

**49th AGM Kennametal India Limited
Bangalore**

November 04, 2014



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Content



- FY 14 Review
- Outlook

An overview of our business of last year and the outlook

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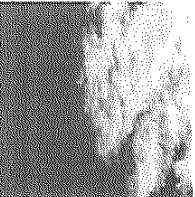
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Global Leader



Global Leader In Tooling & Wear-Resistant Solutions

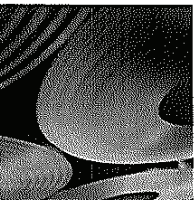
Our Mission: Kennametal delivers productivity to customers seeking peak performance in demanding environments by providing innovative custom and standard wear-resistant solutions



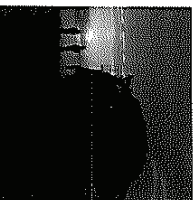
Aerospace



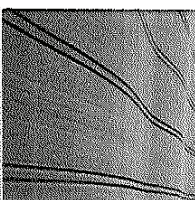
Transportation



General Engineering



Earthworks



Energy & Process

- Metalworking Solutions (Holemaking, Turning, Milling, Systems Tools)
- Surface Technologies - Thin And Thick Film Coatings
- Engineered Components – Custom and Standard Offerings
- Investment Castings
- Conicals

~\$3B In Revenues

Headquartered In Latrobe, Pennsylvania

>14,000 Employees In More Than 40 Countries

Two Well-Defined Businesses Delivering Our Mission



Hard Metal & Hard Metal Products

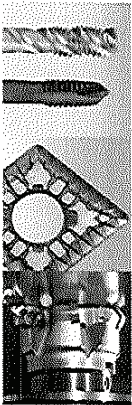
INDUSTRIAL BUSINESS

Metalworking Solutions and Services

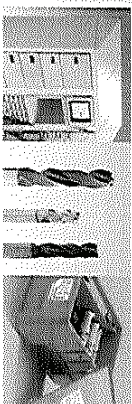
Kennametal Tooling



WDA Product Group



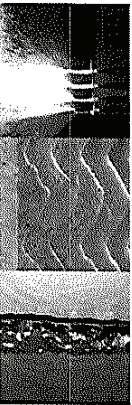
Metalworking Services



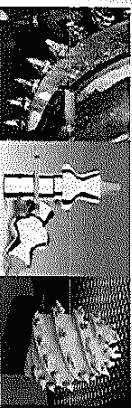
INFRASTRUCTURE BUSINESS

Engineered Products, Precision Surface Management and Life Extension Solutions

Surface Technologies



Earthworks



Engineered Components



Specific to India Machine Tools



WIDMA
Machining Solutions Group



Kennametal India

FY14 review

FY 14 Review : Economic Environment



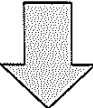




- **Business Confidence**
 - Cautious and low, started improving towards end of 4th Quarter
- **Interest Rates**
 - Interest rates remained high and liquidity crunch continued
- **Government policies**
 - Policy indecision
 - Uncertainty and delays
- **Exchange rate**
 - Rupee volatile throughout FY14 moving in the range of 53-67
- **Input Cost**
 - Raw material prices stabilized . Input costs such as Energy, employment costs etc., continue to go up.

