



**KMG MILK FOOD LIMITED**

**22nd ANNUAL REPORT  
2013 - 2014**

**REGISTERED OFFICE & WORKS:**

9<sup>th</sup> KM Stone, Pipli to Ambala,  
G.T. Road, Vill. Masana,  
Distt. Kurukshetra,  
Haryana - 132 118.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

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

### REGISTERED OFFICE & WORKS

9<sup>th</sup> KM Stone,  
Pipli to Ambala,  
G.T. Road, Vill. Masana  
Distt. Kurukshetra  
Haryana - 132 118

### HEAD OFFICE

Investor Grievances - compliances.kmg@gmail.com  
Website - www.kmggroup.com

### AUDITORS

**M/s Rajan K Gupta & Co.,**  
Chartered Accountants  
19, Chawla Complex,  
A-215, Shakarpur,  
Delhi-110 092.

### 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. Vandana Kaushik

### LISTED AT

Bombay Stock Exchange Limited  
Delhi Stock Exchange Limited  
Ludhiana Stock Exchange Limited  
Jaipur Stock Exchange Limited  
Ahmedabad Stock Exchange Limited

### BANKERS

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

### 22<sup>ND</sup> ANNUAL GENERAL MEETING

Date 29<sup>th</sup> September, 2014  
Day Monday  
Time 01:00 P.M.  
Place 9<sup>th</sup> KM Stone, Pipli to Ambala, G.T. Road, Vill. Masana, Distt. Kurukshetra, Haryana - 132 118

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE** is hereby given that the 22<sup>nd</sup> Annual General Meeting of the members of the Company will be held on Monday, the 29<sup>th</sup> September, 2014 at 13.00 hrs. 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 - 132 118 to transact the following business:

**ORDINARY BUSINESS:-**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2014, 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 Mr. M. S. Venkateswaran as Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Mahesh Chandra Saxena as Director, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration. M/s Rajan K Gupta & Co., Chartered Accountants, the retiring Auditor are eligible for re-appointment.

**SPECIAL BUSINESS:-**

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 149, 152 and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 Mrs. Mithlesh Garg (DIN 00185942) in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act signifying his intention to propose him as a candidate for the office of a Director of the Company, be and is hereby appointed as an Non Executive Director of the Company, liable to retire by rotation.”

**Registered Office:**

9<sup>th</sup> KM Stone,  
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G.T. Road, Vill. Masana  
Distt. Kurukshetra  
Haryana - 132 118

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

Vandana Kaushik  
**Company Secretary**

**Dated: 29.08.2014**

**Place: Kurukshetra (Haryana)**

**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 25.09.2014 to 29.09.2014 (both days inclusive).

5. Corporate members are requested to send the Company a duly certified copy of the Board Resolution, pursuant to section 187 of the Companies Act, 1956, 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 intends to send Annual Report by electronics mode from next year.
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 109A of the Companies Act, 1956, are requested to submit to the Registrars and Transfer Agents the details as required in Form 2B.
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 22<sup>nd</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 passed 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</li></ul> |
|------|---|

letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.

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 mandatory 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. (xvii) Above to cast vote.

- (C) (i) The voting period begins on 23<sup>rd</sup> September, 2014 (9:00 AM) and ends on 25<sup>th</sup> September, 2014 (6:00 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 29<sup>th</sup> August, 2014, 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.**

**Annexure to Notice:**

**STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

**Item No. 5**

The Company has received notice in writing from a member along with the deposit of requisite amount under section 160 of the Companies Act, 2013, proposing the candidature of Mrs. Mithlesh Garg for the office of Director (Non-Executive) of the Company. Mrs. Garg has a rich experience of serving on the board of various companies and she is a dynamic business leader.

Mrs. Mithlesh Garg is not disqualified from being appointed as Director in terms of Section 164 of the Act and have given their consent to act as Director.

Keeping in view the requirement of the Act for appointment of a women director on the Board and the experience and knowledge of Mrs. Garg, it will be in the interest of the Company that she be appointed as Director (Non-Executive), liable to retire by rotation.

None of the Directors, except Mr. Basudev Garg and Mrs. Mithlesh Garg, is concerned or interested, financial or otherwise, in this resolution.

The Board recommends the resolution at item no. 5 for approval of the Members as Ordinary Resolution.

**Details of Directors seeking Re-appointment at the Annual General Meeting  
(In Pursuance of clause 49 of the Listing Agreement)**

|  |   |   |   |
|--|---|---|---|
| Name of the Director                                   | Mr. M. S. Venkateswaran   | Mr. Mahesh Chandra Saxena   | Mrs. Mithlesh Garg  |
| Date of Birth  | 16.03.1953  | 04.04.1950  | 11.08.1954  |
| Age  | 61  | 64  | 60  |
| Date of Appointment                                    | 05.08.2006  | 08.11.2011  | 29.09.2014  |
| Qualification  | Graduate by Qualification   | Post Graduate by Qualification  | Graduate by Qualification   |
| Expertise in Specific functional areas                 | Good amount of experience in Banking and Investment.                                  | Retired government officer. Good amount of experience in legal field.                 | Good amount of experience on serving as a director on the board of various companies. |
| Directorship held in Other Public Companies as on date | NIL   | NIL   | 1, KMG international Limited  |
| Committee Positions in KMG Milk Food Limited*          | 3, Member in Audit Committee, Investor Grievance Committee and Remuneration Committee | 3, Member in Audit Committee, Investor Grievance Committee and Remuneration Committee | NIL   |
| Committee Positions in Other Public Companies*         | NIL   | NIL   | NIL   |
| No of Shares held                                      | NIL   | NIL   | 1121729   |

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

## DIRECTORS' REPORT

The Directors hereby present their 22<sup>nd</sup> Annual Report on the business and operations of the company and financial results for the year ended 31<sup>st</sup> March 2014.

