

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Sh. Basudev Garg	Chairman & Whole time Director
Smt. Mithlesh Garg	Non-Executive Director
Sh. B. B. Raina	Director
Sh. Mahesh Chandra Saxena	Independent Director
Sh. M. S. Venkateswaran	Independent Director

### **REGISTERED OFFICE & WORKS**

9<sup>th</sup> KM Stone,  
Pipli to Ambala,  
G.T. Road, Vill. Masana  
Distt. Kurukshetra  
Haryana - 136 118

### **EMAIL ID & WEBSITE**

Investor Grievances - [compliances.kmg@gmail.com](mailto:compliances.kmg@gmail.com)  
Website - [www.kmggroup.com](http://www.kmggroup.com)

### **SECRETARIAL AUDITORS**

**AMJ & Associates**  
Company Secretaries  
F-2, Plot No. 299, Sector-4, (Near Vaishali Metro Station)  
Vaishali, Ghaziabad, U.P - 201010

### **STATUTORY AUDITORS**

**M/s Rajan K Gupta & Co.,**  
Chartered Accountants  
19, Chawla Complex,  
A-215, Shakarpur,  
Delhi-110092.

### **REGISTRAR & TRANSFER AGENT**

**M/s Skyline financial services Pvt. Ltd.**  
D-153 A, 1<sup>st</sup> floor, Okhla Industrial Area,  
Phase- I, New Delhi- 110020

### **COMPANY SECRETARY & COMPLIANCE OFFICER**

Ms. Anshu Gupta

### **LISTED AT**

Bombay Stock Exchange Limited  
Delhi Stock Exchange Limited  
Ahmedabad Stock Exchange Limited

### **BANKERS**

Canara Bank, Shankar Nagar, Delhi.  
Canara Bank, Kurukshetra, Haryana.  
Syndicate Bank, Kurukshetra (Haryana)

<b>24<sup>th</sup> Annual General Meeting</b>	
Date	30 <sup>th</sup> September, 2016
Day	Friday
Time	01:00 P.M.
Place	9 <sup>th</sup> KM Stone, Pipli to Ambala, G.T. Road, Vill. Masana, Distt. Kurukshetra, Haryana - 136 118

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the 24<sup>th</sup> Annual General Meeting of the members of the Company will be held on Friday, the 30<sup>th</sup> September, 2016 at 01:00 PM at the Registered Office of the Company at 9<sup>th</sup> K.M. Stone, Pipli to Ambala, G.T. Road, Village Masana, Distt. Kurukshetra, Haryana - 136 118 to transact the following business:

**ORDINARY BUSINESS:-**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2016, the statement of Profit and Loss Account for the year ended on that date together with reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mrs. Mithlesh Garg (DIN: 00185942) as Director, who retires by rotation and being eligible, offers herself for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to provisions of Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the rules made there under the appointment of M/s Rajan K. Gupta & Co, Chartered Accountants, Delhi (Firm Registration No.005945C), who had been appointed as Statutory Auditors of the Company at the Annual General Meeting held on September 25<sup>th</sup>, 2014 to hold office for a term of Three consecutive Financial years subject to ratification of the appointment by the members at every AGM, be and are hereby ratified and the Board of Directors be and are hereby authorized to fix the remuneration”

Registered Office:  
9<sup>th</sup> KM Stone,  
Pipli to Ambala,  
G.T. Road, Vill. Masana  
Distt. Kurukshetra  
Haryana - 136 118

**Dated: 13.08.2016**  
**Place: Kurukshetra (Haryana)**

**By Order of the Board of Directors**  
**For KMG Milk Food Limited**

Sd/-  
Anshu Gupta  
**Company Secretary**  
ACS No. 32908

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN TERMS OF THE ENCLOSED FORM DULY EXECUTED SHOULD REACH THE COMPANY'S REGISTERED OFFICE AT LEAST 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.**
2. Copies of the relevant Directors' Report, Auditors' Report, Profit & Loss Account and Balance Sheet of the Company are enclosed.
3. The Statement pursuant to section 102 of the Companies Act, 2013 with respect to the special business set out in the notice is annexed.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 23.09.2016 to 30.09.2016 (both days inclusive). Cutoff date for purpose of voting right is 23<sup>rd</sup> September, 2016.
5. Corporate members are requested to send the Company a duly certified copy of the Board Resolution, pursuant to section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the Annual General Meeting.
6. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of Notice/ documents including Annual Report can be sent by e-mail to its members. To support this Green Initiative of the Government in full measure, members are requested to register their e-mail with M/s Skyline Financial Services Private Limited. Your Company sends the Annual Report by electronics mode also.
7. As a measure of economy and a step toward green initiative, Members are requested to bring their copy of Annual Report to the meeting. Members/ Proxies should bring the attendance slip duly filled in and signed for attending the meeting.
8. Members who hold shares in demat form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
9. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013, are requested to submit to the Registrars and Transfer Agents the details as required in Form SH-13.
10. Members are requested to notify to the Company change in their addresses immediately.
11. **Voting through electronic means:**
  - I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide members facility to exercise their right to vote at the 24<sup>th</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting Services provided by Central Depository Services (India) Limited (CDSL):  
  
**(A) The instructions for members for voting electronically are as under:-**  
In case of members receiving e-mail:
    - i) Log on to the e-voting website  
[www.evotingindia.com](http://www.evotingindia.com)
    - i) Click on "Shareholders" tab.
    - ii) Now, select "KMG MILK FOOD LIMITED" from the drop down menu and click on "SUBMIT"
    - iii) Now Enter your User ID
      - a. For CSDL: 16 digits beneficiary ID,
      - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
      - c. Members holding shares in Physical form should enter Folio Number registered with the Company.
    - iv) Next enter the Image Verification as displayed and Click on Login.

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

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

PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"><li>• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN Field.</li><li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li></ul>
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.

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

viii) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any 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.

ix) For members holding shares in physical form, the details can be used only for e-voting on the resolution contained in this Notice.

x) Click on "**KMG MILK FOOD LIMITED**"

xi) 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.

xii) Click on the "RESOLUTION FILE LINK" if you wish to view the entire Resolution details.

xiii) 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.

xiv) Once you "Confirm" your vote on the resolution, you will not be allowed to modify your vote.

xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the voting page.

xvi) If Demat account holder has forgotten the changed password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

- Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to log on to <http://www.evotingindia.co.in> and register themselves as Corporate.

They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

- After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
- The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of they would be able to cast their vote.

- They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.

**(B) In case of members receiving the physical copy:-**

- (i) Please follow all steps from sl. no. (i) to sl. no. (xvi) above to cast vote.

**(C)**

- (i) The voting period begins on **27<sup>th</sup> September, 2016 (9:00 AM)** and ends on **29<sup>th</sup> September, 2016 (5:00 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 **23<sup>rd</sup> September, 2016**, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on Resolution is cast by the shareholders, the shareholders shall not be allowed to change it subsequently.
- (ii) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Question ("FAQs") and e-voting manual available at [www.evotingindia.co.in](http://www.evotingindia.co.in) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- (iii) The shareholders can opt for only one mode of voting, i.e. either physically by attending AGM or e-voting. If any shareholders opt for e-voting, he/she will not be eligible to vote physically in AGM.

**II.** The Company has appointed Mr. Manoj Kumar Jain, Company secretary in whole-time practice as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

**III.** The Results of e-voting shall be declared on or after the AGM of the Company and the Results declared with Scrutinizer Report shall be placed on the Website of the Company i.e., viz, [www.kmggroup.com](http://www.kmggroup.com) within two days of passing the Resolution of the AGM of the Company.

**All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9.30 am to 5.30 pm) on all working days, up to and including the date of the Annual General Meeting of the Company.**

**Details of Directors seeking Appointment/ Re-appointment at the Annual General Meeting**

\*Committee positions of only Audit and Shareholders'/Investors' Grievance Committee included.

Name of the Director	Mrs. Mithlesh Garg
DIN	00185942
Date of Birth	11.08.1954
Age	62
Date of Appointment	29.09.2014
Qualification	Graduate
Expertise in Specific functional areas	Good amount of experience on serving as a director on board of various companies.
Directorship held in Other Public Companies as on date	NIL
Committee Positions in KMG Milk Food Limited*	1
Committee Positions in Other Public Companies*	NIL
No of Shares held	1121729

**DIRECTORS' REPORT**

The Directors hereby present their 24<sup>th</sup> Annual Report on the business and operations of the company and financial results for the year ended 31<sup>st</sup> March 2016.

**01. FINANCIAL HIGHLIGHTS:***(Rs. In lacs)*

<i>Particulars</i>	<i>For the Year Ended 31.03.2016</i>	<i>For the Year Ended 31.03.2015</i>
Total Revenue	484.09	187.17
Total Expenditure excluding Depreciation, Amortization Expenses and Financial Charges	386.02	50.18
Depreciation and Amortization Expenses	61.37	65.40
Financial Charges	-	-
Profit/(Loss) before Extraordinary Item	36.99	71.58
Extraordinary Item	-	-
Profit/(Loss) before Tax	36.99	71.58
Tax Expenses	(1.01)	27.31
<b>Net Profit/(Loss) after Tax</b>	<b>38.00</b>	<b>44.26</b>

**02. PERFORMANCE:**

During the period under report the Company achieved a turnover of Rs. 484.39 lacs as compared to Rs. 187.17 Lacs for the previous year.

Your Company performed good as industry position during the year, However your Directors is of the opinion that the company has the immense potential and adequate resources to achieve the rapid rate of growth in the coming years.

**03. DIVIDEND AND RESERVES**

As per the working capital requirements in the Company, your Directors do not recommend any dividend for the period under report and reserve as per Financial Statement.

**04. MEETINGS**

During the year, Eight Board Meetings and Four Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report.

**05. DIRECTORS:**

In accordance with the requirements of the Companies Act, 2013 and the Company's Articles of Association, Mrs. Mithlesh Garg, Director of the Company, retires by rotation and being eligible offers herself for reappointment.

Your directors solicit your approval for the reappointment of the director.

Brief resume of Directors proposed to be re-appointed, nature of their experience in their specific functional areas, name of the companies in which they hold directorship and membership/ chairmanship of the Board Committees, shareholding forms part of the notice.

**06. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The information regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with the Rule, 8 of The Companies (Accounts) Rules, 2014.

**A. CONSERVATION OF ENERGY**

Energy conservation is a very important part of energy planning and its management. This is not only saves energy resources for future but also avoids wasteful utilization of energy. Energy conservation initiatives provide solution to the energy crisis, environmental degradation and pollution. The Company is taking measures to achieve more efficiency in power and fuel consumption. The quality of coal used is being monitored to bring down consumption level.

**B. TECHNOLOGY ABSORPTION/RESEARCH AND DEVELOPMENT**

Efforts, in brief, made towards technology absorption, adaption and innovation. The Company as a matter of policy exposes its technical staff to latest technological developments by encouraging them to participate in domestic as well as global technical seminars and expositions; this helps them to further improve their knowledge and skills, which in turn results in better quality products and increased productivity.

Benefits derived as a result of the above efforts Product innovation and renovation, improvement in yield, product quality, input substitution, cost effectiveness and energy conservation as the major benefits.

