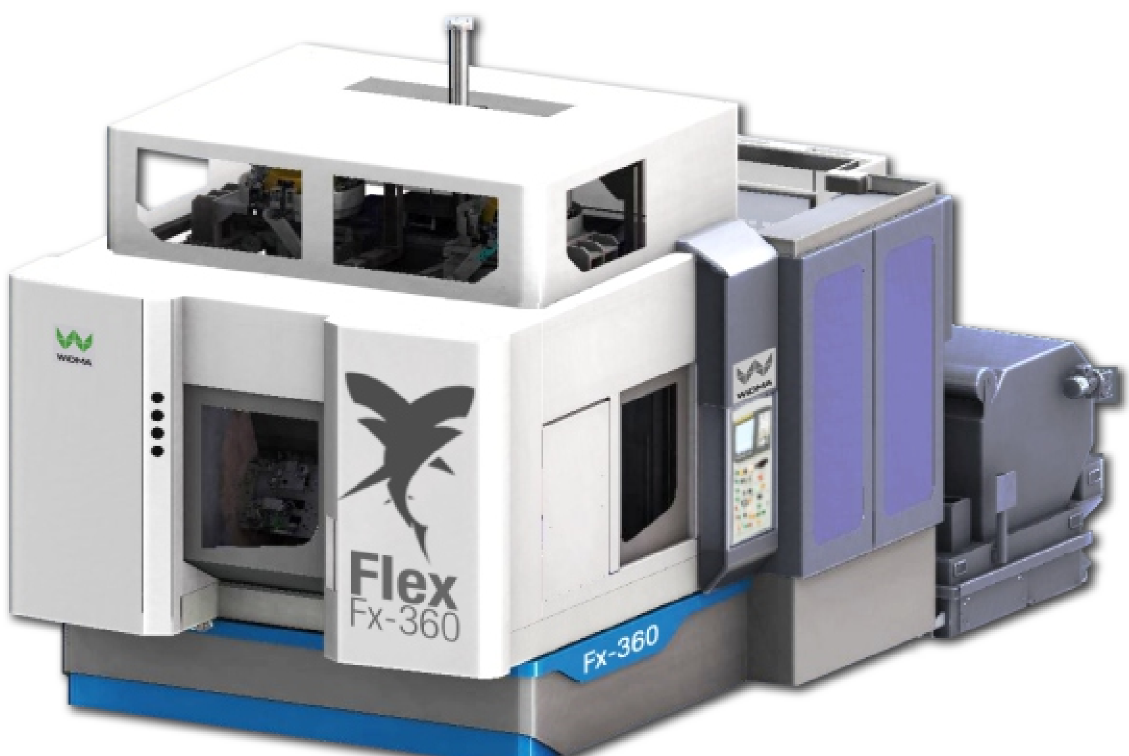
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Fx-360
Fx-360

KENNAMETAL INDIA LIMITED

(CIN: L27109KA1964PLC001546)

Directors
Mr. B. Anjani Kumar
Chairman
Mr. Bhagya Chandra Rao
Managing Director
Mr. Vinayak K. Deshpande
Ms. Bhavna Bindra *(Effective January 3, 2020)*
Mr. Alexander Broetz *(Up to June 30, 2020)*
Ms. Colleen Wood Cordova
Mr. D. Parameswar Reddy

Key Managerial Personnel
Mr. Bhagya Chandra Rao
Managing Director
Mr. K.V. Suresh Reddy
Chief Financial Officer
Mr. Naveen Chandra Prakash
General Manager - Legal & Company Secretary

India Leadership Council (ILC)
Mr. Bhagya Chandra Rao
Mr. Vijaykrishnan Venkatesan *(Effective August 3, 2020)*
Mr. K. Chandrashekhar Sharma *(Upto June 30, 2020)*
Mr. M. N. Bhaskara Rao
Mr. M. T. Swamy
Mr. K.V. Suresh Reddy
Mr. Prashant Shetty
Mr. Manu Kidave
Mr. Naveen Chandra Prakash

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
Vijayakrishna K. T., Company Secretary

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

55th Annual General Meeting
Wednesday, November 11, 2020 at 12.00 noon
through Video Conferencing ("VC") or Other Audio Visual means ("OAVM")

Contents	Page No.

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am privileged to present on behalf of the Board of Kennametal India Ltd., the 55th Annual Report of the company for the financial year ended June 30, 2020. The year saw a very challenging economic environment starting from around October 2019 with India's GDP growth coming down to 4.7 % in Oct –Dec 2019 and then down to 3.1 % in Jan-March 2020. This was followed by the lockdowns starting from March 25, 2020 due to the global COVID-19 pandemic and your Company's fourth quarter (April-June 2020) was very seriously affected in terms of both the sales revenue, and its profit before tax.

The COVID-19 pandemic has changed the way people think and live today and your company and its management has also had to face and live with the 'new normal' since the last week of March 2020. Since the 1st lockdown the health and safety of the Company's employees has been the primary objective of your company and the company has strictly implemented all the safety measures laid down by the authorities. Infact, over and above the guidelines from the concerned authorities, your company has taken many steps to educate the employees on how to 'take care and stay safe' both in the Company's premises and outside.

International economic situation:

Amidst a loss of momentum across geographies, escalation of trade tensions between China and the US, uncertainty over Brexit and heightened geo-political risks, the global economy grew at its slowest pace in 2019, post the global financial crisis of 2007-08. Just as these retrograde forces appeared to be easing their grip towards the close of 2019, the novel coronavirus (COVID-19) broke out and rapidly escalated into a pandemic, seriously affecting global economic prospects and imparting extreme uncertainty about the outlook. The contagion spread to about 200 countries across the world, claiming over 33.7 million infections and over 1 million fatalities worldwide by end of September 2020. Overall, the COVID-19 pandemic has delivered an unprecedented shock to the economies of nations across the globe.

The index of industrial production (IIP) in India shrank by 0.8 per cent during 2019-20 from a growth of 3.8 % in the prior year. This broadly reflects what happened to industrial production in India in 2019-20, even before the commencement of the lockdowns.

Indian manufacturing sector – an overview:

In the manufacturing sector, which constitutes three-fourths of industrial production, 17 of 23 industry groups recorded contraction in 2019-20. Admirable growth in the Indian manufacturing sector during 2018-19 did not sustain during the second half of FY 20 and this low consumer sentiment has carried on until July 2020. The COVID-19 pandemic outbreak during March 2020, wiped off the early shoots of revival that were becoming visible towards the first couple of months of 2020.

The Private final consumption expenditure (PFCE), constituting 57.2 per cent of aggregate demand in India, recorded its lowest growth in a decade. The poor sentiment only aggravated further with COVID-19 and the attendant lockdowns.

The IIP in Manufacturing segment in India slumped from 3.9% during 2018-19 to -1.4% during 2019-20. The motor vehicles segment was the largest negative contributor to manufacturing IIP.

Even as the persisting weakness in capital goods production, and the decline in capacity utilization raised concerns in the context of investment slowdown, demand for consumer durables also slumped, suggesting overall weakening of demand conditions. Despite this situation, I am glad to inform you that your Company's Machining Solutions Group (MSG) which manufactures the WIDMA Brand of special purpose machines did well in the year ended June 30, 2020 and recorded sales of ₹1481 million, which was a drop of only 7% versus the prior year, despite the lockdown from 25th March, 2020 onwards. This was achieved by implementing a range of operational efficiencies to execute on time and deliver to the customer's schedule. The strict control and restrictions on capital expenditure implemented by almost all companies in India over the last 3 quarters, does however pose a problem for MSG in the year ahead as orders inflows might be adversely affected.

The Automotive industry in India:

The depressed sentiments of the end consumer in the auto market was fueled further by several factors such as a hike in the cost of BS VI vehicles, the expectation of possible reductions in GST rates, the liquidity crisis in Banks and NBFCs causing hikes in interest rates, the multifold increase in road tax by a number of state governments, increase in the insurance cost due to judicial interventions, new axle norms, lack of clarity about regulations relating to transition to BSVI emission standards etc., all of which further hurt the demand for passenger and commercial vehicles.

In the last fiscal year of FY20 (Financial Year ended March 31, 2020), the overall volumes of the auto industry fell by 18 percent with total passenger vehicles reporting 18 percent decline over FY19; total commercial vehicles sales volume dropping by 29 percent against FY19 sales and total two-wheeler sales in FY20 dropping by 18 percent against FY19.

As India gradually unlocks, the demand for vehicles is picking up with green shoots emerging in the two-wheeler and small car segments. Major carmakers reported a near 20 percent jump in August domestic passenger vehicle sales compared to last year and 24% hike in production during September 2020 when compared to September 2019. While the upcoming festive season could continue to buoy sales in the short-term, it remains unclear whether this momentum can be sustained throughout FY 2021 due to rising COVID-19 cases across the country. Industry experts' outlook for sales in FY 20-21 remains cautious. Signs of revival are however showing up with the Manufacturing PMI Index going up from 27.4 during April 2020 to 56.8 during September 2020.

Tractor industry in India:

The Tractor Industry in India also suffered in FY20 due to the economic slowdown, unusual monsoons last year and the recent COVID-19 outbreak. The Industry registered a YoY degrowth of -10.1% in FY2019-20. The volume drop in FY20 comes after three years of steady growth. The tractor industry posted 8 per cent growth in FY19, while the growth rates were 18 per cent (58.3 billion units) and 22 per cent (71.1 billion units) respectively for FY17 and FY18.

Mining and Construction Equipment Industry in India:

CRISIL reports that, the Mining and Construction Equipment industry saw a 70% decline during the quarter, April to June 2020. Government's action in quickly awarding the contracts to the mining & construction equipment industry and hastening the payment cycles, did contribute in a small way, to restore confidence during the months of January & February 2020 but the COVID-19 impact during March 2020 & consequent shutdowns effective March 25, 2020, overrode the positive impact during the earlier months which dented the small positive shoots of earlier months. Overall, the construction industry ended FY20 (March 31, 2020) with a decline in sales by 20%.

Several reforms undertaken by the government including liberalizing the FDI norms, the amendments to the Insolvency Bankruptcy Code, increased focus on spending by the Government in infrastructure, railways, defense road projects are expected to bring in respite in the industry.

Financial performance

For the reasons above stated, your Company's sales on a consolidated basis declined by 25.4% year on year recording a total of ₹ 7050/- Million in FY20. As a result, the Earnings before Exceptional items and Tax came down to ₹ 472 Million for FY 20.

The lockdown and disruption in operations from March 25, 2020 onwards, severely affected the fourth quarter operations of your company leading to a substantial loss of both revenue and profits.

Net operational cash flow generated during the year decreased from ₹ 708 Million in FY19 to ₹ 336 Million in FY20. The decrease in the operating cash flows was mainly due to lower inflow from operations.

Your Company has undertaken various cost containing initiatives to overcome the impact of the market downturn followed by the COVID-19 impact and consequent lockdowns.

Changes to constitution of the Board of Directors

Though mentioned later also in this Annual Report of your company, I would like to bring the following four important changes to the Board of your Company to your attention :

1. The tenure of Mr. Prakash M. Telang, Chairman of the Board or your Company, came to an end on November 3, 2019. I would like to place on record our sincere appreciation for all the significant value adds made Mr. Telang while being the Chairman on the Board of your Company.
2. Mr. Alexander Broetz, a Director nominated to the Board of your Company by Kennametal Inc., has resigned from the Board with effect from June 30, 2020, as he has left the services of Kennametal Inc to pursue other interests. I would like to place on record here our sincere appreciation of the significant contributions made by Mr. Broetz during his tenure as a Director on the Board of your company. The Board wishes him all the best in all his future endeavors.
3. Mr. B.C. Rao, the Managing Director of your Company since September 2012, retired from the services of the Company with effect from September 16, 2020. The Board highly appreciates the way Mr. Rao led the company over the last eight years and delivered profitable growth for the company year after year, despite increasing competition and a highly volatile market. The Board wishes him all the best for the future.
4. Mr. Vijaykrishnan Venkatesan, who was appointed as an Executive Vice President of the Company with effect from August 3, 2020, will be taking over from Mr. B.C. Rao as the Managing Director of the Company with effect from September 17, 2020. Mr. Vijaykrishnan Venkatesan comes to the company with more than 22 years of experience including 18 years in various senior and international roles in another large multinational company. The Board recommends his appointment to the Shareholders and welcomes him to the Board in view of his varied senior level experience and his commitment to ethical business practices and corporate governance.

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.

Corporate Social Responsibility:

The emphasis on Corporate Social Responsibility is increasing by the day and your Company's efforts in this area continue to be focused on the three primary categories that have been established for CSR activities with an emphasis on 'Support for Education'; 'Kennametal in the Community' and 'Protecting Our Planet'.

During FY20, as part of our continued engagement with Sparsha Trust, Kennametal India Limited supported Sparsha Nisarga Grama facility with accommodation under 'Makkala Dhama' project for the underprivileged boys. Your Company also sponsored the daily running expenses of Sparsha Nisarga Grama (accommodation of underprivileged girls) during the difficult times of COVID-19. Your Company also supported the Government hospitals under the jurisdiction of Bangalore Urban district which are treating COVID-19 patients, by providing PPE kits, sanitizers, masks and thermal scanners to the Hospitals.

Your Company also sponsored COVID-19 prevention and protection materials like masks, sanitizers and thermal scanners to the personnel in Police stations and to the Pourakarmikas of BBMP in and around your Company's facility.

Your Company also supported 7 Govt schools around our vicinity with Multi-Dimensional Learning Space (MDLS) facility by providing infrastructure for smart classrooms through NGO India Literacy Project (ILP). Kennametal India Limited also provided computer labs, library, science kits for experimentation, support of Computer teacher & Science teacher for the 7 Government schools to assist in teaching students & training teachers on MDLS concept.

Your Company was required to spend ₹16.28 million on CSR projects during the financial year and I am glad to confirm that your company fully met this requirement by spending ₹16.29 million on these highly commendable and duly approved projects.

As we move ahead into the post pandemic world, the next few quarters will be volatile and challenging but I am confident that your Company's ethical business policies and business planning processes, supported by its strong Balance Sheet, will ensure its profitable growth.

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

I would also be remiss in my duty if I did not acknowledge the contribution of our loyal customers, distribution partners, vendors and bankers in our growth and success. To our loyal shareholders, we express our gratitude and wish each and every one of you, safe days ahead and continued success.

Finally, I would like to convey my sincere gratitude to my esteemed colleagues on the Board for their valuable advice and guidance which ensures that your company adheres to its principles, policies and processes and successfully meets the various challenges arising in these difficult times.

Thank you.

Bidadi Anjani Kumar
Chairman
DIN: 00022417

BOARD'S REPORT

Your Directors are pleased to present below the 55th Annual Report along with the Consolidated and Standalone Audited Financial Statements for the financial year ended June 30, 2020.

FINANCIAL RESULTS (₹ IN MILLION)

Particulars	Consolidated		Standalone*	
	FY20	FY19	FY20	FY19
Total Revenue	7,050	9,452	6,414	9,269
Profit before exceptional items and tax	**472**	**1,272**	**448**	**1,216**
Add/Less-Exceptional Items Income/(Expense)	(51)	-	(44)	-
Profit after exceptional items and before Tax	**421**	**1,272**	**404**	**1,216**
Less: provision for tax	**82**	**368**	**79**	**353**
Current tax	101	394	96	376
Tax adjustment relating to earlier years	(10)	(115)	(8)	(115)
Deferred tax (credit)/charge	(9)	89	(9)	92
Profit after Tax	**339**	**904**	**325**	**863**
Other comprehensive income for the year, net of tax	**(10)**	**(10)**	**(10)**	**(10)**
Total comprehensive income for the year	**329**	**894**	**315**	**853**
Add: balance brought forward from previous year	5,010	4,168	4,969	4,168
Total available for appropriation	5,339	5,062	5,284	5,021
Dividend	-	44	-	44
Dividend distribution tax	-	9	-	9
Share based compensation adjustment	(2)	(1)	(2)	(1)
Balance transferred to Balance Sheet	5,337	5,010	5,282	4,969

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

DIVIDEND AND RESERVES

The Company has not declared any dividend for the financial year ended June 30, 2020, in view of the need to conserve cash in the prevailing uncertain economic environment.

The Company has not transferred any amounts to reserves for the financial year ended June 30, 2020.

OPERATING RESULTS

The consolidated Profit before Tax and before Exceptional items was ₹472/- Million for FY 19-20. The Company's performance for the year has shown a downward trend when compared with the previous year on account of the slowdown in the economy and in particular in the auto segment from October 2019 onwards. This obviously had an impact on Q2 and Q3 of your company's performance. Thereafter the lockdown and disruption in operations from March 25, 2020 onwards, severely affected the fourth quarter operations of your company leading to a substantial loss of both revenue and profits. The fourth quarter of your company's operations saw a drop of ₹1545 million in revenue from operations as compared to the same period in the prior year. This led to a loss of ₹137 million in Q4 FY 20 as compared to a profit of ₹309 million in Q4 FY 19.

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 (Indian Rupees Two Hundred and Nineteen Million, Seven Hundred and Eighty Two Thousand and Four Hundred only) divided into 21,978,240 (Twenty One Million, Nine Hundred and Seventy Eight Thousand, Two Hundred and Forty only) Equity Shares of ₹ 10/- (Indian Rupees Ten only) each.

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

Disclosure regarding issue of Equity Shares with Differential Voting Rights

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

Disclosure regarding issue of Employee Stock Options

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

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

The tenure of Mr. Prakash M. Telang, the Chairman of the Board of your Company, came to an end on November 3, 2019. The Board places on record its sincere appreciation for all the support, guidance and direction during his tenure as the Chairman of the Board. In place of Mr. Prakash Telang, Mr. B. Anjani Kumar was appointed as the Chairman of the Board with effect from November 4, 2019.

Mr. Alexander Broetz, a Director on the Board of your Company nominated by Kennametal Inc, resigned from the Board as of June 30, 2020, as he has left the services of Kennametal Inc to pursue other interests. The Board of Directors wish to record their sincere appreciation of his services during his tenure on the Board of your Company.

Mr. Bhagya Chandra Rao, Managing Director of your Company who lead KIL for almost 8 years will be retiring from the services of the Company on September 16, 2020. During B.C. Rao's 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 place their 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 will be appointed as the Managing Director of your Company subject to shareholders approval in the ensuing Annual General Meeting. Mr. Venkatesan comes with 22 years of experience, including 18 years in various senior and international roles in another large multinational organization. His profile and credentials are made part of the notice calling the AGM.

MANAGEMENT DISCUSSION AND ANALYSIS

During FY20, the total revenue (Consolidated) of the Company was ₹7050/- Million compared with ₹ 9452/- Million in the previous financial year. Apart from the slowdown in the economy from October 2019 onwards, the most significant reason for the reduction in sales revenue was the drop of ₹ 1545 million in Q4 FY 20 as compared to Q4 FY 19, due to the COVID-19 lockdown from March 25, 2020 onwards.

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, Mr. Devi Parameswar Reddy, is due to retire by rotation at the forthcoming Annual General Meeting ("AGM") and, being eligible, offers himself for re-appointment. The Board recommends his reappointment 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 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 also remuneration for Key Managerial Personnel and other employees' forms part of Corporate Governance Report of this Annual Report. The Independent Directors possess the requisite expertise and experience (including Proficiency) necessary for acting as Independent Directors of the Company.

A brief profile of the Director being appointed / re-appointed as required under Regulation 36(3) of SEBI (LODR) Regulations, 2015 is furnished along with the Notice convening 55th Annual General Meeting.

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. However, Mr. Alexander Broetz, Mr. D. Parameswar Reddy and Ms. Colleen Wood Cordova, being Nominees of Kennametal Inc. on the Board of the Company may be deemed to be interested in some of the contracts with Related Parties though not personally. No Director holds any shares in the Company as on June 30, 2020 except Mr. B Anjani Kumar, Chairman & Non-Executive Independent Director, who holds 10 Equity Shares of ₹ 10/- each and Mr. Bhagya Chandra Rao, Managing Director, who holds 320 Equity Shares of ₹ 10/- each in the Company.

Appointment/Cessation/ Resignation of Directors:

The Board of Directors at its Meeting held on January 3, 2020 has appointed Ms. Bhavna Bindra as the Additional Director (Woman Independent) of your Company, who shall hold office until the ensuing Annual General Meeting.

Mr. Prakash M. Telang's tenure as Chairman of the Board & Independent Director came to an end on November 3, 2019. Mr. Anjani Kumar took charge as the Chairman of the Board effective November 4, 2019.

Mr. Alexander Broetz resigned from the office of Director w.e.f. June 30, 2020.

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. Further, according to the 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. The details are provided in the Shareholder information section of this Annual Report and are also 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 the FY20.

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

- the applicable accounting standards have been followed in the preparation of the financial statements, along with proper explanations relating to material departures, if any;
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2020 and of the profit of the Company for the year ended on that date;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- they have prepared the annual accounts on a going concern basis;
- they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DEPOSITS

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

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, 2020 are consolidated with the financial results of the Company for the financial year.

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

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, 2020.

EVALUATION OF THE BOARD'S PERFORMANCE

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

Further, SEBI (LODR) (Amendment) Regulations, 2018 has changed the evaluation criteria of Independent Directors from April 1, 2019. As per the amendment, evaluation of Independent Directors by the entire Board shall include:

(a) Performance of Directors and

(b) Fulfilment of independence criteria as specified in SEBI (LODR) Regulations, 2015 and their independence from the Management.

FAMILIARIZATION PROGRAMME

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

The Board of Directors 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. Presentations made by the Senior Management of the Company, inter alia, cover the Company's strategy, business model, operations, markets, organization structure, product offerings, finance, risk management framework, quarterly and annual results, human resources, technology, quality and such other areas as may arise from time to time.

The Independent Directors of the Company are associated with the Company for many years (with the exception of Mrs. Bhavna Bindra who was inducted into the Board only in January 2020 as mentioned earlier) and are very familiar with the Company. During the financial year, the Management provided various documents, background notes, presentations etc. to have a better insight into the Company's operations.

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

CORPORATE GOVERNANCE

Pursuant to Regulation 34 (3) read with Schedule V(C) of SEBI (LODR) Regulations, 2015, a report on Corporate Governance and the Certificate as required under Schedule V Part C(10) (i) of SEBI (LODR) Regulations, 2015 from Mr. Vijayakrishna K T, Practicing Company Secretary, regarding compliance of conditions of Corporate Governance is annexed as "Annexure II" and "Annexure IV B" which forms part of this report. Further, in compliance with the Listing Regulations, 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 KT, Practising Company Secretary for the financial year ended March 31, 2020 is annexed as "Annexure IV A " 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 IIA" and forms part of this report.

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

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

CEO/CFO CERTIFICATE

A Certificate from the Chief Executive Officer and the Chief Financial Officer dated August 19, 2020 on the Financial Statements and the Cash Flow Statement of the Company for the financial year ended June 30, 2020 is annexed as "Annexure-IIB" 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;
- Office of Ethics and Compliance: Fax: +1 724-539-3839 Telephone: +1 724-539-4031, Mailing Address: Office of Ethics and Compliance, 1600 Technology Way, Latrobe, Pennsylvania (USA) 15650

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

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

The Kennametal Ethics Helpline

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

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

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

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) who were appointed as Statutory Auditors at the 52nd Annual General Meeting held on November 07, 2017 for a period of 5 (Five) years to hold the office until the conclusion of 57th Annual General Meeting.

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 Annual General Meeting. Accordingly, the resolution for ratification has not been placed before the members.

The Independent Auditors' Report to the Members on the Accounts of the Company for the financial year ended June 30, 2020 does not contain any qualification, reservation or adverse remarks. The notes on financial statements referred to in the Independent Auditors' Report are self-explanatory and do not call for any further comments.

REPORTING OF FRAUDS

There was no instance of fraud during the 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 Act and Rules framed thereunder.

SECRETARIAL AUDITOR

Mr. Vijayakrishna K. T., Practicing 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 2019-20 and submitted his report, which is annexed to this report as "Annexure IV".

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

COST AUDITORS

Pursuant to the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the Board of Directors of the Company upon recommendation of the Audit Committee has appointed Messrs. K. S. Kamalakara & Co., Cost Accountants (Firm Registration No: 0000296), as the Cost Auditors of the Company for the financial year 2020-21. As required under Section 148 of the Companies Act, 2013, the Shareholders' approval for the remuneration payable to Messrs. K. S. Kamalakara & Co., Cost Auditors is being sought at the ensuing Annual General Meeting.

INTERNAL FINANCIAL CONTROL

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report which is annexed 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 2019-20.

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 2019-20 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. All related party transactions were placed before the Audit Committee and the Board for approval as applicable under Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (LODR) Regulations, 2015.

The Policy on RPTs as approved by the Board is uploaded on the Company's website at https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Related%20Party%20Transaction%20Policy%20.pdf

The Particulars of RPTs in Form AOC 2 is annexed to the Report as **"Annexure VI".**

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 VII".**

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

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 was a complaint lodged by an women employee, to the Internal Complaint Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, during the Financial Year. The matter was duly disposed-off during the first quarter of FY20. All requisite compliance and principles of natural justice were adhered while ensuring due disposal of the matter. The Complainant expressed her satisfaction over the disposal of the matter.

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 design.

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

ENVIRONMENT, HEALTH AND SAFETY (EHS)

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 fundamentals 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.

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. 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. Usage of power in the new buildings of the Company have reduced due to the architecture of the structures providing enough ventilation. The solar panels installed on top of the buildings are expected to reduce your Company's power consumption and aid reduction in carbon footprints. Your Company aspires to have close to 50% green cover within the campus by planting more trees before the end of September 2021 and initiatives on these have commenced during the year under review. Your Company is cognizant of preserving the ground water table and has in this regard been closely working with organized NGOs. An update on these will be provided in the following financial year FY21. Your Company continued to monitor the hazardous and non-hazardous waste, according to waste stream and disposal route, with performance assessed on the basis of waste intensity.

GREEN INITIATIVES

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

To the other Members, physical copies of the Annual Report and Notice of the Fifty- Fifth AGM are being sent through the 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 requests 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 FY20 brought about considerable improvements in the safety performance:

- Safety performance in FY20 showed significant improvement. Total Recordable Incident rate (TRIR) for FY20 was Zero, no recordable incident in FY'20
- Zero DART in FY20.
- Tracked all Injury Free Events, first aid and unsafe conditions and implemented suitable corrective and preventive actions to ensure safe working environment.

Other safety initiatives undertaken during FY20 include:

- Competence, Training and Awareness: A total 1,730 hours were spent on EHS training by employees of your Company.
- Annual medical examination of employees was conducted to assess the health status and suggest methods to sustain/ improve good health conditions of all employees;
- Wellness Awareness program was conducted covering 207 man-hours to create awareness and improve good health of the employees of the Company.
- Albeit the COVID-19 pandemic outbreak, there were 339 'Find and Fix' completed by employees during FY20. This safety program demonstrates every employee's involvement which is fundamental to eliminate any hazards and create a safe working environment.
- Your Company continued the Management Based Safety (MBS) program, a standard global safety process that has been the cornerstone of great improvement in safety culture;
- A Risk Finder Tool and an improved Daily Safety Checklist were designed to strengthen every employee's ability to identify, document and eliminate hazards at their workplace;
- "STOP WORK AUTHORITY" process was 100% adhered during FY20;
- Infrared thermographic was conducted to improve Electrical Safety;
- To prevent Occupational Health Hazard - Industrial Hygiene assessment was conducted to find the exposure levels to chemicals, noise, Indoor Air quality;
- To minimize risk and further improve safe working environment through the Hazard identification and Risk assessment tool, the following EHS Improvements were completed in FY20:
  - Provided pool proof safety machine guarding for 04 Nos. of the surface grinding machines;
  - Made certain improvement as part of the Gases cylinders Safety Improvement - HCL, CH4, H2S, Co, Co2 are stored in Gas cabinet to eliminate gas leakage and protect the environment;
  - Thermography survey conducted for electrical system by an external agency and corrective actions are taken to minimize the electrical fire incidents;
  - Installed Gas detection system in Gas Storage room to improve emergency preparedness any time;
  - Ensure the regular maintenance of all emergency equipment and firefighting hydrant system;
  - Regulatory Compliance - All cranes, pressure vessels, ovens & presses were inspected by Competent person and certified to ensure compliance and safe working.
- Construction safety measures: Ensuring all the safety measures proactively for all the constructions activities and all activities are carried out with safety requirements;
- Installed Two New SCBA in CVD area to protect employees in case of any emergency.

COVID-19 Safety Measures:

Your Company has taken a lot of precautions to maintain safe working environment amidst COVID-19 pandemic outbreak. Your Company's premises are free from COVID-19 infection. Some of the initiatives to maintain safe working environment include the following:

- Thermal Scanning of all employees including visitors at the entry and exit gates;
- Mandatory to cover face with appropriate face mask;
- Maintaining social distancing cross the plant;
- Regular disinfection of entire facility and common touch points;
- Imparting training and awareness to all employees about "Do's and Don'ts";
- Apart from imparting training, your Company circulated tip cards (in electronic and hard form) to all employees on COVID-19;
- Displayed the COVID-19 information and awareness boards across the premises;
- Conducted regular COVID-19 audit by the Company Doctor and EHS Expert along with the Plant Manager;
- Provided necessary PPEs for certain employees;
- Took self-declarations from all employees confirming sound health before resuming to duty (soon after lockdown period and employees who come back from long leaves);
- Getting a declaration form from the visitors for visiting the plant;
- Regularly monitor the health status of each employee and their family members;
- Created "work from home" facility for employees, depending on the nature of their job, so as to reduce the footfall in your Company's premises and mitigate risks;
- Formed the task force team headed by the Plant head and leading by the EHS head to review and monitor the systems and their adequacy from time to time;
- Followed all applicable regulatory requirements for controlling the COVID-19 infection.

ISO 14001 & OHSAS 18001: We are glad to inform you that your Company was recertified for the ISO 14001 the Environmental Management System and OHSAS 18001 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 State Level Safety and Health Quiz-2020 competition your Company's employees secured the second Prize in this 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, 2020 are set out in "Annexure IX" to this report in the format prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014.

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

The Company has formulated a Risk Management Charter and a mechanism to inform the Risk Management Committee of the Board about 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 Directors and senior executives as its members. The Chairman of the Board, Mr. B Anjani Kumar, is also the Chairman of the Committee.

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

The Company has also been employing the services of Ernst and Young LLP, India as its Internal Auditors and EY India regularly conduct 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

An extract of the annual return as per Form MGT - 9 is enclosed in "Annexure X" to the Board's Report.

BUSINESS RESPONSIBILITY REPORT

From this year onwards, 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 XI" to the Board's Report.

NUMBER OF BOARD MEETINGS

The Board of Directors met Six (6) times during the financial year 2019-20. 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 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 support and assistance received from customers, investors, business associates, bankers, vendors, regulatory and governmental authorities. Your Directors also wish to place on record their gratitude to the shareholders for their continued trust, confidence and express its sincere appreciation to all employees for their teamwork and contributions during the financial year.

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

Bhagya Chandra Rao	B. Anjani Kumar
Managing Director	Chairman & Independent Director
DIN: 00211127	DIN: 00022417
Address: Tower 5, Flat No. 5193	Address: Flat No.H22,
One Bangalore, West Apartment,	Diamond District, Airport Road,
Dr. Rajkumar Road, Rajajinagar,	Near KGA, Kodihalli,
Bengaluru 560010 KA IN	Bengaluru 560008 KA IN

Bengaluru
August 19, 2020

Annexure I to the Board's Report

Management Discussion and Analysis Report

1. Industry Structure and Developments, Opportunities and Threats Economic Trends – an Overview:

Global Economy

The financial year under review (July 2019 to June 2020) has witnessed a tremendous amount of uncertainty, volatility and high levels of risk due to several factors such as ideological and political differences between the two largest economies in the world, followed by the disastrous COVID-19 pandemic which started affecting most countries by around January 2020. According to the International Monetary Fund (IMF) the average growth of the global economy was 4.2% in 2019 but the growth rate during calendar year 2020 is estimated to be negative (-4.9%) as per the IMF.

Amidst a loss of momentum across geographies, escalation of trade tensions between China and the US, uncertainty over Brexit, and heightened geo-political risks, the global economy grew at its slowest pace in 2019 post global financial crisis. Just as these retrograde forces appeared to be easing their grip towards the close of 2019, the novel coronavirus (COVID-19) broke out and rapidly exploded into a pandemic, darkening global economic prospects and imparting extreme uncertainty about the outlook. The contagion has spread to about 200 economies across the world, claiming over 33.7 million infections and over 1 million deaths till end of September, 2020. Overall, the COVID-19 pandemic has delivered an unprecedented shock to the global economy.

