



**June 9, 2023**

**Ref: Sec/Sto/2023/06/07**

**Corporate Relationship Department**

**BSE Limited**

Phiroze Jeejeebhoy Towers Dalal Street,  
Mumbai – 400001

**Subject: Transcripts for the Analysts Call / Institutional Investors Meeting held on June 6, 2023**

**Ref : Kennametal India Limited - [Scrip code: 505890]**

**Our Letters No. Sec/Sto/2023/06/02 & Sec/Sto/2023/06/03 dated June 5, 2023 and  
Sec/Sto/2023/06/05 dated June 6, 2023**

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Dear Sirs,

In further to our above letters, we enclose herewith a copy of the Transcripts of video recording of the meeting held with the following investors / Analysts on Tuesday, June 6, 2023:

1. Mr. Prolin Nandu from Goldfish Capital Advisors;
2. Ms. Alisha Mahawla from Envision Capital;
3. Mr. Jainis Ketan Chheda from Spark PWM Private Limited;
4. Mr. Manoj Bahety and Mr. Kunal from Carnelian Asset Advisors; and
5. Ms. Khadija Mantri and Mr. Sanjeev Hota from Sharekhan Broking.

The said Transcripts is available on the Company's website at:  
<https://www.kennametal.com/in/en/about-us/kil-financials/press-release---investor-calls.html>

Kindly take the same on record.

Thanking You.

Yours faithfully,  
For **Kennametal India Limited**

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

Encl.: As above

<b>Management – Kennametal India Limited</b>	Mr. Vijaykrishnan Venkatesan, Managing Director
	Mr. Suresh Reddy, Chief Financial Officer
	Mr. Naveen Chandra P, GM – Legal & Company Secretary
<b>Investor / Analyst –</b>	
<b>1. Goldfish Capital Advisors</b>	Mr. Prolin Nandu
<b>2. Envision Capital</b>	Ms. Alisha Mahawla
<b>3. Spark PWM Private Limited</b>	Mr. Jainis Ketan Chheda
<b>4. Carnelian Asset Advisors</b>	Mr. Manoj Bahety
	Mr. Kunal
<b>4. Sharekhan Broking</b>	Ms. Khadija Mantri
	Mr. Sanjeev Hota

### **Naveen Chandra**

So, with your permission, we have started the recording of this particular meeting. Sorry for being a little late, with me is Vijay, Managing Director and Suresh, CFO. We will not be making any forward-looking statements on this call, and we would be restricting our talk to publicly information, publicly available information only. Nothing stated during this call should be inferred or construed as a forward looking or outlook statement from the company. All details and data are being talked will be strictly historical and market estimates based on publicly available reports. Any statements made during this call, if construed as a forward-looking statement, might involve risks and uncertainties, and the participants in this meeting are cautioned not to place undue reliance on these statements that speak only as of their dates. With that, I had it over to the team to pose any questions to Vijay and Suresh.

### **Vijaykrishnan**

Yeah, before that, can we just go through, introductions.

### **Naveen Chandra**

Sure

I don't know who are there on the meeting?

### **Suresh Reddy**

Hey, can you hear us?

### **Naveen Chandra**

Prolin, do you wanna go first?

**Prolin Nandu**

Yeah. Hi team, thanks a lot. This is Prolin here, I work for goldfish capital. We are consulted to GMO. Are you, are you guys able to hear me?

**Naveen Chandra**

Yeah, yes, yes.

**Prolin Nandu**

Yeah. So, that's my introduction and I'll have sent lot of questions to you. But yeah, I'll take some of those once this introduction round is over. But thanks a lot for doing this. Appreciate this.

**Jainis Ketan Chheda**

Hey team, this is Jainis here from Spark PWM Private Limited. We have a private wealth management company and offer the advisory services to HMIS and Ultramac clients, having covering, Kennametal since last November.

**Vijaykrishnan**

Yes

**Naveen Chandra**

Manoj do wanna go first, next?

**Manoj Bahety**

Hi, Good morning, So, this is Manoj Bahety. I represent Carnelian Asset advisors and we run our PMS and AIF and so that's a brief about us.

**Vijaykrishnan**

Thanks, Manoj.

**Kunal**

Hi Sir, this is Kunal here. I work with Manoj. As Manoj said, we are an asset management company based out of Mumbai managing about 2200 crores. So, we have been tracking Kennametal, so that's about me.

**Naveen Chandra**

Khadija.

**Khadija Mantri**

Yeah. Hi, this is Khadija Manu Sharekhan Broking, also have our research head Mr. Sanjeev Hota with me.

**Sanjeev Hota**

Good morning, Sir. I'm Sanjeev Hota. We are representing Sharekhan.

**Naveen Chandra**

First of all, thanks a lot for all of you to take this meeting. I know we have taken a group call, so without wasting much more time I think we should go ahead and start. Did we do Alisha, or she is part of some other analyst?

**Naveen Chandra**

I guess we missed her turn.