Extremely challenging market situation

Served Markets Impacting our Business



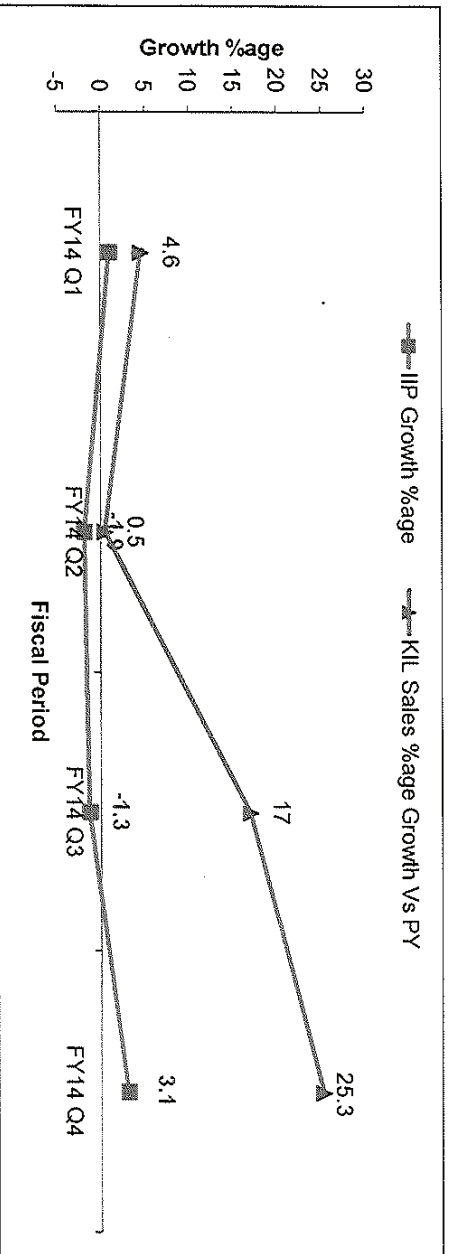
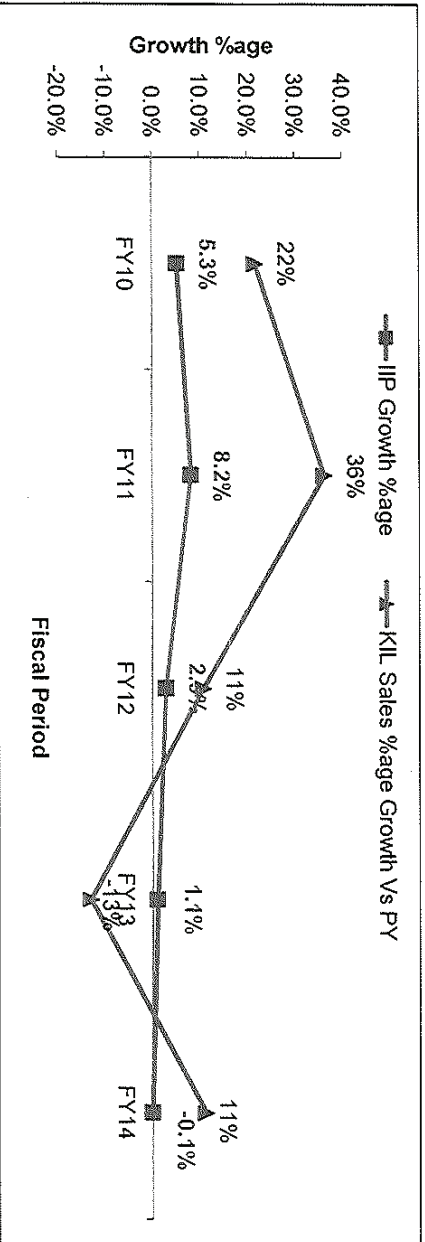
- Automotive production decline
 - In specific HCV/CV/LCV
- Passenger Vehicles and 2W.
- Steel Production
 - Flat and recovery observed towards 4th Quarter
- Capital tooling machinery decline by 22%
- Aerospace, Tractor, Defense & Railways

