

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 organisational sustainability, training, learning, personal growth, conservation of energy and other scarce resources, promoting safety and health of its employees and of the neighboring communities. Company believes that profitability must go hand in hand with a sense of responsibility towards all 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 only five members viz. Mr. Basudav Garg, Mr. Mahesh Chandra Saxena, Mr. M. S. Venkateswaran, Mr. B.B Raina and Mr. Sundra Raj.

Composition:

As on 31st March 2014, the total number of Directors of the Company was five comprising of two Executive and three Non-Executive Independent Directors.

Name	Category
Mr. Basudav Garg	Chairman & Whole Time Director
Mr. B.B Raina	Executive Director
Mr. M. S. Venkateswaran	Independent Director
Mr. Mahesh Chandra Saxena	Independent Director
Mr. Sundra Raj	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, 2014, 14 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:

Sr. No.	Date	Sr. No.	Date
1.	06.04.2013	9.	13.08.2013
2.	20.04.2013	10.	26.08.2013
3.	20.05.2013	11.	20.09.2013
4.	29.05.2013	12.	15.11.2013

5.	20.06.2013	13.	30.11.2013
6.	27.06.2013	14.	13.02.2014
7.	10.07.2013	15.	22.03.2014
8.	31.07.2013		

S. No.	Name of Director	No. of Meeting attending during 2013-14		No. of Directorship in other Public Companies		No. of Membership Committee held	
		Board Meeting	Last AGM	Listed	Others	Chairman	Member
1.	Mr. Basudav Garg	15	Yes	Nil	1	Nil	Nil
2.	Mr. M. S. Venkateswaran	Nil	No	Nil	Nil	Nil	Nil
3.	Mr. Mahesh Chandra Saxena	14	Yes	Nil	Nil	Nil	Nil
4.	Mr. Sundra Raj	1	No	Nil	Nil	Nil	Nil
5.	Mr. B.B Raina	15	Yes	Nil	Nil	Nil	Nil

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 standing Committees:

1. Audit Committee
2. Shareholders' /Investors' Grievance Committee

AUDIT COMMITTEE

The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

- i) Terms of reference
 1. Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
 2. Recommending the appointment and removal of statutory and internal Auditors (whenever required), fixation of audit fee and also approval for payment for any other services.

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with Management the quarterly / half yearly and the annual financial statements before submission to the Board, focusing primarily on:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Any Change in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance of legal requirement concerning financial statements.
 - Any related party transactions.
5. Reviewing with the management, statutory and internal Auditors, the adequacy and compliance of internal control system.
6. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
7. Reviewing the adequacy of internal audit function, reporting structure coverage and frequency of internal audit.
8. Discussion on internal Auditors significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory Auditors about the scope of audit as well as have post audit discussion to ascertain any area of concern.
11. Reviewing the Company's financial and risk management policies.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Further the Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

ii) **Composition:**

The Committee invites concerned officials from Accounts Department and Internal Audit Department as and when required. Auditors of the Company were also invited whenever the financials of the Company are considered by the Committee

The Audit Committee comprises of 2 Independent Directors and 1 Executive Director:

1. Mr. Mahesh Chandra Saxena (Independent Director)
2. Mr. M. S. Venkateswaran - (Independent Director)
3. Mr. Basudav Garg - (Executive Director)

Mr. Mahesh Chandra Saxena is heading the Committee. During the year under review audit committee had met five times. No two meetings have a gap of more than 120 days in between them. During the year, six Committee Meetings were held on 06.04.2013, 29.05.2013, 13.08.2013, 26.08.2013, 15.11.2013, 13.02.2014.

The attendance record of the members of the Audit Committee for the FY 2012-13 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
Mr. Mahesh Chandra Saxena Chairman	6	6
Mr. M. S. Venkateswaran	6	3
Mr. Basudav Garg	6	6

INVESTORS GRIEVANCE COMMITTEE

i) **Terms of reference**

1. To consider and review the queries/complaints received from Share/ Debenture Holders
2. To take steps to redress queries/ complaints and ensure speedy satisfaction to shareholders/ investors.
3. With a view to expediting the process of share transfer etc., on fast track basis, the Board has delegated the powers of approving transfer etc. to Non Executive Director, Mr. Mahesh Chandra Saxena of the Company.
4. To work under the control & supervision of the Board of Directors

ii) **Composition:**

The Investors Grievance Committee comprises of Two Non Executive Independent Directors and one Executive Director:

1. Mr. Mahesh Chandra Saxena - (Independent Director)
2. Mr. M. S. Venkateswaran - (Independent Director)
3. Mr. Basudav Garg - (Executive Director)

Meeting and attendance:

The Constitution of the Committee and the attendance of each member of the Committee are given below:

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
Mr. Mahesh Chandra Saxena, Chairman	2	2

Mr. M. S. Venkateswaran, Member	2	2
Mr. Basudav Garg, Member	2	2

Role and Powers of Shareholders'/Investors' Grievance Committee:

The Investors' Grievance Committee shall have the following role, functions and responsibilities:

To look into and supervise the redressal of shareholders'/Investors' Complaints.

To oversee the performance of the Registrars and Share Transfer Agents and recommend measures for overall improvement of the quality of investor services.

To consider and approve transfer of shares, transmission of shares, dematerialization of shares, transposition of shares, issuance of duplicate share, deletion of names, splitting and consolidation of shares, etc.

During the year under review, no complaints were received from the shareholders.

REMUNERATION-CUM-COMPENSATION COMMITTEE

(i) Brief description of terms of reference

The terms of reference are to recommend / review the remuneration package for executive directors based on performance and keeping in view the provisions of the Companies Act, 1956.

(ii) Composition:

The Remuneration Committee as on date comprises three members, with all are Independent Directors viz. Mr. M. S. Venkateswaran, Mr. Mahesh Chandra Saxena and Mr. B. B. Raina. Mr. Mahesh Chandra Saxena is the Chairman of the Committee.

<u>Name of the Member Director</u>	<u>No. of Meetings Held</u>	<u>No. of Meetings attended</u>
Mr. Mahesh Chandra Saxena, Chairman	4	4
Mr. M. S. Venkateswaran, Member	4	4
Mr. R. Sundra Raj, Member	4	2

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.

REMUNERATION OF DIRECTORS

The Remuneration of executive directors is determined by the remuneration committee. The recommendations of the remuneration committee are considered and approved by the board of directors subject to the approval of the shareholders.

Details of remuneration of directors for the financial year ended 31st March, 2014

Director	Salary	Supplementary allowances	Perquisites and Other benefits	Commission	Total

Executive Directors	18,96,000/-	NIL	NIL	NIL	18,96,000/-
Non -Executive Director	NIL	NIL	NIL	NIL	NIL

Presently the company does not have a scheme for the grant of stock options.

GENERAL BODY MEETINGS

Date and venue of last three Annual General Meeting

Nature of Meeting	Date and Time	Venue	Special Resolution passed
Annual General Meeting	30 th September 2011 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	29 th September 2012 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	30 th September 2013 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None

POSTAL BALLOT

No resolution was passed by Postal ballot during the financial year 2013-14.

DISCLOSURES

- Related party transactions are defined as transactions of the Company of material nature, with promoters, directors or with their relatives etc. The transactions with related parties are disclosed in Notes to the Accounts in Financial of the Company. However, these transactions are not likely to have any conflicts with the Company's interest. The Audit Committee has reviewed these transactions.
- In the preparation of the financial statements, the Company has followed the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable.
- There were no penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

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

- Annual General Meeting
- (a) Date and Time : 29th September 2014 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 01st to March 31st.
- Tentative Schedule for Financial Year 2014-15
- | | | | |
|---|---|---|--|
| - | 1 st Quarter ending June 30, 2014 | : | Declared on 13 th August 2014 |
| - | 2 nd Quarter ending September 30, 2014 | : | Mid of November 2014 |
| - | 3 rd Quarter ending December 31, 2014 | : | Mid of February 2015 |
| - | Annual Result for the year ended March 31, 2015 | : | End of May 2015 |
- c) Date of Book Closure/Record Date (Both Days inclusive) : 25th September to 29th September 2014
- 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 : Delhi Stock Exchange Limited,
BSE Limited,
Ludhiana Stock Exchange Limited
Jaipur Stock Exchange Limited,
Ahmedabad Stock Exchange Limited
- g) Stock Code
- | | | |
|----------------------------------|---|--------|
| Delhi Stock Exchange | : | 7161 |
| Bombay Stock Exchange Code | : | 519415 |
| Ludhiana Stock Exchange | : | RDRY |
| Jaipur Stock Exchange Limited | : | 364 |
| 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, 2013	39.70	39.70	100
May, 2013	NIL	NIL	NIL
June, 2013	40.00	40.00	100
July, 2013	NIL	NIL	NIL
August, 2013	NIL	NIL	NIL
September, 2013	38.05	22.90	1300.
October, 2013	NIL	NIL	NIL
November, 2013	NIL	NIL	NIL
December, 2013	NIL	NIL	NIL
January, 2014	21.80	17.90	1200
February, 2014	NIL	NIL	NIL
March, 2014	NIL	NIL	NIL