**Alisha M**

I yes, no problem. Hi, this is Alisha Mahawla from Envision Capital we are PMS based out of Mumbai, it's managed by Malaysia. I've been trying to track Kennametal since the last few quarters, and like somebody mentioned earlier, lot of questions, so would be an interesting discussion. Thank you.

**Vijaykrishnan**

Sure, it's going to be difficult to coordinate so many people, but please,

**Naveen Chandra**

One of you can, you know, start the discussion perhaps, do you wanna go first, Jainis?

**Vijaykrishnan**

Some other questions are going to be common. So, one question per person will first go through one round and then we'll go through everybody for the second round because I guess most questions would be common.

**Prolin Nandu**

Naveen, do you, if you don't mind, can I go ahead and start?

**Manoj Bahety**

So, sir, just one request before we start Q & A, 5-10 minutes a brief overview on the business industry trends. If you can give that and then if we start the Q&A that will be better. Thank you.

**Vijaykrishnan**

So, we can do that. Yeah, So, let me give a little bit. So, Kennametal is a global tooling company based out of Pittsburgh, US. We here Kennametal India when Kennametal acquired Widia globally and the Widia India Limited was a listed company in the Bombay Stock Exchange and when Kennametal acquired Widia, the Widia India Limited became Kennametal India. Right? That's a little bit of history. We are one of the world's leading tooling manufacturers, especially when it comes to tungsten carbide tooling and when it comes to tooling, there is no one, I can't say that anyone, sector, anybody who has a machine and they are the machine, metal. Tooling. There's a tooling requirement, right? And over the years, Kennametal has been a global leader. One of the global leaders in the field of both, tooling as well as wear resistance solutions and we play in respect of maybe transportation, which covers right from two-wheel to off road vehicles, railways, aerospace, energy, mining, construction, electronics, health equipment like joints, you name a metal which needs to be machined we would be there. Traditionally, we are a technology player. We operate in where engineering solutions are required. So, obviously we work with customers, understand what the requirements are, and we approach with the solution mindset. Our traditionally we have been if you go and ask the customer in India about 3 brands which comes to their mind when it comes to tooling, we'll be definitely in the top three. If you do a top of mind and hence we have been a very strong position in the market, I mean one of the longest players in the country more than 60 years out of India, a very large customer base in the country, large channel partners, large feet on street, well established manufacturing capabilities in the country. So, that's how Kennametal India is positioned. You're in terms of specific to India, we have two businesses. One is the hard metal business, which covers a tooling and the wear resistant solution and then we have the MTV business, which is the machines business, machines business is unique to India.

So, it's pretty much headquartered out of Bangalore. Here we serve all sectors, be it automotive, be it energy, be it aerospace, general engineering. Now coming to industry trends, as all of you know, manufacturing sector has been going through, reasonable good expansion in the country driven by both domestic consumption and certain sectors where some of our Tier 1, Tier 2 suppliers are gaining project orders from the international market or international OEMs. We also seen that driving the Capex cycle in the country, we are seeing both Capex cycle driven by one modernization of old lines or expansion in capacity, which is in the existing customers or new Greenfield projects which are driven by new emerging sectors.

When I talk about emerging sectors, it could be aerospace, it could be EV's, it could be, let's say, any of the defence equipment. All these are green fields which are driving capacity expansion. Now, since we operate in both sides of the business, 20% of the business is on Capex for us, 80% is on consumables, which is the hard metals. The Capex cycle is good for us irrespective whether it's a replacement cycle or it's a capacity expansion for the consumable side, we get a drag impact has a capacity expansion happens with a face lag of 12 to 15 months. Once the machines are installed and the capacity expansion, so overall India is in a sweet spot. We, because of manufacturing expansion across the respect of which sector everything is growing. We continue to see Capex cycle in all the sectors, which will drive demand and given the

technology player and one of the top players in the industry we feel that we are well placed, in the Indian market both in terms of the capital equipment and the consumers which is hard metals. So that's a very high-level executive summary. I think given it's only 45 minutes that's, that's comfortable for you as an intro, we can get into the questions.

**Naveen Chandra**

Prolin.

**Prolin Nandu**

Yeah, thank you.

Thank you for that introduction, sir and my question is also pertaining to growth. So, yeah, I mean, if I look at Kennametal's last 10-years, top line growth is somewhere close to 10 to 12%, depending on whether you are taking or, I mean excluding COVID yours or not. Now as you mentioned, some of the trends, right? So, I mean I have looked at your past interviews in some of the magazines and passed some of the recordings that Naveen has been kind enough to put on the, you know BSE website as well. So, there are three drivers of growth which I have summarized. One is the core industry growth, right, which we are already catering to, right? It might be automobile, it might be some other engineering tools, company etc., etc. Then there are new industry like aerospace, defense, railways and energy where are, where you have probably in the past alluded to the fact that replacement cycles are shorter than the, than the traditional interest free and maybe the wear and tear is also high and the third trend that you have again alluded in the past is you know this movement from single point lathe kind of, you know a setup to CNC machine kind of a setup, right? which is also picking up.