Indian IIP and KIL Sales Development trend

Source : MOSPI

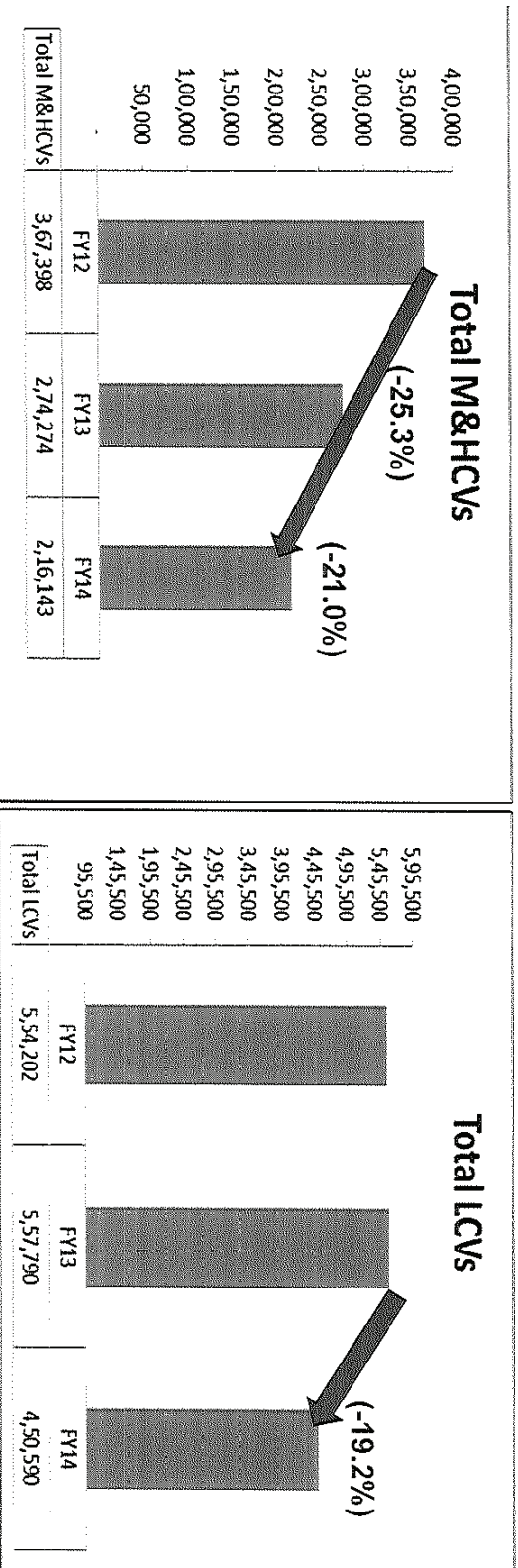


(In %age Growth)



Delivered 11 % growth on Sales, higher than Market growth

HCV/ CV affected us the most



**M&HCV – Medium & Heavy Commercial Vehicles
CV – Commercial Vehicles**

Source: SIAM

Tooling consumption is high in this segment, so also our dependency



Financial Performance

Key Performance Indicators – FY14



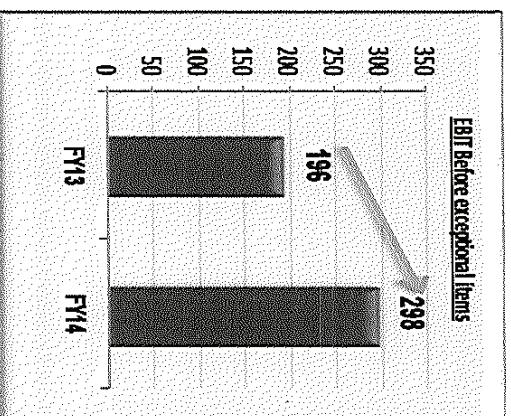
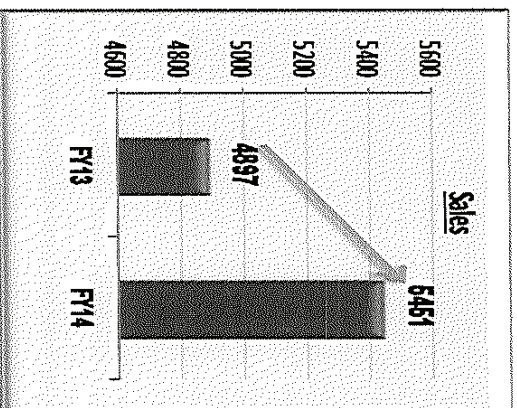
(₹ Mn)

