



CORPORATE GOVERNANCE

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

A brief statement on Company's philosophy on code of governance:

Good Corporate Governance refers to a system that entails transparency, fairness, accountability and integrity. The Company is committed to transparency in all its dealings and places uncompromising emphasis on integrity and regulatory compliance.

The basic philosophy of corporate governance in the Company is to achieve business excellence and enhance shareholder value, keeping in view the needs and interests of its 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. Pawan Goel, Mr. M. S. Venkateswaran, Mr. S. V. Joshi, Mr. B.B. Raina and Mr. Sundra Raj.

Composition:

As on 31st March 2009, the total number of Directors of the Company was six comprising of two Executive and four Non-Executive Independent Directors.

Name	Category
Mr. Basudav Garg	Chairman & Whole Time Director
Mr. Pawan Goel	Executive Director
Mr. M. S. Venkateswaran	Independent Director
Mr. S. V. Joshi	Independent Director
Mr. Sundra Raj	Independent Director
Mr. B.B. Raina	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, 2009, 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:

Sr. No.	Date	Sr. No.	Date
1.	28.04.2008	5.	30.10.2008
2.	30.06.2008	6.	11.11.2008
3.	29.07.2008	7.	28.01.2009
4.	01.09.2008	8.	18.03.2009

S. No.	Name of Director	No. of Meeting attending during 2008-09		No. of Directorship in other Public Companies		No. of Membership Committee held	
		Board	Last AGM	Listed	Others	Chairman	Member
1.	Mr. Basudav Garg	8	Yes	Nil	1	Nil	1
2.	Mr. Pawan Goel	8	Yes	Nil	1	Nil	1
3.	Mr. M. S. Venkateswaran	8	Yes	Nil	Nil	Nil	Nil
4.	Mr. S. V. Joshi	7	Yes	Nil	Nil	Nil	Nil
5.	Mr. Sundra Raj	7	Yes	Nil	Nil	Nil	Nil
6.	B.B Raina	6	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.

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. M. S. Venkateswaran (Independent Director)
2. Mr. B. B. Raina - (Independent Director)
3. Mr. Basudav Garg - (Executive Director)

Mr. M. S. Venkateswaran 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, five Committee Meetings were held on 26.04.2008, 25.06.2008, 25.07.2008, 27.10.2008, 24.01.2009.

The attendance record of the members of the Audit Committee for the FY 2008-09 is as under:

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
Mr. M. S. Venkateswaran	5	5
Mr. S. V. Joshi	5	5
Mr. Basudav Garg	5	5

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. M. S. Venkateswaran 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. M. S. Venkateswaran - (Independent Director)
2. Mr. S. V. Joshi - (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
M. S. Venkateswaran	5	5
Mr. S. V. Joshi	5	4
Mr. Basudav Garg	5	5

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.

REMUNERATION-CUM-COMPENSATION COMMITTEE

Composition:

None of the Director are being paid any remuneration, thus the company has not formed this committee.

GENERAL BODY MEETINGS

Date and venue of last three Annual General Meeting

Nature of Meeting	Date and Time	Venue	Special Resolution passed
Extra Ordinary General Meeting	05 th September 2007 at 11.00 A.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	28 th December 2007 at 1.00 P.M	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	30 th September 2008 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 2008-09.

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.

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 one month 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: 30th September 2009 at 1.00 P.M.
- Venue: 9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana
- b) Financial Calendar: 2008-2009
- The Company follows financial year of April to March.
- Financial reporting for
- 1st Quarter ending June 30, 2009 : End of July 2009
 - 2nd Quarter ending September 30, 2009: End of October 2009
 - 3rd Quarter ending December 31, 2009 : End of January 2010
 - Annual Result for the year ended March 31, 2009: End of June 2010
- c) Date of Book Closure/Record Date : 22nd September to 30th September 2009
(Both Days inclusive)
- 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, Bombay Stock Exchange 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 : In House Facility

i) Market Price Data

Month	Value (In Rupee)		Volumes
	High	Low	
October, 08	N.A.	N.A.	N.A.
November, 08	N.A.	N.A.	N.A.
December, 08	N.A.	N.A.	N.A.
January, 09	N.A.	N.A.	N.A.
February, 09	N.A.	N.A.	N.A.
March, 09	N.A.	N.A.	N.A.

j) Liquidity

Shares of KMG Milk Food Limited are listed on the Delhi Stock Exchange, Bombay Stock Exchange, Jaipur Stock Exchange, Ludhiana Stock Exchange and Ahmedabad Stock Exchange. The trading has been suspended at all Stock Exchanges. So there is no liquidity in the scrips of the Company.

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 In House facility at the following address:

9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana

o) Shareholding Pattern

The shareholding pattern as on 31st March 2009:

	Category	No. of shares held	Percentage of Shareholding
A.	Shareholding of Promoter and Promoter Group		
(1)	Indian	2,647,129	49.90
(2)	Foreign	0	0.00
	Total	2,647,129	49.90
B.	Public Shareholding		
(1)	Institutions	0	0.00
(a)	Mutual Funds/UTI	0	0.00
(b)	Financial Institutions/Banks	0	0.00

(c)	Foreign Institutional Investors	0	0.00
(d)	Any Other	0	0.00
	Sub Total	0	0.00
(2)	Non Institutions		
(a)	Bodies Corporate	543,500	10.25
(b)	Individuals	2,113,671	39.85
(c)	Any Other (Public Trust)	300	0.01
	Sub Total	2,657,471	50.10
	Grand Total	5,304,600	100.00

For KMG Milk Food Limited
Sd/-
Basudev Garg
Chairman and Whole Time Director

Place: Haryana
Date: 04.09.2009

Certificate by Chief Executive Officer/Director on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement(s)

The Board of Directors
KMG Milk Food Limited

We hereby certify that for the Financial Year 2008-09:

1. we have reviewed the financial statements and the cash flow statement and that to the best of our 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 our knowledge and belief, no transactions entered into by the Company during the year 2008-09 which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
4. We 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 we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

Place: Haryana
Dated: 04th September 2009

Sd/-
Basudav Garg
Whole Time Director

Declaration by the Whole Time 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, 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, 2009.

Place: Haryana
Dated: 04th September 2009

Sd/-
Basudav Garg
Whole Time Director

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 31.03.2009 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 an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Delhi

Date: 01st September, 2009

Vivek Sinha
Practicing Company Secretary
CP Number- 5218