So, while you have highlighted in your introduction the core industry growth right of replacement Greenfield, etc., etc. Could you touch upon so next two trends in terms of new industry and this whole lathe to CNC machine? and then I mean, if these such, if there are such strong tailwinds right in some sense, is it fair to assume that the growth in the last 10 years or whatever we have achieved the next 10 years can be substantially higher given the tailwinds that we have, right? in some sense. Yeah, that's my first question on growth.

**Vijaykrishnan**

Yeah, so Prolin obviously the core sector growth is going to be a tailwind for everybody who's involved in manufacturing, right? And let's be cautious. Manufacturing always goes through a little bit of peaks and valleys, right? Because we'll over invest capacity would be there then. So, it is going to go, it's not being a straight-line growth and all of us know that, now what are the other trends is, India is emerging as a strong, let's talk about aerospace and defense we are seeing continue to expand either a global emergency. Who's putting up a plant in India or Indian suppliers are getting qualified for components in, it could be a defense error or it could be a Boeing, it could be an Airbus. There are people who are qualifying now. All these are high end machining, auto machine components, higher precision. So, obviously people are investing in very advanced machines, so that's a sector we talk about, EV manufacturing, right? And that's again all Greenfield, all new equipments which are coming in an EV, you talk about components which are being made for global oil and gas industry, right? We are seeing expansions as simple as valve industry. You talk

about stores in India, which makes into balance. Valves are traditionally you do a casting. You then, then missing it, now suddenly look at the global market casting in terms of valves, the machining precision is different, right? So, all these when you talk about trends when manufacturing sector is growing, it's just not the volume. We're also seeing the quality of products. What is being made and where? India as a country, participates in growing up the value chain. So, that's also entails a little bit of modernization and higher end equipment which plays very well for tooling manufacturers who are playing in the performance. I'm not just talking Kennametal right. There are also other brands which are equally good, and all of us benefit by that kind of a trend.

The third one is now a single point lathe could be a 30 years old, 40 years old, somebody was having a machine drive. As industry expands, the need for quality and precision finish is different. Today, if you're a tier 3 supplier or a tier 4 supplier, so hence there is a drive for people to upgrade to a CNC machine which also drives us. So, that's the old modernization automation of the sector, which is in the MSME, right. Even that is happening in the country, so all these are the drivers which drives. That's why if you look at the growth of machine industry today in the last 12 months is significantly higher than the consumables, right? and this is the data which I don't want to talk about it. But if you track the imported machine coming, which has come into the country in the last six months, it's crazy high. It is even broken the record of 2018-2019, right? and that talks clearly on how the modernization is happening in the country.

**Prolin Nandu**

Sure.

**Vijaykrishnan**

So yeah, so those are the three trends to answer your second question, that's a little difficult and I don't want to predict, but our aspiration where again this is something which I maintain all the analyst meet used to grow in multiples of the market, right? it's not we won't be happy by growing at 1X of the market because we are positioned well. We have, we are, we are one of a large manufacturing footprint in the country in terms of manufacturing and it's an opportunity for any company to grow faster than the position that way, we have a good manufacturing footprint. We have a large field feet on street in the country, both in terms of sales application support. We have a very large channel presence and those are things which strengths which we have, and we should order well to grow faster than the market now. How much percentage?

**Prolin Nandu**

Just say in the past you have.

**Vijaykrishnan**

I can't quantify it today, but our aspiration is to grow faster and this is something which have been very consistent role in, if you, if you said you have.

**Prolin Nandu**

No, I agree. I have listened to it and that's why I was coming at that. You have in the past mentioned that you want to. You have an aspiration to grow somewhere close to 1.4 to 1.6X to the industry growth.

**Vijaykrishnan**

Yes.

**Prolin Nandu**

And am I fair in concluding that the way you see the cycle right in some sense, double-digit, double-digit industry growth is something which is very much possible across the cycle? I mean, notwithstanding the troughs & peaks.

**Vijaykrishnan**

Yeah, are difficult to predict the problem because see what happens now. Anything in common impact on industry cycle, right? For example, nobody understated a geopolitical retention. Nobody understated a COVID, so it's difficult, but if everything goes well, if, let's say, the IPA grows, it's 6% right between 5 and 6%. Some of the sectors very definitely grow at 11 to 12%. It's a given because IPA is a weighted average one and it includes mining, electricity and all that which will not, may not grow at that pace. So, some sectors where we participated in, as an opportunity to grow faster, we have, we have, we are firmly believing in the India manufacturing story. Let me put it that way.

So, it's a, it's, it's a good emerging growth sector for the nation, just not for Kennametal, for the nation put it right, there are a lot of people we'll come back to you.

**Prolin Nandu**

Yeah. Yeah. Thanks a lot. I'll come back and take you.

**Vijaykrishnan**

I don't know who wants to go next.