**C. FOREIGN EXCHANGE EARNING AND OUTGO: NIL****07. PARTICULARS OF EMPLOYEES:**

During the year under report, none of the employee of the Company was in receipt of remuneration equal to/ exceeding the limit prescribed under section 197 of the Companies Act, 2013.

**08. DIRECTORS' RESPONSIBILITY STATEMENT:**

As required under section 134 of the Companies Act, 2013 regarding the Directors' Responsibility Statement it is hereby stated:

- a) that in the preparation of the annual accounts for the year ended 31.03.2016, the applicable accounting standards had been followed along with proper explanation relating to material departures.

- b) that the Directors have selected and applied such accounting policies consistently and the Directors have 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 at the end of the financial year and of the profit or loss of the company for that period.
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- d) that the Directors have prepared the annual accounts on a going concern basis.
- e) that the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- f) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **09. SECRETARIAL AUDITORS**

The Board of Directors of your Company has appointed M/s AMJ & Associates, Company Secretaries, Delhi as Secretarial Auditor pursuant to the provisions of Section 204 of the Companies Act, 2013 for the financial year 2015-2016 to 2019-2020 (Five Years). The Report of the Secretarial Auditor is annexed to the Report as per **Annexure "A"**.

#### **10. AUDITORS**

The Auditors, M/s. Rajan K Gupta & Co, Chartered Accountants, having registration No 005945C, hold office until the conclusion of the Next General Meeting and offer themselves for re-appointment. Certificate from the Auditors has been received to the effect that their ratification, if made, would be within the limits prescribed under the Companies Act.

The Board recommends the ratification of appointment of M/s. Rajan K Gupta & Co, Chartered Accountants, the Statutory Auditors of the Company for the Financial Year 2016-2017.

#### **11. AUDITORS' REPORT**

The Auditor's Report on the Annual Accounts of the Company for the Year ended March 31, 2016 are self explanatory and requires no comments. There is no qualification or adverse remarks on the stand-alone financials of the Company.

#### **12. LISTING**

The securities of the Company are listed at BSE Limited, Delhi Stock Exchange Limited and Ahmedabad Stock Exchange Limited. The Shares of the Company have been traded at BSE trading platform.

#### **13. CORPORATE GOVERNANCE**

The Company has implemented the mandatory requirements of Corporate Governance provisions of Chapter IV of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 voluntarily however the Provisions of Schedule V of SEBI (LODR) Regulations, 2015 regarding Disclosure of Corporate Governance Report are not applicable to Company.



**14. INTERNAL AUDITORS**

The Board of Directors of your Company has appointed M/s Ankit P Jain & Co., Chartered Accountants, New Delhi as Internal Auditors pursuant to the provisions of Section 138 of the Companies Act, 2013 for Five years i.e. from Financial Year 2015-2016 to Financial Year 2019-2020 on such remuneration as may be decided by the Board and Internal Auditors mutually.

**15. BOARD EVALUATION**

Pursuant to the Provisions of the Companies Act, 2013 and **SEBI (LODR) Regulations, 2015**, the Board has carried out an Annual Performance Evaluation of its own performance and the Directors individually.

The manner of evaluation of Non-Independent Directors, Chairman and the Board as a whole was done at a separate meeting held by Independent Directors.

**16. RELATED PARTY TRANSACTION**

None of the transactions with any of related parties were in conflict with the Company's interest. Suitable disclosure as required by the Accounting Standards (AS-18) has been made in the notes to the Financial Statements.

**17. EXTRACT OF ANNUAL RETURN**

The details forming Part of the Extracts of Annual Return (Form-MGT-9) is annexed as per **Annexure "C"**.

**18. MANAGEMENT DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis, forming part of this report, as required under Regulation 34(2)(e) of **SEBI (LODR) Regulations, 2015** is attached separately to this Annual Report as per **Annexure "D"**.

**19. GREEN INITIATIVE IN THE CORPORATE GOVERNANCE**

In view of the 'Green Initiative in Corporate Governance' introduced by the Ministry of Corporate Affairs vide its circular no. 17/2011 dated 21st April 2011, all members who are holding shares of the Company in physical mode, are requested to register their e-mail IDs with the Company, so as to enable the company to send all notices/ reports/documents/ intimations and other correspondences etc. through e-mails, in the electronic mode instead of receiving physical copies of the same.

**20. PUBLIC DEPOSIT**

During the year under review, your company has not invited any deposits from the Public U/s 73 of the Companies Act, 2013

**21. PERSONNEL:**

Labour Management relations were cordial during the period under report. Your Directors wish to place on record their appreciation of the valuable contribution made by all the employees to the business and operations of the company during the period under report.

**22. INVESTOR GRIEVANCES**

The Company and investors relation has been cordial during the period under report and there are no complaints pending for redressal.

**23. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 Company has adopted a policy for prevention of Sexual Harassment of Women at workplace. During the year Company has not received any complaint of harassment.

**24. ACKNOWLEDGEMENT:**

The Board of Directors acknowledge and place on record their support and cooperation extended to the Company by the Government of India and other Authorities, Financial Institutions, Banks, Distributors and Suppliers etc.

Your Directors also recognise and appreciate the untiring efforts and contributions made by the employees to ensure excellent all round performance of your Company.

**For & On Behalf of Board of Directors  
Of KMG Milk Food Limited**

**Sd/-  
Basudev Garg  
Chairman cum Whole Time Director  
DIN: 00282038**

**Date: 13.08.2016  
Place: Kurukshetra (Haryana)**

**ANNEXURE- A  
SECRETARIAL AUDIT REPORT  
Form No. MR-3**

**For the Financial Year ended 31<sup>st</sup> March, 2016**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appoint and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
**KMG MILK FOOD LIMITED**  
**Kurukshetra**

I have conducted the secretarial audit of the compliance of applicable statutory provision and the adherence to good corporate practice by **KMG MILK FOOD LIMITED** (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 Company's 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 representative 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 31<sup>st</sup> March 2016 ('Audit Period') complied with the statutory provision 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 **31<sup>st</sup> March 2016** according to the provisions of:

1. The Companies Act 2013 (The Act) and the rules made thereunder;
2. The Securities Contract (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
3. The Depository Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. 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; **(Not applicable to the Company during the Audit Period);**
5. The following Regulation and Guidelines prescribed under the Securities Exchange Board of India Act, 1992 ('SEBI Act') :-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation 2011;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. **(Not applicable to the Company during the Audit Period);**
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 notified on 28 October 2014; **(Not applicable to the Company during the Audit Period);**
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulation, 2008; **(Not applicable to the Company during the Audit Period);**

- f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulation, 1993 regarding the Companies Act and dealing with client;
- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009. **(Not applicable to the Company during the Audit Period);** and
- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations 1998 **(not applicable to the Company during the Audit Period).**

I have examined compliance with the applicable clauses of the following:

- (a) Secretarial Standard issued by The Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meeting.
- (b) The Listing Agreement entered into by the Company with Stock Exchanges. Listing Agreements (till November 30, 2015) entered into by the Company with BSE Limited and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (From December 01, 2015 to March 31, 2016)

I further report that, having regard to the compliance system prevailing in the company and on examination of the relevant documents and records in pursuance thereof, on the test check basis, Company has complied with the following laws applicable specifically to the Company:

- (a). Food Safety and Standards Act, 2006.
- (b). Food Safety and Standards Rules, 2011.
- (c). Food Safety and Standards (Packaging and Labeling) Regulation, 2011.
- (d). Food Safety and Standards (Licensing and Registration of Food businesses) Regulation, 2011.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

*As explained to us a Notice and Summons was received from Bureau of Indian Standard (BIS) for violation of the provisions of the BIS to the directors and the Company to present before the court however the company have replied and get the matter compounded.*

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 change in composition of the Board of Directors that took place during the period under review was carried out in compliance with provision of the Act.

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

All decision at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

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.

This report is to be read with our letter of even date which is annexed as 'Annexure A-1' and form an integral part of this report.

For AMJ & Associates  
Company Secretaries

Sd/-

Manoj Kumar Jain

(Partner)

C.P. No. : 5629

FCS No. : 5832

Place: Vaishali, Ghaziabad

Date: 13.08.2016

**'Annexure A-1'**

To,  
The Members,  
**KMG MILK FOOD LIMITED,**

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness about the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards, is the responsibility of management. Our 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.

For AMJ & Associates  
Company Secretaries

Sd/-

Manoj Kumar Jain

(Partner)

C.P. No. : 5629

FCS No. : 5832

Place: Vaishali, Ghaziabad

Date: 13.08.2016

ANNEXURE-B  
CORPORATE GOVERNANCE

**THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company seeks to focus on enhancement of long-term value creation for all stakeholders without compromising on integrity, social obligations and regulatory compliances. As a responsible corporate citizen, Your Company encourages and recognizes employee participation in environment and social initiatives that contribute to organizational sustainability, training, learning, personal growth, conservation of energy and other scarce resources, promoting safety and health of its employees and of the neighboring communities. Your Company's corporate structure, conduct of business and disclosure practices have been accordingly aligned to its Corporate Governance Philosophy. Your Company believes that profitability must go hand in hand with a sense of responsibility towards all the stakeholders.

**BOARD OF DIRECTORS**

The Board of Directors is an optimum combination of professionalism experiencing executive, non executive, and Independent Director formed by the shareholders, provides and evaluates the strategic directions of the Company; formulates and reviews management policies, serves and protects the overall interests of shareholders to ensure long-term value creation for stakeholders. Presently, the Board of Directors comprises of five members viz. Mr. Basudev Garg, Mr. Mahesh Chandra Saxena, Mr. M. S. Venkateswaran, Mr. B.B Raina and Mrs. Mithlesh Garg.

None of the Directors of the Company except the Chairman & Whole Time Director and Executive Director has any pecuniary relationship with the Company except to the extent of receipt of sitting fees for meetings of the Board/Committee(s) of Directors attended by them.

No Director is related to any other Director on the Board in terms of the definition of except Mr. Basudev Garg and Mrs. Mithlesh Garg having relationship of spouse as define under Companies Act, 2013.

**Composition:**

As on 31<sup>st</sup> March 2016, the total number of Directors of the Company was five comprising of two Executive and two Non-Executive Independent Directors and one non Executive Director

<b>Name</b>	<b>Category</b>
Mr. Basudev Garg	Chairman & Whole Time Director
Mrs. Mithlesh Garg	Women and Non-Executive Director
Mr. B.B. Raina	Director
Mr. M. S. Venkateswaran	Independent Director
Mr. Mahesh Chandra Saxena	Independent Director

Note:

None of the Directors of your Company is a member of more than 10 Committees or is the Chairman of more than five Committees across all the Public Companies in which they are Directors.

**Board Meeting**

During the financial year ended March 31, 2016, 8 meetings of the Board of Directors were held as against the minimum requirement of 4 times. None of the two Board Meetings have a gap of more than 120 days between them. The dates of meetings and the number of directors present therein are mentioned below:

**Board Meetings held and attendance**

Dates on which the Board Meetings were held	Total Strength of the Board	No. of Directors Present
29.05.2015	6	6
14.08.2015	6	5
29.08.2015	6	5
14.11.2015	6	5
15.12.2015	6	5
13.02.2016	5	5
15.03.2016	5	5
31.03.2016	5	5

**Information supplied to the Board**

The Board has complete access to all information with the Company, inter-alia, the information as required under the revised (LODR) Regulation 2015 is regularly provided to the Board as a part of Agenda.