### 01. FINANCIAL HIGHLIGHTS:

*(Rs. In lacs)*

| Particulars  | For the Year Ended<br>31.03.2014 | For the Year Ended<br>31.03.2013 |
|--|----------------------------------|----------------------------------|
| Total Revenue  | 200.63                           | 203.80                           |
| Total Expenditure excluding Depreciation,<br>Amortization Expenses and Financial Charges | 46.42                            | 68.81                            |
| Depreciation and Amortization Expenses   | 48.63                            | 49.97                            |
| Financial Charges  | 0.04                             | 0.05                             |
| Profit/(Loss) before Extraordinary Item  | 105.56                           | 84.97                            |
| Extraordinary Item   | -                                | 189.70                           |
| Profit/(Loss) before Tax   | 105.56                           | (104.72)                         |
| Tax Expenses   | 4.24                             | (14.36)                          |
| <b>Net Profit/(Loss) after Tax</b>   | <b>101.32</b>                    | <b>(90.36)</b>                   |

### 02. PERFORMANCE:

With continuous efforts of the management of the Company during the period under report the Company achieved a turnover of Rs 200.63 lacs as compared to Rs. 203.79 Lacs for the previous year.

Your Company performed good 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:

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

### 04. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis, forming part of this report, as required under Clause 49(IV) (F) of the Listing Agreement with the stock exchanges is attached separately to this Annual Report.

### 05. DIRECTORS:

In accordance with the requirements of the Companies Act, 1956 and the Company's Articles of Association, Mr. M S Venkateswaran and Mr. M C Saxena, Director of the Company, retires by rotation and being eligible offers himself 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 under Clause 49 of the Listing agreement with the stock exchanges forms part of the Notice.

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

In compliance with the provisions of section 217(1)(e) of the Companies Act, 1956, the statement giving the required information is annexed hereto.



**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 217 (2A) of the Companies Act, 1956.

**08. DIRECTORS' RESPONSIBILITY STATEMENT:**

As required under section 217(2AA) of the Companies Act, 1956 regarding the Directors' Responsibility Statement it is hereby stated:

- that in the preparation of the annual accounts for the year ended 31.03.2014, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 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.
- 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
- that the Directors have prepared the annual accounts on a going concern basis.
- 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.
- 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. CORPORATE GOVERNANCE**

As per schedule of implementation of Corporate Governance Code mentioned in Clause 49 of the Listing Agreement, the Company has implemented the mandatory requirements of the code.

**10. AUDITORS**

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

The Board recommends the appointment of M/s. Rajan K Gupta & Co, Chartered Accountants, the Statutory Auditors of the Company for the Financial Year 2014-15.

**11. AUDITORS' REPORT**

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, Ludhiana Stock Exchange Limited, Jaipur Stock Exchange Limited, and Ahmedabad Stock Exchange Limited. The trading of securities of the Company has been revoked from BSE Limited and Shares of the Company have been traded at BSE trading platform.

**13. CLAUSE 5A OF THE LISTING AGREEMENT**

In view of newly inserted clause 5A to the Listing Agreement vide circular no. CIR/CFD/DIL/10/2010 dated 16th December, 2010 issued by the Securities and Exchange Board of India (SEBI) introducing uniform procedure for dealing with the unclaimed shares, the Company will be sending reminder letters to shareholders whose share certificates are still lying with the Company as undelivered/ unclaimed. Members who are yet to claim share certificates in physical mode are requested to claim their share certificates from the R&T Agent of the

company viz. M/s Skyline Financial Services Private Limited. We would also like to inform that in case the company is not able to receive any response to the reminder letters the shares lying with the Company as undelivered/ unexchanged shall be transferred to "Unclaimed Suspense Account" and thereafter dematerialised to a specific Demat Account to be opened by the Company for this specific purpose, as stipulated in the above circular of SEBI.

**14. 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.

**15. PUBLIC DEPOSIT**

During the year under review, your company has not invited any deposits from the Public U/s 58 A of the Companies Act, 1956.

**16. 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.

**17 INVESTOR GRIEVANCES**

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

**18. ACKNOWLEDGEMENT:**

The Board gratefully acknowledges the support and cooperation extended by the Government Authorities, Financial Institutions, Banks, Distributors and Suppliers and looks forward for their continued support/co-operation.