**Jainis Ketan Chheda**

So, sir double checking on the manufacturing growth itself, as you have mentioned that along, if, if I'm not wrong, along half of your revenue comes from automobile sector.

**Vijaykrishnan**

Let's say between 40 and 50%.



**Jainis Ketan Chheda**

It is 40 to 50%. So, what is your view on the automobile growth?

**Jainis Ketan Chheda**

And will the EV impact on negatively for the company as the number of components reduces in automobile or how will it be so, that is the 1<sup>st</sup> 50% of the?

**Vijaykrishnan**

Keep it. I want to keep it brief because this is a question I've answered multiple times. So, the way tooling again, I'm talking in general for the industry again here, the tooling consumption is highest in commercial vehicles, off road vehicles because that's where the maximum machining happens in terms of IC engines. Then comes passenger vehicles, then comes two-wheelers. Now when you talk about two-wheelers, we do not play much in two-wheelers segment. This is again, I've answered many times because mostly it's aluminum components and we don't play big as Kennametal. We know migration is already started in into EV's. Is it something which concerns us? Answer is no, but whatever opportunities available in terms of components as well as Capital equipment, we are pushing well both in terms of our machines which are going for some of the component manufacturing in and also machining of some of the components which are there in EV's. Now, what's critical is how the passenger vehicles will begin. For example, if it's a hybrid vehicle, the consumption of tools is higher, higher than even IC engines, because of the type of machining which happens in hybrid engine. ICs are, while there are various statistics, we feel that still the industry has the opportunity to still expand because even if migration of EV's in passenger vehicles, IC engines is not just driven by domestic consumption, it's also exports. I'm talking not our exports, I'm talking about IC engine exports, right? So, there are many, there are a lot of factors and if you go into a CMR or an MACMA, there's enough data available on what will be the impact of EV on the auto component, not something which I would worry at this juncture for us. Maybe 30 years down the line there would be an impact, but in the near term, when I say near term three to five years, we should be comfortable, is what I, what is our analysis at this point.

**Jainis Ketan Chheda**

Correct and on the 20% of your CNC machine solutions business, you are focusing also on exports being China is one of the major markets now how China reopening is impacting you, how the imports of CNC machines which you just mentioned, how is that impacting you and what is your outlook on that 20% of the revenue? Will it grow faster than your consumables business or it will be in line?

**Vijaykrishnan**

Yep. So, Jainis, if you, if you've seen our quarterly results, the last two quarters, one of the impacts what we have shown is the impact of exports to China, right? because the recovery post lockdowns in China, the recovery has been little slower and all of us are reading enough news about it. So, obviously the machine exports have been impacted, but China will remain one of the largest markets for machines globally and it's important to participate in, but we are not restricting to China. We are also looking at Southeast Asia and Middle East because these are fast growing markets. So, this is something which as a strategy we are

looking at exports of machines and obviously the capital equipment, it's going to take time. Establishing brand takes time. Establishing channel takes time and long lead time of sale matures between one year, one of years and complicated. So, it will take time, but as a strategy we are clear that's something which we will continue to drive, plus the domestic consumption of machines are very good at this juncture but again, we are, you know from capital cycle being approved to installation it's 12 to 15 months, right.

**Jainis Ketan Chheda**

Ok, correct.

**Vijaykrishnan**

It's not like consumer business, but we are all of us are seeing the traffic circle expansion of the country, which is very good for anybody who's playing in the machines category in the country. I need to move on there are, there are, we will come back second round of questions.

**Jainis Ketan Chheda**

And so, no, no, I'm sticking on the same point, I'm sticking on the same point. I'm not adding any new point. I'll join that eventually, but so the AMC part of the Machine Solutions business that AMC part and how, what are the dynamics of the AMC, if any?

**Vijaykrishnan**

Yeah, it's very minor. It's not material to impact, but something which you're looking at now, especially the spare side of it, but that's something which only taken and view, now especially because of the exports business, right? So, how do we cover and all that? But today it's very small, but definitely something which you're keen to look at because, there are lot of other players do offer AMC and that's also a part of the revenue stream.

**Jainis Ketan Chheda**

Ok, thank you. I join the queue.

**Vijaykrishnan**

It won't impact material for few years.

**Jainis Ketan Chheda**

It's a long-term, long-term perspective like 5-7 years down the line.

**Vijaykrishnan**

Yeah, it's an annuity business.

**Sanjeev**

Hey sir, this is Sanjeev here.

**Vijaykrishnan**

Yes, Sanjeev.

**Sanjeev**

Yes, my questions pertains to the margin side. There's two part of question what is the dependency on us for the import of the key raw material? Let's cobalt and tungsten carbide? and what is the now? The there's a proclivity in the prices. So, has it been now stable and what is the outlook for that?

**Suresh Reddy**

Yeah, for this, Sanjeev. There is some amount of stability now we are last year we had seen a high increase spike in prices, but now there is a stability in the tungsten APT prices. Of course, a cobalt still there is a bit of a movement, but even that off late it has come to some amount of stability.