Indian Economy

India experienced a slump in its GDP growth from 6.1 % in FY 19 to 4.2 % in 2020. The government's mandate to lockdown from March 25, 2020 onwards, in a bid to contain the contagious infection, had a serious adverse impact on the Indian economy, which contracted by 23.9 % in the quarter ended June 30, 2020.

Private final consumption expenditure (PFCE), constituting 57.2 per cent of aggregate demand in India, recorded its lowest growth in a decade. High frequency indicators of consumption demand either contracted or grew at a rate far below their long-run averages.

Among indicators of urban demand, passenger car sales contracted throughout 2019- 20, exacerbated by related factors such as rising insurance costs and tighter emission norms. Other indicators of urban demand, viz., consumer durables and air passenger traffic also remained depressed during the year, with the latter bearing the brunt of an exogenous shock due to the grounding of a major airline. Petroleum consumption remained flat, while non-oil non-gold imports remained in contraction all through the year.

The weakness in rural demand was aggravated by moderation in rural wages and dwindling employment avenues, and the slowdown in alternative sources of livelihood such as manufacturing and construction. Government Final Consumption Expenditure (GFCE) compensated for the slowdown in private consumption, registering double-digit growth for the third consecutive year in 2019-20. Excluding GFCE growth of 11.8 per cent, GDP growth for 2019-20 would have decelerated by 0.9 percentage points from the headline GDP growth.

Indian Economy outlook

As mentioned ibid, in this VUCA environment, it is not an easy task to ascertain the outlook with any authenticity. Reserve Bank of India's report depicts slow pace of growth until January 2021 amidst waning lock down restrictions and consistently raising numbers of COVID-19 infections. Recent reports from the RBI and other international finance organisations estimate India's GDP growth to contract by 9 to 11 % in FY 21.

The recent measures to 'Unlock' the economy have however had a positive impact on the consumer sentiment helping the Manufacturing PMI Index to go up from 27.4 during April 2020 to 56.8 during September 2020. The early shoots of recovery may rally through the festive season until February 2021.

The Government's initiatives, under "Atmanirbhar Bharat Abhiyan Package", aimed at strengthening infrastructure, logistics, capacity building, governance and administrative reforms for agriculture, animal husbandry, fisheries and food processing includes funding of ₹ 1600 billion. Government's recent announcement to spend ₹ 2360 billion towards COVID-19 relief, infusion of about ₹ 200 billion to state run banks and so on, are all expected to improve customer confidence. When the momentum in the economy gains traction, the Government will however need to pull back these funds to obviate the adverse effects of inflation, which even currently is ranging above RBI norms..

Indian manufacturing sector

In the manufacturing sector, which constitutes three-fourths of industry, 17 of 23 industry groups recorded contraction. The motor vehicles segment was the largest negative contributor to manufacturing IIP, while basic metals, largely comprising mild steel slabs, provided a positive impetus.

The mining sector decelerated largely on account of disruptions caused by extended monsoon. Crude oil and natural gas production declined due to depletion in reserves, flood repairs and industrial strikes, in addition to sluggish demand. There was some recovery in mining activity during H2 as unfavorable weather conditions waned and economic activity picked up in January-February 2020. Electricity generation decelerated due to contraction in thermal power generation, lean industrial demand and the extended monsoon. IIP manufacturing and electricity closely co-moved, indicating that a pickup in manufacturing activities is essential for electricity demand to improve. Hydro electricity generation registered double digit growth during the year even as the share of renewables increased in the total electricity generation mix.

Another constituent of Gross Fixed Capital Formation (GFCF), viz., construction activity remained subdued in 2019- 20 as a large inventory overhang coupled with stressed liquidity conditions restrained new launches. This was also reflected in growth of steel consumption, which plunged to a decadal low of 0.9 per cent in 2019-20 and cement production which registered a contraction of 0.9 per cent

In terms of weighted contributions to IIP, the shares of capital goods, construction/ infrastructure goods, consumer durables and consumer non-durables declined, while that of intermediate goods increased.

Even as the persisting weakness in capital goods production, and the decline in capacity utilization have raised concerns in the context of investment slowdown, demand for consumer nondurables has also slumped, suggesting overall weakening of demand conditions.

The deceleration in manufacturing activity was further aggravated by decline in trade due to trade disruptions with the onset of COVID-19 and declining demand.

Import intensity differs across product groups, with the electronics industry having the highest import dependence, followed by machinery and equipment, reflecting disproportionate impact of trade restrictions on industries. Accordingly, an import disruption, ceteris paribus, would lead to non-availability of crucial components, resulting in contraction in manufacturing Gross Value Added (GVA) by as much as 2.5 per cent.

The impact due to factor income loss (capital and labour) due to lockdowns is estimated to be around ₹ 2700 billion.

Index of Industrial Production (IIP)

The index of industrial production (IIP) shrank by 0.8 per cent during 2019-20 from 3.8 per cent growth a year ago.

The IIP in Manufacturing segment in India slumped from 3.9% during 2018-19 to -1.4% during 2019-20.

Industrial production in India shrank 10.4 percent year-on-year in July of 2020, following a downwardly revised 15.8 percent fall in June. It marks the fifth straight month of falling industrial output due to the coronavirus pandemic and a prolonged lockdown. Manufacturing went down 11.1 percent, mining sank 13 percent and electricity output declined 2.5 percent. Considering April to July, industrial output plunged 29.2 percent.

Industry Structure and Developments

Your Company's expertise in developing and manufacturing sophisticated hard material cutting and wear protection solutions ranging from specialized cutting tools, indexable inserts and carbide rods to new types of carbide wear-resistant engineered components and coatings using a specialized type of powder metallurgy is well established and has given it a well-deserved global reputation for providing innovative wear resistant solutions across diverse sectors like transportation, earthworks, energy, infrastructure and aerospace. Cemented tungsten carbides, ceramics, super-hard materials are used in the manufacture of Metalworking tools by the Company. In addition, your Company also manufactures and markets a complete line of tool holders, tool-holding systems and rotary-cutting tools by machining and fabricating steel bars and other metal alloys. Your Company specializes in the manufacture of compacts, metallurgical powders, and products made from tungsten carbide or other hard materials that are used for custom-engineered and challenging applications, including mining and highway construction, among others.

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

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

Your Company also provides end-to-end solutions in design and manufacture of high precision Special Purpose Machines to meet the needs of end users in automotive, defense, railways, infrastructure and General engineering segments.

Opportunities and Threats:

Your Company's products are used in almost all manufacturing industries, with the automotive, aerospace, infrastructure and machinery manufacturers being major users. The major user industry is the automotive and Transportation sector at present and therefore the developments in this sector will have a direct impact on the demand for metal cutting tools market.

The automotive industry has been witnessing a slow down since the later part of FY19. While it is difficult to assign any particular reason for the slowdown, combinations of some of the following factors kept the end customer out of auto showrooms:

- Hike in cost of BS VI vehicles;
- Expectancy of possible reductions in GST rates;
- Liquidity crisis in Banks and NBFCs causing hike in interest rates;
- Multifold increase in road tax by number of state governments;
- Increase in insurance cost due to judicial interventions;
- Demonetization;
- New axle norms and about 350 amendments to the GST; and
- Lack of clarity about regulations relating to transition to BSVI emission standards;
- COVID-19 infections which forced the Government to announce lockdowns since March 25, 2020 and consequent jobs losses, pay cuts – all of which further hurt the demand for passenger vehicles.

The auto industry saw a decline by about 18 percent in volume during FY20 with production of 21,548,494 units. The passenger vehicle sales volume stood at 2,775,679 units, as compared to 3,377,389 units in FY19 marking a degrowth of 18%. Total commercial vehicles sales in FY20 dropped by 29 percent with sales of 717,688 units during FY20 as against 1,007,311 units during FY19. The two-wheeler

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segment recorded drop in sales volume by 18 percent with sales of 17,417,616 units as compared to 21,179,847 units in FY19. Overall, the auto component industry is running at as low as 50% capacity utilization, forcing it to hold investment worth about $2 billion for capacity expansion.

However, shoots of revival are showing up with Manufacturing PMI Index going up from 27.4 during April 2020 to 56.8 during September 2020. The largest manufacturer of passenger vehicles in India reported production of 1,61,668 units in Sep 2020, when compared to 1,30,264 units during September 2019, reporting thereby a growth of 24.1 per cent. Fears associated with using shared mobility services during COVID-19 pandemic, also propelled sales of two wheelers in India. The positive developments are expected to rally throughout the festive season.

The stable government in India at the center is likely to withstand the global trade tensions on a short-term basis. Additionally, developments in alternative technologies like additive manufacturing and the pace of adoption of electric vehicles will continue to have a significant influence in shaping the future of the cutting tool business industry.

Several reforms undertaken by the government including liberalizing the FDI norms further, the amendments to the Insolvency Bankruptcy Code, increased focus on spending by the Government in infrastructure, railways, defense road projects are expected to bring in respite in the industry. The government's proposal in respect of replacement of commercial vehicles which are over 20 years old, is also expected to spur huge demand for new commercial vehicles and would provide good opportunities for the Company's tooling and machine solutions.

The Tractor Industry in India also suffered in FY2020 due to economic slowdown, unusual monsoons last year and the recent COVID-19 outbreak. The Industry registered a YoY degrowth of -10.1% in FY2019-20. The volume drop in FY20 comes after three years of steady growth. The tractor industry posted 8 per cent growth at 7.87 units in FY19, while the growth rates were 18 per cent (58.3 billion units) and 22 per cent (71.1 billion units) respectively for FY17 and FY18.

Albeit the overall adversaries in the auto market and the rest of the economy, the tractor market, was able to maintain traction due to there being good monsoons.

The Machine Solutions Group (MSG) of your Company thrived both in terms of revenue and margins as most of the OEMs were preparing for production of BSVI vehicles. The CAPEX investments made by OEMs were supported by MSG group of your Company. Your Company continues to explore market inside and outside India to build competing machines of tomorrow.

The demand from the infrastructure space is another growth area for the Company while a good beginning has been made in meeting the growing needs of the Aerospace and Defense equipment manufacturing segments which are lately seeing good investments and growth in India.

The infrastructure, defense and aerospace sectors are still in the nascent stages of growth in India with significant potential for exponential growth going forward and hence there is optimism regarding greater growth in demand for products in these realms and your Company is focusing on these sectors as well.

2. Operations

Your Company has recorded sales of ₹ 7050/- Million in FY20 with a degrowth of 25.41% when compared to the previous year. Apart from the slowdown in the economy from October 2019 onwards, the most significant reason for the reduction in sales revenue was the drop of ₹ 1545 million in Q4 FY 20 as compared to Q4 FY 19, due to the COVID-19 lockdown from March 25, 2020 onwards.

Your Company is building further on the new global metal cutting strategy of having two strong brands (i.e. Kennametal & Widia). Both the brands will be positioned in a manner to maximize value creation for the customer and accelerate growth.

To grow in this difficult market, your Company is continuously focused on development of new products and initiatives to bring operational effectiveness as well as cost optimization and become competitive in the marketplace. A few of them are worth noting:

Investments in augmentation of Capacity & Productivity

During the Financial Year, the Company completed all the modernization and productive improvement CAPEX initiatives, however some of the capacity enhancing investments have been slowed down due to weak economic outlook which is further aggravated by COVID-19 pandemic.

Optimum utilization of manufacturing capacities

During the financial year, the Company augmented manufacturing capacity to meet the expected increase in domestic demand. The COVID-19 pandemic dented the expected demand. Shoots of recovery appearing during August and September 2020, are expected to improve the plant capacity utilization to address the demand from the domestic market. Any surplus capacity will be explored for further opportunities in exports. Your company also continues with its efforts to identify and implement any feasible options to locally manufacture some of the product groups being imported. These efforts are expected to result in cost benefit and improved margins in the long term.

Enhanced customer experience initiatives:

First Choice and All Star (local stocking program of imported products):

Local stocking of fast-moving SKUs which ensures seamless delivery of high-performing products resulting in optimum machine utilization by the customers.

Your Company's customers are now able to make selection of products easily now through Company's 'Kennametal Konnect 24/7' and 'NOVO'. Mobile applications launched by your Company have added value to better the customer experience.

Launch of new product range

During the year, your Company continued to launch new products under the "INNOVATIONs" range for the Kennametal brand and "ADVANCES" for Widia Brand.

Some of the new Products recently launched under "Kennametal" brand are e-Bore (Digital Boring Solution), Mill 4 12 KT LH version & Slotting program, High Performance SC Drills for Steel (HPX) and Cast Iron (HPR), Machining Solutions for Composites, Milling products for Aero Structures ,PCD Milling and Reamers.

Some of the new Products recently launched under "Widia" brand are e-Bore (Digital Boring Solution), TDMX, Shoulder milling platforms VSM11 & VSM17, new geometries introduced for Top Cut 4 drills, New victory grade for CI turning WK15CT and 2 new grades for VSM890 High Performance Shoulder Milling Platform.

3. Segment-wise performance/reporting

Your Company's business has been categorized into two broad segments in line with Accounting Standard 17 – Segment Reporting. The primary segments and secondary segments have been categorized based on the nature of the products and services offered by 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) Machine Tools / Machining Solution Group (MSG)

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.

4. Company's Outlook

In India, automotive sales slowed down since October 2019 due to the economic downturn and weak consumer sentiment. The nationwide lockdown from March 2020 caused domestic automotive sales to further drop by 45 percent, while sales for April and May were 90 percent lower across all vehicle segments.

As India gradually unlocks, the demand for vehicles is picking up with green shoots emerging in the two-wheeler and small car segments. Major carmakers reported a 14% percent jump in August domestic passenger vehicle sales compared to last year. While the upcoming festive season could continue to buoy sales in the short-term, it remains unclear whether this momentum can be sustained throughout FY 21 due to rising COVID-19 cases across the country. Industry experts' outlook for sales in FY 21 remains cautious.

In this VUCA environment, your Company foresees opportunities in defense, railways and general engineering realms. There is optimism regarding continuance of the strong demand for cutting tools especially from the Transportation Segment in future. Good monsoons are expected to boost the agricultural sector. The government's focus on strengthening the defense sector and the country's infrastructure is expected to provide a positive impact for the cutting tool industry in the years to come.

However, 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 increases is also expected to continue because of the sustained demand as well as the weakening of the Indian Rupee against the US Dollar. Despite these headwinds, the management continues to focus on the various growth initiatives and development of new products as key drivers to continue to maintain profitable growth. Profitability improvement with high focus on diversification and cost cutting will remain a key priority areas for FY21 as well.

Your Company will continue to drive growth through efforts at offering the best service and differentiated products to its customers.

5. 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 compliances with regulations. The Company has in place a robust internal audit process, run by 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, and 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.

Through an Enterprise Risk Management program, the Company's business units and corporate functions evaluate the risks faced by it under four categories i.e., Strategic Risks, Operating Risks, Reporting risks and Compliance risks. The Risk Management mechanism covers strategy to identify, assess, monitor and manage risks as applicable to the Company across each function. The results of the risk assessment and actions to mitigate these risks are presented to the Risk Management Committee of the Board for its review and guidance twice in a year.

In addition, the Company has policies and directions based on internationally accepted standards or best practices and wherever applicable, are in line with Kennametal Inc., (ultimate holding Company) global policies and practices. These are periodically updated to be in line with changing developments and global best practices. In addition, a system of Quarterly Reporting and Certification by all Functional Heads, along with secretarial, quality and environmental compliance audits by independent third parties serves to ensure timely compliance of all Statutory and other applicable Laws in addition to enabling early identification and mitigation of financial and non-financial risks.

6. Risks and Concerns

With your Company being dependent on the automotive market and there being a general slowdown in the consumption pattern in the automotive market, especially since the October – December quarter of 2019, the dependency can pose a risk. With your Company's strategic focus towards diversification into other areas such as, defense, aerospace, railways general engineering, infrastructure etc… and with the Machine Solutions Group being part of the business portfolio of KIL, your Company is getting into a better balance in its risk portfolio.

The excess capacity due to CAPEX investment in FY 19 and slowdown in the demand especially in the auto sector does pose a risk but the recent revival in demand seen since August 2020 onwards is heartening and this is expected to rally all through the festive season. Price competition amongst the Asian players continues to be a concern to all manufacturers of premier quality cutting tools like Kennametal. Different products under the WIDIA portfolio are aimed at addressing price sensitive markets and your Company is well positioned to compete in this region. The weakening of the Indian Rupee will also have an impact on price of the raw materials, all of which is imported. However, the Company is making all out efforts to sustain its strong performance based on superior product quality and the strong brand image, together with a sustained focus on providing Customers with innovative solutions to stay ahead of competition.

Significant risks such as changes in the economic situation due to governance changes remain while aggressive pricing and competition from Asian players are mitigated through continued focus on export Markets, localization efforts and other cost control measures.

7. Financial Performance

Your Company has recorded sales (consolidated) of ₹ 7050/- Million in FY20 with a degrowth of over 25.41% when compared to the previous year. Apart from the slowdown during in the economy from October 2019 onwards, the significant impact on the sales was due to the fourth quarter which saw a drop of ₹1545 million as compared to the same period in the prior year due to COVID-19 pandemic & the consequent lockdowns.

The Earnings before Exceptional items and Tax viz., ₹ 472 Million recorded a degrowth of over 62.89% year on year. The degrowth was mainly due to the performance in Q4 viz., loss of ₹ 137 million as compared to a profit of ₹ 309 million in Q4 of the prior year..

In order to meet the customer expectation of faster delivery of the products, your Company continues to invest in more SKUs for stocking of additional inventory 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 collections of outstanding receivables were followed through rigorously which were adequately supported by your Company’s distributors and direct customers. The Company was able to maintain very healthy cash positions and meet all its obligations to all the stakeholders timely.

Your Company continues to have clean receivables and no incremental provisions for doubtful debts was required to be made during the year. Return on Capital Employed (without cash and bank balances) lowered during the year from 24% in FY19 to 8.5% in FY20. Net operational cash flow generated during the year decreased from ₹ 708 Million in FY19 to ₹ 336 Million in FY20. The decrease in the operating cash flows is mainly due to lower inflow from operations.

Your Company has initiated various actions to contain costs and minimize the impact of the downturn in the market on the profitability of the Company.

Key Financial Ratios	Consolidated FY20	Consolidated FY19	Consolidated FY 20 Vs FY19
• Operating Profit Margin (%)	6.96%	13.51%	-48.5%
• PBT Margin (%)	5.97%	13.46%	-55.6%
• Return on Net Worth (%)	6.10%	17.28%	-64.7%

Negative movements in the above mentioned three ratios are contributed by COVID19 pendemic and the consequent lockdowns. Apart from that, economy slowdown impact since October 2019.

8. Material Developments in Human Resources and Industrial Relations

Our people continue to be the pillar of your Company’s operation. Management devotes time and resources to ensure that employees are given opportunities for professional development, which further helps them grow the business in their respective areas. One major development in this front was automating many of the people processes to enable Managers to take informed decisions related to Talent development. As part of the Manager Accountability, we now have almost all people processes available on Success Factors (One Team). To ensure that we have support from the employees on this change journey, we have continuous engagement, communication and training to all employees and Managers to adapt and adopt these new tools.

Highlights

This year, your Company started on a new journey toward a better Kennametal as we shared with all our employees our renewed strategy, mission, vision, values and culture. Taken together, these initiatives make up what we call Our True North and will guide us in the right direction on our journey to becoming a stronger, more competitive company in the near future.

In line with the Our True North initiatives, your Company has embarked on a Culture Transformation journey, which among other things is a step to building an Accountable Culture. Your Company has identified Key Results Areas in areas of operations viz. Customers, Financials, People & Innovation. The Culture of Accountability along with our Cultural Beliefs viz. Customer First, Everyone Matters, Own It, Be Bold & Focus Now, will put us in good stead to achieve our Key Results in the short term and build great workplace for all our employees. We have now initiated the process of training all our employees on our new Cultural Beliefs, which will be facilitated by some of our Senior leaders, who are certified Cultural facilitators. The expectation is all leaders will imbibe and inculcate the new culture in their teams, which will take your Company to greater heights.

Our Talent Management focus and Talent pipeline has ensured that we continue to fill critical positions with internal talent within the Organization. Business Leaders & Managers review continues to leverage on the newer tools and technology to ensure that Business Leaders always have all talent-related information available to them.

We have continued with our development initiatives on the DDI learning platform, which offers different online learning modules to meet the Business requirements. Our key managers and team members have undergone class-room workshops on “Communicating for Leadership Success”, “Communicating with Impact “. Further, to support our execution efforts, our teams underwent workshops on “Executing Strategy at Front Line” and “Maximizing Team Performance”. We believe these workshops will help build our capabilities and position us well for the near future.

The last quarter of FY 20 has been tough, both from the business and overall health perspective. The pandemic forced us to shut manufacturing operations for about a couple of months. However, even in this environment, we continued to engage our employees through on-line training and development initiatives. These were largely undertaken by our internal facilitators in Manufacturing, Knowledge Center, Human Resource & Engineering teams. Teams designed and developed ‘mini-modules’ of 2 to 4 hours of online programs, on different topics required by Business and achieved Ten Thousand plus man hours of learning time.

Our company also has a strong focus on building Technical skills and inculcating Engineering knowledge to our employees. The knowledge and skills of our teams help us connect better with our customers. Our Knowledge Center (KC) team supported our Sales, Customer and Distributor teams on the technical front. KC conducted 16 classroom programs & 30 online programs across the country, covering 474 participants in classroom session & 6531 Participants in online session. During classroom session 78% were our end-customers, 13% were from distributors & 10% were from internal participants. Through the year KC team completed 2 comprehensive 5 Day MCAE Training course, 3 Sales & Distributor Training, 11 Regional/On-site trainings. The feedback on these programs have been very positive. KC India team has been working for a full online e-Learning module, named as “e-MCAE”. The e-MCAE module is planned to launch in FY21, which will benefit our customers, distributors, academic institutions & internal employees.

The above initiatives are an endeavor to support the Organization compete and perform at much higher levels.

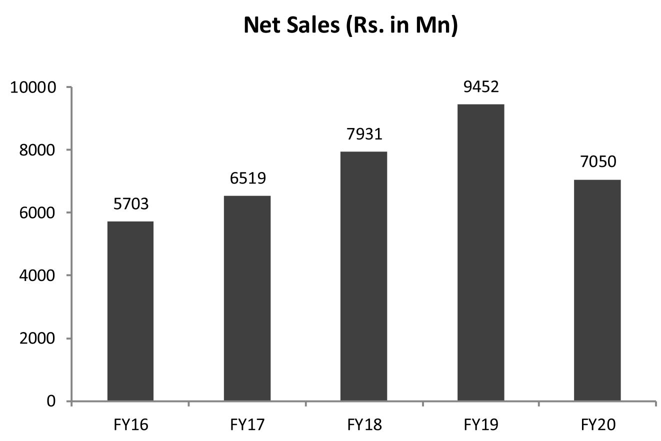
The total number of persons employed in your Company as on 30th June 2020 was 756.

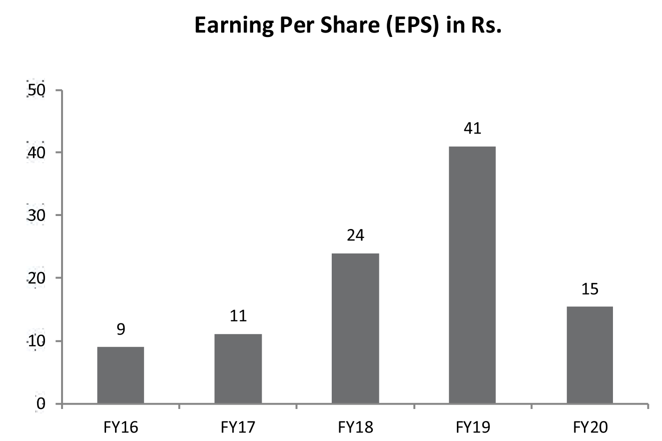
Cautionary Statement

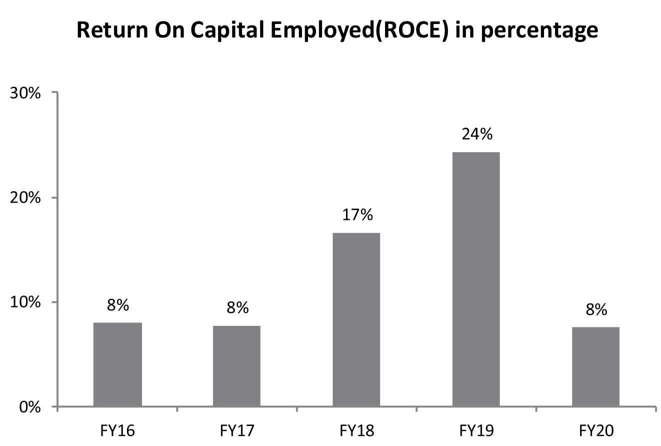
The information and opinion in this section consists of certain forward-looking statements, which the management believes to be true to the best of its knowledge at the time of its presentation based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions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

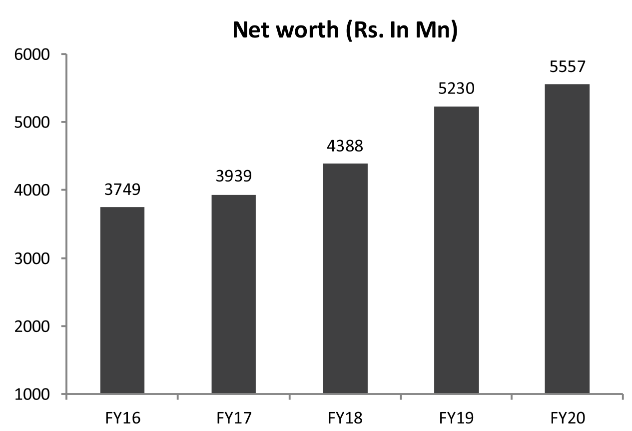
The information contained herein may not be disclosed, reproduced, or used in whole or in part for any purpose or furnished to any other person(s) without the express prior written permission of the Company.

FIVE YEAR CHARTS FOR KEY FINANCIAL INDICATORS (CONSOLIDATED)









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

Bhagya Chandra Rao	B. Anjani Kumar
Managing Director	Chairman & Independent Director
DIN: 00211127	DIN: 00022417
Address: Tower 5, Flat No. 5193	Address: Flat No.H22,
One Bangalore, West Apartment,	Diamond District, Airport Road,
Dr. Rajkumar Road, Rajajinagar,	Near KGA, Kodihalli,
Bengaluru 560010 KA IN	Bengaluru 560008 KA IN

Bengaluru
August 19, 2020

Annexure II to the Board's Report

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Governance

Good Corporate Governance is at the core of your Company's belief system and is at the heart of our business practices globally. Kennametal Group continuous to enjoy its coveted position as being one among the most ethical Companies in the World for many years. Governance means adherence beyond the requirement of law. In other words, raising the excellence bar beyond adherence to the pith and substance of law. In its constant drive for raising the standards, the Company has rededicated its efforts by focusing on long-term Stakeholder value creation with its continued focus on 'zero level' compromise on integrity, social obligations, transparency and regulatory compliances.

The SEBI (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, 2020), including the Managing Director and Six (6) Non-Executive Directors which includes two Women Directors One of the Woman Directors is an Independent Director. All Directors bring in wide range of skills and experience to the Board. The Company has a Non-Executive Independent Director as its Chairman and the three Independent Directors constitute more than one-third of the total number of Directors on Board. 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 [Listing Obligations and Disclosure Requirements (LODR)] Regulations, 2015.

Tenure of Directors:

Sl. No.	Name	Original date of Appointment	Date of re-appointment	Due date of current term	Tenure (in years) as on June 30, 2019
1	Mr. B. Anjani Kumar	02/04/2010	12/08/2019	03/11/2024	14
2	Mr. Bhagya Chandra Rao	17/09/2012	16/11/2016	16/09/2020	8
3	Mr. Vinayak K. Deshpande	06/09/2010	12/08/2019	03/11/2024	14
4	Mr. Prakash M Telang#	04/11/2014	First Tenure	03/11/2019	4
5	Mrs. Bhavna Bindra*	03/01/2020	11/11/2020	10/11/2025 (subject to approval by shareholders)	-
6	Ms. Colleen Wood Cordova	09/08/2016	First Tenure	NA**	4
7	Mr. D. Parameshwar Reddy	23/08/2018	First Tenure	NA**	2
8	Mr. Alexander Broetz**	09/08/2016	09/11/2018	Resigned effective June 30, 2020	4

*Proposal for appointment as Independent Director would be placed before the Shareholders at the ensuing Annual General Meeting to be held on 11/11/2020.

NA** - Liable to retire by rotation

** - Resigned with effect from the closing of business hours of June 30, 2020.

- Mr. Prakash M Telang's tenure as Chairman & Independent Director came to an end on November 3, 2019.

Chairman of the Board and his responsibilities:

The Chairman of the Board is Mr. B. Anjani Kumar and comes with 44+ years of rich experience in Finance and Accounts, Corporate Governance, Business Planning, M&A, Due Diligence and Legal Compliance. He is a Chartered Accountant and also holds a Law degree. Mr. Anjani Kumar is also on the board of The Hi-Tech Gears Ltd., Premium Transmission Pvt Ltd., Ampere Vehicles Pvt Ltd., WIDIA India Tooling Private Limited and Mikrotek Machines Limited.

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

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

Managing Director and his responsibilities:

Mr. Bhagya Chandra Rao is the Managing Director of the Company and will hold office till September 16, 2020.

The Managing Director is responsible for executing and achieving the annual and long-term business targets of the Company by providing strong and positive leadership to the management of the company. He is also required to maintain close awareness of both the domestic and international competitive landscape, opportunities for expansion, customers, markets, new product developments and standards and implementing the organization's corporate strategies. Managing Director is the link between the management and the Board.

Lead Independent Director

The Chairman of the Board acts as the Lead Independent Director. Role of the Lead Independent Director is to hear the ideas, opinions and concerns (if any) of the Independent Directors from time to time and ensure implementation of some of the observations of the Independent Directors wherever suitable. The Lead Independent Director also ensures Board's effectiveness through effective participation of the Independent Directors and fostering leadership.

Role of the Board of Directors

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

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 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) and for Managing Director it is 70.

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

Key Board qualifications, expertise and attributes

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.

Key Board qualifications						
Directors	Areas of Expertise					
	Financial	Diversity*	Engineering & Technology	Leadership (developing/ grooming leaders)	Board service and governance	Business experience (Operations)/ Marketing)
Mr. B. Anjani Kumar Chairman & Independent Director	Yes	----	---	Yes	Yes	Yes
Mr. Vinayak K. Deshpande Independent Director	---	----	Yes	Yes	----	Yes
Ms. Bhavna Bindra Woman Independent Director	---	Yes	Yes	Yes	----	Yes
Mr. Prakash M. Telang# Chairman & Independent Director till November 3, 2019	--	--	Yes	Yes	Yes	Yes
Mr. Bhagya Chandra Rao Managing Director	Yes	---	Yes	Yes	----	Yes
Mr. D. Parameswar Reddy Non-executive Director	Yes	---	---	Yes	---	----
Mr. Alexander Broetz## Non-executive Director	---	---	Yes	Yes	---	Yes
Ms. Colleen Wood Cordova Non-executive Director	---	---	Yes	Yes	---	Yes

** Gender, ethnicity, nationality and others*

 # Mr. Prakash M. Telang's tenure as Chairman of the Board and Independent Director came to an end on November 3, 2019.

Mr. Alexander Broetz resigned with effect from June 30, 2020.

Selection of new Directors

The Nomination and Remuneration Committee is responsible for screening and selection of new Directors to the Board. Based on defined criteria elucidated above and taking into account the need of experts from various realms, the Nomination & Remuneration Committee decides on the qualifications and experience. The Nomination & Remuneration Committee may appoint expert consultants to look for best talents in the industry. Profiles of the Directors are screened by the Nomination & Remuneration Committee or officials authorized the Committee. The Committee Members interview the candidates through a structured interview process. Candidates are selected and offered directorship in the Company. Once the offer is acceptable to the Director, the Committee puts up the recommendation to the Board for approval. The process followed by the Nomination & Remuneration Committee is briefed to the Board. The Board having made sure that all requisite process has been followed and having perused the profile of the shortlisted candidate, approves the proposal. At various stages of the selection process, all Board Members are kept informed about the progress from time to time.