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

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

**Date: 29.08.2014**

**Place: Kurukshetra (Haryana)**

## ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the period ended 31<sup>st</sup> March 2014.

| I. CONSERVATION OF ENERGY:   | Year Ended<br>31-03-2014 | Year Ended<br>31-03-2013 |
|--|--------------------------|--------------------------|
| <b>A. POWER AND FUEL CONSUMTION</b>                                  |                          |                          |
| <b>Electricity</b>   |                          |                          |
| <b>(a). Purchase</b>   |                          |                          |
| Units  | Nil                      | Nil                      |
| Total Amount (in Rs.)  | Nil                      | Nil                      |
| Rate / Unit  | Nil                      | Nil                      |
| <b>(b). Own Generation:</b>  |                          |                          |
| <b>(i). Through Diesel Generator</b>                                 |                          |                          |
| <b>Units</b>   |                          |                          |
| Unit per Ltr. of Diesel  | Nil                      | Nil                      |
| Cost / Unit ( Rs.)   | Nil                      | Nil                      |
| <b>(ii). Coal</b>  |                          |                          |
| Quantity (MT)  | Nil                      | Nil                      |
| Total Cost   | Nil                      | Nil                      |
| Average Rate / MT (Rs)   | Nil                      | Nil                      |
| <b>(iii). Husk</b>   |                          |                          |
| Quantity (MT)  | Nil                      | Nil                      |
| Total Cost (Rs.)   | Nil                      | Nil                      |
| Average Rate / MT (Rs)   | Nil                      | Nil                      |
| <b>B. TOTAL QUANTITY OF MILK PROCESSED*</b>                          |                          |                          |
| <b>(i). Electricity</b> (Cost per Kg of Milk Processed)              | Nil                      | Nil                      |
| <b>(ii). Husk/ Coal / Fire Wood</b> (Cost per Kg. of Milk Processed) | Nil                      | Nil                      |

**II. TECHNOLOGY ABSORPTION**

## a. Research and Development

The company has set up a well-equipped Research & Development facility for developing new products and continuous improvement of existing products.

## b. Technology Absorption, Adaptation &amp; Innovation

The company has successfully used imported substitutes for spares resulting in valuable foreign exchange saving.

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The company has not earned any foreign exchange during the year under report and the expenditure incurred was also NIL.

\* As the plant produces three different products at the same time viz. Desi Ghee, SMP and Diary Whitener, it is not possible to give the consumption per unit of production. Hence, consumption per unit of processing has been given.

## **MANAGEMENT DISCUSSION & ANALYSIS REPORT**

Your Directors presents before you the Company's Management Discussion and Analysis Report for the year ended on 31.03.2014.

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.

## **KMG Milk Food Ltd.**

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- 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 REPORTING**

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 in place the proper and adequate systems of internal controls. 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 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.

## 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 31<sup>st</sup> 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.

| Name of the Member Director         | No. of Meetings Held | No. of Meetings attended |
|-------------------------------------|----------------------|--------------------------|
| 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 31<sup>st</sup> 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 <sup>th</sup> September 2011 at 1.00 P.M. | 9th Kilometer Stone Pipli To Ambala Village Masana, Kurukshetra, Hr. | None                      |
| Annual General Meeting | 29 <sup>th</sup> September 2012 at 1.00 P.M. | 9th Kilometer Stone Pipli To Ambala Village Masana, Kurukshetra, Hr. | None                      |
| Annual General Meeting | 30 <sup>th</sup> September 2013 at 1.00 P.M. | 9th Kilometer Stone Pipli To Ambala Village Masana, Kurukshetra, Hr. | 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 : 29<sup>th</sup> 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 01<sup>st</sup> to March 31<sup>st</sup>.
- Tentative Schedule for Financial Year 2014-15
- 1<sup>st</sup> Quarter ending June 30, 2014 : Declared on 13<sup>th</sup> August 2014
  - 2<sup>nd</sup> Quarter ending September 30, 2014 : Mid of November 2014
  - 3<sup>rd</sup> 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) : 25<sup>th</sup> September to 29<sup>th</sup> 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 28<sup>th</sup> 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 &amp; 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:

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

## o) Shareholding Pattern

The shareholding pattern as on 31<sup>st</sup> March 2014:

| Category  | No. of shares held | Percentage of Shareholding |
|---|--------------------|----------------------------|
| <b>A. Shareholding of Promoter and Promoter Group</b> |                    |                            |
| (1) Indian  | 28,87,135          | 54.43                      |
| (2) Foreign   | —                  | —                          |
| Total   | 28,87,135          | 54.43                      |
| <b>B. Public Shareholding</b>                         |                    |                            |
| (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                     |

**KMG Milk Food Ltd.**

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

Basudev Garg

Dated: 29.08.2014

Whole Time Director

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**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 31<sup>st</sup> March, 2013.

Place: Kurukshetra

Basudev Garg

Dated: 29.08.2014

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 31.03.2014 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

**INDEPENDENT AUDITORS' REPORT**

To the members of **KMG Milk Food Ltd**

**1. Report on the Financial Statements**

We have audited the accompanying financial statements of KMG Milk Food Limited which comprise the Balance Sheet as at 31st March, 2014 and the Statement of Profit & Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other additional information.

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

The Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, 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.