j) Liquidity

The Shares of the Company are listed on the BSE Limited, Delhi Stock Exchange Limited, Jaipur Stock Exchange Limited, Ludhiana Stock Exchange Limited and Ahmedabad Stock Exchange Limited. The trading had been suspended at all Stock Exchanges. So there was no liquidity in the scrips of the Company but Company fulfilled all compliance required to revoke the suspension of the trading at BSE Limited and trading of Shares have been commenced at BSE trading platform w.e.f 28th September 2012..

k) Dematerialization of Shares

Company's shares are in physical mode.

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

n) 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, 1st Floor, Okhla Industrial Area, Phase - I, New Delhi- 110020.
Ms. Vandana Kaushik, Compliance officer and Company Secretary as per Clause 47 of the Listing Agreement with Stock Exchanges and Investor's complaint may also be addressed to him at following address:

Address: 9th KM Stone, Pipli to Ambala, Village Masana, Kurukshetra, HR-132118

o) Shareholding Pattern

The shareholding pattern as on 31st March 2014:

	Category	No. of shares held	Percentage of Shareholding
A.	Shareholding of Promoter and Promoter Group		
(1)	Indian	28,87,135	54.43
(2)	Foreign	--	--
	Total	28,87,135	54.43
B.	Public Shareholding		
(1)	Institutions	--	--
(a)	Mutual Funds/UTI	38,200	0.72
(b)	Financial Institutions/Banks	--	--
(c)	Foreign Institutional Investors	2,50,000	4.71
(d)	Any Other	--	--
	Sub Total	2,88,200	5.43
(2)	Non Institutions		
(a)	Bodies Corporate	1,11,800	2.11
(b)	Individuals	20,16,965	38.02
(c)	Any Other (HUF)	500	0.01
	Sub Total	21,29,265	40.14
	Total (A+B)	5,304,600	100.00
	Grand Total	5,304,600	100.00

P) Distribution of Shareholding as on 31.03.2014

S.No	Category (Shares)	Holders	% of Total Holders	Shares	% of Total Shares
1.	Upto 500	1047	77.84	243000	4.58
2.	501-1,000	142	10.56	115815	2.18
3.	1,001-2,000	81	6.02	125900	2.37
4.	2,001-3,000	21	1.56	54100	1.02
5.	3,001-4,000	05	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	25	1.86	4586285	86.46

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

**Basudev Garg
Whole Time Director
DIN: 00282038**

Date: 29.08.2014

Place: Haryana (Kurukshetra)

The Board of Directors
KKMG Milk Food Limited

I hereby certify that for the Financial Year 2013-14:

1. I have reviewed the financial statements and the cash flow statement and that to the best of my knowledge and belief : -
 - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. 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.
2. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year 2012-13 which are fraudulent, illegal or violate the Company's code of conduct.
3. I accept responsibility for establishing and maintaining internal controls and that I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the Audit Committee those deficiencies, of which I am aware, in the design or operation of the internal control systems and that I have taken the required steps to rectify these deficiencies.
4. I further certify that: -
 - a. there have been no significant changes in internal control during this year.
 - b. there have been no significant changes in accounting policies during this year.
 - c. there have been no instances of significant fraud of which I have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

Place: Kurukshetra
Dated: 29.08.2014

Basudev Garg
Whole Time Director

Declaration by the Managing Director under Clause 49 of the Listing Agreement

As per requirement of Clause 49 of the Listing Agreement with the Stock Exchanges, 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 31st March, 2013.

Place: Kurukshetra
Dated: 29.08.2014

Basudev Garg
Whole Time Director
DIN: 00282038

CERTIFICATE

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 31.03.2014 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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 Listing Agreement.

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: 29.08.2014

For Rajan K Gupta & Co.
Chartered Accountants

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