**Sanjeev**

And what's the dependency? What is the import for us?

**Vijaykrishnan**

It's all imported.

**Suresh Reddy**

Yeah, it's it is fully imported. There is nothing available in India, so it has to be imported from outside of India.

**Sanjeev**

Ok. so now you're fairly comfortable on the proof on the top lane part going forward into next 2-3 years. So, can we see some operating leverage play out, the price remains stable?

**Suresh Reddy**

It again, depends on our ability to utilize our capacities, depending upon the domestic demand as well as what we could leverage from our overseas supplies, when we have the surplus capacity sit in certain areas. So that is something which we have to.

**Sanjeev**

The current capacity.

**Suresh Reddy**

Pardon.

**Sanjeev**

No, I'm talking about the current capacity utilization.

**Vijaykrishnan**

That's one question that we are not answered because that's becomes a competitive intelligence, right and we have restrained from answering the current capacity levels. All we will be able to share is of, we have invested enough to support the growth in terms of capacity, right? And we have room to continue to support the Indian growth story and we are also adding selectively in terms of wherever we see a bottleneck that's a support which Kennametal is already been giving to India because India is a growing market. So, we continue to get investments on areas which are a bottleneck, but there is something we always tell anybody who asks our investors and analysts that's one information we can't share because that becomes competitive intelligence in terms of installed capacity, right? So, that's something which we unfortunately, we are constrained on answering.

**Sanjeev**

Ok, thank you I'll come back in queue.

**Kunal**

Hey, this is Kunal here.

**Vijaykrishnan**

Yes, Kunal.

**Kunal**

You did talk about the automobile, automobile sector. You know, what's your outlook out there? Just wanted to understand what's your outlook on the sector other than automobile. And also we had new products, introduced for new segments, right. So, how is that picking up and how should one get. You know our growth other than the auto segment you know and specifically new products or new categories or new segment, sub-sectors, if I can, if you could and deliver a little bit on that particular aspect.

**Vijaykrishnan**

Kunal what we see, is the emerging sectors. What I would define as, let's say aero, defense. Let's talk about EV's. Let's talk about even some of the components for energy sector when we talk about energy let's say wind, right? now, these are the sectors which are growing rapidly in the country. No questions on that either. It's because our domestic players are investing, and they are going after the global opportunities, or we are seeing because the consumption of a new technology is coming into the country. These are sectors which as a one, the sector itself is growing fast, lot of investments as well as opportunity for anybody who's playing in that sector. Two is since it's all new investments, you get new machines, right? It's modernized machines. That's also part of the art.

Now that is a great play for somebody like Kennametal because we supply technology product, we are solution driven, we drive productivity, we talk about cost per component, and we talk about life and finish and all that. So, what happens when these kinds of investments happen? It's like a sweet spot for any technology player. I'm not saying this for Kennametal, right? Any of the big players, it becomes a very nice play now after that is how you operationalize it, how strong you are in the market, how your relationship with the customer, that sways your orders. So, these are sectors which are growing very fast, and also Kennametal as well, positioned sectors globally too, right? If you look at our Kennametal in global presentations, we keep talking about aerospace, we keep talking about oil and gas, we keep talking about energy, we keep talking about defense. These are some things which are very strong traditionally for Kennametal because of the kind of solutions what we offer. So yes, these sectors are growing fast. I'm talking about outside of automotive and these are very interesting.

Now the other area which is interesting. Anybody who plays in construction equipment industry, right? That's something which has become very attractive. One is growing fast and it has a third largest market, but still the size wise we are very small, but we are going to become very large in the next 6 to 7 years and I'm sure all of you are tracking construction equipment industry. Both on the Capex side and the consumable side, construction equipment industry is very good for us. So, if you look at all these sectors, all these are projected to grow faster than the average automotive, right? So.

**Kunal**

So, when do we see this kind of becomes highly opportunity kind of things for Kennametal company because you know, we dominate them, but still in my humble sense, whatever little I understand you know, the other emerging sectors as you highlighted when this kind of become sizable kind of, you know would it impact the earning per share.

**Vijaykrishnan**

Well, the thing is, automotive will continue to grow. Am I right? I'm sure that all of you are projecting automotive to grow.

**Kunal**

Yeah.

**Vijaykrishnan**

It's not going to string, so when that grows and these emerging sectors are growing faster, it's going to take good 5 to 7 years to see some material impact, right? It's going to be gradual. It's not going to be dramatic, right?

The other sectors which get very interesting is while we don't play in that sector, today is, electronics, we can't ignore electronics. Electronics consumes a lot of machines and tools, right? And not something which you're playing in today.

**Kunal**

Umm.

**Vijaykrishnan**

That's like an emerging sector, but that is a quantum leap, unlike an aerospace because the skin and which electronics consumption comes immediately swings the ratios.

**Kunal**

Got it.