Succession planning

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

Following are the particulars of Directorships, Memberships of Board Committees and attendance at Meetings as at June 30, 2020:

Name of the Director	Other Directorships held*	Board Committees + (in other companies)		Attendance for KIL meetings of the Board and Shareholders'	
		Chairman	Member	Board Meetings	Last AGM
Non-Executive, Independent Directors					
Mr. B. Anjani Kumar Chairman	5	3	4	6	Yes
Mr. Vinayak K. Deshpande	6	5	13	6	Yes
Ms. Bhavna Bindra	1	1	4	2	No
Managing Director – Executive & Non-Independent					
Mr. Bhagya Chandra Rao	4	2	3	6	Yes
Non-Executive & Non-Independent Directors					
Mr. D. Parameswar Reddy	0	0	2	3	No
Mr. Alexander Broetz (Resigned on June 30, 2020)	0	0	2	6	Yes
Ms. Colleen Wood Cordova	0	0	2	5	Yes

Mr. Alexander Broetz, Ms. Colleen Wood Cordova and Mr. D. Parameswar Reddy 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 and Stakeholders Relationship Committees are considered

Mr. Prakash M. Telang retired from the office of Independent Directorship w.e.f November 3, 2019 consequent to his term coming to an end. Since the details above are to be provided as at June 30, 2020, details of Mr. Prakash Telang is not included in the above table.

None of the Directors is a Director in more than eight (8) Listed Companies or ten (10) Public Limited Companies or acts as an Independent Director in more than seven (7) Listed Companies. Further, none of the Directors of the Board serve as a member of more than ten (10) committees or act as Chairman of more than five (5) Committees across all Public Limited Companies. There is no relationship amongst Directors inter-se. The Board of Directors confirms that all the Independent Directors of the Company fulfill the conditions specified under SEBI (LODR) Regulations, 2015 and are Independent of the Management of the Company.

As per the provisions of Companies Act, 2013 and SEBI Regulations, 2015, the Company had issued a formal letter of appointment to all the Independent Directors of the Company. The terms of appointment have also been disclosed on the website of the Company at:

https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Terms%20and%20Conditions%20of%20Independent%20Directors.pdf

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

As required, a brief profile and other particulars of the Director seeking appointment/re-appointment are given in the Notice convening the 55th 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.

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:

August 22, 2019, November 13, 2019, January 3, 2020, February 5, 2020, April 30, 2020 and May 13, 2020.

During the year, a separate Meeting of the Independent Directors was held on May 13, 2020 without the attendance of non-independent Directors and members of the Management.

Memberships in other boards

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 the similar industry or the key economic institutions of the nation, or whose prime objective is to benefit society.

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

The composition of the Board, and directorships held, as on June 30, 2020 are as follows:

Mr. B. Anjani Kumar, Chairman & 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 of Rs.10/- each	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

Mr. Vinayak K. Deshpande, Independent Director

Sl. No.	Names of the Companies / bodies corporate / firms / association of individuals	Nature of interest or concern / Change in interest or concern	Shareholding	Date on which interest or concern arose / changed
1.	TPL-TQA Quality Services South Africa (Proprietory) Ltd.	Director	Nil	January 28, 2012
2.	TPL-TQA Quality Services (Mauritius) Pty Ltd.	Director	Nil	January 28, 2012
3.	Industrial Quality Services LLC Oman	Director	Nil	December 15, 2015
4.	Artson Engineering Limited	Director	Nil	February 01, 2012
5.	Voltas Limited	Director	Nil	February 14, 2012
6.	Tata Projects Limited	Managing Director	Nil	July 01, 2011
7.	Signify Innovation India Limited	Director	Nil	April 27, 2016
8.	Kennametal India Limited	Independent Director	Nil	September 06, 2010
9.	TRF Limited	Director	Nil	May 29, 2018
10.	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

Mr. Bhagya Chandra Rao, 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.	Indian Machine Tool Manufacturers Association	Director	Nil	September 06, 2013
02.	Kennametal India Limited	Managing Director	320	September 17, 2012
03.	Indian Cutting Tool Manufacturers' Association	Director	Nil	April 19, 2013
04.	Extrude Hone India Private Limited	Director	Nil	March 01, 2018
05.	WIDIA India Tooling Private Limited	Director	Nil	December 13, 2018

Mr. D. Parameswar Reddy, Non-executive Director

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

Mr. Alexander Broetz, Non-Executive Director (resigned with effect from June 30, 2020)

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

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

Notes:

- There are no inter-se relationships between our Board members. The Company doesn't have any pecuniary relationship with any of the non-executive directors.
- Directorship in companies around the world (listed, unlisted and private limited companies)

Compliance with the Code of Conduct and Ethics:

The Company has adopted the "KIL Code of Conduct and Ethics for Board Members and its Senior Management" and has framed a Whistle Blower Policy which is available on the Company website at https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/code_of_conduct_director.pdf

All stakeholders have been provided access to the Audit Committee amongst other options permitted to them under the Whistle Blower Policy including the "Kennametal Helpline" is available 24X7 to lodge any grievance/ concern at any point in time.

In accordance with 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

Trainings were imparted to all Directors and Designated Persons, during the year, on Prohibition of Insider Trading.

2. Audit Committee

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

1. The Audit Committee shall have minimum three Directors as members. Two-thirds of the members of the Audit Committee shall be Independent Directors.
2. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
3. 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

The role of the Audit Committee includes the following:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
4. Reviewing, with the management, the annual Financial Statements and Auditor's Report thereon before submission to the Board for approval, with particular reference to:
   a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
   b. Changes, if any, in accounting policies and practices and reasons for the same.
   c. Major accounting entries involving estimates based on the exercise of judgment by management.
   d. Significant adjustments made in the financial statements arising out of audit findings.
   e. Compliance with listing and other legal requirements relating to financial statements.
   f. Disclosure of any related party transactions.
   g. Qualifications in the draft Audit Report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval;
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the 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.

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 deviation:
   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, 2020, 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. The members of the Committee are (i) Mr. B. Anjani Kumar, Chairman of the Committee (ii) Mr. Bhagya Chandra Rao (iii)Mr. Vinayak K. Deshpande and (iv) Ms. Bhavna Bindra.

During the year under review, four (4) Meetings of the Audit Committee of Directors were held on the following dates: August 22, 2019, November 13, 2019, February 5, 2020 and May 13, 2020.

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 held	Number of Meetings attended
Mr. B. Anjani Kumar Chairman, Independent Director	4	4
Mr. Vinayak K. Deshpande Independent Director	4	4
Mr. Bhagya Chandra Rao Managing Director (w.e.f. 17/10/2019)	4	4
Ms. Bhavna Bindra (w.e.f 03/01/2020)	4	2
Mr. Prakash Manjanth Telang*	4	1

** Mr. Prakash Manjanth Telang's tenure as Chairman of the Board and Independent Director came to an end on November 3, 2019.*

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, the following:

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

The Nomination and Remuneration Committee has the following roles:

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

ii. Formulation of criteria for evaluation of Independent Directors and the Board.

iii. Devising a Policy on Board diversity.

iv. 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.

v. 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. Remuneration Policy:

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

General:

a) The remuneration / compensation /performance pay/ Variable pay etc. of the Managing/Whole-Time Director, KMP and Senior Management Personnel will be recommended by the Committee to the Board for approval. The remuneration / compensation / commission etc. of Directors shall be subject to the prior/post approval of the Shareholders of the Company and Central Government, wherever required and within the limit permitted under the Companies Act, 2013 and rules made thereunder.

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

Remuneration should be:

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

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

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

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

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

The Managing Director/Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the Annual Guaranteed Cash comprising of Basic Salary, Housing Allowance, Special allowance, LTA, Medical allowance and quantum of perquisites including, employer's contribution to PF, pension scheme, 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 Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

Statutory requirements:

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

c) Provisions for excess remuneration:

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

3. Remuneration to Non- Executive / Independent Director:

a) Remuneration / Commission:

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

b) Sitting Fees:

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

c) Commission:

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

d) Stock Options:

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

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

B. Performance Evaluation

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

C. Criteria for selection of Directors

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

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

D. Board Diversity:

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

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

The Nomination and Remuneration Policy, Performance Evaluation and Policy on Board Diversity are available on the website of the Company at - https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Nomination%20and%20Remuneration%20Committee%20Policy.pdf

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

As on June 30, 2020, 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. Alexander Broetz.

The Committee met four (4) times on August 22, 2019, January 3, 2020, May 7, 2020 and May 13, 2020 respectively during the year under review and the attendance of the members at the said Meetings are given below:

Name of the Committee Members	Number of Meetings held	Number of Meetings attended
Mr. Vinayak K. Deshpande Chairman, Independent Director	4	4
Mr. B. Anjani Kumar Independent Director	4	4
Mr. Alexander Broetz* Non-Executive Director	4	4
Ms. Colleen Wood Cordova Non-Executive Director	4	4
Mr. Prakash M. Telang**	4	1

**Mr. Alexander Broetz resigned with effect from June 30, 2020.*

*** Mr. Prakash M. Telang's tenure as Chairman of the Board and Independent Director came to an end on November 3, 2019*

4. 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 2019-20.

Managing Director	Amount (₹ in Million) *
Mr. Bhagya Chandra Rao	21.06

*includes salary, fixed allowance, housing, leave travel allowance, contribution to retiral benefits, performance pay, etc. It also includes Stock options of ₹ 60 Lakhs 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 re-appointed Mr. Rao at its meeting held on November 14, 2016, after considering the recommendation of Nomination & Remuneration Committee, for a period of three years from September 17, 2017 to September 16, 2020 terminable with a notice period of three months or such notice as may be mutually determined as per the agreement dated November 14, 2016, subject to approval of shareholders. The Shareholders have confirmed the Re-appointment of Mr. Bhagya Chandra Rao in the 52nd Annual General Meeting for the aforementioned period 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. Prakash M. Telang	0.56	0.15
Mr. B. Anjani Kumar	1.68	1.00
Mr. Vinayak K. Deshpande	0.82	0.78
Mr. Bhavna Bindra	0.54	0.38
Mr. Alexander Broetz	NIL	NIL
Mr. Parameswar reddy	NIL	NIL
Ms. Colleen W. Cordova	NIL	NIL

* Payable in FY21

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

The Company presently has no Employee Stock Option Plan.

4. Stakeholders' Relationship Committee

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

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

1. To look into matters connected with the redressal of grievances of shareholders, debenture holders and other security holders including complaints related to transfer of shares, non-receipt of Annual Report and non-receipt of declared dividends.
2. To oversee the performance of the Company's Registrar and Transfer Agents, recommend methods to upgrade the standard of services to Investors
3. To carry out any other function as is referred by the Board from time to time or enforced by any statutory notification / amendment or modification as may be applicable.

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

The Stakeholders' Relationship Committee to comprise (a) Mr. B. Anjani Kumar, Chairman (b) Mr. Bhagya Chandra Rao and (c) Mr. Parameshwar Reddy.

Mr. Naveen Chandra P, Company Secretary is the Compliance Officer of the Company.

During the year under review, One (1) Meeting of the Committee was held on May 13, 2020. 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. Bhagya Chandra Rao Managing Director	1	1
Mr. Parameshwar Reddy	1	1
Mr. Prakash M. Telang Independent Director (up to November 3, 2019)	1	NA#

\# There were no meetings of Stakeholders Committee meeting held up to November 3, 2019.

During the year under review, the Company has received complaints and all the Complaints have been resolved well within the time.

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.

The Share Transfer Committee comprises of (a) Mr. Bhagya Chandra Rao, Chairman (b) Mr. B. Anjani Kumar (c) Mr. K. V. Suresh Reddy and (d) Mr. Naveen Chandra P. During the year, Seven (7) Meetings of the said Committee were held on, July 2, 2019, July 22, 2019, October 15, 2019, October 22, 2019, December 12, 2019, January 21, 2020 and June 9, 2020. The share transfer/ transmission and issue of duplicate share certificates were also tabled before the Stakeholders Relationship Committee meeting for approvals.

The Minutes of the Share Transfer Committee Meetings are tabled and noted at the following Board Meetings.

6. Corporate Social Responsibility Committee

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

The Committee comprises of (a) Mr. Bhagya Chandra Rao, Chairman (b) Mr. B. Anjani Kumar (c) Mr. Alexander Broetz and (d) Ms. Colleen Wood Cordova (e) Ms. Bhavna Bindra. 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 22, 2019 and May 13, 2020 during the year under review and the attendance of the members at the said Meetings is provided in the below table as follows:

Name of the Committee Members	Number of Meetings held	Number of Meetings attended
Mr. Bhagya Chandra Rao Chairman, Managing Director	2	2
Mr. B. Anjani Kumar Independent Director	2	2
Mr. Alexander Broetz (upto June 30, 2020) Non-Executive Director	2	2
Ms. Colleen Wood Cordova Non-Executive Director	2	2
Ms. Bhavna Bindra Independent Director	2	1
Mr. Prakash M. Telang*	2	1

* Mr. Prakash M. Telang's tenure as Chairman of the Board & Independent Director came to an end on November 3, 2019.

The Corporate Social Responsibility Policy is also disclosed on the website of the Company at https://www.kennametal.com/content/dam/kennametal/kennametal/hi/About%20Us/Company%20Profile/Corporate%20Social%20Responsibility%20(CSR)%20Policy.pdf

7. Risk Management Committee

The Committee comprises of (a) Mr. B Anjani Kumar, Chairman of the Committee (b) Mr. Bhagya Chandra Rao (c) Mr. Parameshwar Reddy (d) Mr. Vinayak Deshpande and € Ms. Bhavna Bindra.

The Committee met two times on August 21, 2019 and May 13, 2020 during the financial year under review and the attendance of the members at the said Meetings is provided in the below table as follows:

Name of the Committee Members	Number of Meetings held	Number of Meetings attended
Mr. B. Anjani Kumar Chairman, Independent Director	2	2
Mr. Bhagya Chandra Rao Managing Director	2	2
Mr. Parameshwar Reddy Director	2	1
Mr. Vinayak Deshpande Director	2	1
Ms. Bhavna Bindra Director	2	1
Mr. Prakash Manjanth Telang*	2	1

* Mr. Prakash M. Telang's tenure as Chairman of the Board & Independent Director came to an end on November 3, 2019.

8. General Meetings

Date and Time	Location	Special Resolutions passed
52nd AGM, November 7, 2017 12.30 PM	Registered Office at 8/9th Mile, Tumkur Road, Bengaluru - 560 073	As per the provisions Companies Act, 2013: • Alteration of Articles of Association of the Company • Alteration of Memorandum of Association of the Company
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

9. Postal Ballot:

The Company had no occasion to approach the shareholders through postal ballot during the year for any approval.

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 2020.
- Following Directors hold the Shares in the Company:

Sl. No.	Name of the Directors	No. of Shares held as on June 30, 2020
1	Mr. B. Anjani Kumar	10
2	Mr. Bhagya Chandra Rao	320

No other Director holds any Shares in the Company except above mentioned.

- No penalties were imposed, or strictures passed on the Company by BSE Limited, SEBI or any statutory authority on any matter relating to capital markets during the last three years
- All the Equity Shares of your Company are listed.
- The Company places the requisite information about related party transactions before the Audit Committee from time to time. Please refer to Notes on Accounts for materially significant related party transactions. None of the said transactions were potentially in conflict with the interest of the Company at large.
- There has been no accounting treatment different from that prescribed in the Accounting Standards laid down by the Institute of Chartered Accountants of India (ICAI) or as notified under the Companies Act.
- The Company being a part of Kennametal Group ("the group") complies with the whistle blower policy of the group which is applicable to all employees of the group.
- The Senior Management personnel have declared to the Board of Directors that none of them or their relatives had any material, financial, commercial transactions that were potentially in conflict with the interests of the Company.
- The Managing Director and Chief Financial Officer have certified to the Board in accordance with Regulation 17(8) of SEBI (LODR) Regulations, 2015, for the year ended June 30, 2020.
- The Company have a wholly owned subsidiary with the name WIDIA India Tooling Private Limited.
- The Company has not made any capital issues during the financial year ended June 30, 2020.
- The Company has complied with all the mandatory requirements of the Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As regards the non-mandatory requirements the extent of compliance has been stated in this report against each item.

11. Adoption of non-mandatory requirements

i) Shareholder Rights

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

ii) Audit qualifications

There are no qualifications/ unmodified audit opinion in the Auditors' Report on the Accounts for the year ended June 30, 2020.

iii) Separate posts of the Chairman and the CEO

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

iv) Reporting of Internal Auditor

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

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 its website and the results were also published in Financial Express (English) and Sanjevani (Kannada) newspapers within 48 hours from the conclusion of the Board Meetings.

During the financial year the Company had an Analyst meet with Nippon Mutual Fund on June 3, 2020, represented by Mr. Sailesh Bhan, Mr. Ashwini Kumar and Mr. Manish Kayal to discuss published financials of the Company. However, the Company has not made any presentations to the Institutional Investors or to the Analysts and no futuristic statements were made during the conversations. All disclosures and compliance have been observed in this regard including requisite announcements to the stock exchanges.

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 55thAnnual General Meeting of the Company is scheduled to be held on November 11, 2020 through Video Conferencing or Other Audio Visual Means in line with the Ministry of Corporate Affairs (MCA) Circular No. 14/2020, 17/2020 and 20/2020 and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020. Due to COVID-19 outbreak, all Members are mandated to participate in the AGM remotely.

Book Closure:

The Register of Members and share transfer books will remain closed from Wednesday, November 04, 2020 to Wednesday, November 11, 2020 (both days inclusive).

Financial calendar for the financial year 2020-21 is as follows:

Event	Month (tentative)
Un-audited results for the quarter ending September 30, 2020	November, 2020
Un-audited results for the quarter ending December 31, 2020	January / February, 2021
Un-audited results for the quarter ending March 31, 2021	April / May, 2021
Audited results for the year ending June 30, 2021	July / August, 2021

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 2020-21.

Annual Custody / Issuer Charges:

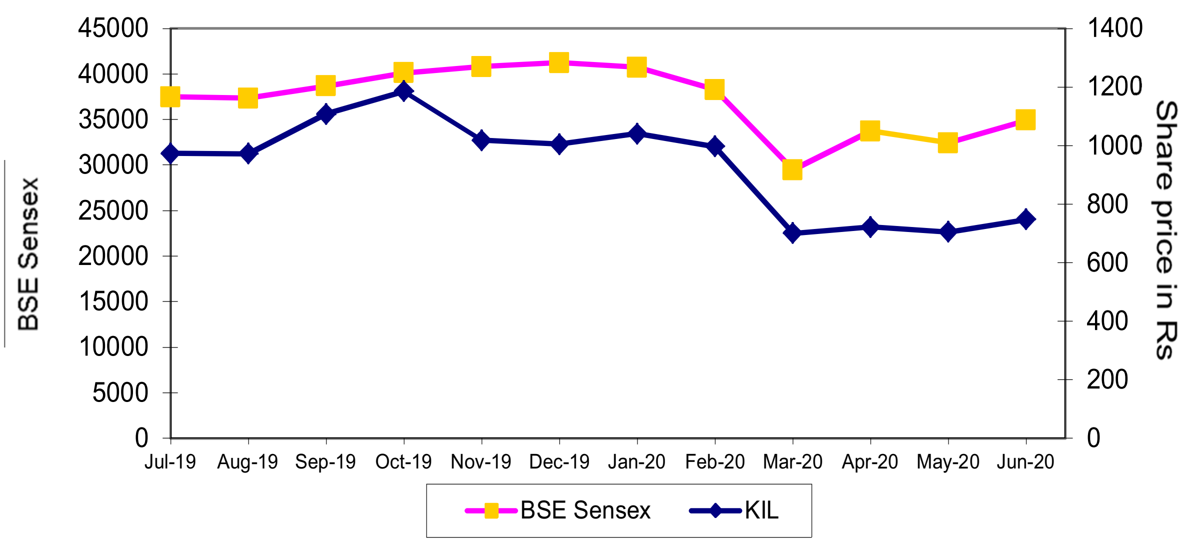
The Company has paid the Annual Custody / Issuer charges for the financial year 2019-20 to NSDL and CDSL.

Stock Price Data for the financial year 2019-20:

Market Price Data – High & Low on BSE Limited and Number of shares traded from July 01, 2019 to June 30, 2020, under review as follows:

Month and Year	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades
Jul-19	1112.1	1149	970.15	973.2	95468	3687
Aug-19	979.7	1088	915	972.25	75617	7125
Sep-19	960.95	1161.9	955	1108.35	36286	4484
Oct-19	1100	1227.35	1037.1	1185.3	138041	3006
Nov-19	1169	1199	930	1018.2	47186	8058
Dec-19	1022	1035	955.55	1004.3	9987	2440
Jan-20	1010	1160	971	1041.05	14204	2065
Feb-20	1035	1063	943.3	996.6	15365	2278
Mar-20	1019	1036.45	601	700.5	22647	2735
Apr-20	689.2	799	670	721.85	8479	1673
May-20	700	750	650	705	7002	1199
Jun-20	708	850	700	747.7	14065	2865

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



**Based on BSE Sensex (close) / share price (close) on the last trading day of every 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 fortnightly or 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 on June 30, 2020 is as follows:

Category	No. of shares	Percentage (%)
A) Promoters (Foreign)		
Meturit AG. - 11,208,840		
Kennametal Inc. - 5,274,840	16,483,680	75.00
B) Public (Institutions)		
Mutual Funds	2860444	13.01
Foreign Portfolio Investors	169241	0.77
Financial Institutions/Banks	41209	0.19
Alternate Investment Funds	13400	0.06
C) Public (Non- Institutions)	2410266	10.97
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, 99.17% of the equity shares of the Company are held in demat form as on 30-06-2020.

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

Distribution of Shares as on June 30, 2020 is as follows:

In Shares

Shares holding	Share holders		Share	
	Number	% to Total		% to Total
(1)	(2)	(3)	(4)	(5)
Upto 5,000	8002	98.77	1666969	7.58
5,001 - 10,000	57	0.70	393028	1.79
10,001 - 20,000	24	0.30	350630	1.60
20,001 - 30,000	7	0.09	170058	0.77
30,001 - 40,000	2	0.02	67230	0.31
40,001 - 50,000	1	0.01	40249	0.18
50,001 - 1,00,000	2	0.02	124256	0.57
1,00,001 and above	7	0.09	19165820	87.20
Total	8102	100.00	21978240	100.00

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:

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

For dividend queries and other general matters:

The Company Secretary
Kennametal India Limited
8/9th Mile, Tumkur Road,
Bengaluru – 560 073
Karnataka, India
Phone: 080-28394321 and 080-22918345
Fax: 080 28397572
E-mail: in.investorrelation@kennametal.com

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

Annexure II to the Board's Report

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE AS REQUIRED UNDER THE 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, 2020 as stipulated under the 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: F001788B000593632

Place : Bengaluru
Date : 19th August, 2020

Annexure IIA to the Board's Report

MANAGING DIRECTOR'S CERTIFICATION

(Code of Conduct for Directors and Senior Management)

To

The Members of
Kennametal India Limited

I hereby confirm that all the Members of the Board of Directors and the Senior Management of the Company have affirmed compliance with the Code of Conduct of the Company for the year ended June 30, 2020.

For Kennametal India Limited
Bhagya Chandra Rao

Managing Director
DIN: 00211127

Bengaluru
August 19, 2020

Annexure IIB to the Board's Report

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

To
The Board of Directors
Kennametal India Limited

We, Mr. Bhagya Chandra Rao, Managing Director, and Mr. 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, 2020 and that 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 Company's Code of Conduct (Kennametal code of business ethics and conduct).

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

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

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

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

 (c) that there were no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

We declare that all Board members and Senior Management personnel have affirmed compliance with the code of conduct for the year ended June 30, 2020.

Bhagya Chandra Rao
Managing Director

K. V. Suresh Reddy
Chief Financial Officer

Place : Bengaluru
Date : 19th August, 2020

Annexure III to the Board's Report

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

(Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014)

A. Conservation of Energy

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 FY20:

1. Replacement of CFL/Fluorescent Lighting fixtures with LED lights in the plant and installation of the LED fixtures in new Buildings.
2. Optimization of Ventilation systems by reducing the speed & adjustment time in PU1, PU2, PU7 and DC buildings
3. Installed the energy efficiency machine, these machines operate based on the load
4. Reduction of Compressor air generation settings example from 7.2 to 6.5 bar
5. Energy efficient and low water consuming ventilation systems were installed.
6. Optimizing of Air conditioning set temperature in all UPS rooms with respective ambient temperature
7. Energy Consumption in shop floors on Saturday, Sunday and Holidays was reviewed with MIS Reports generated from Energy Management system and action taken to optimize Energy Consumption.
8. The 80 % of facilities Power is catered by Solar Power.
9. Installation of timer at Admin Building Air Conditioning control
10. As part of water saving project, implemented a system to collect the condensed water from PU5 VRF units and reusing it.
11. Energy efficient & Low water consuming adiabatic coolers are installed for the new Sintering furnaces & Conforma Clad Furnaces.
12. Energy efficient Ventilation & VRF air conditioning system installed for the New buildings under construction with an investment of ₹15 Million
13. Your Company has entered into an agreement with an Independent Solar Power Producer to benefit from lower tariff for purchase of electricity from renewable energy sources. Apart from power saving, this is a significant green initiative of your Company.

ii. Impact of the above measures

1. Due to the above energy Conservation measures, the company conserved about 6.7 lakhs units of electricity and ₹ 48 lakhs in FY 20.
2. The savings from the Solar Power, purchase from third party is extra.

Annual CO_2 reduction in 557 Tons

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, Bangalore 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.

a) 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 & 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 at Lab.
8. Exploring new technologies in machining & grinding processes and automation.

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

1. Implementation of new CVD coating technology.
2. Commissioning and qualification of new equipment for manufacturing of Inserts

3. Process Improvements in end to end manufacturing of compacts
4. Establishing closed loop process to achieve Zero water discharge plant.
5. Process development in cutting edge quality improvement.
6. Process development for inhouse powder manufacturing as Import substitution.
7. Process development to reduce raw material powder cost.
8. Qualification of new PVD coating for cutting tool.
9. Development of new special grade for Milling application.
10. Process improvement for brazing of carbide to steel.
11. Qualification of global grades.
12. Developed concepts of synthesis of refractory carbides.
13. Continued research and Process development on Powder Metallurgy processes and Coatings to improve quality and performance.
14. New Product testing and validation tests for tools.
15. Benchmarking tests for assessment of product performance.
16. Reverse Engineering, Analysis and Evaluation of test results for product compliances to standards.
17. Process development on Grinding technology to reduce cycle time and cost reduction.

c. Benefits derived

- New processes contributed to Improvement of product quality and consistency, reduction in material cost, reduction in manufacturing lead time. New products and a good value proposition to customers by improvement in product performance. Standardization of products and processes. Developed new capabilities in the manufacturing process.
- Process development to help manufacturing to prototype the tools and access the technical needs.
- Establish Quality standards for the products, cost and cycle time assessment.

d. Future plan of action

1. Develop improved Powder Metallurgy and Coating Manufacturing processes
2. Establish product and process for import substitution.
3. Continued efforts towards Quality enhancement, Evolution of new products aligned with customer needs and with reduction in costs and lead time.
4. Global consolidation & standardization of grades including substrates & coatings.
5. Continued focus on basic research and Open Innovation.
6. Work on advanced technology processes and instrumentation for improving the quality of products and manufacturing processes.
7. Continued efforts to recycle and re-use of materials.
8. Develop competency in Steel prototyping and establish manufacturing guidelines.
9. Build Grinding methods for round tools, validate the performance parameters.
10. Reverse engineering and validation of design requirement to prototype tools and components

e. Expenditure on R & D

Particulars (₹ in Million)	2020*	2019
a) Capital	61	44
b) Recurring	49	35
c) Total	110	79
d) Total R&D expenditure (as a percentage of turnover)	1.56%	0.84%

*Note: FY20 R&D expenditure reported without considering DSIR guidelines, since the company is no longer availing DSIR benefit on weighted Income Tax deductions.

B) 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.

Processes/ Products	Technology From	Year	Status of Impleme-ntation / Absorption
Chemical Vapour Deposition Coatings, Pre- and Post-Coat treatments	Kennametal Inc.	2011-12	Full
End Mills	Hanita Metal Works Limited	2011-12	Full
Grades and Products	Kennametal Inc.	2012-13	Full
New Pre- and Post-Coat Treatments	Kennametal Inc.	2012-13	Full
New CVD Coatings	Kennametal Inc.	2012-13	Full
New CVD Coatings	Kennametal Inc.	2013-14	Full
New CVD Coatings	Kennametal Inc.	2014-15	Full
New CVD Coatings	Kennametal Inc.	2015-16	Full
New CVD Coatings	Kennametal Inc.	2016-17	Full
Sintering Cycles	Kennametal Inc.	2017-18	Full
New Coating Process	Kennametal Inc.	2018-20	Full
New CVD Coatings	Kennametal Inc.	2019-20	In progress

C. Foreign Exchange earnings and outgo

i. Initiatives taken to increase exports

1. MSG business developing new overseas markets for its products with machines positioned at competitive price point and continues to seek global opportunities for further growth.
2. Surplus manufacturing capacities are leveraged to support Global requirements as and when opportunity exists for exports.

ii. Foreign Exchange used: ₹ in Million

Particulars	FY19	FY20
Capital Expenditure	514	584
Raw Materials	4528	2845
Royalty	27	18
Expenditure	107	226
Cross Charge	190	123
Total	5366	3795

ii.	Total foreign exchange used and earned:	(₹ in Million)
i.	Foreign Exchange earned	1316
ii.	Foreign Exchange used	3795

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127
Address: Tower 5, Flat No. 5193
One Bangalore, West Apartment,
Dr. Rajkumar Road, Rajajinagar,
Bengaluru 560010 KA IN

B. Anjani Kumar
Chairman &
Independent Director
DIN: 00022417
Address: Flat No.H22,
Diamond District,
Airport Road,
Near KGA, Kodihalli,
Bengaluru 560008 KA IN

Bengaluru
August 19, 2020

Annexure IV to the Board's Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 30.06.2020

[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 30.06.2020 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 30.06.2020 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

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

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

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

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

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

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

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

(vii) There are no specific laws applicable to the Company pursuant to the business carried by the Company.

(viii) 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 Work Place (Prevention, Prohibition & Redressal) Act, 2013

xx. Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1996

xxi. Dangerous Machines (Regulation) Act, 1983

xxii. Indian Boilers Act, 1923

xxiii. The Karnataka Shops & Establishments Act, 1961

xxiv. The Industrial Establishments (National and Festival Holidays) Act, 1963

xxv. The Labour Welfare Fund Act, 1965

xxvi. The Karnataka Daily Wage Employees Welfare Act, 2012

xxvii. For majority of Central Labour Laws, the State has introduced Rules [names of each of the Rules is not included here]

(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 Labour Laws were addressed suitably by the Management. Compliances on Secretarial Standards and certain provisions of the Act need to be strengthened. Further, the Company may also notify all Loss/Issue of Duplicate Share Certificates to the Stock Exchanges.

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

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

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

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

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

Vijayakrishna K T
FCS No.: 1788
C P No.: 980
UDIN: F001788B000593643

Place: Bengaluru
Date: 19.08.2020

Note: This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

"Annexure"

My report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial Records. The verification was done on test basis to ensure that correct facts are reflected in the secretarial records. I believe that the processes and practices, I have followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company including records under Income Tax Act, Central Excise Act, Customs Act, Goods and Service Tax Act.
4. Where ever required, the Company has represented about the compliance of laws, rules and regulations and happening of events etc as applicable from time to time.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Vijayakrishna K T
FCS No.: 1788
C P No.: 980
UDIN: F001788B000593643

Place: Bengaluru
Date: 19.08.2020

Annexure IV-A to the Board's Report

SECRETARIAL COMPLIANCE REPORT OF KENNAMETAL INDIA LIMITED FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2020

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, 2020 ("1st July, 2019 to 30th June, 2020") in respect of compliance with the provisions of :

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

(b) the Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the 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 few instances where the company has not intimated loss of duplicate share certificates to the stock exchanges.