	FY 14	FY 13	Growth
Sales	5451	4897	11%
EBIT (Before Exceptional items)	298	196	52%

- Growth driven by Hard Metals/ consumables business . Consumables up by 14% and MSG up by 1.8%
- Adjusted the manpower capacity in line with market demand

- Profitability improvement driven by :

- Better volumes
- Efficient RM sourcing
- Reduction of power cost
- Price realisation

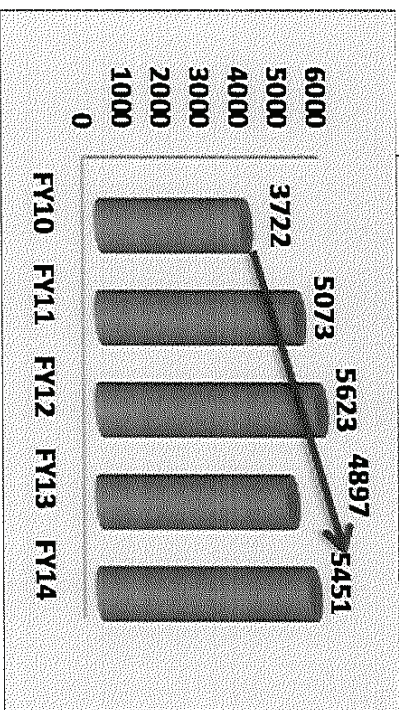


EBIT UP by 52%

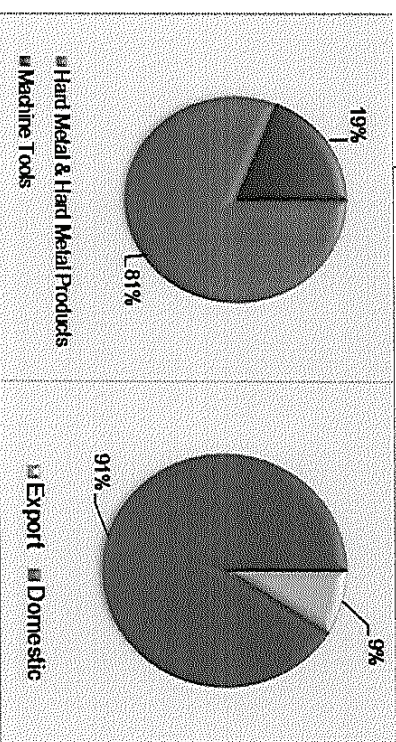
Financial Results & Trends



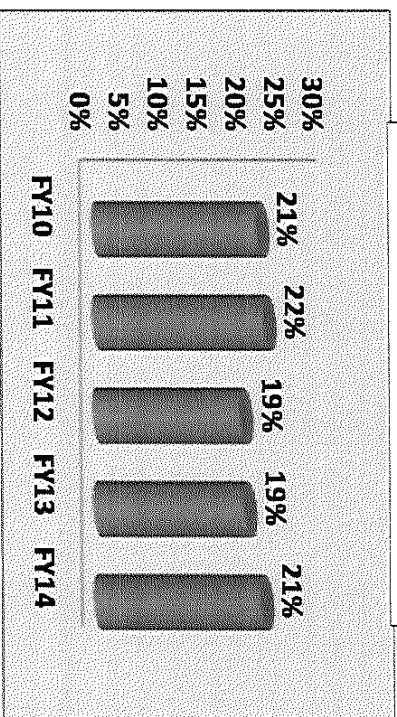
Sales (₹ Mn)