Attendance of each Director at the Board Meetings, last Annual general Meeting and number of other Directorships and Chairmanship/ Membership of Committee of each Director in various companies is as follows:

Name of the Director	Attendance Particulars		No. of other Directorship and Committee Member/ Chairmanship		
	Board Meetings	Last AGM	Other Directorship (in Public Co.) Excluding private companies which are subsidiary of public company	No. of Membership (s) of Board Committees in other Companies	No. of Chairmanship(s) of Board Committees in other Companies
Shri Basudev Garg	8	Yes	1	--	--
Smt. Mithlesh Garg	8	Yes	--	--	--
Shri B. B. Raina	8	Yes	--	--	--
Shri Mahesh Chandra Saxena	8	Yes	--	--	--
Shri M.S. Venkatswaran	8	Yes	--	--	--

**Separate Meetings of Independent Directors**

As stipulated in Code of Independent Directors under the Schedule IV of Companies Act, 2013 and Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, a separate Meeting of the Independent Directors of the Company was held on 31.03.2016 to review the performance of Non-Independent Directors (including the Chairman) and the Board as whole. The Independent Directors also reviewed the quality, content and timeliness of the flow of information between the Management and the Board and it's Committees which is necessary to effectively and reasonably perform and discharge their duties. All the Independent Directors attended the separate meeting

**Note:**

None of the Directors of your Company is a member of more than 10 Committees or is the Chairman of more than five Committees across all the Public Companies in which they are Directors.

The directorship/ committee membership is based on the disclosures received from the directors.

**Resume of Directors Proposed To Be Reappointed**

The brief resume of Directors retiring by rotation and seeking re-appointment is appended herein above in the notice for calling Annual General Meeting.

**COMMITTEES OF THE BOARD**

The Board has constituted the following Committees with distinct role, accountability and authority:

1. Audit Committee
2. Shareholders' /Investors' Grievance Committee
3. Nomination and Remuneration Committee

**AUDIT COMMITTEE**

Presently, the Audit Committee constituted by the Board comprises of two Independent Directors and one Executive Director. Independent Director chaired the Committee and attended the Annual General Meeting of the Company Company Secretary continued to be the Secretary to the Committee. All the Members of the Audit Committee have accounting and financial management expertise.

The terms of reference, role and power of the Audit Committee as revised and stipulated by the Board of Directors from time to time are in conformity and in line with the statutory and regulatory requirements as prescribed under section 177 of the Companies Act. 2013 and Regulation 18 and Part C of Schedule II of the Listing Regulation, 2015, which include the following

As on March 31, 2016, the composition of Audit Committee was as under:

Name of the Member	Designation
Mr. Mahesh Chandra Saxena	Chairman
Mr. M.S. Venkateswaran	Member
Mr. Basudev Garg	Member

**Role of Audit Committee**

1. Overseeing of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.



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 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 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, with the Management, performance of Statutory and Internal Auditors, adequacy of the Internal Control Systems.
8. 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.
9. Discussion with Internal Auditors any significant findings and follow up thereon.
10. 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 system of a material nature and reporting the matter to the Board.
11. 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.
12. To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non- payment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower Mechanism, in case the same is existing.
14. Carrying out any other function as is mentioned in terms of reference of the Audit Committee.
15. To review the following information:
  - The Management Discussion and Analysis of financial condition and results of operations.
  - Statement of significant related party transactions (as defined by the Audit Committee), submitted by Management;
  - Management letters/ letters of internal control weakness issued by the Statutory Auditors;
  - Internal Audit Reports relating to internal control weaknesses; and
  - The appointment, removal and terms of remuneration of Internal Auditors.
16. Approval of appointment of CFO after assessing the qualifications, experience and background etc. of the candidate.

**Power of Audit Committee**

- a) To investigate any activity within its terms of reference
- b) To seek any information from any employee.
- c) To obtain outside legal or other professional advice.
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

**Details of Meetings and Attendance**

During the year, the Audit Committee had met Four times on. 29.05.2015, 14.08.2015, 14.11.2015 and 13.02.2016. The attendance of each Committee members is as under:

<b>Name of Member</b>	<b>No. of meetings held</b>	<b>Meetings Attended</b>
Shri Mahesh Chandra Saxena (Chairman)	4	4
Shri M.S. Venkateswaran (Member)	4	4
Shri Basudev Garg (Member)	4	4

The head of Finance, Internal Auditors and Statutory Auditors are permanent invitees to the Audit Committee Meetings. Further, representatives from various departments of the Company also attended the meetings as and when desired by the members of the Committee to answer and clarify questions raised at the Audit Committee.

**STAKEHOLDERS' RELATIONSHIP COMMITTEE (erstwhile Investor Grievances Committee)**

Presently the Stakeholders' Relationship Committee consists of two Independent Director and one Executive Director. The Committee, inter- alia approves issue of duplicate certificates, oversees and reviews all matters connected with the securities transfers. The Committee also looks into redressal of shareholders'/Investors' complaints The Committee oversees the performance of the Registrar and Share Transfer Agent and recommends measures for overall improvement in the quality of Investor services. The Company Secretary acts as the Secretary to the Committee

As on March 31, 2016, the composition of **Stakeholders' Relationship** Committee was as under

<b>Name of the Member</b>	<b>Designation</b>
Mr. Mahesh Chandra Saxena	Chairman
Mr. M.S. Venkateswaran	Member
Mr. Basudev Garg	Member

During the year, the Stakeholders' relationship Committee had met on 14.11.2015.

No complaints received and resolved during the year under review and there are no outstanding complaints as on 31.03.2016. There were no valid share transfers pending for registration for more than 30 days as on the said date.

Company Secretary has been designated as Compliance Officer to monitor the share transfer and liaison with the regulatory authorities.

**NOMINATION AND REMUNERATION COMMITTEE (erstwhile Remuneration-Cum-Compensation Committee)**

Presently Nomination and Remuneration Committee erstwhile consists of three Members. All the members of the Nomination and Remuneration Committee are Non - Executive Directors and all are independent except Mrs Mithlesh Garg. The Company Secretary acts as the Secretary to the Committee.

As on March 31, 2016, the composition of Nomination and Remuneration Committee was as under

Name of the Member	Designation
Mr. Mahesh Chandra Saxena	Chairman
Mr. M.S. Venkateswaran	Member
Mrs. Mithlesh Garg	Member

During the year, the Nomination and Remuneration Committee Meeting had met two times on 29.08.2015 and 15.12.2015. All the Members had attended this meeting.

The Nomination and Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Whole - time Directors based on performance and defined criteria.

Further, the remuneration policy of the company is to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

For any termination of contract, the Company or the Executive Director is required to give notice of 3 months to the other party.

No Sitting Fees paid to the Directors during the financial year.

### **Remuneration Policy**

The remuneration policy of the Company is based on the principle of attracting best available talent and is in line with the industry standards. The remuneration policy is market led so as to attract and retain the best talent and seeks to leverage performance in a significant manner.

### **GENERAL BODY MEETINGS**

Date and venue of last three Annual General Meeting

<b>Nature of Meeting</b>	<b>Date and Time</b>	<b>Venue</b>	<b>Special Resolution passed</b>
21 <sup>st</sup> Annual General Meeting	30 <sup>th</sup> September 2013 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
22 <sup>nd</sup> Annual General Meeting	29 <sup>th</sup> September 2014 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
23 <sup>rd</sup> Annual General Meeting	25 <sup>th</sup> September 2015 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	Re-appointment of Shri Basudev Garg as the Whole Time Director

**DISCLOSURES****Related Party Transactions**

Related party transactions in terms of Accounting Standard-18 are set out in the notes to accounts. These transactions are not likely to have a conflict with the interest of the Company. The details of all significant transactions with related parties are periodically placed before the Audit Committee and the Board. All the related party transactions are negotiated on arms' length basis and are intended to further the interest of the Company.

**Disclosure of Accounting Treatment**

In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

**Disclosures of Risk Management**

The Company has laid down procedures to inform the members of the Board about the risk assessment and minimization procedures. A Risk Management Committee consisting of Senior Executive of the Company periodically reviews these procedures to ensure that executive management controls risk through properly defined framework. The Company has framed the risk assessment and minimization procedure, which is periodically reviewed by the Audit Committee and the Board.

**Proceeds from public issue, right issue, preferential issue, FCCB issue, etc.**

During the year, the Company has not raised any funds from public issue, right issue, preferential issue and FCCB issue.

**Particulars of Directors to be appointed/ re-appointed**

Information pertaining to particulars of Directors to be appointed and re-appointed at the forth coming Annual General Meeting is being included in the Notice convening the Annual General Meeting.

**Management Discussion and Analysis**

A Management Discussion and Analysis Report forms part of the Annual Report as Annexure E which includes discussions on various matters specified under Regulation 34(2)(e) and Schedule V of the Listing Regulation, 2015.

**Penalties or stricture imposed on the Company by Stock Exchange or SEBI or any Statutory Authority**

No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets during the last three years.

**Code of Conduct**

The Company has in place a comprehensive Code of Conduct (the Code) applicable to all the Directors including Independent Directors and all the Members of executive Management. The Code is applicable to Non-executive Directors including Independent Directors to such extent as may be applicable to them depending on their roles and responsibilities. The Code gives guidance and support needed for ethical conduct of business and compliance of law. The Code reflects the values of the Company viz. - Customer Value, Ownership Mind-set, Respect, Integrity, One Team and Excellence.

The Company has adopted the revised code of conduct as per the Regulation 17(5) of SEBI (Listing Obligations and Discourse Requirements) Regulations 2015. A copy of the Code has been put on the Company's website ([www.medicamen.com](http://www.medicamen.com)). The Code has been circulated to Directors and Management Personnel, and its compliance is affirmed by them annually.

A declaration signed by the Company's Chairman is published in this Report. The Company had adopted the code of conduct and ethics for Directors and senior Management. The code has been circulated to all the Members of the Board and Senior Management and the same has been put on the Company's website [www.kmggroup.com](http://www.kmggroup.com). The Board Members and Senior Management have affirmed their compliance with the code and a declaration signed by the Chairman & Whole Time Director appointed in terms of the Companies Act, 2013 is annexed to this report.

### **Board of Directors' Responsibility Statement**

The Board in its Report to the Members of the Company have confirmed that the Annual Accounts for the year ended 31<sup>st</sup> March, 2016 have been prepared as per applicable Accounting Standards and policies and that sufficient care has been taken for maintain adequate accounting records.

### **Compliance Certificate**

Certificate from Chartered Accountant, M/s. Rajan K Gupta & Co., confirming compliance with conditions of Corporate Governance as stipulated under schedule V of SEBI (Listing Obligation and Disclosure Requirements) regulations, 2015, is attached to this Report.

### **CEO/CFO Certifications**

The Whole Time Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Regulation 17(8) of the SEBI (Listing Obligation and Requirements) Regulations, 2015. The annual certificate given by the Chief Executive Officer and the chief financial officer is published in this report.

### **MEANS OF COMMUNICATION**

The Company communicates with the shareholders at large through its Annual report and publication of financial results.

The Board of Directors of the Company approves and takes on record the Un-audited financial results within 45 days of the close of the quarter and the results are announced to all the stock exchanges where the shares of the company are listed. Further the highlights of the quarterly results in the prescribed Performa are published in the newspapers.