**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 Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2014 and
- (ii) In the case of the Statement of Profit & Loss, of the profit of the company for the year ended on that date.
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

A. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

B. As required by Section 227(3) of the Act, we report that:



**KMG Milk Food Ltd.**

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- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.; and
- e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

**For Rajan K. Gupta & Co.**  
Chartered Accountants

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

Place: Delhi  
Dated: 30-05-2014

**KMG MILK FOOD LTD**

Annexure to the Audit Report referred to in paragraph 5 A of our report of even date

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) All the assets have not been physically verified by the management during the year but there is a regular programmed of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
  - (c) During the year, the company has not disposed off a major part of the plant and machinery and consequently the going concern has not been affected.
  - (d) During the year all the fixed assets including factory building is given on lease to Mahaan Milk Foods Ltd.
2. Since there is no stock of inventory, hence physically verification of the stock not required.
3. (a) The company had taken unsecured loan from associates and therefore the provisions regarding taking of loan by the company from other companies covered in the register maintained under section 301 of the Companies Act, 1956 is applicable to the company.- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from/ granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.
- (c) The company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest. The parties have repaid the principal amounts as stipulated and have been regular in the payment of interest.
- (d) There is no overdue amount of loans taken from or granted to companies, firms or other parties in the register maintained under section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, no major weakness has been noticed in internal controls.

5. (a) Based on the Audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposit under the provisions of sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.

7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.

8. The provision regarding maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 does not apply to the company under review.

9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

- (b) According to the information and explanation given to us, and the records of the company examined by us, no undisputed amount payable in respect of income tax, wealth tax, sale tax, custom duty, excise duty and cess were in arrears, as at 31.03.2014 for the period of more than six months from the date they become payable except the milk cess of Rs 1,50,84,375/- against the supreme court order dated 07-09-2012.
- (c) According to the information and explanation given to us, there are no dues of income tax, wealth tax, sale tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.

Statement of disputed Dues

| Name of the Statute                   | Nature of the dues                 | Amount In Rs                    | Period to which the amount relates | Forum where dispute is pending                        |
|---------------------------------------|------------------------------------|---------------------------------|------------------------------------|---|
| Haryana Live stock Development Board, | Milk Cess<br>Interest on Milk cess | 1,57,59,375/-<br>26,04,15,499/- | 2001-2007                          | Haryana Live stock Development Board, Pehowa, Haryana |

- 10. The company has accumulated losses of Rs 4,84,29,218/- (Previous Year Rs 5,85,61,634/-) at the end of the financial year under review which are more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- 11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- 12. Based on our examination of documents and records, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13. In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- 14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Company (Auditor's report) Order, 2003 are not applicable to the company.
- 15. The company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16. In our opinion, the term loans have been applied for the purpose for which they were raised.
- 17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.
- 18. Based on our examination of records and the information provided to us by management we report that the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 19. During the period covered by our audit report, the company has not issued debentures. The question of creation of any security in respect of these debentures does not arise.
- 20. The company has not raised any money by public issued during the financial year under review.
- 21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Rajan K. Gupta & Co.  
Chartered Accountants

Place: Delhi  
Dated: 30-05-2014

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

**KMG MILK FOOD LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH 2014**

(Amount in Rs.)

|   | Particulars<br>No                  | Note | Current Year         | Previous Year        |
|---|------------------------------------|------|----------------------|----------------------|
| A | <b>EQUITY AND LIABILITIES</b>      |      |                      |                      |
| 1 | <b>Shareholders' funds</b>         |      |                      |                      |
|   | (a) <b>Share capital</b>           | 1    | 53,046,000.00        | 53,046,000.00        |
|   | (b) Reserves and surplus           | 2    | (48,429,218.00)      | (58,561,634.00)      |
| 2 | <b>Non-current liabilities</b>     |      |                      |                      |
|   | (a) Long-term borrowings           | 3    | 1,500,000.00         | 11,000,000.00        |
|   | (b) Deferred tax liabilities (net) | 4    | 3,576,124.00         | 3,151,716.00         |
|   | (c) Other long term liabilities    | 5    | 211,337.00           | 211,337.00           |
| 3 | <b>Current liabilities</b>         |      |                      |                      |
|   | (a) Other current liabilities      | 6    | 15,522,055.00        | 17,939,058.00        |
|   | (b) Short-term provisions          | 7    | 111,923.00           | 111,923.00           |
|   | <b>Total</b>                       |      | <b>25,538,221.00</b> | <b>26,898,400.00</b> |
| B | <b>Assets</b>                      |      |                      |                      |
| 1 | <b>Non-current assets</b>          |      |                      |                      |
|   | (a) <b>Fixed assets</b>            |      |                      |                      |
|   | (i) Tangible assets                | 8    | 17,594,270.00        | 22,445,692.00        |
|   | (b) Non-current investments        | 9    | 33,000.00            | 33,000.00            |
|   | (c) Long-term loans and advances   | 10   | 1,981,654.00         | 1,981,654.00         |
|   | (d) Other Non Current Assets       | 11   | 1,503,684.00         | 1,503,684.00         |
| 2 | <b>Current assets</b>              |      |                      |                      |
|   | (a) Cash and cash equivalents      | 12   | 282,230.00           | 185,309.00           |
|   | (b) Short-term loans and advances  | 13   | 3,009,322.00         | 15,000.00            |
|   | (c) Other current assets           | 14   | 1,134,061.00         | 734,061.00           |
|   | <b>Total</b>                       |      | <b>25,538,221.00</b> | <b>26,898,400.00</b> |

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

This is the balance sheet referred to in our report of even date

For Rajan K. Gupta & Co.  
Chartered Accountants

For and on behalf of Board of Directors

Rajan Gupta  
Partner  
M.No 074696  
FRN 005945C

B.B Raina  
Director

Basudev Garg  
Director

Satish Kumar  
CFO

Place:Delhi  
Dated:30-05-2014

Vandana Kaushik  
Company Secretary

**KMG MILK FOOD LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014**

(Amount in Rs.)