**Vijaykrishnan**

That's a sector today. I'm being very candid. We don't play in, but that's again a sector which is emerging very fast.

**Kunal**

Got it, got it. I'll join back in with you for the further questions.

**Vijaykrishnan**

Yeah, ok.

**Naveen Chandra**

Alisha, do you wanna go next?

**Alisha**

Yeah, Hi. This is, yes, yes, yes. Hi, so, thank you for the opportunity. So just stop. Firstly, wanted to know from an industry perspective, are we witnessing any consolidation, or have we been any market share in the last two or three years, just some comment or perspective on that?

**Vijaykrishnan**

We are not seeing any, I won't say we have not seen any of major announcements, especially when it relates to the hard metal side in the country. But there is always could be a possibility, right? But globally, there have been. I won't say much consolidation has happened in the last three years, but few years back there were a lot of acquisitions by all the major players, consolidation of brands, which was happening but offline, I've not seen, but this is truly global in India. We are not big Indian players. It's mostly global players which are playing in the Indian market when it comes to hard metals of so. Hence, I think it's pretty much been a status quo for the last few years in terms of how the industry structure is. That's one, Alisha. What was your second question?

**Alisha**

Sir, that was largely on, and also on market share gains.

**Vijaykrishnan**

It's difficult because this is not syndicated research. It's not a research industry. We believe that we have grown faster than especially hard metal side. We have grown faster than the market growth in the last three years. If you compare the data, I'm sure you're comparing IPI sectoral growth with our hard metal's growth not the total entity growth, but just the hard metals. So, we believe that anybody 1.3 X 1.6 X is a growth rate that can only happen if you're gaining market share. But if you ask me whether I'm, I'm absolutely sure I can't because there is no way to measure it today. Unlike, let's say a FMCG where there is a syndicated data. So, uh, so we ask for the way I keep telling this, our intent is to grow in multiples of marker and we want to stay the course. Uh, that will definitely come from new customers and new products. So hopefully we are gaining share so, can't confirm, Alisha.

**Alisha**

Ok, sir my second question is on margins. You know, if I just go back and look over the last year or say decade, there's been a lot of volatility in EBITA margins, despite a gross margin being in a tight band, how should one understand this volatility in margins? The reasons for the same.

**Suresh Reddy**

Ok, Alisha, again, the margins depend upon key, key areas would be the raw material pricing because it all gets linked with the tungsten prices plus also the capacity utilization because we would rely heavily on our invested capacities, which would also be heavily with the fixed cost that is associated with the manufacturing facilities. So, the fluctuations would be revolving around that. But overall, if you have been watching it, it has reflected in our bottom line till at least the last year. If you have seen the profitability has improved, that is all reason is one is making sure at least wherever possible we try to pass on through the pricing increases, the cost of materials plus also working on modernization of the facilities to bring in productivity. So, to optimize also we should remember that in India, always the inflation is high. You know the increase as normal employee employment cost increases that happen in our country is much higher than what happens a globally. So, all those things, considering there are a lot of actions being taken to ensure that the margins

are protected, which should keep our at least a profit before tax in a healthy position. I mean, again, you have to relatively compare it with all the engineering industry.

**Alisha**

Ok, I just one last question before I get back in the queue. While we have seen significant new product introductions over the last couple of years, in somewhere you have mentioned that for the products launched in the last five years, 40% of the revenue contributed by that anticipated products at the parent level, which are not available in India and could be interesting new opportunities or new target pockets for.

**Vijaykrishnan**

It does Alisha. For example, if you, if you're seeing the social media and the last one month, something which we launched globally called Ken Gold, right, it's a very revolutionary product in terms of productivity and it's a very traditional product we are, we are just, it's a turning product which is the oldest product for a tungsten carbide tool in terms of instance, is the oldest portfolio and we just launched something which just changes the game in the market.

Now, one of the challenges is when you launch a product and it becomes a big hit, then you are going to worry about how you supply, now Ken gold is being accepted so well by the global market. We also tried, tested it few customers in India also very traditional portfolio. One of the oldest portfolio. But we were able to innovate in that space and give a huge value. Add to the customers. Now those are products. What happens, which gets into a market which historically was a large market for us may not be today with so many players.

Now it, again, changes the game a little bit, so what we do is when we launch such new products, it helps us to gain into like what you said, pockets definitely a better leverage into spaces where we are not present or spaces where we let go a few years back to gain into like what you said, pockets definitely a better leverage into spaces where we are not present or spaces where we let go a few years back.

**Alisha**

Is something like that in the pipeline, apart from. Hello?

**Vijaykrishnan**

Yeah. So, there are several. I can't give you the names of products, but again because of confidential in nature, because new products always are protected information. But Kennametal globally is definitely working on a strong pipeline of new products.

**Alisha**

Ok. Thank you. I'll come back in the queue.



**Vijaykrishnan**

I don't know who else. Who has not asked, is it Manoj?

**Naveen Chandra**

Manoj is from same team.