### **GENERAL SHAREHOLDER INFORMATION**

a) Annual General Meeting

Date and Time : 30<sup>th</sup> September 2016 at 1.00 P.M.

Venue : 9th Kilometer Stone Pipli to Ambala,  
Village Masana, Kurukshetra, Haryana

## b) Financial Year of the Company

The Company follows financial year of April 01<sup>st</sup> to March 31<sup>st</sup>.

Tentative Schedule for Financial Year 2015-16

- 1 <sup>st</sup> Quarter ending June 30, 2016	:	Declared on 13 <sup>th</sup> August 2016
- 2 <sup>nd</sup> Quarter ending September 30, 2016	:	Mid of November 2016
- 3 <sup>rd</sup> Quarter ending December 31, 2016	:	Mid of February 2017
- Annual Result for the year ended March 31, 2016	:	End of May 2017

c) Date of Book Closure/Record Date (Both Days inclusive) : 23<sup>rd</sup> September to 30<sup>th</sup> September 2016

d) Registered Office : 9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana

e) Dividend Payment Date : Not Applicable as the Board has not Proposed any dividend

f) Listing of Equity Shares on Stock Exchanges : BSE Limited, Delhi Stock Exchange Limited, Ahmedabad Stock Exchange Limited.

g) Stock Code  
Bombay Stock Exchange Code : 519415  
Delhi Stock Exchange : 7161  
Ahmedabad Stock Exchange Limited : 50106

h) Registrar & Share Transfer Agents : M/s Skyline Financial Services Pvt. Ltd

## i) Market Price Data

Month	Value (In Rupee)		Volumes
	High	Low	
April, 2015	NIL	NIL	NIL
May, 2015	NIL	NIL	NIL
June, 2015	NIL	NIL	NIL
July, 2015	21.00	21.00	200
August, 2015	NIL	NIL	NIL
September, 2015	NIL	NIL	NIL
October, 2015	NIL	NIL	NIL
November, 2015	21.70	21.70	100
December, 2015	NIL	NIL	NIL
January, 2016	22.65	19.65	1600
February, 2016	NIL	NIL	NIL
March, 2016	NIL	NIL	NIL

## j) Liquidity

The Shares of the Company are listed on the BSE Limited, Delhi Stock Exchange Limited, Ahmedabad Stock Exchange Limited . The trading of Shares are traded on BSE trading platform.

## k) Dematerialization of Shares

Nearly 49.27% of total equity share capital is held in dematerialized form up to 31.03.2016 with NSDL/CDSL. The shares of the Company are listed and traded on BSE Ltd, which provide sufficient liquidity to the investors.

## l) Outstanding GDRs/ADRs/Warrants or any other convertible instruments

Company does not have any GDRs/ADRs/Warrants or any other Convertible Instruments.

## m) Investor Correspondence

For transfer of shares, payment of dividend on shares and any other queries relating to the shares is handled by the Company's Registrar & Share Transfer Agent at the following address:

M/s Skyline Financial Services Private Limited  
D-153 A, 1<sup>st</sup> Floor, Okhla Industrial Area, Phase - I, New Delhi- 110020.

Ms. Anshu Gupta, Compliance officer and Company Secretary as per Regulation 6 of the SEBI (Listing Obligation and Requirements) Regulations, 2015, Investor's complaint may also be addressed to him at following address:

Address: 9<sup>th</sup> KM Stone, Pipli to Ambala, Village Masana, Kurukshetra, HR-136118

## n) Shareholding Pattern

The shareholding pattern as on 31<sup>st</sup> March 2016:

	Category	No. of shares held	Percentage of Shareholding
A.	Shareholding of Promoter and Promoter Group		
(1)	Indian	33,66,735	63.47
(2)	Foreign	--	--
	Total	33,66,735	63.47
B.	Public Shareholding		
(1)	Institutions	--	--
(a)	Mutual Funds/UTI	38,200	0.72
(b)	Financial Institutions/Banks	--	--
(c)	Foreign Institutional Investors		
(d)	Any Other	2,50,000	4.71
	Sub Total	2,88,200	5.43
(2)	Non Institutions		
(a)	Bodies Corporate	-	-
(b)	Individuals	15,38,165	29.00
(c)	Any Other	1,11,500	2.10

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(d)	NRI	-	-
	Sub Total	19,37,865	31.10%
	Total	5,304,600	100.00
	Grand Total	5,304,600	100.00

P) Distribution of Shareholding as on 31.03.2016

S.No	Category (Shares)	Holders	% of Total Holders	Shares	% of Total Shares
1.	Up to 500	1051	77.85%	242400	4.57%
2.	501-1,000	142	10.52%	116015	2.19%
3.	1,001-2,000	80	5.93%	123900	2.34%
4.	2,001-3,000	22	1.63%	56200	1.06%
5.	3,001-4,000	5	0.37%	18300	0.34%
6.	4,001-5,000	12	0.89%	58000	1.09%
7.	5,001-10,000	12	0.89%	103200	1.95%
8.	10,001 & Above	26	1.93%	4586585	86.46%

For & On Behalf of Board of Directors  
Of KMG Milk Food Limited

Sd/-  
Basudev Garg  
Chairman cum Whole Time Director  
DIN: 00282038

Date: 13.08.2016

Place: Haryana (Kurukshetra)

## Declaration by the Whole Time Director under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

As per requirement of SEBI Listing Regulation, 2015, the Company has laid down a Code of Conduct for its Board of Directors and Senior Management.

I, Basudev Garg, the Whole Time Director of the Company confirm the compliance of this code by myself and other members of the Board of Directors and Senior Management personnel as affirmed by them individually, for the year ended 31<sup>st</sup> March, 2016.

Place: Kurukshetra

Dated: 13.08.2016

Sd/-  
Basudev Garg  
Chairman cum Whole Time Director  
DIN: 00282038



**INDEPENDENT AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE FOR THE YEAR ENDED ON MARCH, 31 2016 UNDER SCHEDULE V OF SEBI (LISTING OBLIGATION AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

To

The Members of KMG Milk Food Limited

We have examined the compliance of conditions of corporate governance by KMG Milk Food Limited for the year ended on 31.03.2016 as stipulated in Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mention above-mentioned Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

We state that no grievance(s) is pending against the company as per the records maintained by the Company.

We further state that such compliance is neither as 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.

Place: Delhi  
Date: 13.08.2016

For Rajan K Gupta & Co.  
*Chartered Accountants*

Sd/-  
(Rajan Gupta)  
Partner  
M.NO 74696  
FRN 005945C

**CEO & CFO CERTIFICATION**

We Basudev Garg (WTD) and Satish Kumar Narang (CFO) hereby certify that in respect of financial year ended on 31st March, 2016:-

- (a) We have reviewed the financial statements and cash flow statement for the year ended on 31st March, 2016 and to the best of our knowledge and belief:
- i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) 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) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2016 are fraudulent, illegal or volatile of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the Auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- (d) We have indicated to the Auditors and Audit Committee:
- i) There has not been any significant change in internal control over financial reporting during the year under reference;
  - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
  - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place: Delhi  
Date: 13.08.2016

Sd/-  
(Basudev Garg)  
Whole Time Director  
DIN: 00282038

Sd/-  
(Satish Kumar Narang)  
Chief Financial Officer  
PAN: ASDPK1532A

**ANNEXURE-C**  
**Form No. MGT-9**

**EXTRACT OF ANNUAL RETURN**

**As on the financial year ended on 31<sup>st</sup> March, 2016**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

**I. REGISTRATION AND OTHER DETAILS**

i)	CIN	:	L1520HR1999PLC034125
ii)	Registration Date	:	20/01/1999
iii)	Name of the Company	:	KMG MILK FOOD LIMITED
iv)	Category / Sub-Category of the Company	:	Company Limited By Shares/ Indian Non-Government Company
v)	Address of the Registered office	:	9 <sup>th</sup> K.M. Stone, Pipli to Ambala, Village-Masana, Kurukshetra, Haryana-136118
vi)	Whether listed company Yes/No	:	YES
vii)	Name, Address and Contact details of Registrar and Transfer Agent	:	M/s Skyline Financial Services Pvt. Ltd, D-153, A, 1 <sup>st</sup> Floor, Okhla Industrial Area, Phase-I, New Delhi-110020

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

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

Sl. No.	Name and Description of main products/services	NIC Code of the product/Service	% to total turnover of the company
1	Dairy Product	1050	100%

**III. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

(i) Category-wise Share Holding

Category of Shareholder	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A.Promoter and Promoter Group</b>									
<b>(1) Indian</b>									
2. Individual /Hindu Undivided Family	2004385	616750	2621135	49.41	2483985	352450	<b>2836435</b>	53.47%	4.06%
3. Central Government / State Government(s)	-	-	-	-	-	-	-	-	-

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4. Bodies Corporate	-	530300	530300	10%		530300	530300	10%	-
5. Financial Institution / Banks	-	-	-	-	-	-	-	-	-
6. Any other (specify)	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1)	2004385	1147050	3151435	59.41	2483985	882750	<b>3366735</b>	63.47%	4.06%
<b>(2) Foreign</b>									
a) Individual /Hindu Undivided Family	-	-	-	-	-	-	-	-	-
b) Central Government / State Government(s)	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Financial Institution / Banks	-	-	-	-	-	-	-	-	-
e) Any other (specify)	-	-	-	-	-	-	-	-	-
<b>Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)</b>	<b>2004385</b>	<b>1147050</b>	<b>3151435</b>	<b>59.41</b>	<b>2483985</b>	<b>882750</b>	<b>3366735</b>	<b>63.47%</b>	<b>4.06%</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds/UTI	-	38200	38200	0.72%	-	38200	38200	0.72%	-
b) Banks/Financial Institutions									
c) Central Government	-	-	-	-	-	-	-	-	-
d) State Government	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) Foreign Institutional Investors	-	250000	250000	4.71%	-	250000	250000	4.71%	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Other (specify)	-	-	-	-	-	-	-	-	-
Sub - Total (B)(1)		288200	288200	5.43%		288200	288200	5.43%	-
<b>(2) Non-Institutions</b>									
a) Bodies Corporate	68300	43100	111400	2.10%	68100	43100	111200	2.10	(0.01%)
i) Indian									
ii) Overseas	-	-	-	-	-	-	-	-	-

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b) Individuals									
i) Individual Shareholders holding Nominal Share Capital upto Rs.1 lakh	34300	630315	664615	12.53%	36200	628315	664515	12.53	-
ii) Individual Shareholders holding nominal Share Capital in excess of Rs.1 lakh	23200	1063850	1087050	20.49%	23200	848850	872050	16.44	(4.05%)
c) Any Other (specify)									
- HUF	600	-	600	0.01%	600	-	600	0.01%	-
- NRIs	1300	-	1300	0.02%	1300	-	1300	.02%	-
• Clearing Members (in Transit Position)	-	-	-	-	-	-	-	-	-
Sub - Total (B)(2)	127700	1737265	1864965	35.16%	129400	1520265	1649665	31.10	(4.06%)
Total Public Shareholding (B) = (B)(1)+(B)(2)	127700	2025465	2153165	40.59%	129400	1808465	1937865	36.53	(4.06%)
<b>C. Shares hold by Custodians for GDRs &amp; ADRs</b>	-	-	-	-	-	-	-	-	-
<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>2132085</b>	<b>3172515</b>	<b>5304600</b>	<b>100%</b>	<b>2613385</b>	<b>2691215</b>	<b>5304600</b>	<b>100%</b>	<b>-</b>