| Particulars   | Note No | Current Year  | Previous Year  |
|---|---------|---------------|----------------|
| <b>Continuing operations</b>  |         |               |                |
| <b>Income</b>   |         |               |                |
| Revenue from operations   | 15      | 20,000,000.00 | 20,000,000.00  |
| Other income  | 16      | 63,213.00     | 379,659.00     |
| <b>Total revenue</b>  |         | 20,063,213.00 | 20,379,659.00  |
| <b>Expenses</b>   |         |               |                |
| Employee benefits expense   | 17      | 2,910,039.00  | 2,803,388.00   |
| Other expenses  | 18      | 1,732,928.00  | 4,082,307.00   |
| <b>Total</b>  |         | 4,642,967.00  | 6,885,695.00   |
| <b>Earnings before interest, tax, depreciation and amortization (EBITDA) (I) - (II)</b> |         | 15,420,246.00 | 13,493,964.00  |
| Depreciation and amortization expense   | 19      | 4,863,422.00  | 4,996,591.00   |
| <b>Profit/(loss) before extraordinary items and tax</b>                                 |         | 10,556,824.00 | 8,497,373.00   |
| <b>Extraordinary items</b>  | 20      | -             | 18,969,668.00  |
| <b>Profit/(loss) before tax</b>   |         | 10,556,824.00 | -10,472,295.00 |
| <b>Tax expense</b>  |         |               |                |
| Current tax(MAT)  |         | -             | -              |
| (Less): MAT credit (where applicable)   |         | -             | -              |
| Current tax expense relating to prior years   |         | -             | -              |
| Net current tax expense   |         | -             | -              |
| Deferred tax  |         | 424,408.00    | (1,435,959.00) |
| <b>Total Tax expense</b>  |         | 424,408.00    | (1,435,959.00) |
| <b>Profit/(loss) for the year</b>   |         | 10,132,416.00 | (9,036,336.00) |
| Minority shareholders interest- loss/(profit)   |         | -             | -              |
| Share in loss of associates   |         | -             | -              |
| <b>Profit/ (Loss) for the year from continuing operations (A)</b>                       |         | 10,132,416.00 | -9,036,336.00  |
| Discontinuing operations  |         |               |                |
| Profit/(loss) before tax from discontinuing operations                                  |         | -             | -              |
| Tax expense of discontinuing operations   |         | -             | -              |
| <b>Profit/(loss) after tax from discontinuing operations (B)</b>                        |         | -             | -              |
| <b>Profit/(loss) for the year (A+B)</b>   |         | 10,132,416.00 | -9,036,336.00  |
| <b>Earnings per share</b>   | 21      | 1.91          | (1.70)         |
| <b>Basic</b>  |         | 1.91          | (1.70)         |
| <b>Diluted</b>  |         | 1.91          | (1.70)         |

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

This is the balance sheet referred to in our report of even date

For Rajan K. Gupta & Co.  
Chartered Accountants

For and on behalf of Board of Directors

Rajan Gupta  
Partner  
M.No 074696  
FRN 005945C

B.B Raina  
Director

Basudev Garg  
Director

Satish Kumar  
CFO

Place:Delhi  
Dated:30-05-2014

Vandana Kaushik  
Company Secretary

**KMG MILK FOOD LIMITED**

CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 31ST MARCH 2014

**CASH FLOW FROM OPERATING ACTIVITIES**

(Amount in Rs.)

|  | AS AT<br>31.03.2014 | AS AT<br>31.03.2013 |
|--|---------------------|---------------------|
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>             |                     |                     |
| Net Profit/(Loss) before Tax                             | 10,132,416.00       | (9,036,336.00)      |
| Add/(Deduct)   |                     |                     |
| 1 Depreciation on Fixed Assets                           | 4,863,422.00        | 4,996,591.00        |
| 2 Interest   | -                   | 2,911.00            |
| 3 Increase(Decrease) in Deferred Tax Liabilities         | 424,408.00          | (1,435,959.00)      |
| Operating Cash Profit before Working Capital Changes     | 15,420,246.00       | (5,472,793.00)      |
| Add/(Deduct)   |                     |                     |
| 1 ( Increase ) decrease in Debtors                       | -                   | 173,750.00          |
| 2 Increase(Decrease) in Creditors & other Payables       | (2,417,003.00)      | 15,353,432.00       |
| 3 (Increase)Decrease in Advance Recoverable              | (3,394,322.00)      | (734,231.00)        |
| Cash flow from Operations                                | 9,608,921.00        | 9,317,247.00        |
| 1 Interest Paid  | -                   | -                   |
| 2 Net Cash flow from Operating Activities                | 9,608,921.00        | 9,317,247.00        |
| <b>B CASH FLOW FROM FINANCIAL ACTIVITIES</b>             |                     |                     |
| Add/(Deduct)   |                     |                     |
| 1 Increase (Decrease) in Secured Loans                   | -                   | -                   |
| 2 Increase (Decrease) in Unsecured Loans                 | (9,500,000.00)      | (9,150,000.00)      |
| 3 Liabilities written off- Extrordinary items            | -                   | -                   |
| Net Cash flow from Financial Activities                  | (9,500,000.00)      | (9,150,000.00)      |
| <b>C CASH FLOW FROM INVESTING ACTIVITIES</b>             |                     |                     |
| Add: Capital Received                                    | -                   | -                   |
| Less Purchase of Fixed Assets                            | 12,000.00           | 3,295.00            |
| Investment made  | -                   | -                   |
| Net Cash flow from Investing Activities                  | (12,000.00)         | (3,295.00)          |
| Net Increase/(Decrease) in Cash/Cash Equivalents (A+B+C) | 96,921.00           | 163,952.00          |
| Add: Balance at the beginning of the year                | 185,309.00          | 21,357.00           |
| Cash and Cash Equivalents at the close of the year       | 282,230.00          | 185,309.00          |

This is the cash flow statement referred to in our report of even date

For Rajan K. Gupta &amp; Co.

