

# KMG MILK FOOD LIMITED

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## 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. 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 six members viz. Mr. Basudev Garg, Mr. Mahesh Chandra Saxena, Mr. M. S. Venkateswaran, Mr. B.B Raina, Mr. Sundra Raj and Mrs. Mithlesh Garg.

The Company has appointed a Woman Director as on the Board in terms of Clause 49(II)(A)(I) of the Listing Agreement w.e.f., 29.09.2014.

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 2015, the total number of Directors of the Company was six comprising of two Executive and three 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	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.

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## Board Meeting

During the financial year ended March 31, 2015, 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
14.04.2014	5	4
30.05.2014	5	5
13.08.2014	5	4
29.08.2014	5	4
14.11.2014	6	5
20.12.2014	6	5
14.02.2015	6	5
27.03.2015	6	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 Clause No. 49 of the Listing Agreement 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	3	Yes	--	--	--
Shri B. B. Raina	8	Yes	--	--	--
Shri Mahesh Chandra Saxena	8	Yes	--	--	--
Shri M.S. Venkatswaran	8	Yes	--	--	--
Shri R. Sundra Raj	1	Yes	--	--	--

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## **Separate Meetings of Independent Directors**

As stipulated in Code of Independent Directors under the Companies Act, 2013 and the Listing Agreement, a separate Meeting of the Independent Directors of the Company was held on 14.02.2015 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

### **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. Stakeholders' Relationship Committee
3. Nomination and Remuneration Committee

## **AUDIT COMMITTEE**

Presently, the Audit Committee comprises of three member Directors viz. Shri Mahesh Chandra Saxena, Shri M.S. Venkateswaran and Mr Basudev Garg. All the members of the Audit Committee are Non-Executive and Independent Directors except Shri Basudev Garg. The Chairman of the Audit Committee attended the Annual General Meeting (AGM) held on 29.09.2014. 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 Clause 49 of the Listing Agreement, which include the following:

### **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.

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- 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. 30.05.2014, 13.08.2014, 14.11.2014 and 14.02.2015. The attendance of each Committee members is as under:

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

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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. The company Secretary acts as the Secretary to the Committee.

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

Presently the Stakeholders' Relationship Committee consists of Mr. Mahesh Chandra Saxena, Mr. M.S. Venkateswaran and Mr. Basudev Garg. 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.

During the year, the Stakeholders' relationship Committee had met on 14.02.2015.

No complaints received and resolved during the year under review and there are no outstanding complaints as on 31.03.2015. There were no valid share transfers pending for registration for more than 30 days as on the said date.

Ms. Vandana Kaushik, 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 viz. Mr. M. S. Venkateswaran, Mr. Mahesh Chandra Saxena and Mr. B.B. Raina, Mr. Mahesh Chandra Saxena is the Chairman of the Committee. All the members of the Nomination and Remuneration Committee are Non – Executive Directors and all are independent. The Company Secretary acts as the Secretary to the Committee.

During the year, the Nomination and Remuneration Committee Meeting had met once on 14.02.2015. 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

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

## 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 and includes discussions on various matters specified under Clause 49(IV)(F) of the Listing Agreement.

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## **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 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 (i.e. the CEO within the meaning of Clause 49-V of the Listing Agreement) 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, 2015 have been prepared as per applicable Accounting Standards and policies and that sufficient care has been taken for maintain adequate accounting records.

## **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 Clause 49 of the Listing Agreement at its meeting held on 29<sup>th</sup> August, 2015.

## **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 : 25<sup>th</sup> September 2015 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, 2015	:	Declared on 14 <sup>th</sup> August 2015
- 2 <sup>nd</sup> Quarter ending September 30, 2015	:	Mid of November 2015
- 3 <sup>rd</sup> Quarter ending December 31, 2015	:	Mid of February 2016
- Annual Result for the year ended March 31, 2016	:	End of May 2016

c) Date of Book Closure/Record Date : 17<sup>th</sup> September to 25<sup>th</sup> September  
(Both Days inclusive) 2015

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- 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, 2014	18.70	18.70	200
May, 2014	22.60	19.60	600
June, 2014	24.85	23.70	600
July, 2014	NIL	NIL	NIL
August, 2014	NIL	NIL	NIL
September, 2014	24.45	23.30	400
October, 2014	NIL	NIL	NIL
November, 2014	NIL	NIL	NIL
December, 2014	23.25	23.25	100
January, 2015	NIL	NIL	NIL
February, 2015	NIL	NIL	NIL
March, 2015	22.10	22.10	100

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 40.19% of total equity share capital is held in dematerialized form up to 31.03.2015 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. 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:

# KMG MILK FOOD LIMITED

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

n) Shareholding Pattern

The shareholding pattern as on 31<sup>st</sup> March 2015:

	Category	No. of shares held	Percentage of Shareholding
A.	Shareholding of Promoter and Promoter Group		
(1)	Indian	31,51,435	59.41
(2)	Foreign	--	--
	Total	<u>31,51,435</u>	<u>59.41</u>
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	<u>2,88,200</u>	<u>5.43</u>
(2)	Non Institutions		
(a)	Bodies Corporate	1,11,400	2.10
(b)	Individuals	17,51,665	33.03
(c)	Any Other (HUF)	600	0.01
(d)	NRI	1300	0.02
	Sub Total	<u>18,64,965</u>	<u>35.16%</u>
	Total (A+B)	<u>5,304,600</u>	<u>100.00</u>
	Grand Total	<u>5,304,600</u>	<u>100.00</u>

P) Distribution of Shareholding as on 31.03.2015

S.No	Category (Shares)	Holders	% of Total Holders	Shares	% of Total Shares
1.	Upto 500	1053	77.88%	243400	4.59%
2.	501-1,000	141	10.43%	115315	2.17%
3.	1,001-2,000	80	5.92%	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	27	2.00%	4586285	86.46%

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

Basudev Garg  
Chairman & Whole Time Director  
DIN: 00282038

Date: 29.08.2015  
Place: Haryana (Kurukshetra)

# **KMG MILK FOOD LIMITED**

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## **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, 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, 2015.

Place: Kurukshetra  
Dated: 29.08.2015

Basudev Garg  
Chairman & Whole Time Director  
DIN: 00282038

## **C E R T I F I C A T E**

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 31.03.2015 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: 29.08.2015

For Rajan K Gupta & Co.  
*Chartered Accountants*

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

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## **CEO & CFO CERTIFICATION**

We Basudev Garg (WTD) and Satish Kumar Narang (CFO) hereby certify that in respect of financial year ended on 31st March, 2015:-

- (a) We have reviewed the financial statements and cash flow statement for the year ended on 31st March, 2015 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, 2015 are fraudulent, illegal or violate 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 and 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: 29.08.2015

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

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