Revenue Break-up – FY14

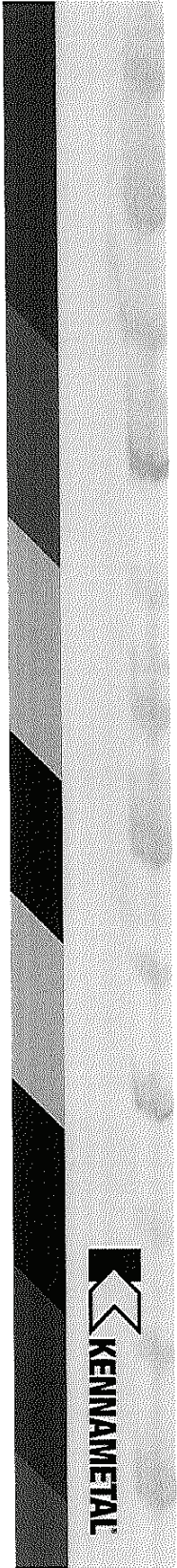


Working Capital % to Sales



Significant Improvement in Financial Performance in a Challenging Environment

- ❖ Sales grew 10% CAGR in last five years
- ❖ Strong Working Capital Management :
 - ✓ AR aging >60 days improves from 18% to 16%
 - ✓ Traded inventory reduced by 50% vs PY
 - ✓ Overall Working Capital up due increase in AR. Honda shipments in June
- ❖ ROCE @9% up 50% over FY13 (6%)



Going Forward

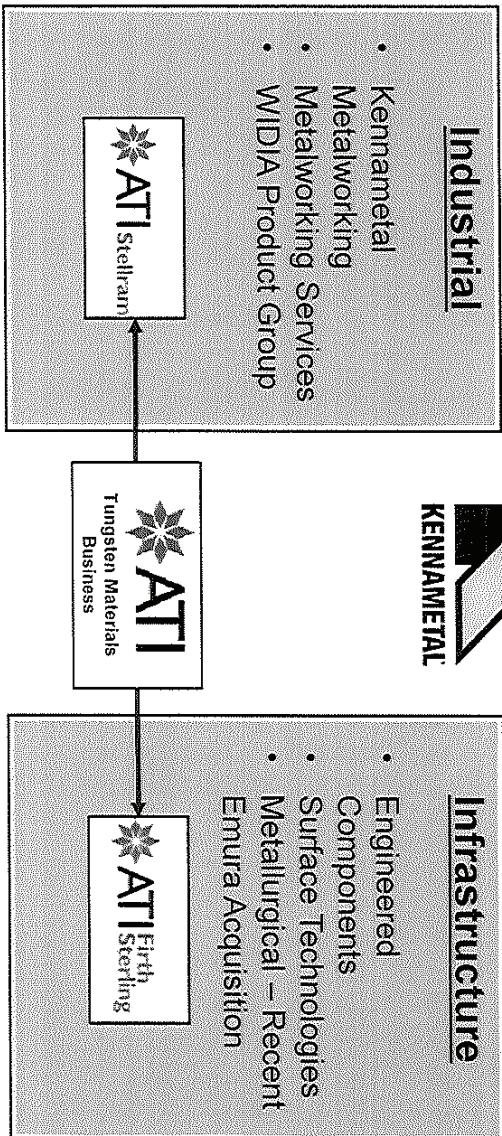
Goal

- Become a More Diversified Industry Leader
- Balanced Business
- Diversified end markets
- Growing Industrial as well as the Infrastructure side of the product portfolio



Acquisition of Tungsten Materials Business
from
Allegheny Technologies Inc. (ATI)