Chartered Accountants

For and on behalf of Board of Directors

Rajan Gupta  
Partner  
M.No 074696  
FRN 005945C

B.B Raina  
Director

Basudev Garg  
Director

Satish Kumar  
CFO

Place:Delhi  
Dated:30-05-2014

Company Secretary

**KMG MILK FOOD LIMITED**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

**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><br>60,00,000 (Previous Year 60,00,000) equity shares of Rs.10/- each            | 60,000,000.00 | 60,000,000.00 |
| 2   | <b>Issued, subscribed and paid-up capital</b><br>53,04,600 (Previous Year 5304600) equity shares of Rs.10/- each | 53,046,000.00 | 53,046,000.00 |
|     | <b>Total</b>   | 53,046,000.00 | 53,046,000.00 |

**(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 :<br><b>Equity shares of Rs. 10 each fully paid up</b><br>M/S KMG International Ltd | 530300       | 530300        |

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

| S.No | Name of Shareholder   | Current Year      | Previous Year     |
|------|---|-------------------|-------------------|
| 1    | <b>Equity shares of Rs. 10 each fully paid up</b><br>Smt Mithlesh Garg<br>-No. of Shares<br>-% held | 1121729<br>21.15% | 1121729<br>21.15% |
| 2    | Shri Basudev Garg<br>-No. of Shares<br>-% held  | 872656<br>16.45%  | 872656<br>16.45%  |
| 3    | Smt Shivangi Garg<br>-No. of Shares<br>-% held  | 352450<br>6.64%   | 352450<br>6.64%   |
| 4    | M/S KMG International Ltd<br>-No. of Shares<br>-% held  | 530300<br>10.00%  | 530300<br>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.

**KMG MILK FOOD LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

**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                 | -58,561,634.00 | (49,525,298.00) |
| 2    | Amount Transferred from I tax (Mat)                          | -              | -               |
| 3    | Profit for the year  | 10,132,416.00  | (9,036,336.00)  |
| 4    | Less Deferred Tax Assets                                     | -              |                 |
| 5    | Total appropriation  | -              | (9,036,336.00)  |
|      | <b>Net surplus in the statement of profit and loss</b>       | 10,132,416.00  | -9,036,336.00   |
|      | <b>Total reserves and surplus</b>                            | -48,429,218.00 | -58,561,634.00  |

**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.

**Note-3: Long- term Borrowings**

(Amount in Rupees)

| S.No | Particulars                 | Current Year | Previous Year |
|------|-----------------------------|--------------|---------------|
|      | <b>Unsecured,</b>           |              |               |
|      | From Associates Companies   |              |               |
| 1    | KMG Leasing & Advance Ltd   | -            | 9,500,000.00  |
| 2    | KMG Non-Ferrous Metal P Ltd | 1,500,000.00 | 1,500,000.00  |
|      | Total                       | 1,500,000.00 | 11,000,000.00 |

**Note:**

The loan is repayable on demand.



## KMG MILK FOOD LIMITED

## Notes to financial statements for the year ended 31 March 2014

## Note-4 : 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                                    | 34,584.00           | 34,584.00           |
| 2    | Depreciation   | -                   | -                   |
| 3    | Opening Balance                                      | 3,151,716.00        | 4,587,675.00        |
| 4    | Less Deferred Tax Assets                             | (389,824.00)        | 1,470,543.00        |
|      | <b>Deferred tax liability (Net)</b>                  | <b>3,576,124.00</b> | <b>3,151,716.00</b> |

## Note-5 : Other Long Term Liabilities

(Amount in Rupees)

| S.No | Particulars                        | Current Year      | Previous Year     |
|------|------------------------------------|-------------------|-------------------|
| 1    | Shree Ganesh ji Maharaj            | 253.00            | 253.00            |
| 2    | Trade payables                     |                   |                   |
|      | Due to Micro and Small Enterprises | -                 | -                 |
| (b)  | Due to Others                      |                   |                   |
|      | - Baff Engineering Pvt Ltd         | 150,904.00        | 150,904.00        |
|      | - We Power Engineers ( Delhi)      | 60,180.00         | 60,180.00         |
|      | <b>Total</b>                       | <b>211,337.00</b> | <b>211,337.00</b> |

(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-6: Other Current Liabilities

(Amount in Rupees)

| S.No | Particulars          | Current Year         | Previous Year        |
|------|----------------------|----------------------|----------------------|
| 1    | Expenses Payable     | 416,869.00           | 240,299.00           |
| 2    | Advance Received     | -                    | 2,600,000.00         |
| 3    | Statutory Remittance | 15,105,186.00        | 15,098,759.00        |
|      | <b>Total</b>         | <b>15,522,055.00</b> | <b>17,939,058.00</b> |