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			
		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	% change in share holding during the year
1.	Rahul Garg	64300	1.21%	0	279600	5.27	0	4.06
2.	Basudev Garg	1082656	20.41%	0	1082656	20.41%	0	-
3.	Shivangi Garg	352450	6.64%	0	352450	6.64%	0	-
4.	Mithlesh Garg	1121729	21.15%	0	1121729	21.15%	0	-
5.	KMG International Ltd.	530300	10.00%	0	530300	10.00%	0	-

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1	At the beginning of the year	64300	1.21%	279600	5.27

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2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	
	<b>At the End of the year</b>			279600	5.27

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For each of the Top 10 Shareholder	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	ADBANTAGE ADVISER INDIA FUND INC	250000	4.71%	250000	4.71%
2	STOCK HOLDING CORPORATION	78500	1.48%	78500	1.48%
3	PUSHPA GARG	300000	5.66%	100000	1.89%
4	TULA FINANCE LTD	59600	1.12%	59600	1.12%
5	ARUN KUMAR GUPTA	53200	1.00%	53200	1.00%
6	BABITA GUPTA	75000	1.41%	75000	1.41%
7	SANDEEP GUPTA	191550	3.61%	191550	3.61%
8	SANDEEP GUPTA	70000	1.32%	70000	1.32%
9	SANJAY GUPTA	81500	1.54%	81500	1.54%
10	B B SAHNY	28600	.54%	28600	.54%

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the company	No. of Shares	% of total Shares of the company
<b>Mr. Basudev Garg</b>					
1.	At the beginning of the year	1082656	20.41%	1082656	20.41%
2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	-
3	At the End of the year	1082656	20.41%	1082656	20.41%
<b>Mrs. Mithlesh Garg</b>					
1.	At the beginning of the year	1121729	21.15%	1121729	21.15%
2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	-
3	At the End of the year	1121729	21.15%	1121729	21.15%
<b>Mr. B. B. Raina</b>					
1.	At the beginning of the year	215000	4.05%	-	-
2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	215000 Shares sales During the year	-	-	-
3	At the End of the year	215000	4.05%	-	-

**IV. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding / accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
I) Principal Amount	-	1500000	-	1500000
II) Interest due but not paid	-	-	-	-
III) Interest accrued but not due	-	-	-	-
<b>Total (I + II + III)</b>	-	-	-	-
Change in Indebtedness during the financial year				
• Addition	-	-	-	-
• Reduction	-	(1500000)	-	(1500000)
<b>Net Change</b>	-	(1500000)	-	(1500000)
Indebtedness at the end of the financial year				
I) Principal Amount	-	-	-	-
II) Interest Due but not paid	-	-	-	-
III) Interest accrued but not due	-	-	-	-

**V. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

Sl. No.	Particulars of Remuneration	Mr. Basudev Garg Whole Time Director	Total Amount
1.	Gross salary		
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12,00,000	12,00,000
	b) Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-
	c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	-	-
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission		
	• as % of profit	-	-
	• others, specify	-	-
5.	Others		
	• Medical reimbursement and Contribution to Provident Fund	-	-
	<b>Total (A)</b>	<b>12,00,000</b>	<b>12,00,000</b>
	<b>Ceiling as per the Act</b>	<b>As Per Section 197 &amp; Schedule V of the Companies Act, 2013</b>	

**B. Remuneration to other Directors:**

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount
		Mr. B.B. Raina	Mrs. Mithlesh Garg	Mr. Mahesh Chandra Saxena	Mr. M. S. Venkateswaran	Mr. R Sundra Raj	
1.	• Fee for attending board / committee meetings	-	-	-	-	-	-
	• Commission	-	-	-	-	-	-
	• Others, please specify	7,20,000	-	-	-	-	-

<b>Total (B)</b>	-	-	-	-	-	-	-
<b>Total Managerial Remuneration</b>	<b>7,20,000</b>						
<b>Overall ceiling as per the Act</b>	As Per Section 197 & Schedule V of the Companies Act, 2013						

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

Sl. No.	Particulars of Remuneration	Key Managerial personnel		
		Chief Financial Officer	Company Secretary	Total
1.	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	3,00,000	1,44,000	4,44,000
	b) Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-	-
	c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- Others, specify	-	-	-
5.	Others			
	- Medical Reimbursement and Contribution to Provident Fund	-	-	-
	<b>Total (C)</b>	<b>3,00,000</b>	<b>1,44,000</b>	<b>4,44,000</b>

**VI. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES : Not Applicable**

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)
<b>A. COMPANY</b>					
Penalty			NIL		
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty			NIL		
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty			NIL		
Punishment					
Compounding					



### **ANNEXURE-D MANAGEMENT DISCUSSION & ANALYSIS REPORT**

Your Directors are pleased to present before you the Company's Management Discussion and Analysis Report for the year ended on 31.03.2016.

The management of the company is presenting herein the overview, opportunities and threats, initiatives by the company and overall strategy of the company and its outlook for the future. This outlook is based on management's own assessment and it may differ materially from those expressed or impaired depending upon global and Indian demand- supply conditions, changes in government regulations, tax regimes and economic developments within India and overseas.

#### **INDUSTRY STRUCTURE AND DEVELOPMENT**

The Dairy Industry plays an important role in the socio-economic development of India. India's production of milk has strongly increased over time with significant technical, policy and institutional support. This led to significant changes in the Indian dairy sector. In fact, the Indian dairy sector has undergone significant structural changes over time and some interesting patterns are unfolding along the milk value chain.

Dairy industry in India is instrumental in providing cheap nutritional food to the vast population of India and also generates huge employment opportunities for people in the rural places. India's dairy industry is largely traditional, local and informal. Milk production is dominated by smallholders. Approximately 78 percent of milk producers are marginal and small farmers and they together contribute around 68 percent to total milk production. This trend holds true more or less across all the states. A series of efforts have been made to promote organized milk marketing in the country and several policy initiatives have been taken to develop formal milk marketing and processing institutions in the country.

#### **QUALITY & FOOD SAFETY POLICY**

The Company's Quality Policy is: -

"Company is committed to manufacture and supply nutritional and safe products to satisfy customer requirements by a motivated team using eco-friendly measures with continual improvement in quality and food safety"

The Company has consistently shown quality improvement with regard to various processes, keeping strict control on deviations. Customer complaints are resolved using laid down systems of quality assurance. Several initiatives are being taken to further improve customer satisfaction in consonance with the Company's quality policy.

#### **OPPORTUNITIES & THREATS**

Strengths and Opportunities:

- Great potential for export of milk products.
- Established and expanding domestic market for dairy products.
- Increasing demand for fluid milk as well as value added Products.
- By product Utilization for import substitution.
- Huge Employment generation & opportunities for Self employment.
- Liberalized Government policies in dairy sector.

- Availability of large resources of unconventional feeds and fodders for Dairy owners.
- Availability of diverse germ plasm of dairy cattle and buffaloes that have unique features like heat tolerance, disease resistance, draft ability and ability to survive, breed and produce under stress conditions.

**Weaknesses and Threats:**

- Entry of Multi National Companies manufacturing dairy products in domestic market.
- Increasing chemical contaminants as well as residual antibiotics in milk.
- Poor microbiological quality of milk.
- Incentive on export of quality feed ingredients particularly cakes.
- Deficiency of molasses, a rich source of energy and binding agent in feed industry and constituent of urea molasses mineral lick.
- Excessive grazing pressure on marginal and small community lands resulting in complete degradation of land.
- Extinction of the indigenous breeds of cattle due to indiscriminate use of crossbreeding programmed to enhance milk production.

The liberalization of the Dairy Industry is likely to be exploited by multi-nationals. They will be interested in manufacturing milk products which yield high profits. It will create milk shortage in the country adversely affecting the consumer.

The analysis also shows that the 'strengths' and 'opportunities' far outweigh 'weaknesses' and 'threats'. Strengths & opportunities are fundamental and weaknesses & threats are transitory.

**SEGMENT WISE / PRODUCT WISE PERFORMANCE**

The Company is primarily engaged in the business of manufacture, purchase and sales of a wide range of Dairy products like ghee, skimmed milk powder, whole milk powder, dairy whitener, lactose and milk. The income from these activities and export of dairy products is not materially significant in financial terms. Accordingly segment information has not been disclosed.

**RISK AND CONCERNS**

The major risk and concerns attributed to the performance of the company are:

- a. Although the export sales are less in comparison to domestic sales, fluctuation in foreign exchange rates and international prices of dairy products may influence the performance of the company.
- b. Increase in input costs, change in tax structure, change in interest rates, changes in Government policies/laws of land, development and stability of Indian economy against the negative external and internal forces may also impact the overall performance of the company.
- c. Profitability may be affected on account of competition from existing and prospective manufacturers of the company's products.
- d. Dairy business is primarily influenced by monsoon. Unfavorable monsoon may affect the milk availability and Company may not get milk upto installed capacity and demand.

**ADEQUACY OF INTERNAL CONTROL SYSTEMS**

The Company has an adequate system of internal controls to ensure that transactions are properly authorised, recorded, and reported, apart from safeguarding its assets. Such internal controls are according to the nature of its business and size of its operations, in order to ensure that all assets are safeguarded against loss from unauthorized use or disposition and that all transactions are authorized, recorded and

reported correctly and adequately. The internal control system is supplemented by well-documented policies, guidelines and procedures and reviews carried out by the Company's internal audit function, which submits reports periodically to the Management and the Audit Committee of the Board.

The performance of the Company is regularly reviewed by the Audit Committee and/or the Board of Directors to ensure that it is in consonance with the overall corporate policy and in line with pre-set objectives. The Audit Committee of the Board is headed by a non-executive independent Director and all audit findings are reported on a quarterly basis to it.

#### **HUMAN RESOURCE DEVELOPMENT**

Being a manufacturing Company, workers form an important link in the chain of growth. The Company maintained a cordial relationship with its personnel during the year under review. The workers are motivated with better service conditions, which is at par with the best in the industry. During the year under review, the Company had under taken extensive steps for optimizing the use of its manpower through, productivity improvement, and role enrichment. There is a continuous focus on enhancing productivity in all facets of our operations.

#### **INDUSTRIAL RELATIONS**

The industrial relations in the Company with the workers at all levels are very cordial and are expected to remain cordial in future as well. The Management acknowledges the contribution of all employees in increasing its turnover manifolds.

#### **DISCLAIMER STATEMENT**

Statements in this report describing the current industry structure, outlook, opportunities etc. reflect the assessment and perception of the Company, which are based on certain assumptions, and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate. The Company's actual results, performance, or achievements could thus differ materially from those projected in any such forward-looking statements.

**Independent Auditors' Report**

To the members of **KMG MilkFood Limited**

**1. Report on the Financial Statements**

We have audited the accompanying financial statements **KMG Milk Food Limited (“the company”)** which comprise the Balance Sheet as at 31st March, 2016 and the Statement of Profit & Loss, Cash flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**2. Management’s Responsibility for the financial statements**

The Company’s Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 (“the Act”) with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 control, 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.

**3. Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company’s preparation of the financial statements that give true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and operating effectiveness of such controls. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### **4. Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the company as at 31<sup>st</sup> March, 2016 and its Profit & Loss and its cash flow for the year ended on that date.