**Vijaykrishnan**

Same team, ok. So, we are again go back to Prolin?

**Naveen Chandra**

Yeah, yeah.

**Prolin Nandu**

Yeah. Thank you. Thank you, sir for giving me this opportunity again. Two questions from my side, one for Mr. CEO and another for Mr. CFO, there are. So first, with the business part of it and then I'll get on the margins. So, there are three large players in India, if I understand one is IMC, another is Sandvik and third is Kennametal. So, in terms of the product range in terms of the manufacturing footprint in terms of the marketing footprint and distribution. Where are we placed amongst all the 3, I mean? How do we compete with the rest of the 2 players and us having a manufacturing base in India gives us a unique advantage, which some of our peers that I haven't, they do not have.

**Vijaykrishnan**

Prolin, I don't want to comment too much on the, let's say because the all the three companies are very reputed globally, first of all and all of us have very good product range. It's not that I would say that one, I don't want to differentiate with all of us, what we call this a full breadth players in terms of solutions, we play into and in terms of products and markets are very specific to Kennametal. Our strengths again, when I started there was a preview, the one more call where I was explaining some of the strengths, right? Uh, we have a long legacy in the market. 60 years, so obviously every customer you walk in, they, they have worked with Kennametal over the years. Every shop floor you walk in today, a production head of operations would have seen Kennametal tool right from the day they have been started their career. So, that is a big advantage of brand, is a bigger advantage in the market or channel reaches a bigger advantage because we have a very large channel presence in the country or number of people feet on street probably we are one of the largest in terms of sales application engineers in terms of machines commissioning you combine that field strength is a very large force out there because we want to make sure that we are in front of the customer technologically. While I won't say who's there, but we are one of top players, we are pushing well in terms of technology, right? so all this turns out to be leveraged in the market and beyond. This is about how close we are with the market and the customers to make sure that the customer decides we are there, right? Because in a crowded market, it is important that how close one is to the customer.

**Prolin Nandu**

Sure. So, manufacturing obeys also all our peers have a very local manufacture.

**Vijaykrishnan**

Yeah, it's, it's. It's definitely an advantage because we have a large manufacturing base simply because the speed to market is very good, right? Turnover times are good, so speed to market is good. It's an advantage, but I don't want to comment on, because it depends on what strategy computation is using, But I'm just talking about Kennametal, right?

**Prolin Nandu**

Sure, sure and one question to Mr. CFO, would be seen in the past two, three-four quarters, sir, what we have seen is that China was an issue inventory we had built was an issue, right? in some sense and I think you have also on the previous call with another set of analysts there also mentioned that maybe Q4, which is the June end for us, we will also see some impact of inventory correction there and you have also said that you should look at the profitability of what we did in the previous year, right, where our margins were close to 18% and I think, yeah, can I, I mean and you have mentioned that, that's our aspiration to reach maybe in the June 24, year-end is it, is that the right conclusion to make that, that's the margin that we aspire to reach in June 24 which will have a very clean year. There will be no baggage of, you know this change, this inventory, I mean, is that a fair way to look at it?

**Suresh Reddy**

If you do as an Excel calculation Prolin, it would be simple to pull a formula and then drag it, but that's not how it may really work out. So, we have to wait for each quarter, each quarter will be a challenge which we have to pass through. Ok, but of course all steps that is required to be taken, we would be ensuring that we would be taking the actions as required as a management. The challenge is what I had mentioned. There continues to be addressed in this quarter as well. So, we'll have to see that next quarter. What? What? What else is there? But of course, this will at least some of them, which I have already mentioned will not repeat like the movement into a new building, a machinery movement that those costs will not be there because that's happened and closed and finished. Ok, the under absorption is an inventory correction factor, which we have been seeing in the last two quarters including this quarter. Yeah. Next, if the volumes and the growth, what we have been industry moves up, then we don't have to foresee that as well.

**Prolin Nandu**

All the best Sir. Thank you for this.

**Vijaykrishnan**

Thanks, Prolin. Yes, Jainis, going back to you?

**Jainis Ketan Chheda**

Hello, Hi I'm audible.

**Naveen Chandra**

Yes, you are audible.

**Jainis Ketan Chheda**

Yeah. One last question from my end. What is Kennametal parent strategy towards India and how they are looking at India? like I'm I suppose India is now 5% of the total revenue, like what is this outlook on India, Kennametal India? How do they strategize the India's growth? Kennametal India's growth in the overall scheme of things.

**Vijaykrishnan**

There's nothing which is articulated or put out, but if you look at India, India is a region for Kennametal, we are not, we are not attached to any region. India is operated as a standalone region for Kennametal. That's the importance what the organization gives to geography, because it's a rapidly growing economy. So, that's all I can say and we are getting all the support. What is required to make sure the right investments are put in place to support this growth? Yeah, and India is important for Kennametal.

**Jainis Ketan Chheda**

Ok, thank you so much.