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-7: Short Term Provisions

(Amount in Rupees)

| S.No | Particulars                            | Current Year      | Previous Year     |
|------|--|-------------------|-------------------|
|      | <b>Provision for employee benefits</b> |                   |                   |
| 1    | Provision for gratuity                 | 111,923.00        | 111,923.00        |
|      | <b>Total</b>                           | <b>111,923.00</b> | <b>111,923.00</b> |

**KMG MILK FOOD LIMITED**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

**Note 8: Fixed Assets**

| Particulars                      | Rate of Depreciation | Gross Block                   |           |           | Depreciation/Amortisation      |                      |              |           | Net Block              |                               |                               |
|----------------------------------|----------------------|-------------------------------|-----------|-----------|--------------------------------|----------------------|--------------|-----------|------------------------|-------------------------------|-------------------------------|
|                                  |                      | Balance as at 1st April, 2013 | Additions | Disposals | Balance as at 31st March, 2014 | Up to 1st April 2013 | For the Year | Disposals | Up to 31st March, 2014 | Balance as at 31st March 2014 | Balance as at 31st March 2013 |
| 1 Tangible Assets                |                      |                               |           |           |                                |                      |              |           |                        |                               |                               |
| 1 Land                           | 0                    | 637,337                       | -         | -         | 637,337                        | -                    | -            | -         | -                      | 637,337                       | 637,337                       |
| 2 Site Development               | 0                    | 1,871,960                     | -         | -         | 1,871,960                      | -                    | -            | 1,871,960 | 1,871,960              | 1,871,960                     | 1,871,960                     |
| 3 Building                       | 3.34                 | 25,138,728                    | -         | -         | 25,138,728                     | 5,370,442            | 839,634      | -         | 16,210,076             | 8,928,652                     | 9,768,286                     |
| 4 Plant & Machinery              | 4.75                 | 84,703,318                    | -         | -         | 84,703,318                     | 74,694,842           | 4,023,408    | -         | 78,718,250             | 5,985,068                     | 10,008,476                    |
| 5 Furniture & Fixture            | 6.33                 | 329,658                       | -         | -         | 329,658                        | 320,356              | -            | -         | 320,356                | 9,302                         | 9,302                         |
| 6 Vehicles                       | 9.5                  | 2,641,233                     | -         | -         | 2,641,233                      | 2,509,171            | -            | -         | 2,509,171              | 132,062                       | 132,062                       |
| 7 Office Equipments              | 4.75                 | 365,380                       | 12,000    | -         | 377,380                        | 347,111              | 380          | -         | 347,491                | 29,889                        | 18,269                        |
| 8 Items cost less than Rs 5000/- | 100                  | 3,295                         | -         | -         | 3,295                          | 3,295                | -            | -         | 3,295                  | -                             | -                             |
|                                  |                      | 115,690,909                   | 12,000    | -         | 115,702,909                    | 93,245,217           | 4,863,422    | -         | 98,108,639             | 17,594,270                    | 22,445,692                    |
| Previous Year Total              |                      | 115,687,614                   | 3,295     | -         | 115,690,909                    | 88,248,626           | 4,996,591    | -         | 93,245,217             | 22,445,692                    |                               |

**Note: All the assets including factory building has been given on lease for the period from 01-04-2012 to 31-03-2014 for amounting to RS 200 lacs per year.**

## KMG MILK FOOD LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

**Note-9: 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-10: Long Term Loan & Advances****(Amount in Rupees)**

| S.No | Particulars                | Current Year | Previous Year |
|------|----------------------------|--------------|---------------|
| (a)  | <b>Security deposits</b>   |              |               |
|      | Hseb                       | 1,881,654    | 1,881,654     |
| (b)  | Others                     |              |               |
|      | Unsecured, considered good |              |               |
| 1    | - Galaxy Toyota            | 100,000      | 100,000       |
|      | Total                      | 1,981,654    | 1,981,654     |

**Note-11: Other Non Current Assets****(Amount in Rupees)**

| S.No | Particulars                  | Current Year | Previous Year |
|------|------------------------------|--------------|---------------|
| 1    | <b>Trade Receivables</b>     |              |               |
|      | - Bapna Trading Co, Kankroli | 88,756.00    | 88,756.00     |
|      | - Fair Deal Agencies         | 34,075.00    | 34,075.00     |
|      | -Goldline Milk Food Pvt ltd  | 659,262.00   | 659,262.00    |
|      | - Right Choice               | 715,000.00   | 715,000.00    |
|      | - Right Choice,Jodhpur       | 6,591.00     | 6,591.00      |
|      | Total                        | 1,503,684.00 | 1,503,684.00  |

**Note-12: Cash and bank balances****(Amount in Rupees)**

| S.No | Particulars                      | Current Year | Previous Year |
|------|----------------------------------|--------------|---------------|
| 1    | <b>Cash and cash equivalents</b> |              |               |
|      | Cash on hand                     | 1,176.00     | 9,635.00      |
| 2    | <b>Balances with banks:</b>      |              |               |
|      | On current accounts              | 281,054.00   | 175,674.00    |
|      | Total                            | 282,230.00   | 185,309.00    |