(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 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 ex. 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 – NA

Vijayakrishna K T
FCS No.: 1788
C P No.: 980

Place: Bengaluru
Date: 19.08.2020

Annexure IV-B 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 the 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: L27109KA1964PLC00154and 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 the 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, 2020 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. Bhagya Chandra Rao	00211127	17/09/2012
2.	Mr. Bidadi Anjani Kumar	00022417	02/04/2010
3.	Mr. Vinayak Kashinath Deshpande	00036827	06/09/2010
4.	Mr. Devi Parameswar Reddy	03450016	23/08/2018
5.	Ms. Colleen Wood Cordova	07568701	09/08/2016
6.	Ms. Bhavna Bindra	07314422	03/01/2020
7.	Mr. Alexander Broetz*	07568713	09/08/2016

**Note: Mr. Alexander Broetz resigned from the Board of Directors of the Company with effect from the end of business hours on June 30, 2020.*

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
FCS No.: 1788
C P No.: 980

Place: Bengaluru
Date: 19.08.2020

Annexure V 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

(Information in respect of each subsidiary to be presented with amounts in ₹ in Million)

1	Sl. No.	:	01
2	Name of the subsidiary	:	WIDIA India Tooling Private Limited
3	Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	:	Not Applicable
4	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	:	Indian Rupee (INR)
5	Share capital		
	i) Authorised Capital	:	₹ 20 Mn.
	ii) Paid up Capital	:	₹ 20 Mn.
6	Reserves and surplus	:	₹ 55.42 Mn.
7	Total assets	:	₹ 289.96 Mn
8	Total Liabilities	:	₹ 214.54 Mn
9	Investments	:	NIL-
10	Turnover	:	₹ 1433 Mn
11	Profit before taxation	:	₹ 18.14 Mn
12	Provision for taxation	:	₹ 3.08 Mn
13	Profit after taxation	:	₹ 15.06 Mn
14	Proposed Dividend	:	NIL
15	% 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 Board of Directors
of Kennametal India Limited

Bhagya Chandra Rao Managing Director DIN - 00211127	B. Anjani Kumar Director DIN - 00022417
Bengaluru August 19, 2020	Bengaluru August 19, 2020
Suresh Reddy K V Chief Financial Officer	Naveen Chandra Prakash Company Secretary
Bengaluru August 19, 2020	Bengaluru August 19, 2020

Annexure VI 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 60 days of issue of credit note
5	Cross Charge-Debits	Payment in respective country currency made within 60 days of issue of debit note
6	Cross Charge-Revenue	Billing in country currency; Within 21 days from end of the month billing

1) Particulars of transactions with Kennametal INC., USA (₹ In Mn)

Sl. No.	Nature of Transactions	Actual Transaction value for financial year July 01, 2019 to June 30, 2020 i.e. FY20 amount	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2020 i.e. FY21 not exceeding amount
1	Sales of products/components (receipts)	408.6	550
2	Cross Charge Revenue	19.2	40
3	Cross Charge- Debits expenses (Payable)	16.3	40
4	IT Cross charges (payment)	177.4	200
5	Professional Services- Expenses	16.9	25
6	Purchase of components/raw materials (payment)	986.2	1650
7	Purchase- Capital Goods	0.4	50
8	Royalty (payment)	9.2	25

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

Sl. No.	Nature of Transactions	Actual Transaction value for financial year July 01, 2019 to June 30, 2020 i.e. FY20 amount	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2020 i.e. FY21 not exceeding amount
1	Sales of products/components (receipts)	531.4	850
2	Purchase of Components/raw materials (payment)	1024.7	2500
3	Cross Charge-Revenue	0	10

3) Particulars of transactions with Widia India Tooling Pvt. Ltd. (₹ in Million)

Sl. No.	Nature of Transactions	Actual Transaction value for financial year July 01, 2019 to June 30, 2020 i.e. FY20 amount	Estimated Value of Transactions per Annum effective financial year commencing July 1, 2020 i.e. FY21 not exceeding amount
1	Sales of products/components (receipts)	795.1	1750
2	Sale of Capital Goods	2.2	10
3	Cross Charge Revenue	52	75
4	Cross Charge- Debits expenses (Payable)	16.1	10
5	Interest Income	15.5	45
6	Loan given	250	500

(e) Date of approval by the Board, if any- May 13, 2020.

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

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127
Address: Tower 5, Flat No. 5193
One Bengaluru, West Apartment,
Dr. Rajkumar Road, Rajajinagar,
Bengaluru 560010 KA IN

B. Anjani Kumar
Chairman &
Independent Director
DIN: 00022417
Address: Flat No.H22,
Diamond District,
Airport Road,
Near KGA, Kodihalli,
Bengaluru 560008 KA IN

Bengaluru
August 19, 2020

Annexure VII to the Board's Report

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

1. The Board of Directors of the Company consists of: 1 Managing Director, 3 Non-executive Directors nominated by Promoter and 3 Non-Executive Independent Directors.
2. The Non-Executive Directors nominated by promoter were not paid any remuneration. The Independent Directors were paid sitting fees and commission only. Details of the remuneration, sitting fees and Commission paid to the Directors are provided under the Corporate Governance Report.
3. Disclosure as required under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

    i. Ratio of the remuneration of the Managing Director to the median remuneration of the employees of the Company for the financial year 2019-20 is 1:22.53

    ii. The percentage increase in remuneration of Managing Director, Chief Financial Officer and Company Secretary during the financial year 2019-20:

    - In FY20, there was a decrease of 4.49% in the remuneration of the Managing Director/CEO of the Company.
    - There was an increase of 6.97% in the remuneration of the Chief Financial Officer (CFO) of the Company
    - There was an increase of 18.67% in the remuneration of the Company Secretary

    iii. The percentage increase in the median remuneration of employees in the financial year 2019-20:

    The median remuneration of employees of the Company during the Financial Year was ₹ 934956. There was an increase of 4.97% in FY20

    iv. The number of permanent employees on the rolls of the Company 756: as on June 30, 2020.

    v. Average percentage increase made in the salaries of employees other than the Key Managerial Personnel in the financial year 2019-20 – There was a decrease of 5.64% (Employees moved to WITPL new subsidiary of KIL).

    vi. The key parameters for any variable component of remuneration availed by the Managing Director is based on Company's and Parent Company's key performance metrics like EBIT, PWCPS & Individual Performance.

    vii. For the Financial Year under consideration, Mr. Bhagya Chandra Rao, Managing Director was paid the highest remuneration. No employee has received remuneration in excess of the Managing Director.

    viii. It is hereby affirmed that the remuneration paid is as per the Nomination and Remuneration Policy for Directors, Key Managerial Personnel and other employees.

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127
Address: Tower 5, Flat No. 5193
One Bengaluru, West Apartment,
Dr. Rajkumar Road, Rajajinagar,
Bengaluru 560010 KA IN

B. Anjani Kumar
Chairman &
Independent Director
DIN: 00022417
Address: Flat No.H22,
Diamond District,
Airport Road,
Near KGA, Kodihalli,
Bengaluru 560008 KA IN

Bengaluru
August 19, 2020

Annexure VIII 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, 2020

(₹ in Million)

Name	Designation/ Nature of duties	Age (in years)	Qualifications	Experience (in years)	Date of Joining	Remuneration Received	Particulars of last employment held
Mr. Bhagya Chandra Rao	Managing Director	64	B.E. Mechanical	39	17-09-2012	21.05	Sandvik Asia Private Limited

Notes :

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

Annexure IX to the Board's Report

ANNUAL REPORT ON CSR ACTIVITIES

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

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

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

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

   Kennametal focuses on these areas:

   a. TechEdNet towards promotion of education – Includes the support of Secondary and Post-Secondary Educational opportunities with an emphasis on studies in the areas of technical engineering, machine skill training and materials and environmental sciences.

   b. Kennametal in the Community: We focus on the importance of our employees' volunteering in the communities where they live and work. We encourage and recognize volunteerism as a key component of our culture. The goal is to create a partnership in which a community

      organization may be supported monetarily by the Company when it offers a significant volunteer opportunity for our employees.

   c. Protecting Our Planet – providing sustainable solutions by reducing the total environmental impact of our products and operations. We will protect our planet by continuously improving our management of energy and natural resources, promoting recycling and recovery of materials, and preventing pollution across our global footprint.

d. Kennametal Employees 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 in the past 5 years. Kennametal has joined hands with this organization to attain the aims and objectives of:

   - Eradication of Child Labor
   - Helping poor children to get access to quality education
   - Empowerment of street children and women by providing them with education and skills-oriented training.

   As part of our continued engagement with Sparsha Trust, Kennametal India Limited supported Sparsha Nisarga Grama facility which provides shelter for the underprivileged children with the following facilities:

   - Sponsored for 'Makkala Dhama' proposed accommodation for the underprivileged boys at Devanahalli.
   - Sponsored for the daily running expenses of Sparsha Nisarga Grama (accommodation of underprivileged girls) during the difficult times of COVID-19.

   Kennametal India Limited supported the Govt. hospitals under the jurisdiction of Bangalore Urban district which are treating COVID-19 patients, by providing PPE kits, sanitizers, masks and thermal scanners to the Hospitals.

   Kennametal India also sponsored COVID-19 prevention and protection materials like masks, sanitizers and thermal scanners to the personnel in Police stations and to the Pourakarmikas of BBMP in and around our facility.

   Kennametal India Limited supported 7 Govt schools around our vicinity with Multi-Dimensional Learning Space (MDLS) facility by providing infrastructure for smart classrooms through NGO India Literacy Project (ILP). Kennametal India Limited also provided computer labs, library, science kits for experimentation, support of Computer teacher & Science teacher for the 7 Government schools to assist in teaching students & training teachers on MDLS concept.

   Kennametal India Limited has joined hands with ILP's Multi-Dimensional Learning Space 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

   The vision of Schools as Multi-Dimensional learning space 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 we hope to bring about individuals who are capable, confident, inquisitive and value aware.

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

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

   or

   www.kennametal.com/kennametalindia/

2. The Composition of the CSR Committee:

   - Mr. Bhagya Chandra Rao, Chairman
   - Mr. Prakash M. Telang, Member (up to November 3, 2019)
   - Mr. B. Anjani Kumar, Member
   - Ms. Bhavna Bindra, Member
   - Mr. Alexander Broetz, Member (up to June 30, 2020)
   - Ms. Colleen Wood Cordova, Member

3. Average net profit of the Company for last three financial years: ₹ 814 Million
4. Prescribed CSR Expenditures (two percent of the amount as in item 3 above): ₹ 16.29 Million
5 Details of CSR spent during the financial year.

(a) Total amount spent for the financial year: ₹ 16.29 Million
(b) Amount unspent: NIL
(c) Manner in which the amount spent during the financial year is detailed below.

CSR Spend Update for FY 20

Theme for FY 20 :
1) 'Promotion of Education'
2) 'In the Community'
3) 'Protect our Planet '

Sl No	Theme	Projects	CSR Funds available during FY20 (INR)	Proposal of Spend value (INR)	Type of Engagement
		CSR Funds available during FY20	16,278,517		
1	In the Community	- Support the monthly requirement of provisions - Cost of painting the accommodation of the Trust where the differently abled are residing		617,500	Continued engagement
2		Support Sparsha Trust for 'Makkala Dhama' - proposed accommodation for boys at Devanahalli		2,000,000	Continued engagement
3		Support for daily running expenses for Sparsha Nisarga Grama		500,000	Continued engagement
4		Support the cause of treating poor children at People Tree Hospitals		500,000	Continued engagement
5		Support to Govt High School, Bagalagunte (Cupboards-5, Xerox machine, Notice Board, White Board-2, Green Board-3 nos) Provided a Mobility scooter for a specially abled child in Govt.School, Bagalagunte Provided 50 desks to Govt.High School, Bagalagunte		503,728	Continued engagement
6		COVID-19 Support Contribution to Chief Minister's Relief Fund for COVID-19 Sponsored PPEs, Sanitizers & masks to Govt Hospitals treating COVID-19 patients Sponsored Sanitizers & masks to police personnel in 4 Police Stations around the vicinity of our Factory Sponsored sanitizers, masks, thermal scanners & sanitizer dispensers to BBMP to be distributed to Pourakarmikas. Additional COVID-19 support to Govt hospitals treating Covid-19 patients as the cases increased drastically in June		5,634,845	New engagement
7		Building sanitation facility at Bagalagunte Police Station Sponsor 2 Big TV Monitors for Peenya Police Station & 2 for Bagalagunte Police Station to connect to their CCTV equipment to monitor safety of surrounding areas		677,847	New engagement
8	Promotion of Education	PSG, Coimbatore - scholarship for meritorius economically backward Engineering students		720,000	Continued engagement
9		Scholarship for meritorius & economically backward Post Graduate Engineering students of RV College, Bangalore		280,000	Continued engagement
10		Support to Gnana Jyothi Trust for the Blind - Provided them support for bunker cots and beds, steel cupboards and other teaching aids/infrastructure for the school cum hostel of blind children		197,902	Continued engagement
11		ILP - Government schools - To sustain support for Projects which were executed during since 2016-17, in 6 Govt.schools around KIL Providing the facility of Computer teacher & Science teacher for 6 Govt schools to teach the students using Smart Classroom facilities, Computer lab, provide science kits and well equipped library. Also conduct Science exhibitions & Career Counselling for High school students Protect our Planet - Competitions to be conducted at Govt.Schools by ILP		1,991,250	Continued engagement
12		Notebooks to be distributed to Govt school students for next academic year - for 1830 students for the 6 Govt schools sponsored by KIL (Volunteering for distribution by CSR Team KIL & KSSPL employees)		500,000	Continued engagement
13		Promotion of education for girl students (higher class / PUC & Degree courses) supported by SOS villages of India - 25 girl students in Bangalore by paying academic year fees of Rs.22600/- & 25 girl students in Rourkela		565,000	Continued engagement
14	Protect our Planet	Protect our Planet - Competitions conducted at Govt.Schools by ILP		100,000	Continued engagement
15		Contributed to Karnataka State Disaster Management Authority to help the recent flood victims in Karnataka		1,500,000	New engagement
		GRAND TOTAL		16,288,072	

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

Not Applicable.

7 Responsibility statement of the CSR Committee:

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

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127
Address: Tower 5, Flat No. 5193
One Bangalore, West Apartment,
Dr. Rajkumar Road, Rajajinagar,
Bangalore 560010 KA IN

B. Anjani Kumar
Chairman &
Independent Director
DIN: 00022417
Address: Flat No.H22,
Diamond District,
Airport Road,
Near KGA, Kodihalli,
Bangalore 560008 KA IN

Bengaluru
August 19, 2020

Annexure X of the Board's Report

FORM NO. MGT 9

Extract of Annual Return as on financial year ended on 30.06.2020 [pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014]

I. REGISTRATION & OTHER DETAILS:

I	CIN	L27109KA1964PLC001546
Ii	Registration Date	September 21,1964
Iii	Name of the Company	Kennametal India Limited
Iv	Category/Sub-category of the Company	Company limited by shares
V	Address of the Registered office & contact details	8/9th Mile, Tumkur road, Bengaluru - 560 073
Vi	Whether Listed Company	Yes
Vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Integrated Registry Management Services Private Limited, No-30, Ramana Residency, Ground Floor, 4th Cross, Sampige Road, Malleswaram, Bengaluru-560 003

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sl. No.	Name & Description of main products/services	NIC Code of the Product /service	% to total turnover of the Company
1	Hard Metal Products (Forging, pressing, stamping and roll-forming of metal; powder metallurgy)	25910	79%
2	Machine Tools (Manufacture of special-purpose machinery)	2824	21%

III. PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES

Sl. No.	Name & Address of the Company	CIN/GLN	Holding/Subsidiary Company	% of Shareholding	Applicable Section
1	Kennametal Inc. 1600, Technology Way, Latrobe, PA 15650, USA	Foreign Company	Ultimate Holding	24%	2(46)
2	Meturit Ag. 6300, Zug, Switzerland	Foreign Company	Holding	51%	2(46)
3	WIDIA India Tooling Private Limited	Private Limited Company	Wholly Owned Subsidiary	100%	2(46)

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK UP AS % TO TOTAL EQUITY)

i) CATEGORY-WISE SHARE HOLDING

Category of Shareholders	No. of Shares held at the beginning of the period-01.07.2019				No. of Shares held at the end of the period-30.06.2020				% change during the period
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian		-	-	-	-	-	-	-	- -
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	-	-	-	-	-	-	-	-	-
(2) Foreign			-	-			-	-	-
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals		-				-			
c) Bodies Corp.	16483680	-	16483680	75.00	16483680	-	16483680	75.00	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other…	-	-			-	-			
SUB TOTAL (A) (2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00	-
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	16483680	-	16483680	75.00	16483680	-	16483680	75.00	-
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	2650830	-	2650830	12.06	2860444	-	2860444	13.01	0.95
b) Banks/FI	100	860	960	0.00	40349	860	41209	0.19	0.19

Category of Shareholders	No. of Shares held at the beginning of the period-01.07.2019				No. of Shares held at the end of the period-30.06.2020				% change during the period
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Alternative Investment Fund	17335	-	17335	0.08	13400	-	13400	0.06	-0.02
g) Insurance Companies	-	-	-	-	-	-	-	-	-
h) FIIS 281728	-	281728	1.28	169241	-	169241	0.77		-0.51
i) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
j) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	2949993	860	2950853	13.43	3083434	860	3084294	14.03	0.61
(2) Non Institutions									
a) Bodies Corporates									
i) Indian	191524	650	192174	0.87	163501	650	164151	0.75	-0.13
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹1 lakhs	1691107	138236	1829343	8.32	1637182	122226	1759408	8.01	-0.32
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs	308037	56560	364597	1.66	282163	56560	338723	1.54	-0.12
c) Others (specify)									
NRI	110515	-	110515	0.50	113183	-	113183	0.51	0.01
Clearing Member	17111	-	17111	0.08	4548	-	4548	0.02	-0.06
Trust	759	-	759	0.00	759	-	759	0.00	-
Foreign Individuals	6240	-	6240	0.03	6240	-	6240	0.03	-
IEPF	21259		21259	0.10	23164		23164	0.11	0.01
LLP	1709	-	1709	0.01	90	-	90	0.00	-0.01
SUB TOTAL (B)(2):	2348261	195446	2543707	11.57	2230830	179436	2410266	10.97	-0.61
Total Public Shareholding (B)= (B)(1)+(B)(2)	5298254	196306	5494560	25.00	5314264	180296	5494560	25.00	-
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	21781934	196306	21978240	100.00	21797944	180296	21978240	100.00	-

ii) SHAREHOLDING OF PROMOTERS

Sl No.	Shareholders Name	Shareholding at the begginning of the period – 01.07.2019			Shareholding at the end of the period – 30.06.2020			% change in share holding during the period
		No. of Shares	% of total shares of the company	% of shares pledged encumbered to total shares	No. of Shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Kennametal Inc	5274840	24.00	-	5274840	24.00	-	-
2	Meturit Ag.	11208840	51.00	-	11208840	51.00	-	-
	Total	16483680	75.00	-	16483680	75.00	-	-

iii) CHANGE IN PROMOTERS' SHAREHOLDING (SPECIFY IF THERE IS NO CHANGE)

Sl No.	Shareholders Name	Shareholding at the begginning of the period – 01.07.2019					Cumulative Share holding during the Period – 30.06.2020		
		No. of Shares	% of total shares of the company	Date	Increase/Decrease in Share Holding	Reason	No. of Shares	% of total shares of the company	Reason
1	Kennametal Inc	5274840	24.00	-	-	-	5274840	24.00	-
2	Meturit Ag.	11208840	51.00	-	-	-	11208840	51.00	-

iv) SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS AND HOLDERS OF GDRs and ADRs):

Sl No.	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE PERIOD – 01.07.2019					CUMULATIVE SHARE HOLDING DURING THE PERIIOD – 30.06.2020	
		No. of Shares	% of total shares of the company	Date	Increase/Decrease in Share Holding	Reason	No. of Shares	% of total shares of the company
1	Reliance Capital Trustee Co. Ltd a/c Reliance Equity Opportunities Fund	1667398	7.59	01.07.2019	0		1667398	7.59
				09.08.2019	2400	Transfer	1669798	7.60
				16.08.2019	5000	Transfer	1674798	7.62
				23.08.2019	6979	Transfer	1681777	7.65
				30.08.2019	15000	Transfer	1696777	7.72
				06.09.2019	2880	Transfer	1699657	7.73
				18.10.2019	-156000	Transfer	1543657	7.02
				22.11.2019	17000	Transfer	1560657	7.10
				29.11.2019	9672	Transfer	1570329	7.14
				06.12.2019	6750	Transfer	1577079	7.18
				20.12.2019	4465	Transfer	1581544	7.20
				31.12.2019	5000	Transfer	1586544	7.22
				14.02.2020	17096	Transfer	1603640	7.30
				28.02.2020	10325	Transfer	1613965	7.34
				06.03.2020	10424	Transfer	1624389	7.39
				20.03.2020	1620	Transfer	1626009	7.40
				10.04.2020	1479	Transfer	1627488	7.40
				17.04.2020	11100	Transfer	1638588	7.46
				24.04.2020	571	Transfer	1639159	7.46
				30.06.2020			1639159	7.46
2	Reliance Capital Trustee Co. Ltd. - a/c Reliance Tax Saver (ELSS) Fund	479881	2.18	01.07.2019	NO MOVEMENT DURING THE PERIOD			
				30.06.2020	0		479881	2.18
3	The Master Trust Bank of Japan, Ltd. as trustee of Nissan India Equity	275760	1.25	01.07.2019	0		275760	1.25
				22.11.2019	-18908	Transfer	256852	1.17
				29.11.2019	-16000	Transfer	240852	1.10
				13.12.2019	-2000	Transfer	238852	1.09
				20.12.2019	-4000	Transfer	234852	1.07
				27.12.2019	-2000	Transfer	232852	1.06
				31.01.2020	-307	Transfer	232545	1.06
				07.02.2020	-2851	Transfer	229694	1.05
				14.02.2020	-3529	Transfer	226165	1.03
				24.04.2020	-62403	Transfer	163762	0.75
				30.06.2020			163762	0.75
4	SBI Infrastructure Fund	245000	1.11	01.07.2019	0		245000	1.11
				04.10.2019	-998	Transfer	244002	1.11
				18.10.2019	-44002	Transfer	200000	0.91
				30.06.2020			200000	0.91
5	Nalinkant Chaturbhuj Asher	63300	0.29	01.07.2019	NO MOVEMENT DURING THE PERIOD			
				30.06.2020			63300	0.29
6	Nandi Cylinders Pvt Ltd	42312	0.19	01.07.2019	0		42312	0.19
				14.02.2020	-1242	Transfer	41070	0.19
				21.02.2020	-2543	Transfer	38527	0.18
				28.02.2020	-3884	Transfer	34643	0.16

Sl No.	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE PERIOD – 01.07.2019					CUMULATIVE SHARE HOLDING DURING THE PERIIOD – 30.06.2020	
		No. of Shares	% of total shares of the company	Date	Increase/Decrease in Share Holding	Reason	No. of Shares	% of total shares of the company
				06.03.2020	-2999	Transfer	31644	0.14
				13.03.2020	-26970	Transfer	4674	0.02
				20.03.2020	-3652	Transfer	1022	0.00
				19.06.2020	-915	Transfer	107	0.00
				30.06.2020			0	0.00
7	Sundaram Mutual Fund A/C Sundaram Emerging Small Cap - Series I	30064	0.14	01.07.2019	NO MOVEMENT DURING THE PERIOD			
				30.06.2020			30064	0.14
8	Anand Rathi Global Finance Limited	30000	0.14	01.07.2019	0		30000	0.14
				12.07.2019	-1000	Transfer	29000	0.13
				26.07.2019	-2187	Transfer	26813	0.12
				30.09.2019	-2500	Transfer	24313	0.11
				01.11.2019	590	Transfer	24903	0.11
				31.12.2019	-1813	Transfer	23090	0.11
				03.01.2020	-515	Transfer	22575	0.10
				17.01.2020	-2485	Transfer	20090	0.09
				14.02.2020	-4500	Transfer	15590	0.07
				28.02.2020	3500	Transfer	19090	0.09
				06.03.2020	-6908	Transfer	12182	0.06
				13.03.2020	-12182	Transfer	0	0.00
				30.06.2020			0	0.00
9	K V Chinnaraj	28720	0.13	01.07.2019	NO MOVEMENT DURING THE PERIOD			
				30.06.2020			28720	0.13
10	Sundaram Mutual Fund A/C Sundaram Emerging Small Cap - Series II	25571	0.12	01.07.2019	0		25571	0.12
				20.03.2020	333	Transfer	25904	0.12
				27.03.2020	584	Transfer	26488	0.12
				30.06.2020			26488	0.12
11	L&T Mutual Fund Trustee Ltd- L&T Infrastructure Fund	0	0.00	01.07.2019	0		0	0.00
				18.10.2019	198344	Transfer	198344	0.90
				06.12.2019	994	Transfer	199338	0.91
				30.06.2020			199338	0.91
12	SBI Magnum Global Fund	0	0.00	01.07.2019	0		0	0.00
				24.04.2020	57742	Transfer	57742	0.26
				29.05.2020	3214	Transfer	60956	0.28
				30.06.2020			60956	0.28
13	ICICI Bank Limited	0	0.00	01.07.2019	0		0	0.00
				04.10.2019	74	Transfer	74	0.00
				11.10.2019	458	Transfer	532	0.00
				25.10.2019	98	Transfer	630	0.00
				01.11.2019	14	Transfer	644	0.00
				08.11.2019	626	Transfer	1270	0.01
				15.11.2019	-10	Transfer	1260	0.01
				22.11.2019	-74	Transfer	1186	0.01
				29.11.2019	1334	Transfer	2520	0.01

Sl No.	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE PERIOD – 01.07.2019					CUMULATIVE SHARE HOLDING DURING THE PERIIOD – 30.06.2020	
		No. of Shares	% of total shares of the company	Date	Increase/Decrease in Share Holding	Reason	No. of Shares	% of total shares of the company
				06.12.2019	143	Transfer	2663	0.01
				13.12.2019	64	Transfer	2727	0.01
				20.12.2019	-76	Transfer	2651	0.01
				27.12.2019	-24	Transfer	2627	0.01
				31.12.2019	-120	Transfer	2507	0.01
				03.01.2020	-82	Transfer	2425	0.01
				10.01.2020	17	Transfer	2442	0.01
				17.01.2020	159	Transfer	2601	0.01
				24.01.2020	140	Transfer	2741	0.01
				31.01.2020	-197	Transfer	2544	0.01
				07.02.2020	-35	Transfer	2509	0.01
				14.02.2020	67	Transfer	2576	0.01
				21.02.2020	-54	Transfer	2522	0.01
				28.02.2020	2997	Transfer	5519	0.03
				06.03.2020	6420	Transfer	11939	0.05
				13.03.2020	7638	Transfer	19577	0.09
				20.03.2020	14654	Transfer	34231	0.16
				27.03.2020	14	Transfer	34245	0.16
				31.03.2020	-100	Transfer	34145	0.16
				03.04.2020	-30	Transfer	34115	0.16
				17.04.2020	-3	Transfer	34112	0.16
				24.04.2020	-3	Transfer	34109	0.16
				01.05.2020	25	Transfer	34134	0.16
				08.05.2020	-168	Transfer	33966	0.15
				15.05.2020	-2	Transfer	33964	0.15
				22.05.2020	-302	Transfer	33662	0.15
				29.05.2020	4	Transfer	33666	0.15
				05.06.2020	322	Transfer	33988	0.15
				12.06.2020	5759	Transfer	39747	0.18
				19.06.2020	398	Transfer	40145	0.18
				26.06.2020	104	Transfer	40249	0.18
				30.06.2020			40249	0.18
14	Nirankar Advisor LLP	0	0.00	01.07.2019	0		0	0.00
				29.05.2020	37166	Transfer	37166	0.17
				30.06.2020			37166	0.17

(v) SHAREHOLDING OF DIRECTORS & KEY MANAGERIAL PERSONNEL

Sl No.	NAME OF THE SHARE HOLDER	SHAREHOLDING AT THE BEGINNING OF THE PERIOD – 01.07.2019					CUMULATIVE SHARE HOLDING DURING THE PERIIOD – 30.06.2020	
		No. of Shares	% of total shares of the company	Date	Increase/Decrease in Share Holding	Reason	No. of Shares	% of total shares of the company
1	Prakash Manjanath Telang*	**2000**	0.01	01.07.2019	NO MOVEMENT DURING THE PERIOD			
				30.06.2020			2000	0.01
2	Bhagya Chandra Rao	**320**	0.00	01.07.2019	NO MOVEMENT DURING THE PERIOD			
				30.06.2020			320	0.00
3	Bidadi Anjani Kumar	**10**	0.00	01.07.2019	NO MOVEMENT DURING THE PERIOD			
				30.06.2020			10	0.00

*Mr. Prakash M Telang vacated the office as Independent Director w.e.f., November 3, 2019.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment is as follows:

₹ in Million

Particulars	Unsecured Loans
Indebtedness at the beginning of the financial year	
i) Principal amount	100
ii) Interest due but not paid	-
iii) Interest accrued but not due	-
Total (I + ii + iii)	100
Changes in indebtedness during the financial year	
• Addition	30
• Reduction	-
Net change	30
Indebtedness at the end of the financial year	
iv) Principal amount	130
v) Interest due but not paid	-
vi) Interest accrued but not due	-
Total (I +ii + iii)	130

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL*

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

(₹ in Million)

Sl. No.	Particulars of Remuneration	Mr. Bhagya Chandra Rao	Total
1.	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12.95	0.13
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	12.95
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0.13	NIL
2.	Stock Option – ESOP – Stock option granted by Kennametal Inc. Ultimate holding Company	4.70	4.70
3.	Sweat Equity	NIL	NIL
4.	Commission		
	- as % of profit		
	- others, specify.		
5.	Others, please specify – Incentive (Performance Pay)	3.27	3.27
	Total (A)	21.06	21.06
	Ceiling as per the Act (Section-197) (@5% of Profit calculated under Section 198 of Companies Act, 2013)		23.45

B. Remuneration to other Directors: (₹ in Million)

Sl No.	Particulars of Remuneration	Name of Directors				Total Amount
1	Independent Directors	Mr. Prakash M. Telang*	Mr. Vinayak. K. Deshpande	Mr. B. Anjani Kumar	Ms. Bhavna Bindra	
	-Fee for attending Board/ committee meetings	0.15	0.78	1.00	0.38	2.31
	-Commission	0.56	0.82	1.68	0.54	3.6
	- Others, please specify	---	---	---	---	---
	Total (1)	0.71	1.6	2.68	0.92	5.91
2	Other Non-Executive Directors	Mr. D. Parameshwar Reddy	Mr. Alexander Broetz	Ms. Colleen Wood Cordova		-
	-Fee for attending Board meetings					
	-Commission					
	- Others, please specify	NIL	NIL	NIL		-
	Total (2)	NIL	NIL	NIL		NIL
	Total (B)=(1+2)					5.91**
	Overall Ceiling as per the Act (Section-197) (@1 % of Profit calculated under Section 198 of Companies Act, 2013)					4.69

*Mr. Prakash M Telang vacated the office as Independent Director w.e.f., November 3, 2019.

Mr. Alexander Broetz, who resigned with effect from June 30, 2020 as a Non- Executive Director and Mr. Broetz was not drawing any remuneration from the Company.