#### **5. Report on Other legal Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraph 3 & 4 of the order.

**B** As required by Section 143(3) of the Act, we report 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 purposes of our audit.
- 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 Balance Sheet, Statement of Profit and Loss and the cash flow statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2016, 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure B**".
- g. With respect to other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company have the following pending litigations which would impact its financial position.

- a) In the matter of Semen Bank Officer/Haryana Live Stock Development Board, Pehowa, Harayana(Milk Cess) vs. Company of Rs 42,81,11,040/ –as interest+1,58,49,375/- as principal.
  - b) In the matter of Company vs Hitkari Industries Ltd in the Karkadoma Court for Rs.1,85,000 + 1,23,671/- Delhi.
  - c) In the matter of Company vs. BaldevBhui in the Karkadoma Court for Rs.1,30,000/- Delhi.
  - d) In the matter of Company vs. Prem Prakash in the Karkadoma Court for Rs.90,000+67,000/- Delhi.
- ii The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
  - iii There were no amounts which required to be transferred to the Investor Education and Protection Fund by the Company.

For and on behalf of  
**Rajan K. Gupta & Co.**  
*Chartered Accountants*  
FRN 005945C

Sd/-  
Rajan Gupta  
(Partner)  
M.NO 074696

Place: Delhi  
Dated:30<sup>th</sup> May, 2016

**Annexure A” to the Independent Auditors’ Report**

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2016:

- 1) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
  
(b) The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and no material discrepancies between the books records and the physical fixed assets have been noticed.  
(c) The title deeds of immovable properties are held in the name of the company.
- 2) (a) As explained to us, the inventories have been physically verified by the management at reasonable intervals.  
  
(b) The discrepancies noticed on physical verification of the inventory as compared to books records which has been properly dealt with in the books of account were not material.
- 3) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3 (iii) (a) and (c) of the order are not applicable to the Company and hence not commented upon.
- 4) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 In respect of loans, investments, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) As informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company.
- 7) (a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to

the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2016 for a period of more than six months from the date on when they become payable.

(b) According to the information and explanations given to us, the following amounts payable in respect of income tax, sales tax, wealth tax, service tax, duty of customs, duty of excise or value added tax or cess which have not been deposited on account of any disputes.

**STATEMENT OF DUES**

<b>Name of the Statute</b>	<b>Nature of the dues</b>	<b>Amount In Rs</b>	<b>Period to which the amount relates</b>	<b>Forum where dispute is pending</b>
Haryana Live stock Development Board,	Milk Cess Interest on Milk cess	1,58,49,375 /- 42,81,11,040 /-	2001-2007	Haryana Live stock Development Board, Pehowa, Haryana

- 8) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not taken any loan either from financial institutions or from the government and has not issued any debentures.
- 9) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- 10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
- 11) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- 12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
- 13) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
- 14) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the



provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

- 15)** Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- 16)** In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For and on behalf of  
**Rajan K. Gupta & Co.**  
Chartered Accountants  
FRN 005945C

Sd/-  
Rajan Gupta  
(Partner)  
M.NO 074696

Place: Delhi  
Dated: 30<sup>th</sup> May, 2016

**“Annexure B” to the Independent Auditor’s Report of even date on the Financial Statements of KMG Milk Food Limited****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of KMG Milk Food Limited (“the Company”) as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

**Management’s Responsibility for Internal Financial Controls**

The Company’s management is responsible for establishing and maintaining internal financial controls based on the 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 its business, including adherence to 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 Companies Act, 2013.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

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 system over financial reporting.

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting 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 control over financial reporting includes 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**

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the 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.

For and on behalf of  
**Rajan K. Gupta & Co.**  
*Chartered Accountants*  
FRN 005945C

Sd/-  
Rajan Gupta  
Partner  
M.NO 074696

Place: Delhi  
Dated: 30<sup>th</sup> May, 2016

# KMG MILK FOOD LIMITED

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KMG MILK FOOD LIMITED				
Balance Sheet as at 31st March 2016				
(Amount in Rs.)				
Particulars		Note No	Current Year	Previous Year
A	<b>EQUITY AND LIABILITIES</b>			
1	<b>Shareholders' funds</b>			
	(a) Share capital	1	5,30,46,000.00	5,30,46,000.00
	(b) Reserves and surplus	2	(2,98,71,253.00)	(3,36,71,566.00)
2	<b>Non-current liabilities</b>			
	(a) Deferred tax liabilities (net)	3	26,84,832.00	37,42,556.00
3	<b>Current liabilities</b>			
	(a) Trade Payable	4	35,41,883.00	-
	(b) Other current liabilities	5	1,91,02,491.00	1,55,78,206.00
	(c) Short-term provisions	6	1,11,923.00	26,77,405.00
<b>Total</b>			<b>4,86,15,876.00</b>	<b>4,13,72,601.00</b>
B	<b>Assets</b>			
1	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	7	2,94,25,717.00	2,56,11,283.00
	(b) Non-current investments	8	33,000.00	33,000.00
	(c) Long-term loans and advances	9	31,56,210.00	27,31,358.00
	(d) Other Non Current Assets	10	15,03,684.00	15,03,684.00
2	<b>Current assets</b>			
	(a) Cash and cash equivalents	11	1,26,74,364.00	93,50,129.00
	(b) Short-term loans and advances	12	7,21,270.00	40,000.00
	(c) Other current assets	13	11,01,631.00	21,03,147.00
<b>Total</b>			<b>4,86,15,876.00</b>	<b>4,13,72,601.00</b>
<b>The accompanying notes are an integral part of the financial statements</b>				
This is the balance sheet referred to in our report of even date			For and on behalf of Board of Directors	
For Rajan K. Gupta & Co.	Sd/-	Sd/-	Sd/-	
Chartered Accountants	M. S. Venkateswaran	Basudev Garg	Satish Kumar	
	Director	Chairman & Whole time director	CFO	
	DIN-02154519	DIN-00282038	PAN-ASDPK1532A	
Sd/- Rajan Gupta				
Partner		Sd/-		
M.No 074696		Anshu Gupta		
FRN 005945C		Company Secretary		
		ACS-32908		
Place:Delhi				
Dated:30th May, 2016				

# KMG MILK FOOD LIMITED

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KMG MILK FOOD LIMITED			
Statement of Profit and Loss for the year ended 31st March, 2016			
(Amount in Rs.)			
Particulars	Note No	Current Year	Previous Year
<b>Continuing operations</b>			
<b>Income</b>			
Revenue from operations	14	4,84,09,178.00	1,85,00,004.00
Other income	15	30,621.00	2,17,584.00
<b>Total revenue</b>		<b>4,84,39,799.00</b>	<b>1,87,17,588.00</b>
<b>Expenses</b>			
Employee benefits expense	16	90,54,189.00	28,80,254.00
Other expenses	17	2,95,48,575.00	21,38,392.00
<b>Total</b>		<b>3,86,02,764.00</b>	<b>50,18,646.00</b>
<b>Earnings before interest, tax, depreciation and amortization (EBITDA) (I) - (II)</b>			
Depreciation and amortization expense	18	98,37,035.00	1,36,98,942.00
		61,37,561.00	65,40,438.00
<b>Profit/(loss) before extraordinary items and tax</b>		<b>36,99,474.00</b>	<b>71,58,504.00</b>
<b>Extraordinary items</b>			
		-	-
<b>Profit/(loss) before tax</b>		<b>36,99,474.00</b>	<b>71,58,504.00</b>
<b>Tax expense</b>			
Current tax		-	25,65,482.00
(Less): MAT credit (where applicable)			-
Current tax expense relating to prior years		9,56,885.00	-
Net current tax expense			
Deferred tax		(10,57,724.00)	1,66,432.00
<b>Total Tax expense</b>		<b>(1,00,839.00)</b>	<b>27,31,914.00</b>
<b>Profit/(loss) for the year</b>		<b>38,00,313.00</b>	<b>44,26,590.00</b>
Minority shareholders interest- loss/(profit)		-	-
Share in loss of associates		-	-
<b>Profit/ (Loss) for the year from continuing operations (A)</b>		<b>38,00,313.00</b>	<b>44,26,590.00</b>
<b>Discontinuing operations</b>			
Profit/(loss) before tax from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
<b>Profit/(loss) after tax from discontinuing operations (B)</b>		<b>-</b>	<b>-</b>
<b>Profit/(loss) for the year (A+B)</b>		<b>38,00,313.00</b>	<b>44,26,590.00</b>
Earnings per share	19	0.72	0.83
Basic		0.72	0.83
Diluted		0.72	0.83

**The accompanying notes are an integral part of the financial statements**

This is the Statement of Profit & Loss in our report of even date

For Rajan K. Gupta & Co.  
Chartered Accountants

For and on behalf of Board of Directors

Sd/-  
Rajan Gupta  
Partner  
M.No 074696  
FRN 005945C

Sd/-  
M. S. Venkateswaran  
Director  
DIN-02154519

Sd/-  
Basudev Garg  
Chairman & Whole  
time director  
DIN-00282038

Sd/-  
Satish Kumar  
CFO  
PAN-ASDPK1532A

Place: Delhi  
Dated:30th May, 2016

Sd/-  
Anshu Gupta  
Company Secretary  
ACS-32908

# KMG MILK FOOD LIMITED

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KMG MILK FOOD LIMITED		
Cash Flow Statement		
For the year ending 31st March,2016		
(Amount in Rs )		
Particulars	Current Year	Previous Year
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit/(Loss) before Tax	38,00,313.00	44,26,590.00
<u>Add/(Deduct)</u>		
1 Depreciation on Fixed Assets	61,37,561.00	65,40,438.00
2 Increase(Decrease) in Deferred Tax Liabilities	(10,57,724.00)	1,66,432.00
Operating Cash Profit before Working Capital Changes	88,80,150.00	1,11,33,460.00
<u>Add/(Deduct)</u>		
1 Increase(Decrease) in Creditors & other Payables	45,00,686.00	26,21,633.00
2 (Increase)Decrease in Current Assets	3,20,246.00	20,00,236.00
Cash flow from Operations	1,37,01,082.00	1,57,55,329.00
1 Net Cash flow from Operating Activities	1,37,01,082.00	1,57,55,329.00
<b>B CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
<u>Add/(Deduct)</u>		
1 Increase (Decrease) in Unsecured Loans	-	(15,00,000.00)
2 Increase (Decrease) in Other Long Term Liabilities	-	(2,11,337.00)
Net Cash flow from Financial Activities	-	(17,11,337.00)
<b>C CASH FLOW FROM INVESTING ACTIVITIES</b>		
Add: Capital Received	-	-
Less Purchase of Fixed Assets	99,51,995.00	42,26,389.00
Increase (Decrease) in Long Term Loan & Advances	4,24,852.00	7,49,704.00
Net Cash flow from Investing Activities	(1,03,76,847.00)	(49,76,093.00)
Net Increase/(Decrease) in Cash/Cash Equivalents (A+B+C)	33,24,235.00	90,67,899.00
Add: Balance at the beginning of the year	93,50,129.00	2,82,230.00
Cash and Cash Equivalents at the close of the year	1,26,74,364.00	93,50,129.00
<p>This is the cash flow statement referred to in our report of even date                      For Rajan K. Gupta &amp; Co.                      Chartered Accountants</p>		
For and on behalf of Board of Directors		
<p>Sd/- Rajan Gupta Partner M.No 074696 FRN 005945C</p> <p>Place:Delhi Dated:30th May, 2016</p>	<p>Sd/- M. S. Venkateswaran Director DIN-02154519</p>	<p>Sd/- Basudev Garg Chairman &amp; Whole time director DIN-00282038</p> <p>Sd/- Anshu Gupta Company Secretary ACS-32908</p>
		<p>Sd/- Satish Kumar CFO PAN-ASDPK1532A</p>

# KMG MILK FOOD LIMITED

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## KMG MILK FOOD LIMITED

Notes to financial statements for the year ended 31 March 2016

Note-1: Share Capital		(Amount in Rupees)	
(a)	Authorised, Issued, Subscribed and paid-up share capital	Current Year	Previous Year
1	<b>Authorized shares capital</b> 60,00,000 (Previous Year 60,00,000) equity shares of Rs.10/- each	6,00,00,000	6,00,00,000
2	<b>Issued, subscribed and paid-up capital</b> 53,04,600 (Previous Year 5304600) equity shares of Rs.10/- each	5,30,46,000	5,30,46,000
<b>Total</b>		5,30,46,000	5,30,46,000

**(b) Rights / preferences / restrictions attached to equity shares**  
The Company has only one class of equity shares having a par value of Rs. 10 per share. Each Shareholder is eligible for one vote per share. The dividend proposed by the Board of Directors is subject to the approval of shareholders. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, after distribution of all preferential amounts, in proportion of their shareholding.