**Vijaykrishnan**

You have to go to.

**Khadija**

Yeah sir, Khadija here. I just need a small clarification.

**Vijaykrishnan**

Yes

**Khadija**

So, in the opening remarks, did we say that 80% of our revenue or the demand for our products come from the replacement market that is consumable?

**Vijaykrishnan**

Not a demand or sales today is 20% on capital equipment and 80% on the consumables. So, hard metals we define as consumables. So, which is all the tooling and the wear resistance solutions, and the machines are the Capex, yeah. So, it is not the demand because demand for capital equipment is significantly larger, just the share market size of machines would be larger than the tooling. So, it's not the demand, it's today how our business, our sales is spread?

**Khadija**

Ok Sir. Thanks.

**Naveen Chandra**

Kunal, do you wanna go next? followed by Alisha?

**Kunal**

Just one last question from my side Sir. Basically, you touched upon margins, rushed upon, you know the revenue, the demand and all of that. Just wanted to understand on the distribution side, you know if you could touch upon a little bit of how should one look at that particular piece? If there's anything else there.

**Vijaykrishnan**

So, the distribution we service our customers, most of some large automotive OEM's are support the larger customers, we would handle directly but that would form property doesn't 10 to 15% of our sales. If you take the total sales 80 to 84% of our sales to our customers goes to channel for a simple reason channel partners are closer to the customer. They can add value in terms of being in the shop floor when it's required and also the reach. Now in India, we have more than 240 channel partners. So, if there is any industrial area in the country, we have a channel partner today. So, that's the breadth, length and breadth of reach what we have built and most channel partners are well trained. They have been with us for many years. They are very start is an added competency and strength which we rarely talk about, but they are extended arm in terms of the field, field team right and we don't talk about that, that's significantly large presence what we enjoy today as kind of.

**Kunal**

OK, So, there's basically we have covered the length and breadth. There is no further scope or any areas where we believe that we need to further penetrate into or invest into.

**Vijaykrishnan**

Not in terms of channel Kunal, because we have the reach to every industrial area which is out there in the country. What we keep there, there would be always a process. Some channel partners would be added, some will go out because of the cooling exercise, but is there a need to expand channel further? The answer

is no for the hard metal side. But for machines on exports, because since we are first time, we are embarking on a slow export strategy. So, that expansion is something which we are embarking on.

**Kunal**

Just one question, may I?

**Vijaykrishnan**

I don't know. We don't have time.

**Kunal**

Just, what I wanted to understand your brain on is, basically is the parent exploring manufacturing in India for their counterparts across the globe that view, ok.

**Suresh Reddy**

Kunal, I mean, I think this has been answered many times. Kennametal follows manufacturing policy of manufacturing in the country for the country. We do not invest surplus capacities for exports unless really that is something which, I mean surplus capacities that we have internally here which we can support the global supply chain.

**Kunal**

Ok. Thanks.

**Vijaykrishnan**

I think we've come to Alisha. I think she will be the last.

**Naveen Chandra**

Yeah.

**Alisha**

Yeah, very small bookkeeping question sir. what is the total royalty payout that we do to the parent, which can be legal, professional IT any kind of payout that we do and thus the parent have any other business interest in in India parts of the Listed Kennametal entity.

**Suresh Reddy**

So now as in interest? Kennametal does not have. It is only Kennametal India Limited where they have invested in. We have a shared services for our IT and engineering services that is a global shared services supported out of India. That's 100% owned by Kennametal, but the services are offered both to Kennametal

India Limited also plus all other subsidiaries. So, we take the services from them and the other question you said was, royalty payments, ok, so, the royal deployment payments are of course there is for IP as well a lot of technology of Kennametal. But the products that we manufacture in India, where we have IP protected by Kennametal Inc, we need to pay some royalty so that will always be a constant review and change depending upon what technologies are brought in, what products gets changed, putting technologies, geometry changes, that we start manufacturing locally and like as a regular process, we always look, there will always be some of the world's products which will go out of a circulation and newer technologies will be replaced. So, as and when we have those newer products manufactured technology transfers, there will be an applicability of royalty for all the sales that we make.

**Naveen Chandra**

Thank you all. Thanks for your time.

**Alisha**

Well, is it fair to assume it's three to four? Just a clarification is that 3 to 4% kind of payout to the parent on an annual basis, all inclusive of.

**Suresh Reddy**

Yeah, it is, I mean, I think we have we even I mean explained last time in our AGM as well around 4.5% is a royalty. But like I said, there will always be. I mean on only those products overall if you see it is very negligible amount. When we look at the royalty cost compared with the total revenues of KIL, but of course it all depends upon what is it that we manufacture, where we have to pay a royalty on it.

**Naveen Chandra**

Thank you all for your participation.

I appreciate, you know, accepting this invite on a short notice.

Truly appreciate.

Thank you.

Thank you everyone.

**Prolin Nandu**

Thank you, Vijay ji, Suresh ji and Naveen ji.

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