**Amount inclusive of Sitting Fees

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

(₹ in Million)

SI. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		CFO	Company Secretary	
1.	Gross salary	6.90	4.59	11.49
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	NIL	NIL	NIL
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL
2.	Stock Option (Grant)	0.86	0.24	1.10
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission (Variable Compensation)			
	-as % of Profit			
	-others, specify	Nil	Nil	Nil
5	Others, please specify	Nil	Nil	Nil
	Total	7.76	4.83	12.59

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	NIL				
Punishment					
Compounding					
B. DIRECTORS					
Penalty	NIL				
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL				
Punishment					
Compounding					

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

Bhagya Chandra Rao
Managing Director
DIN: 00211127
Address: Tower 5, Flat No. 5193
One Bengaluru, West Apartment,
Dr. Rajkumar Road, Rajajinagar,
Bengaluru 560010 KA IN

Bengaluru
August 19, 2020

B. Anjani Kumar
Chairman &
Independent Director
DIN: 00022417
Address: Flat No.H22,
Diamond District,
Airport Road,
Near KGA, Kodihalli,
Bengaluru 560008 KA IN

Annexure XI of the Board's Report

Business Responsibility 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	https://www.kennametal.com/in/en/about-us/kil-financials.html
5	Email id	k-in-kil@kennametal.com
6	Financial year reported	July 01, 2019 to June 30, 2020
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 is a subsidiary of Kennametal Inc. and Kennametal Inc. operates around the globe including their plants in various locations. (b) Number of National Locations: • Kennametal India Limited have a single plant in India situated at 8/9th Mile, Tumkur Road, Bengaluru – 560073, Karnataka. • Kennametal India Ltd, 3rd Floor, "Tamilvanan Complex", AA144, 3rd Avenue, Anna Nagar, Chennai – 600040 • Kennametal India Ltd, 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 Ltd., 10 C.H. Area North, Road No. 5, Jamshedpur – 831001
10	Markets served by the Company	i. Pan India across all stated in India ii. Asia Pacific iii. Europe Middle East and Africa iv. Americas

Section B: Financial details of the Company

(₹ in Million)

1	Paid up Capital (₹)	219.78 Million as on June 30, 2020
2	Total Turnover (₹)	7050 Million as on June 30, 2020
3	Total profit after taxes (₹)	339 Million as on June 30, 2020
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	16.29 Million
5	List of activities in which expenditure in 4 above has been incurred	(a) Community Support - Health (b) Education (c) COVID -19 Support (d) Planet Protection

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.

2. Does the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

   Kennametal India Limited (KIL) holding company of WIDIA India Tooling Private Limited (wholly owned subsidiary of KIL) oversees the activities of its subsidiary to make sure that the sustained performance has no adverse social impact to environment or its other stakeholders.

3. Does 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, as of now no supplier or distributor is part of BR initiatives. However, the Company actively engages with the distributors to educate them on the social impact that their activities can have. As part of CSR initiatives the Company does engage and partner with several reputed NGOs who are onboarded after a thorough review of their capability and credentials.

Section D: Business Responsibility Information

1. Details of the Director/ Directors responsible for Business Responsibility.

a) Details of the Director/Director responsible for implementation of the BR policy/policies

   The Corporate Social Responsibility ("CSR") Committee of the Board of Directors is responsible for implementation of BR initiatives. The members of the CSR Committee are as follows:

Sl. No.	Name of the Director	Category
1	Mr. Bhagya Chandra Rao	Executive – Chairman
2	Mr. Bidadi Anjani Kumar	Independent Director
3	Mr. Colleen Wood Cordova	Non-Executive Director
4	Ms. Bhavna Bindra	Independent Director

b) Details of the BR head:

Sl. No	Particulars	Details
1	DIN Number (if applicable)	00211127
2	Name	Bhagya Chandra Rao
3	Designation	Managing Director
4	Telephone number	+91 80 28394709
5	Email id	bc.rao@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

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 (Supportive 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
1	Do you have a policy/ policies for	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
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
6	Indicate the link for the policy to be viewed online?	Refer table below								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the company have in-house structure to implement the policy/ policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
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
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

Principles No.	Name of the Policy	Link
Principle 1: Business should conduct and govern themselves with Ethics, Transparency and Accountability **(Ethics, transparency, accountability)**	Vigil Mechanism Policy	https://www.kennametal.com/in/en/about-us/kil-financials/ policies.html
Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle **(Safe and sustainable goods and services)**	Environment and Health Safety Policy	
Principle 3: Businesses should promote the wellbeing of all employees **(Wellbeing of employees)**	Environment and Health 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)**	Corporate Social Responsibility Policy	
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)**	Environment and Health 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 **(Supportive Inclusive development)**	Code of Conduct Corporate Social Responsibility Policy	
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 to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year:

BR initiatives are currently being reviewed as part of review of CSR initiatives on a quarterly basis. Please refer "Corporate Governance" section of the Company's Board's Report for the year 2019-20 for details of the various committees and their responsibilities.

b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

As per regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, this is the first year BR is made applicable to our Company based on market capitalization. The BR report for the year under review is being published annually as part of the Board's Report for FY20. The Board will consider the periodicity of publishing of the report shortly.

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.

Kennametal India Limited, being a wholly owned subsidiary of Kennametal INC., a US based corporation in Pittsburgh is mandated to adhere to the Kennametal Code of Conduct. Kennametal group of companies have robust implementation mechanism of anti-bribery, ethical conduct of the business, holding up accountability at various levels of the organization.

Ethics, integrity, accountability and transparency being at the heart of Kennametal's business conduct, we enforce all of these through online (virtual) training sessions to our suppliers, distributors and employees. Every employee in the globe is individually responsible for holding up integrity and ethical conduct of the business. Investigation mechanisms are built in to enforce disciplinary action on the delinquent employees/ stakeholders.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

As regards, the shareholders queries were concerned, the Company received 11 requests (tabulated below), during FY20, all of which were addressed to the best satisfaction of the shareholders:

Sl. No.	No. of requests received	Nature of request	Addressed	Pending	Date when addressed
1.	2	Name Deletion, Change in Name	2	-	July 5, 2019
2.	2	Duplicate, Duplicate cum Transmission	2	-	August 15, 2019
3.	1	Duplicate cum name Deletion	1	-	October 19, 2019
4.	1	Duplicate cum name Deletion	1	-	November 1, 2019
5.	2	Duplicate cum Transmission	2	-	November 25, 2019
6.	2	Transmission	2	-	December 19, 2019
7.	1	Duplicate cum Change in Name	1	-	January 16, 2020

Apart from the above, the Company had one sexual harassment case which was resolved to the best satisfaction of the complainant.

Apart from the above, the Company had one sexual harassment case which was resolved to the best satisfaction of the complainant.

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:

   Under the "Protecting our Planet" initiatives of the Company, your Company has been instrumental in providing sustainable solutions by reducing the total environmental impact of our products and operations. Your Company has been working towards protecting our planet by continuously improving the management of energy and natural resources, promoting recycling & recovery of materials and preventing pollution. Usage of power in the new buildings of the Company have reduced due to the architecture of the structures providing enough ventilation. The solar panels installed on top of the buildings are expected to reduce your Company's power consumption and aid reduction in carbon footprints. Your Company aspires to have close to 50% green cover within the campus by planting more trees before the end of September 2021 and initiatives on these have commenced during the year under review. Your Company has been using Recycled material for powder Grades to reduce carbon footprint. Your Company is cognizant of preserving the ground water table and has in this regard been closely working with organized NGOs. An update on these will be provided in the following financial year FY21. 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.

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

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

   Some of the following initiatives have helped in reducing thermal power consumption pattern:

   o Replacement of CFL/Fluorescent Lighting fixtures with LED lights in the plant and installation of the LED fixtures in new Buildings.

   o Optimization of Ventilation systems by reducing the speed & adjustment time in PU1, PU2, PU7 and DC buildings

   o Installed the energy efficiency machine, these machines operate based on the load

   o Reduction of Compressor air generation settings example from 7.2 to 6.5 bar

   o Energy efficient and low water consuming ventilation systems were installed.

   o Optimizing of Air conditioning set temperature in all UPS rooms with respective ambient temperature

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

There are no significant quantified reporting, under this head, during the year under review. But we firmly believe that our internal initiatives, where manufacturing of tools/ products happen, does aid in reducing the carbon foot prints and in a way contributes to an added advantage to our consumers who use our tools/ products – that are more free from carbon footprints.

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

   Yes

(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

   All our suppliers sign off on the code of conduct which demands adhering to green initiatives and less carbon/ pollutants discharge to the environment. As such, all our procurements confirm to internal sustainability standards.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

   Yes. As per procurement policy, not only does the Company give credence to quality products but does give credence to local purchases in and around the factory premises. Not only does such procurement aid in reducing costs but does have positively impact our initiatives towards having lesser pollutant around our plant as the carbon discharges emanating from long transportation gets obviated.

(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

   While at the heart of our procurement activities we do engage in small but reliable suppliers in and around our facility, following initiatives give an idea of how Kennametal is positioned on this front during the year under review:

1) Collaborated with local vendor in Bangalore for design, development and building of a washer equipment which helped in import substitution.

2) Localization of consumable used in Manufacturing process and R&D Lab.

3) Processes like Grinding, Brazing, Mechanical testing are done at local vendors located around the plant.

4) We are also in the process of qualifying local vendors within India for 3 raw materials used in powder processing. This involves detailed evaluation, providing feedback, finalizing the raw material specification and establish processing internally followed by risk evaluation and mitigation.

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.

a) The water used in the cleaning of products are recycled with >90% yield.

b) Recycling of solvent is used in powder manufacturing.

c) Importantly, the water from our Sewage Treatment Plant and Effluent Treatment Plant are used for watering plants and trees. Your Company has been won many prizes for best garden in Peenya Industrial Area and this stands as a testimony to the quality of discharges emanating from the STP/ ETP.

d) We have a buy back policy for the used carbide. the details of these can be read at:

https://www.kennametal.com/content/kennametal/us/en/services/carbide-recycling.html

Use of recycled powder:- >10% of the powder is processed with recycled powder.

Principle 3: Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees - 865
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis. – 210
3. Please indicate the Number of permanent women employees – 13
4. Please indicate the Number of permanent employees with disabilities – 0
5. Do you have an employee association that is recognized by management. – Yes
6. What percentage of your permanent employees is members of this recognized employee association? – 37%
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial l 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	1	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: 650
   (b) Permanent Women Employees: 13
   (c) Casual/Temporary/Contractual Employees: 75
   (d) Employees with Disabilities: zero

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

1. Has the company mapped its internal and external stakeholders? Yes/No

   Your Company has mapped its internal and external stakeholders in a structured way and carries out engagements with investors, employees, customers, suppliers, bankers, government, regulatory authorities, union and local community.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.

   Your Company engages in a number of initiatives to uplift the underprivileged, disadvantaged, vulnerable & marginalized community as part of its CSR initiatives. As regards engaging vulnerable stakeholders, your Company will explore opportunities if any in the forthcoming years.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

   There are a number of initiatives that your Company engages as part of its CSR initiatives, the details of which have been articulated at "Annexure VIII" 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 & stakeholders, prohibition of child labor, fostering gender diversity, prohibition of any kind of harassment or favoritism based on gender/ nationality/ racial/ color/ religion/ political beliefs etc…
- Respect for each other and being bold in communicating what is right are fundamental core values of Kennametal. Any kind of behavioral issues including sexual harassment is dealt seriously and disciplinary actions on any stakeholders is initiated on the delinquent.
- There are structured trainings not just to the employees but to all applicable stakeholders of the Company.
- Apart from the above, your Company has in compliance with local applicable laws, has in place Standing Orders to govern the rights and responsibilities of workers.
- Your Company has a Registered Employee Union to protect the rights of the workers.
- Apart from the above, the Company has Separate Committee and policy with respect to Prevention of Sexual Harassment of woman in workplace. The Company has zero tolerance towards sexual harassment at the work place and has adopted a policy on prevention, prohibition and redressal of sexual harassment at work place in line with the provisions of the Sexual Harassment of women at work place (Prevention, Prohibition and Redressal) Act, 2013 and rules thereunder. As required under law, an internal Compliance Committee has been constituted for reporting and conducting inquiry into the complaints made by the victim on the harassments at the workplace.

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

   During the year under review, the Company has not received any complaint from any stakeholders except shareholders and customers of the Company. Shareholders Complaints received during the year was reported to stock exchange and also available in the Corporate Governance Report which is part of Board's Report. Complaints received from customers is resolved by the Sales team on regular basis and there is a laid out structured process for attending to customer complaints.

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's EHS policy is extended to all the interested parties like Group/Joint Ventures /Suppliers /Contractors /NGOs / all stakeholders.

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.

   Yes. Amongst many initiatives, that your Company has undertaken, it is interesting to mention here about the future powder processing technology which Kennametal is working towards manufacturing on water based instead of solvent based technology. We have the patents on the process. The new process is expected to leave far lesser effluents and aid in protecting our environment. Link to the Patent: https://patents.google.com/patent/US10538829B2/en

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

   YES. Your Company has a structured well laid out global processes which capture and address as part of "Hazard Identification and Risk Assessment [HIRA]".

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?

   Apart from adhering to all applicable environmental legislations, your Company is ISO 14001 & OHSAS 18001 compliant and is also Green Co., certified company. The Green Co., certification in manufacturing realm is a testimony to the environmental consciousness of Kennametal.

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 Boards' report.

   Your Company has entered into an agreement with an Independent Solar Power Producer to benefit from lower tariff for purchase of electricity from renewable energy sources. Apart from power saving, this is a significant green initiative of your Company.

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 within the permissible limits given by Central Pollution Control Board / State Pollution Control Board. Apart from adhering to all applicable environmental legislations, your Company is ISO 14001 & OHSAS 18001 compliant and is also Green Co., certified company. The Green Co., certification in manufacturing realm is a testimony to the environmental consciousness of Kennametal.

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.

   There was one pending demand notice issued by Karnataka State Pollution Control Board demanding payment of 10 million. The said demand notice was alleging non-existing non compliances in the discharges of Sewage Treatment Plants. The said demand notice being fundamentally frivolous was quashed by the Hon'ble High Court of Karnataka. All discharges emanating from the STP are well within the parameters laid out by the authorities in India.

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 thosesssss major ones that your business deals with:

   a. IMTMA - Indian Machine Tool Manufactures Association

   b. ICTMA – India Cutting Tools Manufacturers Association

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

   The Company through various industry associations, participates in advocating matters relating to advancement of Industry and public good.

Principle 8: Businesses should support inclusive growth and equitable development

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

   Yes. The Company's CSR initiatives and projects support inclusive growth. In pursuit of the intention of your Company to leave behind a positive social impact, the Board of Directors of your Company define the areas in which the resources will be spent at the beginning of every financial year. The specified projects/ initiatives are pursued by the cross functional CSR team which is headed by a senior woman employee viz., Ms. Parvathi Ravindra and supervised by the Board from time to time.

   More details about the programs and initiatives during the year under review is enumerated at "Annexure-VIII" 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 liaisons with these NGO to support children's education, supporting blind children, supporting blind children's accommodation, supporting girl children education, scholarships to meritorious needy engineering students, mid-day meals, providing infrastructure to government institutions that are situated in and around your Company.

   Apart from these, rainwater harvesting, providing solar panels to NGOs such as, Sparsha Trust (a reputed NGO which houses underprivileged children), new buildings providing for adequate ventilation have had great impact on our thermal power consumption and augmenting water resources.

   Continued employee engagement in our CSR initiatives in association with outside 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?

   The NGOs with whom your Company partners provide to your Company an impact report on the initiatives undertaken by the Company. the CSR report which is made part of this Board's Report at "Annexure VIII" provides more details on our initiatives.

4. What is your company's direct contribution to community development projects- Amount in Indian Rupees and the details of the projects undertaken.

   During the year under review your Company spent an amount of ₹16,278,517 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 VIII."

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 needy and ultimately benefits the intended stakeholders. 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.

   Kennametal India limited has a robust mechanism to address customer/consumer complaints. There is a dedicated Customer Experience Centre (CEC) which ensures due closure of customer complaints within the lead time not exceeding 45 days on an average.

2. Does the company display product information on the product label, over and above what is mandated as per local laws?

   The Company is providing the basic information such as product name, product specification, Bar Code, Brand Logo on the label. However, the Company has enabled the digital platform such as NOVO and e-catalogs where in which additional information of the products are displayed.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

   NIL

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

   The Company constantly engages with the customers through periodical survey called "Voice of Customer" where in the customer can express their views and experience on the products and services of the Company. Considering the views and experience of customers, the Company undertakes incremental action to enhance customer experience and foster customer relationship.

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 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ('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 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

Emphasis of Matter

4. We draw attention to Note 41 to the accompanying standalone financial statements, which describes the uncertainties relating to the effect of COVID-19 pandemic on the Company's operations and management's evaluation of its impact on the accompanying standalone financial statements as at 30 June 2020. The impact of the continuing uncertainties on the Company's operations is dependent on future developments.

Our opinion is not modified in respect of this matter.

Key Audit Matter

5. 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.

6. 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 2.8 for accounting policy and note 11 for financial disclosures in relation to inventory. At the Standalone Balance Sheet dated 30 June 2020, the Company held inventories comprising of raw materials and components, finished goods, work-in-progress and stores and spares worth ₹ 1,979 million as detailed in note 11 to the accompanying standalone financial statements. During the year ended 30 June 2020, the management has performed 100% physical verification for the inventory between 15 June 2020 to 15 July 2020 in multiple intervals with the assistance of management experts and has performed roll forward/roll back workings based on system generated reports. Apart from these, counts are performed on periodical basis as per the management policy. 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.	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.

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. • 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 realizable 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 realizable 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.	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 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 2020 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

7 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

8. 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.

9. 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.

10. 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

11. 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.

12. 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

13. 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.

14. 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.

15. 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

16. 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.

17. 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.

18. 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 2020 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 financial statements of the Company as on 30 June 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date and our report dated 19 August 2020 as per Annexure II expressed 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 29 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 30 June 2020;

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 2020 and

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 30 June 2020.

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: 20059139AAAACA9734

Bengaluru
19 August 2020

Annexure I to the Independent Auditor's Report of even date to the members of Kennametal India Limited, on the standalone financial statements for the year ended 30 June 2020

Independent Auditor's Report on the Companies (Auditor's Report) Order, 2016 ('the Order') under Sub-Section 11 of Section 143 of the Companies Act, 2013 ('the Act')

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 Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.

(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, duty of customs, goods and service tax, 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, sales-tax, service-tax, duty of customs and duty of excise 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
		9.12	9.12	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
		20.93	20.93	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) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.

(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 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: 20059139AAAACA9734

Bengaluru
19 August 2020

Annexure II to the Independent Auditor's Report of even date to the members of Kennametal India Limited on the Standalone Financial Statements for the year ended 30 June 2020

Independent Auditor's Report on the internal financial controls with reference to the standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Kennametal India Limited ('the Company') as at and for the year ended 30 June 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') 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 internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 over Financial Reporting 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 over Financial Reporting

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 over financial reporting and such controls were operating effectively as at 30 June 2020 based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

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

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 20059139AAAACA9734

Bengaluru
19 August 2020

Standalone 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
I. ASSETS			
1. Non-current assets			
(a) Property, plant and equipment	3A	2459	1834
(b) Capital work-in-progress	3B	321	672
(c) Investment property	4	0	0
(d) Other intangible assets	5	7	1
(e) Investment in subsidiary	6	20	0
(f) Financial assets			
(i) Loans	7(a)	-	0
(ii) Other financial assets	7(e)	54	41
(g) Income tax assets (net)	9	461	363
(h) Other non-current assets	10	132	186
Total non-current assets		3454	3097
2. Current assets			
(a) Inventories	11	1979	2031
(b) Financial assets			
(i) Trade receivables	7(b)	803	1445
(ii) Cash and cash equivalents	7(C)	414	437
(iii) Bank balances other than (ii) above	7(d)	1	2
(iv) Loans	7(a)	102	352
(v) Other financial assets	7(e)	15	36
(c) Other current assets	12	117	147
Total current assets		3431	4450
Total assets		6885	7547
II. EQUITY AND LIABILITIES			
1. Equity			
(a) Equity share capital	13	220	220
(b) Other equity	14	5282	4969
Total equity		5502	5189

Standalone 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 liabilities			
(a) Financial liabilities			
(i) Other financial liabilities	15C	1	1
(b) Provisions	16	53	57
(c) Deferred tax liabilities (net)	8	5	17
Total non-current liabilities		**59**	**75**
Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	15A	130	100
(ii) Trade payables	15B		
Total outstanding dues of micro enterprises and small enterprises		27	37
Total outstanding dues of other than micro enterprises and small enterprises		541	1221
(iii) Other financial liabilities	15C	137	269
(b) Provisions	16	196	198
(c) Other current liabilities	17	293	458
Total current liabilities		**1324**	**2283**
Total Equity and Liabilities		**6885**	**7547**

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

This is the 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 19, 2020

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

Bhagya Chandra Rao
Managing Director
DIN - 00211127
Bengaluru
August 19, 2020

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 19, 2020

Suresh Reddy K V
Chief Financial Officer
Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary
Bengaluru
August 19, 2020

Standalone Statement of Profit and Loss for the year ended June 30, 2020

(All amounts in ₹ millions unless otherwise stated)

	Note	Year ended June 30, 2020	Year ended June 30, 2019
I. INCOME			
Revenue from operations	18	6414	9269
Other income	19	192	140
Total income		**6606**	**9409**
II. EXPENSES			
Cost of materials consumed	20	2026	3245
Purchase of stock-in-trade	21	1530	1993
Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	(88)	(303)
Employee benefits expense	23	1086	1301
Finance costs	24	11	5
Depreciation and amortisation expenses	25	342	280
Other expenses	26	1251	1672
Total expenses		**6158**	**8193**
III. Profit before exceptional items and tax		**448**	**1216**
Exceptional item	38	(44)	-
IV. Profit before tax		**404**	**1216**
V. Tax expense/ (credit)	27		
Current tax		96	376
Tax adjustments relating to earlier years		(8)	(115)
Deferred tax charge / (credit)		(9)	92
Total tax expense		**79**	**353**
VI. Profit after tax for the year		**325**	**863**
VII. Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit plans		(13)	(16)
Income tax relating to above item		3	6
Total other comprehensive income for the year (net of tax)		(10)	(10)
VIII. Total comprehensive income for the year		**315**	**853**
IX. Earnings per equity share in ₹ [Nominal Value per share ₹ 10 (June 30, 2019: ₹ 10)]	40		
Basic and diluted		14.79	39.24

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

This is the 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 19, 2020

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

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August 19, 2020

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Chief Financial Officer

Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary

Bengaluru
August 19, 2020

Standalone Statement of Changes in Equity for the year ended June 30, 2020

(All amounts in ₹ millions unless otherwise stated)

(A) Equity Share Capital

	Notes	Amount
Balance as at July 1, 2018		220
Changes in equity share capital during the year	13	-
Balance as at June 30, 2019		220
Changes in equity share capital during the year	13	-
Balance as at June 30, 2020		220

(B) Other equity

	Securities premium reserve	Share based compensation reserve	General reserve	Retained earnings	Total
Balance as at July 1, 2018	1	3	1488	2676	4168
Profit for the year	-	-	-	863	863
Other comprehensive Income	-	-	-	(10)	(10)
Total comprehensive income for the year	1	3	1488	3529	5021
Transactions with owners in their capacity as owners :					
Interim dividends	-	-	-	(44)	(44)
Dividend distribution tax	-	-	-	(9)	(9)
Share based compensation expense	-	10	-	-	10
Payment during the year towards share based compensation	-	(9)	-	-	(9)
Balance as at June 30, 2019	1	4	1488	3476	4969
Profit for the year	-	-	-	325	325
Other comprehensive Income	-	-	-	(10)	(10)
Total comprehensive income for the year	1	4	1488	3791	5284
Transactions with owners in their capacity as owners :					
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

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 19, 2020

For and on behalf of Board of Directors
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Chief Financial Officer

Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary

Bengaluru
August 19, 2020

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 operating activities		
Profit before taxation and exceptional items	448	1216
Adjustments for:		
Depreciation and amortisation expense	342	280
Dividend income	(4)	(13)
Liabilities no longer required written back	-	(14)
Provision for doubtful debts and deposits written back	(4)	-
Provision for product support	19	34
Provision made for doubtful debts and deposits	1	1
Provision for disputed taxes and duties written back	(7)	(4)
Loss/ (Gain) on sale of property, plant and equipment (net)	2	(4)
Interest expense	11	5
Interest income	(53)	(35)
Income tax refund received	(33)	-
Unrealised foreign exchange (gain)/ loss (net)	(2)	2
Share based compensation expense	11	10
Operating profit before working capital changes	731	1478
Adjustment for working capital changes (Decrease) / Increase :		
(Increase) / Decrease in inventories	52	(472)
(Increase) / Decrease in trade and other receivables	940	(340)
Decrease / (Increase) in financial assets	1	1
Increase / (Decrease) in other liabilities and provisions	(1293)	545
Cash generated from operations	431	1212
Taxes paid (net of refunds)	(153)	(373)
Net cash generated from operations (1)	278	839
Cash flow from investing activities		
Purchase of property, plant and equipment	(610)	(1100)
Investment in subsidiary (June 30, 2019: ₹ 100000)	(20)	(0)
Interest received	15	2
Loan to subsidiary	(250)	(356)
Recovery of loan to subsidiary	500	6
Redemption of investment	-	5
Proceeds from sale of property, plant and equipment	2	12

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
Dividend received on mutual funds	4	13
Interest received	40	30
Net cash used in investing activities (2)	(319)	(1388)
Cash flow from financing activities		
Loan from fellow subsidiary	30	100
Interest paid	(11)	(5)
Dividends paid	-	(44)
Dividend distribution tax	-	(9)
Unclaimed dividend paid	(1)	(1)
Net cash generated from Financing activities (3)	18	41
Net increase in cash and cash equivalents (1+2+3)	(23)	(508)
Add: Cash and cash equivalents at the beginning of the year	437	945
Cash and cash equivalents at the end of the year	414	437
Cash and Cash equivalent as per above comprises of the following		
Cash and Cash equivalent (refer note.7(c))	414	437
Balance as per Statement of Cash Flows	414	437
The accompanying notes are the integral part of the Standalone Financial Statements.		
Note:		
Also refer note 39 for "Net debt reconciliation".		

The cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.

This is the 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 19, 2020

For and on behalf of Board of Directors
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Bhagya Chandra Rao
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DIN - 00211127
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August 19, 2020

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August 19, 2020

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Chief Financial Officer
Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary
Bengaluru
August 19, 2020

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

(All amounts in ₹ millions unless otherwise stated)

1 Background

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 (BSE). The financial statements were approved for issue by Company's board of directors on August 19, 2020.

2 Significant accounting policies

2.1 Basis of preparation:

(i) Compliance with Ind AS :

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act.

The accounting policies are applied consistently to all the periods presented in the financial statements except for Ind AS 116, which was implemented with effect from July 1, 2019.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

a) Certain financial assets and liabilities are measured at fair value;

b) Assets held for sale- measured at fair value less cost to sales;

c) Defined benefit plans- plan assets measured at fair value; and

d) Share based payments- measured at fair value.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of services and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/ non-current classification of assets and liabilities.

(iii) Current / non-current classification

The Company presents assets and liabilities in the balance sheet based on current / non-current classification.

An asset is treated as current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has evaluated and considered its operating cycle as 12 months.

Deferred tax assets/ liabilities are classified as non-current assets/ liabilities.

(iv) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing July 01, 2019.

Ind AS 116, Leases.

The Company had to change its accounting policies for the aforementioned amendments. However, such changes didn't have any impact on the amount recognised in prior period and are not expected to significantly affect the current and future periods.

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 if any. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

2.2 Significant estimates, judgements and assumptions (cont'd)

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

(All amounts in ₹ millions unless otherwise stated)

(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 and future forecast, 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 judgment and historical trend, the Company assesses the requirement of provisions. However, the actual future outcome may be different from the judgment.

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

The Company recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale.

(viii) Customer loyalty programme

The Company recognises the provision for customer loyalty programme based on the ratio of sales targets met by the customers.

(ix) Litigations

The Company records provision and contingent liabilities for pending litigations by considering the probability and the amount of loss involved in each case.

2.3 Revenue recognition

The Company derives revenues primarily from sale of manufactured goods, traded goods and related services.

As per Ind AS 115, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services. Revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates.

Revenue in excess of invoicing are classified as contract asset while invoicing in excess of revenues are classified as contract liabilities.

The Company operates a loyalty programme for the customers and dealers for the sale of goods. The customers are divided in different grades at the inception of the year and accordingly targets are also set. A contract liability is recorded on provisional basis at every reporting date. The provision of loyalty programme is netted-off to revenue.

The Company recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale. Therefore, a refund liability, included in other current liabilities, are recognized for the products expected to be returned.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, it does not adjust any of the transaction prices for the time value of money.

Other operating revenue

Income from export incentives such as duty drawback and Merchandise Export Incentive Scheme are recognised on accrual basis when no significant uncertainties as to the amount of consideration that would be derived and as to its ultimate collections exists.

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 Property, plant and equipment

Freehold land is carried at historical cost. All other items of property,

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

(All amounts in ₹ millions unless otherwise stated)

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	20 - 40
Temporary structure	5
Plant and machinery:	
Data processing equipment	3 - 5
Others	8 - 15
Vehicles	5
Office equipment	3 - 5
Furniture and fixtures	5 - 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.

2.6 Intangible assets

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

(i) Research and development

Research expenditure and development expenditure that do not meet the criteria defined above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Amortisation methods and periods

Application software is expensed off on purchase, except in case of major application software having unit value exceeding ₹ 1 million or forming part of an overall project, which is amortised over its estimated useful life or project life not exceeding three years.

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

2.7 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 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.

2.8 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.

2.9 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 group and the cost of the item can be

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

(All amounts in ₹ millions unless otherwise stated)

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.

2.10 Investment in subsidiary

Investments in subsidiary is recognised at cost as per Ind AS 27 (Consolidated and separate financial statement), 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.

2.11 Leases

Effective from 1 July 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. 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. This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

For contracts entered into before 1 July 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 fulfillment 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.

i) As a lessee:

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payment of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. On the Balance Sheet, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in borrowings and other financial liabilities

Leases in which a significant portion of the risks and rewards of ownership was not transferred to the Company as lessee was classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) was charged to profit or loss on a straight line basis over the period of the lease unless the payments was structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases

ii) As a lessor:

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.

2.12 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.

2.12 Employee benefits (cont'd)

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

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

(All amounts in ₹ millions unless otherwise stated)

valuation, performed by an independent actuary at each Balance Sheet date using the projected unit credit method. The Company fully contributes all ascertained liabilities to the Kennametal India Limited Employees Gratuity Fund Trust (the Trust). Trustees administer contributions 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 ₹ 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.

2.13 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.

2.14 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 36 for segment information presented.

2.15 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.

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

(All amounts in ₹ millions unless otherwise stated)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.16 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 the Managing Director and 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.

2.17 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.

2.18 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

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

(All amounts in ₹ millions unless otherwise stated)

included in other income using the effective interest rate method.

(iii) Financial assets at fair value through profit or loss (FVTPL)

Financial assets which are not classified in any of the above categories are subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of profit or loss and presented net in the period in which it arises. Interest income from these financial assets is included in other income.

(iv) Equity investments

All equity investments in scope of Ind AS 109, Financial Instruments, are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 Business Combinations, applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument-by- instrument basis. The classification is made on initial recognition and is irrevocable.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI.

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.

2.18 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 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 Standalone Statement of Profit and Loss.

2.19 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.

2.20 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.

2.21 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.

2.22 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 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.

2.23 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.

2.24 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.

2.25 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 equipment	Others			
Gross block as at July 1, 2018	1	95	72	1866	11	58	2103
Additions during the year	-	7	7	348	1	6	369
Capital work-in-progress capitalised during the year	-	1	11	199	-	1	212
Disposals during the year	-	(7)	(25)	(132)	(1)	(12)	(177)
Gross block as at June 30, 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
Accumulated depreciation as at July 01, 2018	-	16	34	481	5	28	564
Depreciation charge for the year	-	7	22	236	2	12	279
Disposals during the year	-	(4)	(23)	(131)	-	(12)	(170)
Accumulated depreciation as at June 30, 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
Net block							
As at June 30, 2019	1	77	32	1695	4	25	1834
As at June 30, 2020	1	222	54	2138	20	24	2459

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, 2018	211
Additions during the year	673
Less: Capitalised during the year	(212)
Balance as at June 30, 2019	672
Additions during the year	281
Less: Capitalised during the year	(632)
Balance as at June 30, 2020	321

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, 2018 (₹ 67,409)	0
Additions during the year	-
Disposals during the year	-
Gross block as at June 30, 2019 (₹ 67,409)	0
Additions during the year	-
Disposals during the year	-
Gross block as at June 30, 2020 (₹ 67,409)	0
Accumulated depreciation as at July 1, 2018	
Depreciation charge for the year	-
Disposals during the year	-
Accumulated depreciation as at June 30, 2019	-
Depreciation charge for the year	-
Disposals during the year	-
Accumulated depreciation as at June 30, 2020	-
Net block	
As at June 30, 2019 (₹ 67,409)	0
As at June 30, 2020 (₹ 67,409)	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, Gujrat 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, 2019	218
As at June 30, 2020	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, 2018	2	2
Additions for the year	1	1
Disposals for the year	-	-
Gross block as at June 30, 2019	3	3
Additions for the year	7	7
Disposals for the year	-	-
Gross block as at June 30, 2020	10	10
Accumulated amortisation as at July 1, 2018	1	1
Amortisation charge for the year	1	1
Disposals for the year	-	-
Accumulated amortisation as at June 30, 2019	2	2
Amortisation charge for the year	1	1
Disposals for the year	-	-
Accumulated amortisation as at June 30, 2020	3	3
Net block		
As at June 30, 2019	1	1
As at June 30, 2020	7	7

6 Investment in subsidiary

Particulars	As at June 30, 2020		As at June 30, 2019	
	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)	2000000	20	10000	0
Total Investment in subsidiary		20		0

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, 2020 Current	As at June 30, 2020 Non-current	As at June 30, 2019 Current	As at June 30, 2019 Non-current
Unsecured, considered good				
(Carried at amortised cost)				
Employee advances (June 30, 2019 :₹ 419787)	2	-	2	0
Loan to subsidiary (refer note a below)	100	-	350	-
Total loans	**102**	-	**352**	**0**

Note:

a. The Company has given loan to Widia India Tooling Private Limited. The loan is repayable within 2 years from the date of the loan disbursed at an interest rate of 7.95% p.a towards working capital requirement (refer note 35). The maximum loan outstanding amount was ₹ 350 during the year.