**(c) Details of shares held within the Group**

S.No	Name of Shareholder	Current Year	Previous Year
1	Out of the equity shares issued by the company, shares held by its associates company is as below : <b>Equity shares of Rs. 10 each fully paid up</b> M/S KMG International Ltd	530300	530300

**(d) Details of shareholders holding more than 5% shares in the company**

**Details of shareholders holding more than 5% shares in the company**

S.No	Name of Shareholder	Current Year	Previous Year
<b>Equity shares of Rs. 10 each fully paid up</b>			
1	Smt Mithlesh Garg -No. of Shares -% held	1121729 21.15%	1121729 21.15%
2	Shri Basudev Garg -No. of Shares -% held	1082656 20.41%	1082656 20.41%
3	Smt Shivangi Garg -No. of Shares -% held	352450 6.64%	352450 6.64%
4	Shri Rahul Garg -No. of Shares -% held	279600 5.27%	64300 1.21%
5	M/S KMG International Ltd -No. of Shares -% held	530300 10.00%	530300 10.00%

**Note:-**

As per the records of the company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

**Note-2: Reserve & Surplus**

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
<b>Surplus/(deficit) in the statement of profit and loss</b>			
1	Balance as per the last financial statements	-3,36,71,566	-4,84,29,218
2	Amount Transferred from I tax	-	-
3	Profit for the year	38,00,313	44,26,590
4	Add: Change in Value of Assets Due to Depreciation	-	1,03,31,062

# KMG MILK FOOD LIMITED

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5	Total appropriation	-	1,47,57,652
	<b>Net surplus in the statement of profit and loss</b>	38,00,313	1,47,57,652
	<b>Total reserves and surplus</b>	-2,98,71,253	-3,36,71,566

**Note:-**

1 Debit balance of statement of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, if any, shall be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative.

## Notes to financial statements for the year ended 31 March 2016

### Note-3 : Deferred Tax Liabilities

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
	<b>Deferred tax liability arising on account of:</b>		
1	Employee benefits	1,66,432	1,66,432
2	Depreciation	(12,24,156)	-
3	Opening Balance	37,42,556	35,76,124
4	Less Deferred Tax Assets	-	-
	<b>Deferred tax liability (Net)</b>	26,84,832	37,42,556

### Note-4 : Trade Payable

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
	<b>Trade payables ( Due within 1 year)</b>		-
	Sundry creditors		
1	(a) Due to Micro and Small Enterprises		
	(b) Due to Others	35,41,883	
	Total	35,41,883	-
	Note		
	(a) No interest is paid / payable during the year to any enterprise registered under the MSME.		
	(b) The above information has been determined to the extent such parties could be identified on the basis of the information available with the company regarding the status of suppliers under MSME.		

### Note-5: Other Current Liabilities

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Expenses Payable	34,11,816	3,78,115
2	Shree Ganesh ji Maharaj	253	253
3	Advance Received	-	1,06,213
4	Statutory Remittance	1,56,90,422	1,50,93,625
	Total	1,91,02,491	1,55,78,206
	Note no		
1	Statutory Remittance includes Rs 1,50,84,375/- for outstanding of milk cess against the supreme court order dated 07-09-2012		

### Note-6: Short Term Provisions

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
	<b>Provision for employee benefits</b>		
1	Provision for gratuity	1,11,923	1,11,923
2	Income Tax	-	25,65,482
	Total	1,11,923	26,77,405



**KMG MILK FOOD LIMITED**

**Notes to financial statements for the year ended 31 March 2016**

**Note 7: Fixed Assets**

Particulars	Previous Year									
	Gross Block			Balance as at 31st March,2016	Depreciation/Amortisation				Net Block	
	Balance as at 1st April,2015	Additions	Disposals		Up to 1st April,2015	For the Year	Disposals	Up to 31st March,2016	Balance as at 31st March,2016	Balance as at 31st March,2015
I Tangible Assets										
1 Land	6,37,337		-	6,37,337	-	-		-	6,37,337	6,37,337
2 Site Development	18,71,960			18,71,960	-	-		-	18,71,960	18,71,960
3 Building	2,51,38,728			2,51,38,728	1,51,25,135	12,81,459	-	1,64,06,594	87,32,134	1,00,13,593
Building- Guest House	10,21,602	4,11,561		14,33,163	16,175	57,315		73,490	13,59,673	10,05,427
Fence, Wall	4,66,822	-		4,66,822	-	44,348		44,348	4,22,474	4,66,822
4 Plant & Machinery	8,47,03,318	42,48,558		8,89,51,876	7,57,33,865	22,78,391	-	7,80,12,256	1,09,39,620	89,69,453
5 Furniture & Fixture	3,29,658	-		3,29,658	2,50,540	20,476	-	2,71,016	58,642	79,118
6 Vehicles	53,79,198	52,91,876		1,06,71,074	28,34,304	24,51,762		52,86,066	53,85,008	25,44,894
7 Office Equipments	3,77,380	-		3,77,380	3,54,701	3,810		3,58,511	18,869	22,679
8 Items cost less than Rs 5000/-	3,295	-		3,295	3,295	-		3,295	-	-
	11,99,29,298	99,51,995	-	12,98,81,293	9,43,18,015	61,37,561	-	10,04,55,576	2,94,25,717	2,56,11,283
Previous Year Total	11,57,02,909	42,26,389	-	11,99,29,298	9,81,08,639	65,40,438	1,03,31,062	9,43,18,015	2,56,11,283	
Note:(1) All the assets including factory building has been given on lease for the period from 01-04-2012 to 31-03-2015 for amounting to RS 200 lacs per year. But it further extended upto 30th June, 2016.										

# KMG MILK FOOD LIMITED

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## KMG MILK FOOD LIMITED

Notes to financial statements for the year ended 31 March 2016

### Note-8: Non Current Investments

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Investment - Government Securities (NSE)	33,000	33,000
	Total	33,000	33,000

### Note-9: Long Term Loan & Advances

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
(a)	<b>Security deposits</b> Hseb	31,56,210	27,31,358
	Total	31,56,210	27,31,358

### Note-10: Other Non Current Assets

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	<b>Trade Receivables</b> - Bapna Trading Co, Kankroli - Fair Deal Agencies - Goldline Milk Food Pvt Ltd - Right Choice - Right Choice, Jodhpur	88,756 34,075 6,59,262 7,15,000 6,591	88,756 34,075 6,59,262 7,15,000 6,591
	Total	15,03,684	15,03,684

### Note-11: Cash and bank balances

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	<b>Cash and cash equivalents</b> Cash on hand	79,931	454
2	<b>Balances with banks:</b> On current accounts	1,25,94,433	93,49,675
	Total	1,26,74,364	93,50,129

### Note-12: Short Term Loans and advances

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Unsecured, considered good Advances recoverable in cash or kind VAT- Haryana	6,73,770	-
2	Advocate	47,500	-
3	- Staff Advance	-	40,000
	Total	7,21,270	40,000

### Note-13: Other Current Assets

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	TDS Receivable Prepaid Insurance Mat tax deposited	9,68,189 1,33,442 -	15,04,057 5,99,090
	Total	11,01,631	21,03,147

**KMG MILK FOOD LIMITED**

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**KMG MILK FOOD LIMITED****Notes to financial statements for the year ended 31 March 2016****Note-14: Revenue from operations****(Amount in Rupees)**

S.No	Particulars	Current Year	Previous Year
1	<b>Revenue from operations</b>		
	Sale of products		
	Export	-	-
	Domestic-Equipment Rental	46,25,001	1,85,00,004
	Processing Charges	4,37,84,177	-
		4,84,09,178	1,85,00,004
2	Other operating revenues	-	-
	<b>Revenue from operations (Gross)</b>	<b>4,84,09,178</b>	<b>1,85,00,004</b>
	Less : Excise duty	-	-
	<b>Revenue from operations (Net)</b>	<b>4,84,09,178</b>	<b>1,85,00,004</b>

**Note-15: Other income****(Amount in Rupees)**

S.No	Particulars	Current Year	Previous Year
1	Sundry Balance written Off	13,427	2,17,584
2	Sale of Scrap	17,194	-
	<b>Total</b>	<b>30,621</b>	<b>2,17,584</b>

**KMG MILK FOOD LIMITED****Notes to financial statements for the year ended 31 March 2016****Note-16: Employee benefit expense****(Amount in Rupees)**

S.No	Particulars	Current Year	Previous Year
1	Salaries, wages and bonus	89,83,968	28,51,481
2	Contribution to provident fund and other funds	26,560	25,500
3	Staff welfare expenses	43,661	3,273
	<b>Total</b>	<b>90,54,189</b>	<b>28,80,254</b>

**Note-17: Other expenses****(Amount in Rupees)**

S.No	Particulars	Current Year	Previous Year
1	Cess	10,80,000	-
2	Freight Inward	53,165	-
3	Store	5,84,798	-
4	Store-HSD	2,96,820	-
5	Store-Hush & Charcoal	92,61,034	-
6	Store Lab	3,56,501	-
7	Packing expenses	5,88,427	-
8	Distribution, advertising and business promotion	95,487	76,274
9	Repairs and maintenance - Building	5,71,131	-
10	Repairs and maintenance - Machinery	28,32,887	-
11	Repairs and maintenance - Others	23,696	1,700
12	Insurance	1,84,287	3,876
13	Miscellaneous expenses	1,82,584	-
14	Legal and professional expenses	9,54,059	5,77,841
15	Donation & Charity	-	1,27,100
16	Office Expenses	3,76,071	83,089
17	Office Rent	9,00,000	1,20,000