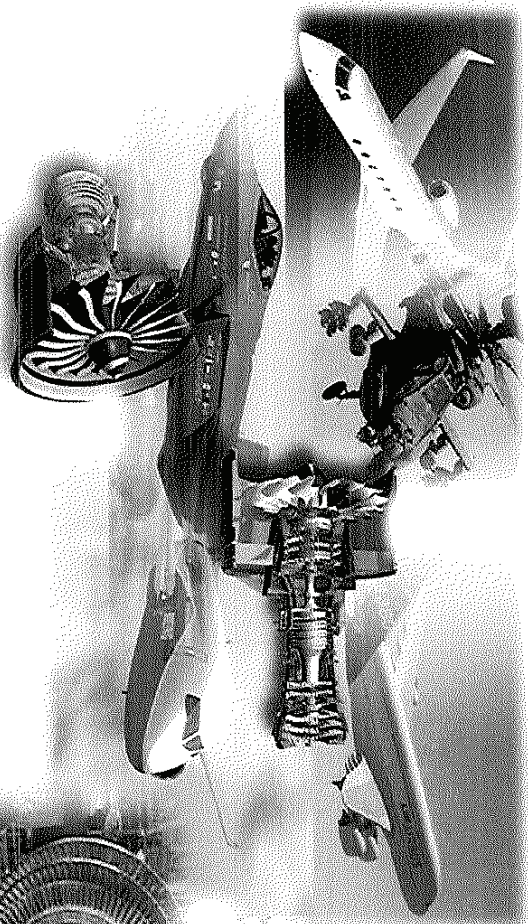
Acquisition Advances Strategic Priorities



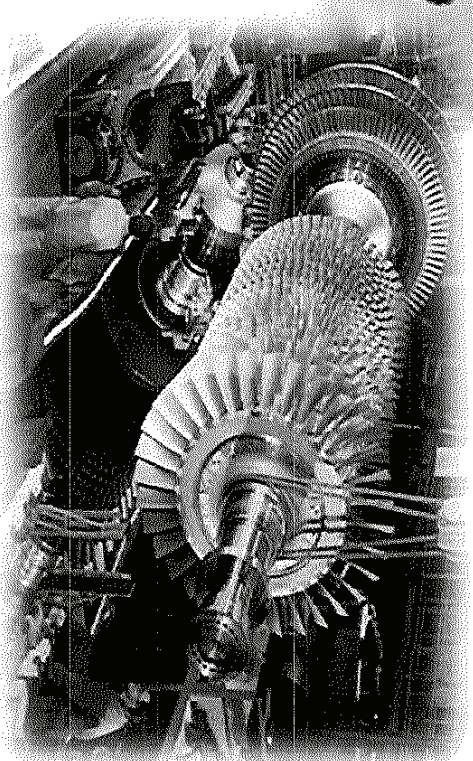
Aligns With Strategies And End Market Segments