7(b) Trade receivables

Particulars	As at June 30, 2020	As at June 30, 2019
Trade receivables	651	1189
Receivable from related parties (refer note 35)	166	272
Less: Loss allowance	(14)	(16)
Total trade receivables	**803**	**1445**
Current	803	1445
Non current	-	-
Break-up of security details		
Secured, considered good*	6	11
Unsecured, considered good	811	1450
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - credit impaired	-	-
Total	**817**	**1461**
Loss allowance (refer note 32)	(14)	(16)
Total trade receivables	**803**	**1445**

*Secured against bank guarantee

7(c) Cash and cash equivalents

Particulars	As at June 30, 2020	As at June 30, 2019
Cash on hand [June 30, 2020: ₹ 81703 (June 30, 2019: ₹ 98339)]	0	0
Investments in term deposits (with original maturity of less than 3 months)	174	-
Cheques, drafts on hand	2	14
Balances with banks - In current accounts	238	423
Total cash and cash equivalents	**414**	**437**

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, 2020	As at June 30, 2019
Unclaimed dividends	1	2
Total bank balances other than cash and cash equivalents	**1**	**2**

7(e) Other financial assets

(i) Non-current

Particulars	As at June 30, 2020	As at June 30, 2019
Deposits with banks with maturity period more than twelve months (June 30, 2019: ₹ 400000)	3	0
Security deposits	3	4
Other deposits	14	14
Export benefits receivable	34	23
Total non current financial assets	**54**	**41**

(ii) Current

Particulars	As at June 30, 2020	As at June 30, 2019
Interest accrued on fixed deposits and others (June 30, 2020: ₹ 107636)	0	2
Other receivables	2	15
Export benefits receivable	12	18
Deposits with others	1	1
	15	36
(Less): Loss allowance [June 30, 2020: ₹ 495275 (June 30, 2019 : ₹ 495275)]	0	(0)
Total current financial assets	**15**	**36**

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) for the year ended June 30, 2019

Particulars	As at July 1, 2018	(Charge)/ Credit to Standalone Statement of Profit and Loss	Credit to other comprehensive income	As at June 30, 2019
Deferred Tax Assets:				
Provision for gratuity, leave encashment, long service award	46	11	6	63
Provision for product support	15	(15)	-	-
Provision for doubtful debts	6	-	-	6
Provision for non moving and obsolete inventory	29	(29)	-	-
Voluntary retirement scheme/ employee separation	16	(4)	-	12
Others	3	-	-	3
Deferred Tax Liabilities:				
Depreciation and amortisation	(46)	(55)	-	(101)
Closing Balance	**69**	**(92)**	**6**	**(17)**

Movement in the deferred tax asset / (liability) for the year ended June 30, 2020

Particulars	As at July 1, 2019	(Charge)/ Credit to Standalone Statement of Profit and Loss	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 and amortisation	(101)	32	-	(69)
Closing Balance	**(17)**	**9**	**3**	**(5)**

9 Income tax assets (net)

Particulars	As at June 30, 2020	As at June 30, 2019
Income tax net of provision (June 30, 2020: ₹ 2505, June 30, 2019: ₹ 2409)	461	363
Total income tax assets	**461**	**363**

Standalone Financial Statements

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, 2020	As at June 30, 2019
Capital advances	102	149
Prepaid expenses	-	6
Deposits with statutory / government authorities	30	31
Total non-current assets	132	186

11 Inventories

Particulars	As at June 30, 2020	As at June 30, 2019
Raw materials (Including goods in transit ₹ 71 [June 30, 2019: ₹ 107])	427	567
Stores and spares	30	30
Work-in-progress	616	703
Finished goods	498	461
Stock-in-trade (Including goods in transit ₹ 27 [June 30, 2019: ₹ 24])	408	270
Total inventories	1979	2031

Amounts recognised in Standalone Statement of Profit and Loss:

\Write-downs of inventories to net realisable value amounted to ₹ 12 (June 30, 2019: NIL). 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.

12 Other current assets

Particulars	As at June 30, 2020	As at June 30, 2019
Deposits with statutory / government authorities	89	111
Advance to suppliers	14	18
Prepaid expenses	14	14
Travel advances to employees	-	4
Total other current assets	117	147

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, 2020	As at June 30, 2019
Authorised		
21,978,240 (June 30, 2019: 21,978,240) Equity Shares of ₹10 each	220	220
Issued, subscribed and fully paid up		
21,978,240 (June 30, 2019: 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, 2020		As at June 30, 2019	
	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, 2020		As at June 30, 2019	
	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

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

Particulars	As at June 30, 2020		As at June 30, 2019	
	Number of	Amount	Number of	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 *	21,19,040	9.64%	21,47,279	9.77%

* 1,639,159 (June 30, 2019: 1,667,398) shares are held by Reliance Equity Opportunities Fund comprising 7.46% (June 30, 2019: 7.59%) of the shareholding and 479,881 (June 30, 2019: 479,881) shares are held by Reliance Tax Saver (ELSS) Fund comprising 2.18% (June 30, 2019: 2.18%) of the shareholding.

(e) During five years immediately preceding June 30, 2020 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)

14 Other equity

Particulars	As at June 30, 2020	As at June 30, 2019
Securities premium	1	1
Share based compensation reserve	2	4
General reserve	1488	1488
Retained earnings	3791	3476
Total reserves and surplus	**5282**	**4969**

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 30).

15 Financial liabilities

15A Borrowings

Particulars	As at June 30, 2020		As at June 30, 2019	
	Current	Non-current	Current	Non-current
Unsecured				
Borrowings	130	-	100	-
Total borrowings	**130**	**-**	**100**	**-**

The company has taken loan from Kennametal Shared Services Private Limited. The loan is repayable within 2 years from the date of the loan disbursed at an interest rate of 7.55% (MCLR+0.5%) p.a towards working capital requirement (refer note 35).

15B Trade payables

Particulars	As at June 30, 2020	As at June 30, 2019
Due to micro enterprises and small enterprises	27	37
Due to creditors other than micro enterprises and small enterprises		
Amounts due to related parties (also refer note 35)	216	498
Amount due to third parties	325	723
Total trade payables	**568**	**1258**

Trade payables includes amount dues to Micro enterprises and Small enterprises.

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;	16	17
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	20
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; [₹ 243790 (June 30, 2019: ₹ 226360)]	0	0
g)	Further interest remaining due and payable for earlier years;	-	-
	Total due to micro and small enterprises	27	37

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

15C Other financial liabilities

Particulars	As at June 30, 2020		As at June 30, 2019	
	Current	Non-current	Current	Non-current
Deposit from customers	-	1	-	1
Capital creditors	36	-	67	-
Unpaid dividends	1	-	2	-
Employee benefits payable	96	-	189	-
Other current liability	4	-	11	-
Total financial liabilities	137	1	269	1

16 Provisions

Particulars	As at June 30, 2020		As at June 30, 2019	
	Current	Non-current	Current	Non-current
Provisions for employee benefit				
Gratuity (refer note d)	7	45	6	46
Compensated absences (refer note e)	135	-	122	-
Long service award	2	4	1	5
Other provisions				
Product support (refer note a and c)	30	4	40	6
Disputed taxes and duties (refer note b and c)	22	-	29	-
Total provision	196	53	198	57

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, 2018	**42**	**3**	**33**	**75**	**3**
Addition	31	4	-	31	4
Utilisation	(33)	(1)	-	(33)	(1)
Reversal	-	-	(4)	(4)	-
Balance as at June 30, 2019	**40**	**6**	**29**	**69**	**6**
Addition	21	0	-	21	-
Utilisation	(31)	(2)	-	(31)	(2)
Reversal	-	-	(7)	(7)	-
Balance as at June 30, 2020	**30**	**4**	**22**	**52**	**4**

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, 2020	As at June 30, 2019
Defined benefit obligation at beginning of the year	**253**	**237**
a. Current service cost	15	15
b. Interest expenses	18	19
c. Benefits payments from employer	(30)	(28)
d. Transfer out (refer note A below)	-	(7)
Add/(Less) Remeasurement (gain)/loss		
a Due to change in demographic assumptions	-	1
b. Due to change in financial assumptions	14	15
c. Due to experience adjustments	1	1
Defined benefit obligation at end of year	**271**	**253**

ii) Changes in plan assets

Particulars	As at June 30, 2020	As at June 30, 2019
Fair value of plan assets at end of prior year	**201**	**184**
a. Investment income	14	15
b. Employer contribution	32	33
c Benefit payments from employer	(30)	(26)
d. Transfer out	-	(6)
Remeasurements:		
a. Returns on assets (excluding interest income)	2	1
Fair value of plan assets at end of year	219	201

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, 2020	As at June 30, 2019
Present value of defined benefit obligations	271	253
(Less): Fair value of plan assets	(219)	(201)
Deficit	52	52

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

Particulars	As at June 30, 2020	As at June 30, 2019
Remeasurement of other long term benefits		
a. Current service cost	15	15
Total Service cost	**15**	**15**
Net interest cost		
a. Interest expenses on Defined benefit obligation	18	19
b. Interest income on plan assets	(14)	(15)
Total net interest cost	**4**	**4**
A. Defined benefit cost included in P&L	**19**	**19**
Remeasurement (recognised in Other comprehensive income (OCI))		
a. Due to change in demographic assumptions	-	1
b. Due to change in financial assumptions	12	14
c. Due to experience adjustments	1	1
B. Total remeasurement in OCI	**13**	**16**
Total defined benefit cost recognised in P&L and OCI	**32**	**35**

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

Particulars	As at June 30, 2020	As at June 30, 2019
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, 2020	As at June 30, 2019
Discount rate per annum	6.25%	7.10%
Expected return on plan assets	6.25%	7.10%
Expected salary increase per annum	5% & 4%	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 (officers : 58 years and workmen : 60 years)	58 & 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, 2020 Inscrease/ (decrease) in liability	As at June 30, 2020 Inscrease/ (decrease) in liability	As at June 30, 2019 Inscrease/ (decrease) in liability	As at June 30, 2019 Inscrease/ (decrease) in liability
Discount rate	+1% / -1%	(16)	18	(14)	16
Salary rate	+1% / -1%	18	(16)	16	(15)
Attrition rate	+50% / -50%	3	(4)	4	(5)
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.

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, 2020	30	132	126	132	420
June 30, 2019	30	135	126	130	421

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 ₹ 135 (June 30, 2019: ₹ 122) 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, 2020	As at June 30, 2019
Advances from customers	220	327
Statutory dues (refer note 17A)	26	29
Contract liabilities		
Customer loyalty programme	14	70
Refund liabilities	33	32
Total current liabilities	293	458

17A Defined benefits plan (Provident Fund - Trust set by employer)

Provident fund for certain eligible employees is managed by 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, 2020	As at June 30, 2019
Defined benefit obligation at beginning of the year	1049	982
Add: Current service cost	32	25
Add: Interest expenses	85	85
a. Benefit payments from employer	(90)	(155)
b. Other (employee contribution, taxes, expenses):	48	109
Add/(Less): Remeasurement loss/ (gain)		
a. Due to experience adjustments	5	3
Defined benefit obligation at end of year	1129	1049

17A Defined benefits plan (Provident Fund - Trust set by employer) (cont'd)

ii) Changes in plan assets

Particulars	As at June 30, 2020	As at June 30, 2019
Fair value of plan assets at end of prior year	1111	1027
a. Investment income	96	88
b. Employer contribution	32	25
c. Benefit payments from employer	(90)	(155)
d. Other (employee contribution, taxes, expenses)	114	96
e. Returns on assets (excluding interest income)	(1)	30
Fair value of plan assets at end of year	1262	1111

iii) Assets and liabilities:

Particulars	As at June 30, 2020	As at June 30, 2019
Present value of defined benefit obligations	1129	1049
Fair value of plan assets	(1262)	(1111)
Total	(133)	(62)

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
Non-current provisions	1031	883
Current provisions	98	166
Total	1129	1049

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, 2020 amount to ₹ 46 (June 30, 2019: ₹ 49).

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

Particulars	As at June 30, 2020	As at June 30, 2019
Government Bonds	62%	60%
Public sector understanding	34%	36%
Others : Funds managed by insurer	4%	4%

v) Significant Actuarial Assumptions

Particulars	As at June 30, 2020	As at June 30, 2019
Discount rate per annum	6.25%	7.10%
Expected return on plan assets	8.50%	8.65%
Expected salary increase per annum	5% & 4%	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 (officers : 58 years and workmen : 60 years)	58 & 60	58 & 60
Interest rate guarantee	8.50%	8.65%

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, 2020		As at June 30, 2019	
		Inscrease/ (decrease) in liability	Inscrease/ (decrease) in liability	Inscrease/ (decrease) in liability	Inscrease/ (decrease) in liability
Discount rate	+1% / -1%	(1)	1	(0)	0
Interest guarantee rate	+1% / -1%	46	(23)	44	(18)

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, 2020	Year ended June 30, 2019
Sale of products		
Finished goods	4390	5935
Traded goods	1903	3163
Sale of services	63	97
Other operating income		
Sale of scrap	5	8
Export incentives	44	58
Commission on order based sales	9	8
Total revenue from operations	**6414**	**9269**

A) Disaggregation of revenue

a) Revenue based on Geography

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Domestic	5116	7826
Export	1298	1443
Total revenue from operations	6414	9269

b) Revenue based on Business Segment

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Hard Metal Products	4933	7672
Machining Solutions	1481	1597
Total revenue from operations	**6414**	**9269**

B) Reconciliation of Revenue from operations

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Contract Price	6441	9389
Less:-		
Refund liabilities	(1)	(5)
Customer loyalty programme	(26)	(110)
Others	(0)	(5)
Total revenue from operations	**6414**	**9269**

C) Assets and liabilities related to contracts with customers

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Contract Liabilities		
Current		
Advances from customers	220	327
Customer loyalty programme	14	70
Refund liabilities	33	32
Non-current		
Deposits from customers	1	1
Contract Assets		
Current		
Trade receivables	803	1445

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, 2020	Year ended June 30, 2019
Dividend income	4	13
Interest income on bank deposits (June 30, 2019: ₹ 232726)	1	0
Interest income on loan to subsidiary	15	2
Interest on income tax refund	37	33
Provision for disputed taxes and duties written back	7	4
Liabilities no longer required written back	-	10
Provision doubtful debts and deposits written back	4	-
Exchange gain, (net)	8	-
Net gain on disposal of property, plant and equipment	-	4
Lease rentals	15	18
Support service charges from related party (refer note 35)	63	43
Refund of income tax	33	-
Miscellaneous income	5	13
Total other income	**192**	**140**

20 Cost of materials consumed

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Consumption of raw materials and components		
Opening inventory	567	399
Add: Purchases during the year	1886	3413
Less: Closing inventory	(427)	(567)
Total cost of materials consumed	**2026**	**3245**

21 Purchase of stock in trade

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Stock-in-trade	1530	1993
Total purchase of stock in trade	1530	1993

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

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Opening stock:		
Finished goods	461	358
Work-in-progress (WIP)	703	491
Stock-in-trade	270	282
	1434	1131
Closing stock:		
Finished goods	498	461
Work-in-progress (WIP)	616	703
Stock-in-trade	408	270
	1522	1434
Total changes in inventories of finished goods, WIP and stock in trade	(88)	(303)

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, 2020	Year ended June 30, 2019
Salaries, wages and bonus	915	1118
Contribution to provident and other funds (refer note 17A)	49	51
Gratuity [refer note 16]	19	19
Share based payment expenses [refer note 30]	11	10
Staff welfare expenses	92	103
Total employee benefit expense	1086	1301

24 Finance costs

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Interest expense [refer note 15A]	11	5
Total finance costs	11	5

25 Depreciation and amortisation expense

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Depreciation on property, plant and equipment [refer note 3A]	341	279
Amortisation on other intangible assets [refer note 5]	1	1
Total depreciation and amortisation expense	342	280

26 Other expenses

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Power and fuel	103	114
Consumption of stores and spare parts	156	226
Subcontracting charges	218	296
Repairs and maintenance	87	125
Rent	8	8
Rates and taxes	12	10
Insurance	12	10
Travelling and conveyance	82	141
Legal and professional (note a)	114	137
Communication	10	9
Directors' sitting fee (refer note 35)	2	2
Directors commission	4	4
Expenditure towards Corporate Social Responsibility (CSR) (note b)	16	10
Business promotion expenses (Trial & demo)	21	51
Forwarding and freight	107	152
Provision for product support	19	34
Royalty (refer note 35)	18	27
Printing and stationery	6	11
Advertisement and sales promotion	1	23
Provision doubtful debts and deposits (net)	1	1
Commission on sales (liaisoning agent commission)	20	29
Loss on property, plant and equipments sold (net)	2	-
Information technology services (refer note 35)	177	170
Net loss on foreign currency transaction and translation	-	4
Miscellaneous expenses	55	78
Total other expenses	1,251	1,672

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, 2020	Year ended June 30, 2019
Statutory Audit	2	2
Audit of tax accounts and tax audit	1	1
Limited reviews	1	1
Group audit fees [June 30, 2020: ₹ 200000 (June 30, 2019: ₹ 200000)]	0	0
Out of pocket expenses [June 30, 2020: ₹ 268208 (June 30, 2019: ₹ 197476)]	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 ₹ 16 (June 30, 2019: ₹10)

Amount spent on construction / acquisition of an asset	-	-
Amount spent on purpose other than above	16	10
Total expenditure towards CSR	16	10

27 Tax expense

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
(a) Income tax expense		
Current tax	96	376
Tax Adjustments relating to earlier years	(8)	(115)
Total current tax expense		
Deferred tax charge/ (credit):		
Deferred tax on account of origination and reversal of timing differences	(4)	47
Deferred tax asset written off	-	45
Change in tax rates	(5)	-
Income tax expense	79	353
Deferred tax related to items recognised in OCI		
Income tax relating to re-measurement gains on defined benefit plans	(3)	(6)
Income tax expense reported in OCI	(3)	(6)

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

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Profit for the year before tax expense	404	1216
Tax at the Indian tax rate of 25.168% (June 30, 2019: 34.944%)	102	425
Tax effect of amounts which are not deductible (taxable) in calculating taxable Income:		
CSR expenditure	4	3
Asset block difference	-	33
Exempt income	(1)	(5)
Research and development expense	-	(31)
Income tax refund	(8)	-
Tax relating to earlier years	(8)	(115)
Deduction on house property income	(1)	(2)
Deferred tax reversal on provision for inventory, warranty and RSUs	-	45
Deferred tax rate change	(5)	0
Other items	(4)	0
Tax expense	79	353

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

(All amounts in ₹ millions unless otherwise stated)

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, 2020	As at June 30, 2019
Property, plant and equipment	158	582

29 Contingent liabilities

Particulars	As at June 30, 2020	As at June 30, 2019
Income tax matters [note (a)]	219	219
Sales tax matters under dispute	1	1
First loss default guarantee [note (b)]	-	13

a) Primarily relates to transfer pricing adjustments/ disallowances relating to Research and Development expenditure made by the Income Tax Department for the tax assessment years 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 which is disputed by the Company and the matter is lying under appeal with The Income Tax Appellate Tribunal, Bengaluru/ The Commissioner of Income Tax (Appeals) LTU, Bengaluru/The Dispute Resolution Panel, Bengaluru. The Company has paid ₹ 213 (refer note 9) under protest towards above tax demands and recorded it as non-current income-tax assets.

b) First loss default guarantee represents financial guarantee given to a banker for providing channel financing scheme to distributors which has been discontinued and the concerned guarantee is discharged by bank on February 13, 2020.

c) The Honorable 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 & 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.

30 Shared based payment

Managing Director and certain senior management employees of the Company under the long-term incentive plan are granted Restricted Stock Units (RSUs) in a 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 3 or 4 years depending on the scheme and year of grant. The options granted under the plan have a graded vesting over a period of three or four 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).

Details of number and weighted average exercise price of share options: (amount in USD)

Particulars	As at June 30, 2020		As at June 30, 2019	
	Weighted Average fair value per award	Number of Awards in units	Weighted Average fair value per award	Number of Awards in units
Opening balance	37.54	2427	34.48	1823
Less: Transfer out	37.54	(312)	-	-
Granted during the year	27.82	6417	37.74	4503
Exercised during the year	30.74	(5158)	36.34	(3899)
Closing balance	**29.45**	**3374**	**37.54**	**2427**

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 1.28 years (June 30, 2019: 1.26 years)

Expenses arising from share based payments transactions

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Shares issued under RSU	11	10
Total	11	10

Standalone Financial Statements

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

(All amounts in ₹ millions unless otherwise stated)

31 Fair value measurements

I) Financial instruments by category

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)]	803	-	-	803	803
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	1389	-	-	1389	1389
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 carrying value and fair value of financial instruments by categories as at June 30, 2019 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)]	353	-	-	353	353
Trade receivables [refer note 7(b)]	1445	-	-	1445	1445
Cash and cash equivalents [refer note 7(c)]	437	-	-	437	437
Bank balances other than cash and cash equivalents [refer note 7(d)]	2	-	-	2	2
Other financial assets [refer note 7(e)]	77	-	-	77	77
Total	2314	-	-	2314	2314
Liabilities:					
Borrowings [refer note 15A]	100			100	100
Other financial liabilities [refer note 15C]	270	-	-	270	270
Trade payables [refer note 15B]	1258	-	-	1258	1258
Total	1628	-	-	1628	1628

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.

32 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 ₹ 803 as of June 30, 2020 [30 June 2019: ₹ 1445].

Assets under credit risk	As at June 30, 2020	As at June 30, 2019
Trade receivables	803	1445
Loans	102	353
Other financial assets	15	36
Total	**920**	**1834**

Standalone Financial Statements

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, 2020	As at June 30, 2019
Opening provision for loss allowance	16	15
Additional provision	-	1
Utilisation/ reversal	(2)	-
Closing provision	14	16

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 ₹ 14 and ₹ 16 as at 30 June 2020 and 30 June 2019 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.

32 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, 2020				
Borrowings	130	-	-	130
Other financial liabilities	137	1	-	138
Trade payables	568	-	-	568
Total	**835**	**1**	**-**	**836**
As at June 30, 2019				
Borrowings	100	-	-	100
Other financial liabilities	269	1	-	270
Trade payables	1258	-	-	1258
Total	**1627**	**1**	**-**	**1628**

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	Currency	As at June 30, 2020	As at June 30, 2019
Financial assets			
Trade receivables			
	USD	85	74
	EUR	45	50
	BRL	1	1
	JPY	1	0
	AUD	0	1
	Others	0	0
Net exposure to foreign currency risk (assets)		132	126
Financial liabilities			
Trade Payables			
	USD	(11)	(24)
	EUR	(7)	(31)
	JPY	(1)	(6)
	SGD	(0)	-
	CHF	(1)	(61)
	GBP	(10)	(1)
	AUD	-	(0)
Total financial liabilities		(30)	(123)
Net foreign exchange exposure		102	3

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, 2020		As at June 30, 2019	
	1% Increase	1% Decrease	1% Increase	1% Decrease
USD	0.75	(0.75)	0.50	(0.50)
EUR	0.38	(0.38)	0.19	(0.19)
BRL	0.01	(0.01)	0.01	(0.01)
JPY	(0.01)	0.01	(0.06)	0.06
SGD	(0.00)	0.00	-	-
CHF	(0.01)	0.01	(0.61)	0.61
GBP	(0.10)	0.10	(0.01)	0.01
AUD	0.00	(0.00)	0.01	(0.01)
Others	0.00	(0.00)	0.00	(0.00)
Increase or (decrease) in profit or loss	1.03	(1.03)	0.03	(0.03)

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, 2020	As at June 30, 2019
Borrowings bearing floating rate of interest	130	100

Interest rate sensitivity

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

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
50bp increase - decrease in profits*	1	1
50bp decrease - increase in profits*	1	1

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

33 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, 2020	As at June 30, 2019
Borrowings (refer note 15A)	130	100
Trade payables (refer note 15B)	568	1258
Less: Cash and short-term deposits (refer note 7C)	(414)	(437)
Net debt	**284**	**921**
Equity	220	220
Other Equity	5282	4969
Capital and net debt	**5786**	**6110**
Gearing ratio	5%	15%

34 Dividends

The Company declares and pays dividends in Indian rupees. Company may, before the declaration of any dividend, transfer a percentage of its profits for that financial year as it may consider appropriate to the reserves.

The interim dividend and the dividend distribution tax on the dividend for the year ended June 30, 2020 and June 30, 2019 is as below:

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Interim dividend paid during the year (June 30, 2019 - ₹ 2.00 per fully paid share)	-	44
Dividend Distribution Tax on interim dividend	-	9

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

(All amounts in ₹ millions unless otherwise stated)

35 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

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

Fellow Subsidiaries	Kennametal Australia Pty Ltd, Australia
	Kennametal Korea Co., 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 (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*
	Kennametal UK Ltd.,United Kingdom*
	Kennametal (Singapore) PTE. Ltd., Singapore*

c) Subsidiary	Widia India Tooling Pvt. Ltd.,
d) Key Management Personnel	Bhagya Chandra Rao – Managing Director
	Suresh Reddy K V (CFO)
	Naveen Chandra Prakash (CS)
	Prakash M Telang - Independent Director
	Anjani Kumar - Independent Director
	Vinayak Deshpande - Independent Director
	Bhavana Bindra - Independent Director

* No transaction during the year

Standalone Financial Statements

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

(All amounts in ₹ millions unless otherwise stated)

35. 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	**940**	**1085**	**242**	**338**	**795**	**331**	**-**	**-**	**1977**	**1754**
Kennametal Inc.,USA	409	438	-	-	-	-	-	-	409	438
Kennametal Europe GmbH, Switzerland	531	647	-	-	-	-	-	-	531	647
Widia India Tooling Pvt. Ltd.,	-	-	-	-	795	331	-	-	795	331
Kennametal HardPoint (Shanghai) Ltd., China	-	-	130	185	-	-	-	-	130	185
Kennametal Distribution Services Asia Pte. Ltd., Singapore	-	-	50	62	-	-	-	-	50	62
Others	-	-	62	91	-	-	-	-	62	91
Other income	**-**	**-**	**27**	**28**	**15**	**2**	**-**	**-**	**42**	**30**
Kennametal Shared Services Private Ltd., India	-	-	18	20	-	-	-	-	18	20
Kennametal Stellite L.P. USA	-	-	9	8	-	-	-	-	9	8
Widia India Tooling Pvt. Ltd., (Interest Income on Loan Given)	-	-	-	-	15	2	-	-	15	2
Reimbursement of expenses (income)	**19**	**12**	**16**	**13**	**52**	**27**	**-**	**-**	**87**	**52**
Kennametal Inc.,USA	19	12	-	-	-	-	-	-	19	12
Widia India Tooling Pvt. Ltd.,	-	-	-	-	52	27	-	-	52	27
Kennametal Shared Services Private Ltd., India	-	-	-	2	-	-	-	-	-	2
Kennametal Distribution Services Asia Pte. Ltd., Singapore	-	-	15	10	-	-	-	-	15	10
Others	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**1**	**1**
Capital assets sold	**-**	**-**	**-**	**-**	**2**	**3**	**-**	**-**	**2**	**3**
Widia India Tooling Pvt. Ltd.,	-	-	-	-	2	3	-	-	2	3
Loans and advances paid	**-**	**-**	**-**	**-**	**250**	**350**	**-**	**-**	**250**	**350**
Widia India Tooling Pvt. Ltd.,	-	-	-	-	250	350	-	-	250	350
Loans and advances recovered	**-**	**-**	**-**	**-**	**500**	**-**	**-**	**-**	**500**	**-**
Widia India Tooling Pvt. Ltd.,	-	-	-	-	500	-	-	-	500	-
Loans and advances received	**-**	**-**	**30**	**100**	**-**	**-**	**-**	**-**	**30**	**100**
Kennametal Shared Services Private Ltd., India	-	-	30	100	-	-	-	-	30	100
Interest on loan taken										
Kennametal Shared Services Private Ltd., India (Interest on Loan Taken)	-	-	10	5	-	-	-	-	10	5
Interim dividend paid	**-**	**33**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33**
Metruit A.G. Zug, Switzerland	-	22	-	-	-	-	-	-	-	22
Kennametal Inc.,USA	-	11	-	-	-	-	-	-	-	11
Managerial remuneration	**-**	**-**	**-**	**-**	**-**	**-**	**40**	**39**	**40**	**39**
Bhagya Chandra Rao (MD)	**-**	**-**	**-**	**-**	**-**	**-**	**21**	**22**	**21**	**22**
Salary & allowances	-	-	-	-	-	-	13	13	13	13
Performance pay	-	-	-	-	-	-	3	4	3	4
Share based payment	-	-	-	-	-	-	5	5	5	5
Suresh Reddy K V (CFO)	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**7**	**8**	**7**
Salary & allowances	-	-	-	-	-	-	6	5	6	5
Performance pay	-	-	-	-	-	-	1	1	1	1
Share based payment	-	-	-	-	-	-	1	1	1	1
Company Secretary	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**4**	**5**	**4**
Salary & allowances	-	-	-	-	-	-	5	4	5	4
Performance pay (2020: ₹ 469010)	-	-	-	-	-	-	0	-	-	-
Share based payment (2020: ₹ 241997)	-	-	-	-	-	-	0	-	-	-
Independent Director Commission	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**4**	**4**	**4**
Prakash M Telang	-	-	-	-	-	-	-	2	-	2
Anjani Kumar	-	-	-	-	-	-	2	1	2	1
Vinayak Deshpande	-	-	-	-	-	-	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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Bhavana Bindra	-	-	-	-	-	-	1	-	1	-
Independent Director Sitting Fees	-	-	-	-	-	-	2	2	2	2
Prakash M Telang	-	-	-	-	-	-	-	1	-	1
Anjani Kumar	-	-	-	-	-	-	1	1	1	1
Vinayak Deshpande (2019: ₹ 400000)	-	-	-	-	-	-	1	0	1	0
Bhavana Bindra (2020: ₹ 300000)	-	-	-	-	-	-	0	-	0	-
Purchases	2012	3209	161	95	2	-	-	-	2175	3304
Purchase of capital goods	-	1	-	24	-	-	-	-	-	25
Kennametal Inc.,USA	-	1	-	-	-	-	-	-	-	1
Hanita Metal Works Ltd. (P), Israel	-	-	-	24	-	-	-	-	-	24
Purchase of goods - other	2012	3208	161	71	2	-	-	-	2175	3279
Kennametal Inc.,USA	987	1303	-	-	-	-	-	-	987	1,303
Kennametal Europe GmbH, Switzerland	1025	1905	-	-	-	-	-	-	1025	1905
Widia India Tooling Pvt. Ltd.,	-	-	-	-	2	-	-	-	2	-
Others	-	-	161	71	-	-	-	-	161	71
Services received / Recharge of expenses	219	220	55	76	16	10	-	-	290	306
Information technology services	177	170	-	-	-	-	-	-	177	170
Kennametal Inc.,USA	177	170	-	-	-	-	-	-	177	170
Professional fees (Technical services)	17	19	42	63	-	-	-	-	59	82
Kennametal Inc.,USA	17	19	-	-	-	-	-	-	17	19
Kennametal Shared Services Private Ltd., India (Technical Services)	-	-	42	63	-	-	-	-	42	63
Royalty payments	9	16	9	11	-	-	-	-	18	27
Kennametal Inc.,USA	9	16	-	-	-	-	-	-	9	16
Hanita Metal Works Ltd., Israel	-	-	9	11	-	-	-	-	9	11
Cross charge of expenses	3	6	4	2	16	10	-	-	23	18
Kennametal Inc.,USA	3	6	-	-	-	-	-	-	3	6
Widia India Tooling Pvt. Ltd.,	-	-	-	-	16	10	-	-	16	10
Others	-	-	4	2	-	-	-	-	4	2
Stock compensation expenses	13	9	-	-	-	-	-	-	13	9
Kennametal Inc.,USA	13	9	-	-	-	-	-	-	13	9
Outstanding receivables - Trade and others	103	104	28	25	37	148	-	-	168	277
Trade receivables	101	103	28	21	37	148	-	-	166	272
Kennametal Inc.,USA	57	54	-	-	-	-	-	-	57	54
Kennametal Europe GmbH, Switzerland	44	49	-	-	-	-	-	-	44	49
Widia India Tooling Pvt. Ltd.,	-	-	-	-	37	148	-	-	37	148
Others	-	-	28	21	-	-	-	-	28	21
Outstanding other receivables	2	1	-	4	-	-	-	-	2	5
Kennametal Inc.,USA	2	1	-	-	-	-	-	-	2	1
Others -	-	-		4	-	-	-	-	-	4
Outstanding loan receivable	-	-	-	-	100	350	-	-	100	350
Widia India Tooling Pvt. Ltd.,	-	-	-	-	100	350	-	-	100	350
Outstanding payable - Trade	196	461	20	37	-	-	-	-	216	498
Kennametal Inc.,USA	150	296	-	-	-	-	-	-	150	296
Kennametal Europe GmbH, Switzerland	46	165	-	-	-	-	-	-	46	165
Others	-	-	20	37	-	-	-	-	20	37
Outstanding loan payable	-	-	130	100	-	-	-	-	130	100
Kennametal Shared Services Private Ltd., India	-	-	130	100	-	-	-	-	130	100

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

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

(All amounts in ₹ millions unless otherwise stated)

36 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. 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, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
B.1 Segment revenue						
Segment revenue (external customers)	1481	1597	4933	7672	6414	9269
Inter-segment revenue	-	-	-	-	-	-
Total segment revenue	**1481**	**1597**	**4933**	**7672**	**6414**	**9269**
B.2 Segment Result						
Segment Result	296	259	377	1212	673	1471
Unall ocated Corporate Income	-	-	-	-	19	31
Unallocated Corporate Expense	-	-	-	-	(297)	(319)
Interest Income	-	-	-	-	53	33
Exceptional Items	-	-	-	-	(44)	-
Profit before tax					**404**	**1216**
Tax expense	-	-	-	-	(79)	(353)
Profit after tax					**325**	**863**
B.3 Segment Assets						
Segment Assets	849	1147	4801	4920	5650	6067
Unallocated Corporate Assets	-	-	-	-	1235	1480
Total segment assets	**849**	**1147**	**4801**	**4920**	**6885**	**7547**
B.4 Segment Liabilities						
Segment liabilities	451	629	742	1434	1193	2063
Unallocated corporate liabilities	-	-	-	-	190	295
Total segment liabilities	**451**	**629**	**742**	**1434**	**1383**	**2358**
B.5 Capital Expenditure						
Capital expenditure	12	87	590	921	602	1008
Unallocated corporate capital expenditure	-	-	-	-	8	92
Total capital expenditure	**12**	**87**	**590**	**921**	**610**	**1100**
B.6 Depreciation and amortisation						
Depreciation and amortisation	29	19	307	249	336	267
Unallocated corporate depreciation	-	-	-	-	6	13
Total Depreciation and amortisation	**29**	**19**	**307**	**249**	**342**	**280**

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, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
India	1333	1474	3783	6352	5116	7826
Germany	0	0	531	647	531	647
USA	32	0	409	438	441	438
China	23	58	124	129	147	187
Others	93	65	86	106	179	171
Total	**1481**	**1597**	**4933**	**7672**	**6414**	**9269**

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, 2020 and June 30, 2019.