# KMG MILK FOOD LIMITED

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18	AGM Expenses	-	17,425
19	Stock Exchange Expenses	2,56,183	1,12,360
20	Power and Fuel Expenses	84,91,310	-
21	Postage Expenses	32,033	31,144
22	Meeting Fees	1,00,000	20,000
23	Travelling and conveyance	11,85,846	29,125
24	Festival Expenses	-	1,70,132
25	Fees & Taxes	1,45,985	1,58,400
26	Bank Charges	810	1,671
27	Communication costs	86,203	60,086
28	Vehicle Mainenace Expenses	4,57,292	3,79,922
29	Sale Tax	67,454	3,137
30	Printing and stationery	77,305	41,795
31	Penalty	1,75,000	-
32	Internal Audit Fees	15,000	25,000
33	Payment to auditor ( Audit and other expenses)	1,17,207	98,315
	Total	2,95,48,575	21,38,392

### Note-18: Depreciation and amortization expenses

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Depreciation of tangible assets	61,37,561	65,40,438
	Total	61,37,561	65,40,438

### Note-19: Earning per share

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	<b>Net profit attributable to equity shareholders</b>		
	Profit after tax	38,00,313	44,26,590
2	Nominal value of equity share (₹)	10	10
3	Total number of equity shares outstanding at the beginning of the year	53,04,600	53,04,600
4	Total number of equity shares outstanding at the end of the year	53,04,600	53,04,600
5	Weighted average number of equity shares	53,04,600	53,04,600
6	<b>Basic/ diluted earning per share (₹)</b>	0.72	0.83

### Note-20 RELATED PARTY DISCLOSURES: -

Particulars of transactions with related party		Current Year	Previous Year
The following is a summary of significant related party transaction			
A	<b>Director and relative of the director of the company</b>		
1	Miss Mithlesh Garg ( Nature - Rent )	9,00,000	1,20,000
2	B.B Raina ( Nature-Salary)	6,96,000	6,96,000
3	Basudev Garg ( Nature - Salary)	15,00,000	12,00,000

### Note-21 Lease

Permission given on operative lease Building and Plant & Machinery The total future minimum lease rental receivable at the balance sheet date is as under:-			
S.No	Particulars	Current Year	Previous Year
1	For a period not letter than one year	46,25,001.00	2,00,00,000.00
2	For a period later than one year and not later than five years	-	-
Note: Milk cess amounting to rs 1,48,23,750/-for the period from 01/04/2007 to 31/03/2015 is paid by Mahaan Milk Food Ltd as per the term of lease agreement.			

**Note-22 Contingent liabilities**

1	No provision has been made in the account for doubtful debts and advances. These all are considered by the management as recoverable.
A	<b>The pending court cases against and for the company is as under:</b>
2	In the matter of M/s Goel Agencies Pvt. Ltd/M/s Fair Deal Agencies, Ludhiana vs. Company/ Shri Basudev Garg/Smt. Mithlesh Garg for Rs.6, 00,528.15 – Ludhiana
3	In the matter of Semen Bank Officer/Haryana Live Stock Development Board, Pehowa, Harayana(Milk Cess) vs. Company of Rs 443960415/ Including Interest of Rs 428111041/-
4	In the matter of Company vs Hitkari Industries Ltd in the Karkadoma Court for Rs.185000 + 123671/- Delhi.
5	Company V/s Shree Ganesh Trading Co. Kurukshetra, Kurukshetra Court for Rs 128693+Interest
B	<b>Court Cases for Recovery U/S 138</b>
6	In the matter of Company vs. Baldev Bhui in the Karkadoma Court for Rs.1, 30,000/- Delhi.
7	In the matter of Company vs. Prem Prakash in the Karkadoma Court for Rs.90,000+67,000/- Delhi.

**Note-23** Previous year figures are regrouped/rearrange wherever necessary to conform to this year's classification.

**Note-24** Significant accounting policies and practices adopted by the Company are disclosed in the statement annexed to these financial statements as Annexure I.

As per our report of even date

For Rajan K. Gupta & Co.  
Chartered Accountants

Sd/-  
Rajan Gupta  
Partner

M.No 074696  
FRN 005945C

Place:Delhi  
Dated:30th May, 2016

For and on behalf of Board of Directors

Sd/- M. S. Venkateswaran Director  
Sd/- Basudev Garg Chairman & Whole time director  
Sd/- Satish Kumar CFO

DIN-02154519 DIN-00282038 PAN-ASDPK1532A

Sd/-  
Anshu Gupta  
Company Secretary  
ACS-32908

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES  
(Annexed to and forming part of the financial statements for the year ended 31st  
March, 2016)****1. BASIS OF PREPARATION: -**

These financial statements have been prepared on in accordance with the generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material aspects, with the accounting Standards notified under section 133 of the companies act,2013 , read together with paragraph 7 of the companies accounts Rules 2014,the financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

**2. USE OF ESTIMATES :-**

The preparation of Financial Statements requires estimates & assumptions to be made that affect the reported amount of assets & liability on the date of financial statements and the reported amount of revenues & expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known\ materialized.

**3. FIXED ASSETS: -**

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses if any. The cost comprises purchase price, borrowing cost if Capitalization criteria are met and directly attributable cost of bringing the assets to its working condition for the intended use.

Subsequent expenditure related to an item of fixed assets is added to its book value only if it increases the future benefits from the exiting assets beyond tits previously assessed standard of performance.

All other expenses on existing fixed assets, including day to day repair & maintenance expenditure and cost of replacing parts are charged to the statement of P&L for the period during which such expenses are incurred.

**DEPRECIATION ON TANGIBLE FIXED ASSETS:-**

Depreciation on fixed assets is calculated on SLM using the rates arrived at based on the useful as per Companies Act, 2013. The company has used the following useful lives to provide depreciation on its fixed assets:-

Particular	Useful lives estimated by management (Years)	Useful lives as per schedule II
Computer	03	03
Furniture & Fixtures	10	10
Vehicles	08	08
Plant & Machinery	15	15
Building	30	30
Building-Guest House	60	60
Building – Fence, walls	05	05

**4. REVENUE RECOGNITION: -**

- (a) Income from processing of milk is accounted for the processing invoice account for by the company.
- (b) Lease income from operating lease shall be recognized in income on a straight-line basis over the lease period, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.
- (c) Revenue in respect of other income is accounted on accrual basis except claim received/paid.

**5. INVESTMENTS: -**

Long term investments are stated at cost. Provision is made to recognize any diminution in value, other than that of a temporary nature.

**6. EMPLOYEES BENEFITS: -**

- (A) Contribution to defined schemes such as provident fund, superannuating/pension benefits, gratuity employee's state insurance scheme is charged as incurred on accrual basis. These are in accordance with the respective Act's.
- (B) Leave Encashment: -  
As per the employment policy of the company the employees avail their annual Leave and provision for leave encashment is made on the basis of unvested leave to the credit of employees.
- © GRATUITY: -  
In accordance with the Payment of Gratuity Act, 1972, the company provides for gratuity covering all employees. The plan, subject to the above Act, provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based in the respective employee's salary and the tenure of employment.

**7. BORROWING COSTS :-**

Interest and other borrowing costs attributable to qualifying assets are capitalised. Other interest and borrowing costs are charged to revenue.

**8. EARNING PER SHARE :-**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average of no of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average no of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

**9. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:-**

A provision is recognised when there is a present obligation as a result of a past event, that probably requires an outflow of resources and a reliable estimate can be made to settle the amount of obligation. Provision is not discounted to its present value and is determined based on the last estimate required to settle the obligation at the year end. These are reviewed at each year end and adjusted to reflect the best current estimate. Contingent liabilities are not recognised but disclosed in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

**10. TAXATION :-**

Income-tax expense comprises current tax and deferred tax charge or credit. Provision for current tax is made on the basis of the assessable income at the tax rate applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassess realisation. Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal tax during the specified period.

**11. IMPAIRMENT OF ASSETS:-**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

For Rajan K Gupta & Co.  
Chartered Accountants

For and on behalf of the Directors

**Sd/-**  
**Rajan Gupta**  
Partner  
M. No:074696  
FRN: 005945C

**Sd/-**  
**M.S Venkateswaran**  
Director  
  
DIN-02154519

**Sd/-**  
**Basudev Garg**  
Chairman &  
Whole time  
Director  
DIN-00282038

**Sd/-**  
**Satish Kumar**  
CFO  
  
PAN-ASDPK1532A

**Sd/-**  
Anshu Gupta  
Company Secretary  
ACS-32908



**KMG MILK FOOD LIMITED  
CIN: L15201HR1999PLC034125**

**Regd. Office: 9<sup>th</sup> Kilometer Stone, Pipli to Ambala, Village Masana, Kurukshetra,  
Haryana-136118**

**Tel.: 01744-279452 Fax.: 01744-279453 Website: www.kmggroup.com**

**Email.: compliances.kmg@gmail.com**

**ATTENDANCE SLIP**

I certify that I am a registered shareholder / proxy / authorized representative for registered shareholder of the Company.

I hereby record my presence at the **24<sup>th</sup> Annual General Meeting of KMG Milk Food Limited** held on Friday, 30<sup>th</sup> September, 2016 at 1:00 P.M. at the Registered office of the Company at 9<sup>th</sup> K.M. Stone, Pipli to Ambala, Vill. Masana, Distt. Kurukshetra, Haryana - 136 118

Name & Address of the shareholder (in BLOCK letters)

\_\_\_\_\_

Name of the Proxy Holder / Authorized Representative (if applicable)

\_\_\_\_\_

No of shares held \_\_\_\_\_

Ledger Folio No. \_\_\_\_\_

Member's / Proxy's Signature \_\_\_\_\_

Note: Please fill this attendance slip and hand it over at the ENTRANCE OF THE MEETING ROOM.

.....

**KMG MILK FOOD LIMITED  
CIN: L15201HR1999PLC034125**

**Regd. Office: 9<sup>th</sup> Kilometer Stone, Pipli to Ambala, Village Masana, Kurukshetra,  
Haryana-136118**

**Tel.: 01744-279452 Fax.: 01744-279453 Website: www.kmggroup.com**

**Email.: compliances.kmg@gmail.com**

**FORM NO. MGT-11  
PROXY FORM**

**[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies  
(Management and Administration) Rules, 2014]**

Name of the member (s): .....

Registered address: .....

E-mail Id: .....

Folio No/ Client Id: .....

DP ID: .....

I/We, being the member (s) of ..... shares of the above named Company, hereby appoint

1. Name:.....Address:.....  
E-mail Id: .....Signature:....., or failing him;

2. Name:.....Address:.....  
E-mailId: .....Signature:....., or failing him ;  
as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 24th Annual General Meeting of the KMG Milk Food Limited, to be held on Friday, 30<sup>th</sup> September,2016 at the Registered office of the Company at 9<sup>th</sup> K.M. Stone, Pipli to Ambala, Village Masana, Distt. Kurukshetra, Haryana - 136 118 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Optional		
		For	Against
1.	Adoption of audited Financial Statements for the financial year ended March 31, 2016 and reports of the Board of the Directors and the Auditors thereon.		
2.	Re-appointment of Mrs. Mithlesh Garg, who retires by rotation.		
3.	Re-appointment of M/s. Rajan K Gupta & Co, Chartered Accountants, as Auditors		

Signed this ..... day of ..... 2016.

\_\_\_\_\_  
Signature of shareholder

\_\_\_\_\_  
Signature of Proxy holder(s)

Note:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

2. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.

\* it is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.