Accessibility to high quality Raw Material and best Carbide Recycling technology

Stellram is part of TMB with end markets



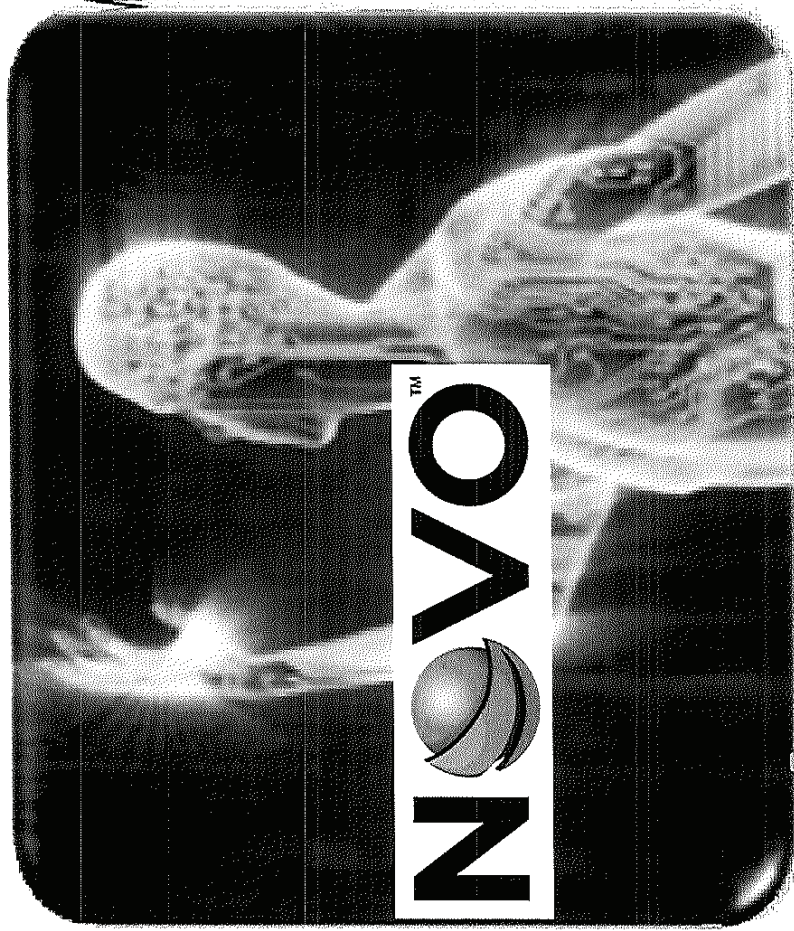
Aerospace



Power Generation

Stellram has very strong product portfolio for Power Gen & Aero Segments

Innovations



Will help the customers to buy our products with ease of doing business by leveraging the wealth of machining expertise from our knowledge and experience.

New way of thinking

Smarter way to get the job done

Tools for the next generation

Economic Outlook



- Policy Changes and reform Initiatives from the Govt.
- Enhanced focus on Manufacturing (Make in India initiative)
- Industrial Production (IIP) ** growth forecast is 4.0% FY14-15

** (Source : CRISIL Research
India Economy Forecast)

- Recovery timeline on the ground level with end customer production increase is still unclear across segments
- Energy, employment and raw material costs are raising .

Optimism is expected to translate into increased manufacturing actions in served markets

Our Continued Focus on Initiatives



Topline

- Channel Strategy & Distribution expansion
- Advance with Technology : Component specific proven solutions
- Service initiatives such as Tool Boss and Reconditioning centers
- New higher value added products in Infrastructural products moving up on Value Chain

Bottom line

- Sustain the benefits of Cost restructuring initiatives
- Operational Excellence Initiatives focused around productivity improvement
- Energy cost savings through higher utilization of KEB power supply
- Efficient procurement of raw material

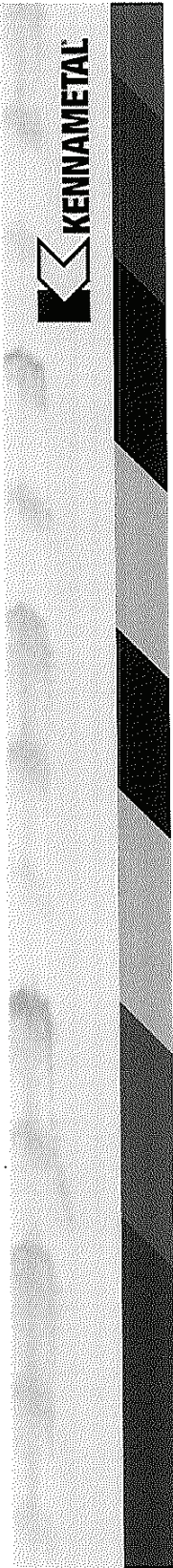
With the growth on sales, our leverage for profitability significantly improves

Management Team



Strong and experienced Senior Management Team with many around 20-25 years of industry experience.

- BC Rao, MD
- Parameshwar Reddy, CFO
- Chandrashekar Sharma, VP KMT Industrial
- Kumud Ranjan, GM – WIDIA
- M.T.Swamy, GM – Infrastructure
- M.N.Bhaskara Rao, GM – Manufacturing
- HR Head – TBA.



Thank You