(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.

37 Operating lease

As a Lessee:

The Company 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 Balance Sheet date is as under:

Particulars	As at June 30, 2020	As at June 30, 2019
For a period not later than one year	18	8
For a period later than one year and not later than five years	17	16
For a period later than five years	-	-

38 Exceptional items debited to the Standalone Statement of Profit and Loss comprises of :

	Exceptional Items	Year ended June 30, 2020	Year ended June 30, 2019
(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.	22	-
	Total exceptional items	44	-

Standalone Financial Statements

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

(All amounts in ₹ millions unless otherwise stated)

39 Net debt reconciliation

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Cash and cash equivalent	414	437
Current borrowings	(130)	(100)
Net debt	284	337

40 Earnings per equity share

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Profit attributable to equity shareholders	325	863
Weighted average number of equity shares outstanding during the year	21978240	21978240
Nominal value of equity share (₹)	10	10
Basic and diluted earnings per share (`₹)	14.79	39.24

41 The World Health Organization (WHO) declared the outbreak of the Coronavirus Disease (COVID-19) as a global pandemic on 11 March 2020. Consequent to this, the Government of India declared a nation-wide lockdown from 24 March 2020 due to which the Company suspended its operations at all its factories and offices in compliance with the lockdown instructions issued by the Central and State Governments. COVID-19 has impacted the normal business operations by way of supply chain disruptions, reduced demands of products on account of closure of customers' site, suspension of travel and unavailability of personnel during the lockdown period resulting to decrease in revenues and profits for the quarter ended 30 June 2020.

The Company's management has considered the possible effects that may result from the COVID-19 pandemic on the carrying value of assets (including Property, plant and equipment, Capital work-in-progress, intangible assets, investments, trade receivables and inventories). In developing the assumptions relating to the possible future uncertainties in the domestic/ global economic conditions because of the pandemic, the Company has, as at the date of approval of these standalone financial results/statements, used internal and external sources of information, inducing economic forecasts and estimates from market sources, on the expected future performance of the Company. On the basis of evaluation and current indicators of future economic conditions, the Company expects to recover the carrying amounts of these assets and does not anticipate any impairment to these financial and non-financial assets. The actual impact of the pandemic may be different from that estimated as at the date of these standalone financial results and the Company will continue to monitor any material changes to future economic conditions.

The Central and State Governments have lifted the lockdown and the Company has resumed operations in a phased manner from first week of May 2020 following safety standards and protocols in accordance with government guidelines issued from time to time. The Company will continue to closely observe the evolving scenario and consider any future developments arising out of the same.

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

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 19, 2020

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

Bhagya Chandra Rao
Managing Director
DIN - 00211127
Bengaluru
August 19, 2020

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 19, 2020

Suresh Reddy K V
Chief Financial Officer

Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary

Bengaluru
August 19, 2020

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 2020, 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 2020, 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.

Emphasis of Matter

4. We draw attention to Note 41 to the accompanying consolidated financial statements, which describes the uncertainties relating to the effects of COVID-19 pandemic on the Group's operations and management's evaluation of its impact on the accompanying consolidated financial statements as at 30 June 2020. The impact of the continuing uncertainties on the Group's operations is dependent on future developments.

Our opinion is not modified in respect of this matter.

Key Audit Matter

5. 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.
6. 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 10 for financial disclosures in relation to inventory. At the Consolidated Balance sheet dated 30 June 2020, the Group held inventories comprising of raw materials and components, finished goods, work-in-progress and stores and spares worth ₹ 2,062 million as detailed in note 10 to the accompanying consolidated financial statements. During the year ended 30 June 2020, the management has performed 100% physical verification for the inventory between 15 June 2020 to 15 July 2020 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 marginal 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.	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.

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. • 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 respective companies 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 respective companies also assesses whether there is any objective evidence that net realizable 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 realizable 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.	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 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, 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 2020 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

7. 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 identified above when it becomes available 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

8. 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.

9. 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.

10. 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

11. 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.

12. 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.

13. 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.

14. 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.

15. 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

16. As required by section 197(16) of the Act, based on our audit, we report that the Holding Company, 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.

17. 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 2020 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 28 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 2020;

iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its Subsidiary Company during the year ended 30 June 2020;

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

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 20059139AAAACB4033

Bengaluru
19 August 2020

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 2020

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 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company and its subsidiary company, which are companies covered under the Act, as at that date.

Responsibilities of Management for Internal Financial Controls

2. The respective Board of Directors of the Holding Company, its subsidiary company, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Group 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. 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 IFCoFR 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 Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, 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 IFCoFR 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 IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, 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 IFCoFR of the Holding Company and its subsidiary company as aforesaid.

Meaning of Internal Financial Controls with Reference to Financial Statements

6. A company's IFCoFR 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 IFCoFR 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 over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that the IFCoFR 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 over financial reporting and such controls were operating effectively as at 30 June 2020 based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

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

Vijay Vikram Singh
Partner
Membership No.: 059139
UDIN: 20059139AAAACB4033

Bengaluru
19 August 2020

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
I. ASSETS			
1. Non-current assets			
(a) Property, plant and equipment	3A	2462	1837
(b) Capital work-in-progress	3B	321	671
(c) Investment property	4	0	0
(d) Other intangible assets	5	7	1
(e) Financial assets			
(i) Loans	6(a)	-	0
(ii) Other financial assets	6(e)	54	41
(f) Deferred tax assets (net)	7A	3	3
(g) Income tax assets (net)	8A	466	363
(h) Other non-current assets	9	132	185
Total non-current assets		3445	3101
2. Current assets			
(a) Inventories	10	2062	2091
(b) Financial assets			
(i) Trade receivables	6(b)	929	1658
(ii) Cash and cash equivalents	6(c)	446	637
(iii) Bank balances other than cash and cash equivalents	6(d)	1	2
(iv) Loans	6(a)	2	2
(v) Other financial assets	6(e)	15	25
(c) Other current assets	11	118	147
Total current assets		3573	4562
Total assets		7018	7663
II. EQUITY AND LIABILITIES			
1. Equity			
(a) Equity share capital	12	220	220
(b) Other equity	13	5337	5010
Total equity			
Equity attributable to owners		5557	5230
Non-controlling interests		0	0
Total Equity		5557	5230

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 liabilities			
(a) Financial liabilities			
(i) Other financial liabilities	14C	1	1
(b) Provisions	15	55	57
(c) Deferred tax liabilities	7B	5	17
Total non-current liabilities		61	75
Current Liabilities			
(a) Financial liabilities			
(i) Borrowings	14A	130	100
(ii) Trade payables	14B		
Total outstanding dues of micro enterprises and small enterprises		27	37
Total outstanding dues of other than micro enterprises and small enterprises		576	1252
(iii) Other financial liabilities	14C	145	275
(b) Provisions	15	210	209
(c) Current tax liabilities (net)	8B	0	10
(d) Other current liabilities	16	312	475
Total current liabilities		1400	2358
Total equity and liabilities		7018	7663

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 19, 2020

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

Bhagya Chandra Rao
Managing Director
DIN - 00211127
Bengaluru
August 19, 2020

B. Anjani Kumar
Director
DIN - 00022417
Bengaluru
August 19, 2020

Suresh Reddy K V
Chief Financial Officer

Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary

Bengaluru
August 19, 2020

Consolidated Statement of Profit and Loss for the year ended June 30, 2020

(All amounts in ₹ millions unless otherwise stated)

		Note	Year ended June 30, 2020	Year ended June 30, 2019
I.	INCOME			
	Revenue from operations	17	7050	9452
	Other income	18	126	105
	Total income		7176	9557
II.	EXPENSES			
	Cost of materials consumed	19	2026	3245
	Purchase of stock-in-trade	20	1905	2104
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(110)	(363)
	Employee benefits expense	22	1186	1329
	Finance costs	23	19	5
	Depreciation and amortisation expenses	24	344	280
	Other expenses	25	1334	1685
	Total expenses		6704	8285
III.	Profit before exceptional items and tax		472	1272
	Exceptional item	35	(51)	-
IV.	Profit before tax		421	1272
V.	Tax expense/ (credit)	26		
	Current tax		101	394
	Tax adjustments relating to earlier years		(10)	(115)
	Deferred tax charge / (credit)		(9)	89
	Total tax expense		82	368
VI.	Profit after tax for the year		339	904
VII.	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	Remeasurements of net defined benefit plans		(13)	(16)
	Income tax relating to above item		3	6
	Total other comprehensive income for the year (net of tax)		(10)	(10)
VIII.	Total comprehensive income for the year		329	894
	Profit attributable to:			
	Owners		339	904
	Non-controlling interests		0	0
			339	904
	Other Comprehensive Income attributable to:			
	Owners		(10)	(10)
	Non-controlling interests		0	0
			(10)	(10)
	Total Comprehensive Income attributable to:			
	Owners		329	894
	Non-controlling interests		0	0
			329	894
IX.	Earnings per equity share in ₹ [Nominal Value per share ₹ 10 (June 30, 2019: ₹ 10)]	40		
	Basic and diluted		15.42	41.13

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 19, 2020

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

Bhagya Chandra Rao
Managing Director
DIN - 00211127
Bengaluru
August 19, 2020

B. Anjani Kumar
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DIN - 00022417
Bengaluru
August 19, 2020

Suresh Reddy K V
Chief Financial Officer
Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary
Bengaluru
August 19, 2020

Consolidated Statement of Changes in Equity for the year ended June 30, 2020

(All amounts in ₹ millions unless otherwise stated)

(A) Equity Share Capital

	Notes	Amount
Balance as at July 1, 2018		220
Changes in equity share capital during the year	12	-
Balance as at June 30, 2019		220
Changes in equity share capital during the year	12	-
Balance as at June 30, 2020		220

(B) Other equity

	Equity attributable to Owners				Non-controlling interests	Total
	Securities premium reserve	Share based compensation reserve	General reserve	Retained earnings		
Balance as at July 1, 2018	1	3	1488	2676	-	4168
Profit for the year	-	-	-	904	-	904
Other comprehensive Income	-	-	-	(10)	-	(10)
Total comprehensive income for the year	1	3	1488	3570	-	5062
Interim dividends	-	-	-	(44)	-	(44)
Dividend distribution tax	-	-	-	(9)	-	(9)
Share based compensation expense	-	10	-	-	-	10
Payment during the year towards share based compensation	-	(9)	-	-	-	(9)
Balance as at June 30, 2019	1	4	1488	3517	0	5010
Profit for the year	-	-	-	339	0	339
Other comprehensive Income	-	-	-	(10)	0	(10)
Total comprehensive income for the year	1	4	1488	3846	-	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	2	1488	3846	0	5337

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 19, 2020

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August 19, 2020

Naveen Chandra Prakash
Company Secretary

Bengaluru
August 19, 2020

Consolidated 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 operating activities		
Profit before taxation and exceptional items	472	1272
Adjustments for:		
Depreciation and amortisation expenses	344	280
Dividend Income	(4)	(13)
Liabilities no longer required written back	-	(14)
Provision for doubtful debts and deposits written back	(4)	-
Provision for product support	24	36
Provision made for doubtful debts and deposits	1	1
Provision for disputed taxes and duties written back	(7)	(4)
Profit on sale of property, plant and equipments (net) Loss/(Gain)	2	(5)
Interest expense	19	5
Interest income	(38)	(32)
Income tax refund received	(33)	-
Unrealised foreign exchange (gain)/ loss (net)	(2)	3
Share based compensation expense	13	10
Operating profit before working capital changes	787	1539
Adjustment for working capital changes (Decrease) / Increase :		
(Increase) / Decrease in inventories	29	(533)
(Increase) / Decrease in trade and other receivables	766	(193)
Decrease / (Increase) in financial assets	1	1
Increase / (Decrease) in other liabilities and provisions	(1076)	275
Cash generated from operations	507	1089
Taxes paid (net of refunds)	(171)	(381)
Net cash generated from operations (1)	336	708
Cash flow from investing activities		
Purchase of property, plant and equipment	(579)	(1119)
Redemption of investment	-	5
Dividend received on mutual funds	4	13
Proceeds from sale of property, plant and equipment	0	12
Interest received	38	32
Net Cash used in investing activities (2)	(537)	(1057)

Consolidated 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		
Working capital loan from bank	-	-
Loan from fellow subsidiary	30	100
Interest paid	(19)	(5)
Dividends paid	-	(44)
Dividend distribution tax	-	(9)
Unclaimed dividend paid	(1)	(1)
Net Cash generated from Financing activities (3)	**10**	**41**
Net increase in cash and cash equivalents (1+2+3)	**(191)**	**(308)**
Add: Cash and cash equivalents at the beginning of the year	637	945
Cash and cash equivalents at the end of the year	446	637
Cash and Cash equivalent as per above comprises of the following		
Cash and Cash equivalent (Refer Note.6(c))	446	637
Balance as per Statement of Cash Flows	446	637

The accompanying notes are the integral part of the 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 36.

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 19, 2020

For and on behalf of Board of Directors
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August 19, 2020

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Chief Financial Officer

Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary

Bengaluru
August 19, 2020

Summary of significant accounting policies & other explanatory information

(All amounts in ₹ millions unless otherwise stated)

1 Background

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 (BSE). The Consolidated financial statements were approved for issue by Company's board of director on August 19, 2020.

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.

2 Significant accounting policies

2.1 Basis of preparation :

(i) Compliance with Ind AS :

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other relevant provisions of the Act.

The accounting policies are applied consistently to all the periods presented in the financial statements except for Ind AS 116, which was implemented with effect from July 1, 2019. The financial statements of the Group have been consolidated using uniform accounting policies.

(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;
- 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 30 June 2020. The Company and its subsidiary have a reporting date of 30 June.

"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 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.

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

(All amounts in ₹ millions unless otherwise stated)

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 if any. 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 and future forecast, 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 and its long term nature, defined benefit obligation is sensitive to changes in these assumptions (refer note 15).

(vii) Material return provision

The group recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale.

(viii) Customer loyalty programme

The Group recognises the provision for customer loyalty programme based on the ratio of sales targets met by the customers.

(ix) Litigations

The Group records provision and contingent liabilities for pending litigations by considering the probability and the amount of loss involved in each case.

2.4 Revenue recognition

The group derives revenues primarily from sale of manufactured goods, traded goods and related services.

As per Ind AS 115, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry.

Revenue is recognized on satisfaction of performance obligation upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the group expects to receive in exchange for those products or services. Revenue is measured at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates.

Revenue in excess of invoicing are classified as contract asset while invoicing in excess of revenues are classified as contract liabilities.

The Group operates a loyalty programme for the customers and dealers for the sale of goods. The customers are divided in different grades at the inception of the year and accordingly targets are also set. A contract liability is recorded on provisional basis at every reporting date. The provision of loyalty programme is netted-off to revenue.

The group recognises provision for sales return, based on the historical results, measured on net basis of the margin of the sale. 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.

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

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

(All amounts in ₹ millions unless otherwise stated)

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 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	20 - 40
Buildings -Temporary Structure	5
Plant and machinery:	
Data processing equipment	3 - 5
Others	8 - 15
Vehicles	5
Office equipment	3 - 5
Furniture and fixtures	5 - 10

Machinery spares of irregular usage are depreciated over the estimated useful life of the respective plant and machinery.

Schedule II requires the Group to identify and depreciate significant components with different useful lives separately. The Group has evaluated the applicability of component accounting as prescribed under Ind AS 16, Property, plant and equipment, and Schedule II of the Companies Act, 2013, The management has evaluated the requirement of Schedule II and has not identified any significant component having different useful lives.

2.7 Intangible assets

Intangible assets are recognised only if is probable that future economic benefits that are attributable to the assets will flow to the 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.

2.8 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.

2.9 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

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

(All amounts in ₹ millions unless otherwise stated)

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 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.

2.11 Leases

Effective from 1 July 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. 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. This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

For contracts entered into before 1 July 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 fulfillment 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.

i) As a lessee:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payment of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. On the Balance Sheet, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in borrowings and other financial liabilities.

Leases in which a significant portion of the risks and rewards of ownership was not transferred to the Group as lessee was classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) was charged to profit or loss on a straight line basis over the period of the lease unless the payments was structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

ii) As a lessor:

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.

2.12 Employee benefits (cont'd)

Expenses and liabilities in respect of employee benefits are recorded in accordance with Ind AS 19, Employee Benefits.

Defined benefit plan

Provident Fund

Eligible employees of the Group receive benefits from a provident fund, which is a defined benefit plan. Both the eligible employee and the Group make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. The Group contributes to Kennametal India Limited Employee's Provident Fund Trust. The trust invests in specific designated instruments as permitted by Indian law. The rate at which the annual interest is payable to the beneficiaries by the trust is being administered by the government. The Group has an obligation to make good the shortfall, if any, between the return from investments of the Trust and the notified interest rate.

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,

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

(All amounts in ₹ millions unless otherwise stated)

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 contributions 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.

2.13 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 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.

2.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM).

The managing director of the Group assesses the financial performance and position of the Group and makes strategic decisions. The managing director has been identified as being the CODM. Refer note 37 for segment information presented.

2.15 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 liabilities and their carrying amounts in the 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

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

(All amounts in ₹ millions unless otherwise stated)

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.

2.16 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 the Managing Director and 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.

2.17 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.

2.18 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 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 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.

2.18 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.

2.19 Impairment of financial assets

In accordance with Ind AS 109 Financial Instruments, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss for financial assets.

The Group tracks credit risk and changes thereon for each customer. For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, life time ECL is used. If in a subsequent period, credit quality of the

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

(All amounts in ₹ millions unless otherwise stated)

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.

2.20 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.

2.21 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.

2.22 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.

2.23 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, 2018	1	94	72	1867	11	58	2103
Additions	-	7	7	349	1	6	370
Capital work-in-progress capitalised during the year	-	1	11	198	-	1	211
Disposals	-	(7)	(21)	(132)	(1)	(11)	(172)
Gross block as at June 30, 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
Accumulated depreciation as at July 1, 2018	-	15	34	481	6	28	564
Depreciation charge for the year	-	8	22	235	2	12	279
Disposals	-	(4)	(21)	(131)	-	(12)	(168)
Accumulated depreciation as at June 30, 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
Net block							
As at June 30, 2019	1	76	34	1697	3	26	1837
As at June 30, 2020	1	221	56	2140	19	25	2462

Contractual obligations:

Refer note 27 for contractual commitments for the acquisition of property, plant and equipment.

3B Capital work-in-progress

Particulars	Amount
Balance as at July 1, 2018	211
Additions during the year	672
Less: Capitalised during the year	(212)
Balance as at June 30, 2019	671
Additions during the year	282
Less: Capitalised during the year	(632)
Balance as at June 30, 2020	321

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, 2018 (₹ 67,049)	0
Additions	-
Disposals	-
Gross block as at June 30, 2019 (₹ 67,049)	0
Additions	-
Disposals	-
Gross block as at June 30, 2020 (₹ 67,049)	0
Accumulated depreciation as at July 1, 2018	
Depreciation charge for the year	-
Disposals	-
Accumulated depreciation as at June 30, 2019	-
Depreciation charge for the year	-
Disposals	-
Accumulated depreciation as at June 30, 2020	-
Net block	
As at June 30, 2019 (₹ 67,049)	0
As at June 30, 2020 (₹ 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, Gujrat 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, 2019	218
As at June 30, 2020	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, 2018	2	2
Additions	1	1
Disposals	-	-
Gross block as at June 30, 2019	3	3
Additions	7	7
Disposals	-	-
Gross block as at June 30, 2020	10	10
Accumulated amortisation as at July 1, 2018	1	1
Amortisation charge for the year	1	1
Disposals	-	-
Accumulated amortisation as at June 30, 2019	2	2
Amortisation charge for the year	1	1
Disposals	-	-
Accumulated amortisation as at June 30, 2020	3	3
Net block		
As at June 30, 2019	1	1
As at June 30, 2020	7	7

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, 2020		As at June 30, 2019	
	Current	Non-Current	Current	Non-Current
Unsecured, considered good				
Employee advances (June 30, 2019: ₹ 419787)	2	-	2	0
Total loans	**2**	**-**	**2**	**0**

6(b) Trade receivables

Particulars	As at June 30, 2020	As at June 30, 2019
Trade receivables	812	1546
Receivable from related parties (refer note 38)	131	128
Less: Loss allowance	(14)	(16)
Total trade receivables	**929**	**1658**
Current	929	1658
Non current	-	-
Break-up of security details		
Secured, considered good*	148	118
Unsecured, considered good	795	1556
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - credit impaired	-	-
Total	**943**	**1674**
Loss allowance (refer note 31)	(14)	(16)
Total trade receivables	**929**	**1658**

*Secured against bank guarantee

6(c) Cash and cash equivalents

Particulars	As at June 30, 2020	As at June 30, 2019
Cash on hand [June 30, 2020: ₹ 93355 (June 30, 2019: ₹ 98339)]	0	0
Investments in term deposits (with original maturity of less than 3 months)	174	-
Cheques, drafts on hand	2	27
Balances with banks - In current accounts	270	610
Total cash and cash equivalents	**446**	**637**

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, 2020	As at June 30, 2019
Unclaimed dividends	1	2
Total bank balances other than cash and cash equivalents	**1**	**2**

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, 2020	As at June 30, 2019
Deposits with banks with maturity period more than twelve months (June 30, 2019: ₹ 400000)	3	0
Security deposits	3	3
Export benefit receivable	34	23
Other deposits	14	15
Total non current financial assets	54	41

Current

Particulars	As at June 30, 2020	As at June 30, 2019
Interest accrued on fixed deposits and others [June 30, 2020: ₹ 107636 (June 30, 2019: ₹ 139504)]	0	0
Other receivables	2	7
Export benefits receivable	12	18
Deposits with others	1	1
	15	26
(Less): Loss allowance (June 30, 2020: ₹ 495275)	0	(1)
Total current financial assets	15	25

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, 2019	(Charge)/ Credit to Statement of Profit and Loss	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 product support	-	-	-	-
Provision for doubtful debts	5	(2)	-	3
Provision for non moving and obsolete inventory	-	-	-	-
Voluntary retirement scheme/ employee separation	13	(2)	-	11
Others	3	(2)	-	1
Deferred Tax Liability:				
Depreciation and amortisation	(101)	32	-	(69)
Total	(14)	9	3	(2)

Movement in the deferred tax asset / (liability)

Particulars	As at July 1, 2018	(Charge)/ Credit to Statement of Profit and Loss	Credit to other comprehensive income	As at June 30, 2019
Deferred Tax Asset:				
Provision for gratuity, leave encashment, long service award	47	13	6	66
Provision for product support	15	(15)	-	-
Provision for doubtful debts	5	-	-	5
Provision for non moving and obsolete inventory	29	(29)	-	-
Voluntary retirement scheme/ employee separation	16	(3)	-	13
Others	3	-	-	3
Deferred Tax Liability:				
Depreciation and amortisation	(46)	(55)	-	(101)
Total	69	(89)	6	(14)

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	3
Deferred Tax Liability:		
Depreciation and amortisation [June 30, 2020: ₹ 150000 (June 30, 2019: ₹ 5640)]	0	(0)
Closing Balance	3	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, 2020	As at June 30, 2019
Deferred Tax Liabilities:		
Depreciation	69	101
Deferred Tax Assets:		
Provision for gratuity, leave encashment, long service award	(49)	(63)
Provision for doubtful debts	(3)	(6)
Voluntary retirement scheme/ employee separation	(11)	(12)
Others	(1)	(3)
Closing Balance	5	17

8 Income tax assets/ liabilities, (net)

8A Income tax assets (net)

Particulars	As at June 30, 2020	As at June 30, 2019
Income tax asset net of provision (June 30, 2020: ₹ 2527 , June 30, 2019: ₹ 2428)	466	363
Total income tax assets	466	363
8B Current tax liabilities (net)		
Income tax provision net of asset	-	10
Total current tax liabilities	-	10

9 Other non-current assets

Particulars	As at June 30, 2020	As at June 30, 2019
Capital advances	102	149
Prepaid expenses	-	5
Deposits with statutory / government authorities	30	31
Total non-current assets	132	185

10 Inventories

Particulars	As at June 30, 2020	As at June 30, 2019
Raw materials (Including goods in transit ₹ 71 [June 30, 2019: ₹ 107])	427	566
Stores and spares	30	30
Work-in-progress	616	703
Finished goods	498	462
Stock-in-trade (Including goods in transit ₹ 30 [June 30, 2019: ₹ 30])	491	330
Total inventories	2062	2091

Amounts recognised in Consolidated Statement of Profit and Loss:

Write-downs of inventories to net realisable value amounted to ₹ 14 (June 30, 2019: NIL). 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, 2020	As at June 30, 2019
Deposits with statutory / government authorities	90	111
Advance to suppliers	14	18
Prepaid expenses	14	14
Travel advances to employees	-	4
Total other current assets	118	147

12 Equity share capital

Particulars	As at June 30, 2020	As at June 30, 2019
Authorised		
2,19,78,240 (June 30, 2019: 21,978,240) Equity Shares of ₹ 10 each	220	220
Issued, subscribed and fully paid up		
21,978,240 (June 30, 2019: 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, 2020		As at June 30, 2019	
	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, 2020		As at June 30, 2019	
	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, 2020		As at June 30, 2019	
	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 *	21,19,040	9.64%	2,147,279	9.77%

* 1,639,159 (June 30, 2019: 1,667,398) shares are held by Reliance Equity Opportunities Fund comprising 7.46% (June 30, 2019: 7.59%) of the shareholding and 479,881 (June 30, 2019: 479,881) shares are held by Reliance Tax Saver (ELSS) Fund comprising 2.18% (June 30, 2019: 2.18%) of the shareholding.

(e) During five years immediately preceding June 30, 2020 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.

13 Other equity

Particulars	As at June 30, 2020	As at June 30, 2019
Securities premium	1	1
Share based compensation reserve	2	4
General reserve	1488	1488
Retained earnings	3846	3517
Total reserves and surplus	5337	5010

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 29).

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, 2020		As at June 30, 2019	
	Current	Non-current	Current	Non-current
Unsecured				
Borrowings	130	-	100	-
Total borrowings	130	-	100	-

The Group has taken loan from Kennametal Shared Services Private Limited. The loan is repayable within 2 years from the date of the loan disbursed at an interest rate of (MCLR + 0.5%) i.e. 7.55% p.a towards working capital requirement (refer note 38).

14B Trade payables

Particulars	As at June 30, 2020	As at June 30, 2019
Due to micro enterprises and small enterprises	27	37
Due to creditors other than micro enterprises and small enterprises		
Amounts due to related parties (also refer note 38)	237	523
Amounts due to third parties	339	729
Total trade payables	603	1289

Trade payables includes amount dues to Micro Enterprises and Small Enterprises.

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

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;	16	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	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; [₹ 243790 (June 30, 2019: ₹ 226360)]	0	0
g) Further interest remaining due and payable for earlier years;	-	-
Total dues to micro and small enterprises	27	37

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

14C Other financial liabilities

Particulars	As at June 30, 2020		As at June 30, 2019	
	Current	Non-current	Current	Non-current
Deposit from customers	-	1	-	1
Capital creditors	36	-	67	-
Unpaid dividends	1	-	2	-
Employee benefits payable	104	-	195	-
Other current liability	4	-	11	-
Total financial liabilities	145	1	275	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, 2020 Current	As at June 30, 2020 Non-current	As at June 30, 2019 Current	As at June 30, 2019 Non-current
Provisions for employee benefit				
Gratuity (refer note d)	7	47	6	47
Compensated absences (refer note e)	145	-	130	-
Long service award	2	4	1	5
Other provisions				
Product support (refer note a and c)	34	4	43	5
Disputed taxes and duties (refer note b and c)	22	-	29	-
Total provision	210	55	209	57

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 Current	Product support Non-current	Disputed taxes Current	Total Current	Total Non-current
Balance as at July 1, 2018	42	3	33	75	3
Addition	34	3	-	34	3
Utilisation	(33)	(1)	-	(33)	(1)
Reversal			(4)	(4)	-
Balance as at June 30, 2019	43	5	29	72	5
Addition	25	0	-	25	-
Utilisation	(34)	(1)	-	(34)	(1)
Reversal		-	(7)	(7)	-
Balance as at June 30, 2020	34	4	22	56	4

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, 2020	As at June 30, 2019
Defined benefit obligation at beginning of the year	259	237
a. Current service cost	17	14
b. Interest expenses	19	19
c. Benefits payments from employer	(30)	(28)
Add/(Less) Remeasurement (gain)/loss		
a. Due to change in demographic assumptions (June 30, 2019: ₹ 77118)	-	(0)
b. Due to change in financial assumptions	14	15
c. Due to experience adjustments	1	2
Defined benefit obligation at end of year	280	259
ii) Fair value of plan assets at end of prior year	206	184
a. Investment income	15	14
b. Employer contribution	33	34
c Benefit payments from employer	(30)	(27)
Remeasurements:		
a. Returns on assets (excluding interest income)	2	1
Fair value of plan assets at end of year	226	206
iii) Assets and liabilities recognised in the Consolidated Balance Sheet:		
Present value of defined benefit obligations	280	259
(Less): Fair value of plan assets	(226)	(206)
Deficit/ (Surplus)	54	53

15 Provisions (Cont'd)

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

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

Particulars	As at June 30, 2020	As at June 30, 2019
Remeasurement of other long term benefits		
a. Current service cost	17	14
Total Service cost	17	14
Net interest cost		
a. Interest expenses on Defined benefit obligation	19	19
b. Interest income on plan assets	(15)	(14)
Total net interest cost	4	5
A. Defined benefit cost included in P&L	21	19
Remeasurement (recognised in Other comprehensive income (OCI))		
a. Due to change in demographic assumptions	-	(0)
b. Due to change in financial assumptions	12	14
c. Due to experience adjustments	1	2
B. Total remeasurement in OCI	13	16
Total defined benefit cost recognised in P&L and OCI	34	35

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

(All amounts in ₹ millions unless otherwise stated)

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

Particulars	As at June 30, 2020	As at June 30, 2019
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, 2020	As at June 30, 2019
Discount rate per annum	6.25%	7.10%
Expected return on plan assets	6.25%	7.10%
Expected salary increase per annum	5% & 4%	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 (officers : 58 years and workmen : 60 years)	58 & 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 summerises 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, 2020 Inscrease/ (decrease)	As at June 30, 2020 Inscrease/ (decrease)	As at June 30, 2019 Inscrease/ (decrease)	As at June 30, 2019 Inscrease/ (decrease)
Discount rate	+1% / -1%	(17)	19	(15)	17
Salary rate	+1% / -1%	19	(17)	17	(16)
Attrition rate	+50% / -50%	3	(4)	5	(6)
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.

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, 2020	31	137	129	143	440
June 30, 2019	31	140	128	138	437

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

(All amounts in ₹ millions unless otherwise stated)

ix) Risk exposure

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary overtime. Thus, the 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) Leave obligation

The leave obligation cover the Group's liability for sick and earned leave. The amount of the provision of ₹ 145 (June 30, 2019: ₹ 130) is presented as current, since the Group doesn't have an unconditional right to defer settlement for any of these obligations.

16 Other current liabilities

Particulars	As at June 30, 2020	As at June 30, 2019
Advances from customers	221	327
Statutory dues	29	35
Contract liabilities		
Customer loyalty programme	23	80
Refund liabilities	39	33
Total current liabilities	312	475

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, 2020	As at June 30, 2019
Defined benefit obligation at beginning of the year	**1049**	**982**
Add: Current service cost	32	25
Add: Interest expenses	85	85
a. Benefit payments from employer	(90)	(155)
b. Other (employee contribution, taxes, expenses):	48	109
Add/(Less): Remeasurement loss/ (gain)		
a. Due to experience adjustments	5	3
Defined benefit obligation at end of year	**1129**	**1049**

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, 2020	As at June 30, 2019
Fair value of plan assets at end of prior year	1111	1027
a. Investment income	96	88
b. Employer contribution	32	25
c. Benefit payments from employer	(90)	(155)
d. Other (employee contribution, taxes, expenses)	114	96
e. Returns on assets (excluding interest income)	(1)	30
Fair value of plan assets at end of year	1262	1111

iii) Assets and liabilities:

Particulars	As at June 30, 2020	As at June 30, 2019
Present value of defined benefit obligations	1129	1049
Fair value of plan assets	(1262)	(1111)
Total	(133)	(62)

Particulars	As at June 30, 2020	As at June 30, 2019
Non-current provisions	1031	883
Current provisions	98	166
Total	1129	1049

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, 2020 amount to ₹ 51 (June 30, 2019: ₹ 49).

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

Particulars	As at June 30, 2020	As at June 30, 2019
Government Bonds	62%	60%
Public sector understanding	34%	36%
Others : Funds managed by insurer	4%	4%

v) Significant Actuarial Assumptions

Particulars	As at June 30, 2020	As at June 30, 2019
Discount rate per annum	6.25%	7.10%
Expected return on plan assets	8.50%	8.65%
Expected salary increase per annum	5% & 4%	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 (officers : 58 years and workmen : 60 years)	58 & 60	58 & 60
Interest rate guarantee	8.50%	8.65%

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, 2020 Inscrease/ (decrease)	As at June 30, 2020 Inscrease/ (decrease)	As at June 30, 2019 Inscrease/ (decrease)	As at June 30, 2019 Inscrease/ (decrease)
Discount rate	+1%/-1%	(1)	1	(0)	0
Interest guarantee rate	+1%/-1%	46	(23)	44	(18)

17 Revenue from operations

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Sale of products		
Finished goods	4565	6022
Stock-in-trade	2364	3260
Sale of services	63	96
Other operating income		
Sale of scrap	5	8
Export incentives	44	58
Commission on order based sales	9	8
Total revenue from operations	7050	9452

A) Disaggregation of revenue

Revenue based on Geography

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Domestic	5734	8009
Export	1316	1443
Total revenue from operations	7050	9452

B) Revenue based on Business Segment

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Hard Metal Products	5569	7855
Machining Solutions	1481	1597
Total revenue from operations	7050	9452

C) Reconciliation of Revenue from operations

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Contract Price	7096	9584
Less:-		
Refund liabilities	(6)	(6)
Customer loyalty programme	(36)	(121)
Others	(4)	(5)
Total revenue from operations	7050	9452

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	As at June 30, 2020		As at June 30, 2019	
	Current	Non-current	Current	Non-current
Current				
Advance from customers	221	-	327	-
Customer loyalty programme	23	-	80	-
Refund liability	39	-	33	-
Non-current				
Deposit for customers	-	1	-	1
Contract assets				
Trade receivable	929	-	1658	-

18 Other income

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Dividend income	4	13
Interest income on bank deposits	1	0
Interest on income tax refund	37	32
Provision for disputed taxes and duties written back	7	4
Liabilities no longer required written back	-	10
Provision doubtful debts and deposits written back	4	-
Exchange gain, (net)	8	-
Net gain on disposal of property, plant and equipment	-	5
Lease rentals	15	18
Support service charges from fellow subsidiary (refer note 38)	11	10
Refund of income tax	33	-
Miscellaneous income	6	13
Total other income	126	105

19 Cost of materials consumed

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Consumption of raw materials and components		
Opening inventory	566	399
Add: Purchases	1887	3412
Less: Closing inventory	(427)	(566)
Total cost of materials consumed	2026	3245

20 Purchase of stock in trade

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Stock-in-trade	1905	2104
Total purchase of stock in trade	1905	2104

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, 2020	Year ended June 30, 2019
Opening stock:		
Finished goods	462	358
Work-in-progress (WIP)	703	492
Stock-in-trade	330	282
	1495	1132
Closing stock:		
Finished goods	498	462
Work-in-progress (WIP)	616	703
Stock-in-trade	491	330
	1605	1495
Total changes in inventories of finished goods, WIP and stock in trade	(110)	(363)

22 Employee benefit expense

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Salaries, wages and bonus	1006	1144
Contribution to provident and other funds (refer note 16)	53	52
Gratuity (refer note 15)	21	19
Share based payment expenses (refer note 29)	13	10
Staff welfare expenses	93	104
Total employee benefit expense	1186	1329

23 Finance costs

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Interest expense (refer note 14A)	19	5
Total finance costs	19	5

24 Depreciation and amortisation expense

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Depreciation on property, plant and equipment [refer note 3A]	343	279
Amortisation on other intangible assets [refer note 5]	1	1
Total depreciation and amortisation expense	344	280

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, 2020	Year ended June 30, 2019
Power and fuel	102	114
Consumption of stores and spare parts	156	226
Subcontracting charges	218	296
Repairs and maintenance	87	125
Rent	8	8
Rates and taxes	12	12
Insurance	13	10
Travelling and conveyance	98	144
Legal and professional (Note a)	117	138
Communication	11	9
Directors' sitting fee (refer note 38)	2	2
Directors commission (refer note 38)	4	4
Expenditure towards Corporate Social Responsibility (CSR) (Note b)	16	10
Business promotion expenses (Trial & demo)	31	55
Forwarding and freight	131	152
Provision for product support	24	36
Royalty (refer note 38)	18	27
Printing and stationery	7	11
Advertisement and sales promotion	1	23
Provision doubtful debts and deposits (net)	1	1
Commission on sales (liaisoning agent commission)	20	29
Loss on property, plant and equipments sold (net)	2	-
Information technology services (refer note 38)	198	170
Net loss on foreign currency transaction and translation	-	4
Miscellaneous expenses	57	79
Total other expenses	1,334	1,685

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, 2020: ₹ 200000 (June 30, 2019: ₹ 200000)]	0	0
Out of pocket expenses [June 30, 2020: ₹ 268208 (June 30, 2019: ₹ 197476)]	0	0
Total payment to auditors	5	4

b) Expenditure towards CSR:

Gross amount required to be spent as per Section 135 of the Act of ₹16 (June 30, 2019: ₹10)		
Amount spent on construction / acquisition of an asset	-	-
Amount spent on purpose other than above	16	10
Total expenditure towards CSR	16	10

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

(All amounts in ₹ millions unless otherwise stated)

26 Tax expense

Particulars		Year ended June 30, 2020	Year ended June 30, 2019
(a)	Income tax expense		
	Current tax	101	394
	Tax Adjustments relating to earlier years	(10)	(115)
	Deferred tax charge/ (credit):		
	Deferred tax on account of origination and reversal of timing difference	(9)	44
	Deferred tax asset written off	0	45
	Income tax expense	82	368
	Deferred tax related to items recognised in OCI		
	Income tax relating to re-measurement gains on defined benefit plans	(3)	(6)
	Income tax expense reported in OCI	(3)	(6)

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

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Profit for the year before tax expense	421	1272
Tax at the Indian tax rate of 25.168% (June 30, 2019: 34.944%)	106	444
Tax effect of amounts which are not deductible (taxable) in calculating taxable Income:		
CSR expenditure	4	3
Asset block difference	-	33
Exempt income	(1)	(5)
Research and development expense	-	(31)
Income tax refund	(8)	-
Tax relating to earlier years	(10)	(115)
Deduction on house property income	(1)	(2)
Deferred tax reversal on provision for inventory, warranty and RSUs	-	45
Income taxable at lower rates	-	(3)
Other items	(3)	(1)
Tax expense	82	368

27 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, 2020	As at June 30, 2019
Property, plant and equipment	158	582

28 Contingent liabilities

Particulars	As at June 30, 2020	As at June 30, 2019
Income tax matters [note (a)]	219	219
Sales tax matters under dispute	1	1
First loss default guarantee [note (b)]	-	13

a) Primarily relates to transfer pricing adjustments/ disallowances relating to Research and Development expenditure made by the Income Tax Department for the tax assessment years 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12, which is disputed by the Group and the matter is 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 (refer note 8A) under protest towards above tax demand and recorded as non-current income-tax assets.

b) First loss default guarantee represents financial guarantee given to a banker for providing channel financing scheme to distributors which has been discontinued and the concerned guarantee is discharged by bank on February 13, 2020.

c) The Honorable 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 & Miscellaneous Provisions Act, 1952. The Group, 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.

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

(All amounts in ₹ millions unless otherwise stated)

29 Shared based payment

Managing Director and certain senior management employees of the Group under the long-term incentive plan are granted Restricted Stock Units (RSUs) in a 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 3 or 4 years depending on the scheme and year of grant. The options granted under the plan have a graded vesting over a period of three or four 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, 2020		As at June 30, 2019	
	Weighted Average fair value per award	Number of Awards in units	Weighted Average fair value per award	Number of Awards in units
Opening balance	37.55	2427	34.48	1823
Granted during the year	27.82	7476	37.74	4503
Exercised during the year	30.72	(5982)	36.34	(3899)
Closing balance	29.43	3921	37.55	2427

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 1.28 years (June 30, 2019: 1.26 years).

Expenses arising from share based payments transactions

Particulars	Year ended June 30, 2020	Year ended June 30, 2019
Shares issued under RSU	13	10
Total	13	10

30 Fair value measurements

i) Financial instruments by category

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)]	929	-	-	929	929
Cash and 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	1447	-	-	1447	1447
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 carrying value and fair value of financial instruments by categories as at June 30, 2019 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)]	1658	-	-	1658	1658
Cash and cash equivalents [refer note 6(c)]	637	-	-	637	637
Bank balances other than cash and cash equivalents [refer note 6(d)]	2	-	-	2	2
Other financial assets [refer note 6(e)]	65	-	-	65	65
Total	**2365**	-	-	**2365**	**2365**
Liabilities:					
Borrowings [refer note 14A]	100	-	-	100	100
Trade payables [refer note 14B]	1289	-	-	1289	1289
Other financial liabilities [refer note 14C]	276	-	-	276	276
Total	**1665**	-	-	**1665**	**1665**

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)

31. 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, 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 ₹ 929 as of June 30, 2020 [30 June 2019: ₹ 1658].

Assets under credit risk	As at June 30, 2020	As at June 30, 2019
Trade receivables	929	1658
Loans	2	3
Other financial assets	15	25
Total	946	1686

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, 2020	As at June 30, 2019
Opening provision for loss allowance	16	15
Additional provision	-	1
Utilisation/ reversal	(2)	-
Closing provision	14	16

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 ₹14 and ₹16 as at 30 June 2020 and 30 June 2019 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)

31 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, 2020				
Borrowings	130	-	-	130
Other financial liabilities	145	1	-	146
Trade payables	603	-	-	603
Total	**878**	**1**	**-**	**879**
As at June 30, 2019				
Borrowings	100	-	-	100
Other financial liabilities	275	1	-	276
Trade payables	1289	-	-	1289
Total	**1664**	**1**	**-**	**1665**

C. Market Risk

(i) Foreign currency risk

The Group is exposed to foreign currency exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the companies functional currency (Rupees).

The risk is measured through a forecast of highly probable foreign currency on cash flows. To mitigate the risk of changes in exchange rates on foreign currency exposures, the Group has natural hedge between export receivable and import payables.

The Group exposure to foreign currency risk at the end of the reporting period expressed in as follows:

Particulars	Currency	As at June 30, 2020	As at June 30, 2019
Financial assets			
Trade receivables			
	USD	85	74
	EUR	45	50
	BRL	1	1
	JPY	1	0
	AUD	0	1
	Others	0	0
Net exposure to foreign currency risk (assets)		**132**	**126**
Financial liabilities			
Trade Payables			
	USD	(11)	(24)
	EUR	(7)	(31)
	JPY	(1)	(6)
	SGD	(0)	-
	CHF	(1)	(61)
	GBP	(10)	(1)
	AUD	-	(0)
Total financial liabilities		**(30)**	**(123)**
Net foreign exchange exposure		**102**	**3**

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

(All amounts in ₹ millions unless otherwise stated)

31 Financial risk management (cont'd)

C. Market Risk (Cont'd)

Sensitivity

A reasonably possible strengthening (weakening) of the , 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, 2020		As at June 30, 2019	
	1% Increase	1% Decrease	1% Increase	1% Decrease
USD	0.75	(0.75)	0.50	(0.50)
EUR	0.38	(0.38)	0.19	(0.19)
BRL	0.01	(0.01)	0.01	(0.01)
JPY	(0.01)	0.01	(0.06)	0.06
SGD	(0.00)	0.00	-	-
CHF	(0.01)	0.01	(0.61)	0.61
GBP	(0.10)	0.10	(0.01)	0.01
AUD	0.00	(0.00)	0.01	(0.01)
Others	0.00	(0.00)	0.00	(0.00)
Increase or (decrease) in profit or loss	1.02	(1.02)	0.03	(0.03)

32 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, 2020	As at June 30, 2019
Borrowings (refer note 14A)	130	100
Trade payables (refer note 14B)	603	1289
Less: Cash and short-term deposits (refer note 6C)	(272)	(637)
Net debt	461	752
Equity	220	220
Other Equity	5337	5010
Capital and net debt	6018	5982
Gearing ratio	8%	13%

33 Dividends

"The Group declares and pays dividends in Indian rupees. Group may, before the declaration of any dividend, transfer a percentage of its profits for that financial year as it may consider appropriate to the reserves.

The interim dividend and the dividend distribution tax on the dividend for the year ended June 30, 2020 and June 30, 2019 is as below:

Particulars	As at June 30, 2020	As at June 30, 2019
Interim dividend paid during the year (June 30, 2019 - ₹ 2.00 per fully paid share)	-	44
Dividend Distribution Tax on interim dividend	-	9

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

(All amounts in ₹ millions unless otherwise stated)

34 Operating lease (Ind AS 17)

As a Lessee:

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 aggreable terms.

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

Particulars	As at June 30, 2020	As at June 30, 2019
For a period not later than one year	18	8
For a period later than one year and later than five years	17	16
For a period later than five years		

35 Exceptional items debited to the statement of profit and loss comprises of :

Exceptional Items	Year ended June 30, 2020	Year ended June 30, 2019
(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 and the aggregate compensation paid in accordance with the said scheme has been fully charged to the Consolidated Statement of Profit and Loss.	29	-
Total exceptional items	51	-

36 Net debt reconciliation

Particulars	As at June 30, 2020	As at June 30, 2019
Cash and cash equivalent	446	637
Current borrowings	(130)	(100)
Net debt	316	537

37 Segment Information

A. Description of segments and principal activities

The Group is in the business of manufacturing and trading of hard metal products and manufacturing of machine tools (also known as machining solutions), which are sold in domestic and export markets. The Managing Director of the Group has been identified as the Chief operating decision maker (CODM). Managing Director examines the Group's performance both from product and geographic perspective and has identified two reportable segments in its business:

(i) **Machining solutions:** Machining solutions segment manufactures and sells customised capital intensive machines. Group specialises in providing end to end solution i.e. from design to manufacture and after sales service. The sales comprise of machines, fixtures, sale of spares and after sales service.

(ii) **Hard metal products:** Hard metal products segment deals in metal and metal cutting tools. The sales of this segment comprise of manufactured and traded goods.

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

(All amounts in ₹ millions unless otherwise stated)

B. Segment information:

Particulars	Machining Solutions		Hard Metal Products		Total	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
B.1 Segment revenue						
Segment revenue (external customers)	1481	1597	5569	7855	7050	9452
Inter-segment revenue	-	-	-	-	-	-
Total segment revenue	1481	1597	5569	7855	7050	9452
B.2 Segment Result						
Segment Result	296	259	438	1269	734	1528
Unallocated Corporate Income	-		-		19	32
Unallocated Corporate Expense	-		-		(318)	(320)
Interest Income	-		-		38	32
Exceptional Items	-		-		(51)	-
Profit before tax					422	1272
Tax (expense)/credit					(82)	(368)
Profit after tax					340	904
B.3 Segment Assets						
Segment Assets	849	1147	4998	5185	5847	6332
Unallocated Corporate Assets	-		-		1171	1331
Total segment assets	**849**	**1147**	**4998**	**5185**	**7018**	**7663**
B.4 Segment Liabilities						
Segment liabilities	451	628	805	1491	1256	2119
Unallocated corporate liabilities	-		-		205	314
Total segment liabilities	**451**	**628**	**805**	**1491**	**1461**	**2433**
B.5 Capital Expenditure						
Capital expenditure	12	87	559	941	571	1028
Unallocated corporate capital expenditure	-		-		8	91
Total capital expenditure	12	87	559	941	579	1119
B.6 Depreciation and amortisation						
Depreciation and amortisation	29	19	309	249	338	268
Unallocated corporate depreciation	-		-		7	13
Total Depreciation and amortisation	29	19	309	249	345	280

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

(All amounts in ₹ millions unless otherwise stated)

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, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
India	1333	1474	4401	6535	5734	8009
Germany	-	-	541	647	541	647
USA	32	-	416	438	448	438
China	23	58	125	129	148	187
Others	93	65	86	106	179	171
Total	1481	1597	5569	7855	7050	9452

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, 2020 and June 30, 2019.

(iv) The expenses that are not directly attributable and that can't be allocated to an operating segment on a reasonable basis are shown as unallocated corporate expenses.

(v) Segment assets include all operating assets used by the segment and consists primarily of property, plant and equipment and current assets. Segment liabilities comprise of liabilities which can be directly allocated against respective segments. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

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

(All amounts in ₹ millions unless otherwise stated)

38 Related party disclosures

A) Names of related parties and description of relationship:

a)	Parties where control exists:	
(i)	Ultimate Holding Company	Kennametal Inc, USA
(ii)	Immediate Holding company	Meturit A.G. Zug, Switzerland
(iii)	Enterprises holding, directly or indirectly, substantial interest in Meturit A.G. Zug	Widia GmbH, Germany
		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
b)	Parties under common control with whom transactions have taken place during the year:	
	Fellow Subsidiaries	Kennametal Australia Pty Ltd, Australia
		Kennametal Korea Co., 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 (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*
		Kennametal UK Ltd.,United Kingdom*
		Kennametal (Singapore) PTE. Ltd., Singapore*
c)	Subsidiary	Widia India Tooling Pvt. Ltd.,
d)	Key Management Personnel	Bhagya Chandra Rao – Managing Director
		Suresh Reddy K V (CFO)
		Naveen chandra prakash (CS)
		Prakash M Telang - Independent Director
		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)

35. 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	957	1085	240	338	-	-	1197	1423
Kennametal Inc.,USA	416	438	-	-	-	-	416	438
Kennametal Europe GmbH, Switzerland	541	647	-	-	-	-	541	647
Kennametal HardPoint (Shanghai) Ltd., China	-	-	131	185	-	-	131	185
Kennametal Distribution Services Asia Pte. Ltd., Singapore	-	-	50	62	-	-	50	62
Others	-	-	59	91	-	-	59	91
Other income	-	-	27	28	-	-	27	28
Kennametal Shared Services Private Ltd., India	-	-	18	20	-	-	18	20
Kennametal Stellite L.P. USA	-	-	9	8	-	-	9	8
Reimbursement of expenses (income)	19	12	16	13	-	-	35	25
Kennametal Inc.,USA	19	12	-	-	-	-	19	12
Kennametal Shared Services Private Ltd., India	-	-	-	2	-	-	-	2
Kennametal Distribution Services Asia Pte. Ltd., Singapore	-	-	15	10	-	-	15	10
Others	-	-	1	1	-	-	1	1
Loans and advances received	-	-	30	100	-	-	30	100
Kennametal Shared Services Private Ltd., India	-	-	30	100	-	-	30	100
Interim dividend paid	-	33	-	-	-	-	-	33
Metruit A.G. Zug, Switzerland	-	22	-	-	-	-	-	22
Kennametal Inc.,USA	-	11	-	-	-	-	-	11
Managerial remuneration paid	-	-	-	-	40	39	40	39
Bhagya Chandra Rao (MD)	-	-	-	-	21	22	21	22
Salary & allowances	-	-	-	-	13	13	13	13
Performance pay	-	-	-	-	3	4	3	4
Share based payment	-	-	-	-	5	5	5	5
Suresh Reddy K V (CFO)	-	-	-	-	8	7	8	7
Salary & allowances	-	-	-	-	6	5	6	5
Performance pay	-	-	-	-	1	1	1	1
Share based payment	-	-	-	-	1	1	1	1
Company Secretary	-	-	-	-	5	4	5	4
Salary & allowances	-	-	-	-	5	4	5	4
Performance pay (2020: ₹ 469010)	-	-	-	-	0	-	-	-
Share based payment (2020: ₹ 241997)	-	-	-	-	0	-	-	-
Independent Director Commission	-	-	-	-	4	4	4	4
Prakash M Telang	-	-	-	-	-	2	-	2
Anjani Kumar	-	-	-	-	2	1	2	1
Vinayak Deshpande	-	-	-	-	1	1	1	1
Bhavana Bindra	-	-	-	-	1	-	1	-
Independent Director Sitting Fees	-	-	-	-	2	2	2	2
Prakash M Telang	-	-	-	-	-	1	-	1
Anjani Kumar	-	-	-	-	1	1	1	1
Vinayak Deshpande (2019: ₹ 400000)	-	-	-	-	1	0	1	0
Bhavana Bindra (2020: ₹ 300000)	-	-	-	-	0	-	0	-

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	
	2020	2019	2020	2019	2020	2019	2020	2019
Purchases	**2341**	**3209**	**175**	**95**	**-**	**-**	**2516**	**3304**
Purchase of capital goods	-	1	-	24	-	-	-	25
Kennametal Inc.,USA	-	1	-	-	-	-	-	1
Hanita Metal Works Ltd. (P), Israel	-	-	-	24	-	-	-	24
Purchase of goods - others	**2341**	**3208**	**175**	**71**	**-**	**-**	**2516**	**3279**
Kennametal Inc.,USA	1025	1303	-	-	-	-	1025	1303
Kennametal Europe GmbH, Switzerland	1316	1905	-	-	-	-	1316	1905
Others	-	-	175	71	-	-	175	71
Services received / Cross charge of expenses	**241**	**220**	**65**	**81**	**-**	**-**	**306**	**301**
Information technology services	198	170	-	-	-	-	198	170
Kennametal Inc.,USA	198	170	-	-	-	-	198	170
Professional fees (Technical services)	**18**	**19**	**42**	**63**	**-**	**-**	**60**	**82**
Kennametal Inc.,USA	18	19	-	-	-	-	18	19
Kennametal Shared Services Private Ltd., India (Technical Services)	-	-	42	63	-	-	42	63
Royalty payments	**9**	**16**	**9**	**11**	**-**	**-**	**18**	**27**
Kennametal Inc.,USA	9	16	-	-	-	-	9	16
Hanita Metal Works Ltd., Israel	-	-	9	11	-	-	9	11
Cross charge of expenses	**1**	**6**	**14**	**7**	**-**	**-**	**15**	**13**
Kennametal Inc.,USA	1	6	-	-	-	-	1	6
Kennametal Shared Services Private Ltd., India (Interest on Loan Taken)	-	-	10	5	-	-	10	5
Others	-	-	4	2	-	-	4	2
Stock compensation expenses	15	9	-	-	-	-	15	9
Kennametal Inc.,USA	15	9	-	-	-	-	15	9
Outstanding receivables - Trade and others	**103**	**104**	**30**	**31**	**-**	**-**	**133**	**135**
Trade receivables	101	103	30	25	-	-	131	128
Kennametal Inc.,USA	57	54	-	-	-	-	57	54
Kennametal Europe GmbH, Switzerland	44	49	-	-	-	-	44	49
Others	-	-	30	25	-	-	30	25
Outstanding other receivables	2	1	-	6	-	-	2	7
Kennametal Inc.,USA	2	1	-	-	-	-	2	1
Others	-	-	-	6	-	-	-	6
Outstanding payable - Trade	**216**	**461**	**21**	**62**	**-**	**-**	**237**	**523**
Kennametal Inc.,USA	160	296	-	-	-	-	160	296
Kennametal Europe GmbH, Switzerland	56	165	-	-	-	-	56	165
Others	-	-	21	62	-	-	21	62
Outstanding loan payable	**-**	**-**	**130**	**100**	**-**	**-**	**130**	**100**
Kennametal Shared Services Private Ltd., India	-	-	130	100	-	-	130	100

Note: 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 employee benefit funds transactions.

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

(All amounts in ₹ millions unless otherwise stated)

39 Disclosures mandated by Schedule III of Companies Act 2013, by way of additional information, refer below

As at June 30, 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%	0	4.56%	15
Intercompany Elimination and consolidation adjustments	-0.36%	(20)	-0.29%	(1)	0%	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	0.00%	0	0.00%	0
Grand Total	100.00%	5557	100.00%	339	100.00%	(10)	100.00%	329

As at June 30, 2019

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	99.19%	5,188	95.48%	863	99.71%	(10)	95.39%	853
Subsidiary								
Widia India Tooling Private Limited	0.77%	40	4.48%	41	2.41%	(0)	4.50%	40
Intercompany Elimination and consolidation adjustments	0.03%	2	0.04%	0	-2%	0	0.10%	1
Total	100.00%	5230	100.00%	904	100.00%	(10)	100.00%	894
Non-controlling interest in subsidiary	0.00%	0	0.00%	0	0.00%	0	0.00%	0
Grand Total	100.00%	5230	100.00%	904	100.00%	(10)	100.00%	894

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

(All amounts in ₹ millions unless otherwise stated)

40 Earnings per equity share

Particualrs	Year ended June 30, 2020	Year ended June 30, 2019
Profit attributable to equity shareholders	339	904
Weighted average number of equity shares outstanding during the year	21978240	21978240
Nominal value of equity share (₹)	10	10
Basic and diluted earnings per share (₹)	15.42	41.13

41 The World Health Organization (WHO) declared the outbreak of the Coronavirus Disease (COVID-19) as a global pandemic on 11 March 2020. Consequent to this, the Government of India declared a nation-wide lockdown from 24 March 2020 due to which the Group suspended its operations at all its factories and offices in compliance with the lockdown instructions issued by the Central and State Governments. COVID-19 has impacted the normal business operations by way of supply chain disruptions, reduced demands of products on account of closure of customers' site, suspension of travel and unavailability of personnel during the lockdown period resulting to decrease in revenues and profits for the quarter ended 30 June 2020.

The Group's management has considered the possible effects that may result from the COVID-19 pandemic on the carrying value of assets (including Property, plant and equipment, Capital work-in-progress, intangible assets, investments, trade receivables and inventories). In developing the assumptions relating to the possible future uncertainties in the domestic/ global economic conditions because of the pandemic, the Group has, as at the date of approval of these consolidated financial results/statements, used internal and external sources of information, inducing economic forecasts and estimates from market sources, on the expected future performance of the Group. On the basis of evaluation and current indicators of future economic conditions, the Group expects to recover the carrying amounts of these assets and does not anticipate any impairment to these financial and non-financial assets. The actual impact of the pandemic may be different from that estimated as at the date of these consolidated financial results and the Group will continue to monitor any material changes to future economic conditions.

The Central and State Governments have lifted the lockdown and the Group has resumed operations in a phased manner from first week of May 2020 following safety standards and protocols in accordance with government guidelines issued from time to time. The Group will continue to closely observe the evolving scenario and consider any future developments arising out of the same.

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

Vijay Vikram Singh
Partner
Membership Number: 059139

Bengaluru
August 19, 2020

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

Bhagya Chandra Rao
Managing Director
DIN - 00211127

Bengaluru
August 19, 2020

B. Anjani Kumar
Director
DIN - 00022417

Bengaluru
August 19, 2020

Suresh Reddy K V
Chief Financial Officer

Bengaluru
August 19, 2020

Naveen Chandra Prakash
Company Secretary

Bengaluru
August 19, 2020

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CSR INITIATIVES

Kennametal sponsored Rs.20 lacs to Sparsha Trust during their
'Bhoomi Puja', for building Hostel accommodation for underprivileged Boys

Scholarship amount distributed to students of PSG College of Technology

Kennametal sponsored Health check up for the children in 6 Govt schools covering around 1830 students -
Eyes, Dental & over all General health check up, provided spectacles to students with visual defects

IN THE COMMUNITY

Kennametal supports COVID-19 : Sanitizers & Masks worth INR 3.46 lacs handed over to Police personnel at 4 Police Stations in and around KIL facility

Kennametal supports COVID-19 : PPEs, Sanitizers, Masks, thermal scanners & medicines worth INR 36 lacs handed over to Victoria Hospital and at the Office of the District Health Officer - Bangalore Urban to distribute to various Govt. Hospitals treating Covid-19 patients

Swachh Toilets built at Bagalagunte Police Station CSR initiative by Kennametal India,implemented by Rotary, Bangalore.

2 Big Televisions sponsored to Bagalagunte Police Station to connect to their CCTV monitors

RECOGNITION FOR EHS INITIATIVES

Awarded as Greenco GOLD rated on 05/07/2019

Implemented the Rain water system in Government School premises

Kennametal Employees are participating in Plantation program in the Government School premises

KENNAMETAL®

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PROTECTING OUR PLANET

www.kennametal.com/kennametalindia