**Note-13: Short Term Loans and advances****(Amount in Rupees)**

| S.No | Particulars                          | Current Year | Previous Year |
|------|--------------------------------------|--------------|---------------|
|      | Unsecured, considered good           |              |               |
|      | Advances recoverable in cash or kind |              |               |
| 1    | Security-Delhi Office                | 2,500,000.00 | -             |
| 2    | Advocate-Rakesh Kr Gupta             | 2,500.00     | -             |
| 3    | Capital Advance                      | 466,822.00   | -             |
| 4    | - Staff Advance                      | 40,000.00    | 15,000.00     |
|      | Total                                | 3,009,322.00 | 15,000.00     |

**KMG MILK FOOD LIMITED****NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014****Note-14: Other Current Assets****(Amount in Rupees)**

| S.No | Particulars    | Current Year     | Previous Year  |
|------|----------------|------------------|----------------|
| 1    | TDS Receivable | 1,134,061        | 734,061        |
|      | <b>Total</b>   | <b>1,134,061</b> | <b>734,061</b> |

**Note-15: 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              | 20,000,000        | 20,000,000        |
|      |  | <b>20,000,000</b> | <b>20,000,000</b> |
| 2    | Other operating revenues               | -                 | -                 |
|      | <b>Revenue from operations (Gross)</b> | <b>20,000,000</b> | <b>20,000,000</b> |
|      | Less : Excise duty                     | -                 | -                 |
|      | <b>Revenue from operations (Net)</b>   | <b>20,000,000</b> | <b>20,000,000</b> |

**Note-16: Other income****(Amount in Rupees)**

| S.No | Particulars                | Current Year  | Previous Year  |
|------|----------------------------|---------------|----------------|
| 1    | Income Tax Refund          | -             | 59,517         |
|      | <b>Others</b>              |               |                |
| 2    | Sundry Balance written Off | 315           | 320,142        |
| 3    | Interest Received          | 62,898        | -              |
|      | <b>Total</b>               | <b>63,213</b> | <b>379,659</b> |

**Note-17: Employee benefit expense****(Amount in Rupees)**

| S.No | Particulars                                    | Current Year        | Previous Year       |
|------|--|---------------------|---------------------|
| 1    | Salaries, wages and bonus                      | 2,881,335.00        | 2,670,315.00        |
| 2    | Contribution to provident fund and other funds | 25,500.00           | 20,400.00           |
| 3    | Staff welfare expenses                         | 3,204.00            | 750.00              |
| 4    | Provision for gratuity                         | -                   | 111,923.00          |
|      | <b>Total</b>                                   | <b>2,910,039.00</b> | <b>2,803,388.00</b> |

## KMG MILK FOOD LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

## Note-18: Other expenses

(Amount in Rupees)

| S.No | Particulars                                      | Current Year | Previous Year |
|------|--|--------------|---------------|
| 1    | Distribution, advertising and business promotion | 91,045.00    | 75,267.00     |
| 2    | Repairs and maintenance - Building               | 27,324.00    | 66,542.00     |
| 3    | Repairs and maintenance - Others                 | 363,364.00   | 305,202.00    |
| 4    | Insurance  | 3,906.00     | 4,603.00      |
| 5    | Miscellaneous expenses                           | 10,633.00    | 8,944.00      |
| 6    | Legal and professional expenses                  | 704,207.00   | 1,288,090.00  |
| 7    | Donation & Charity                               | 50,000.00    | 48,100.00     |
| 8    | Office Expenses                                  | 65,971.00    | 98,515.00     |
| 9    | Office Rent                                      | 30,000.00    | -             |
| 10   | AGM Expenses                                     | 9,760.00     | 35,000.00     |
| 11   | Stock Exchange Expenses                          | 28,090.00    | 1,812,607.00  |
| 12   | Power and Fuel Expenses                          | 14,530.00    | -             |
| 13   | Interest on TDS                                  | -            | 1,702.00      |
| 14   | Travelling and conveyance                        | 66,478.00    | 46,833.00     |
| 15   | Festival Expenses                                | 71,536.00    | 150,725.00    |
| 16   | Fees & Taxes                                     | 14,546.00    | 22,205.00     |
| 17   | Bank Charges                                     | 4,367.00     | 5,020.00      |
| 18   | Communication costs                              | 50,267.00    | 55,490.00     |
| 19   | Printing and stationery                          | 37,016.00    | 24,877.00     |
| 20   | Payment to auditor ( Audit and other expenses)   | 89,888.00    | 32,585.00     |
|      | Total  | 1,732,928.00 | 4,082,307.00  |

## Note-19: Depreciation and amortization expenses

(Amount in Rupees)

| S.No | Particulars                     | Current Year | Previous Year |
|------|---------------------------------|--------------|---------------|
| 1    | Depreciation of tangible assets | 4,863,422.00 | 4,996,591.00  |
|      | Total                           | 4,863,422.00 | 4,996,591.00  |

## Note-20 Extraordinary items

(Amount in Rupees)

| S.No | Particulars   | Current Year | Previous Year |
|------|---|--------------|---------------|
| 1    | Payment against Court order/ Settlement<br>Sri Ganesh Trading | -            | 128,693.00    |
| 2    | Pardise Plasto Pack Pvt ltd                                   | -            | 500,000.00    |
| 3    | Jindal Trading  | -            | (8,400.00)    |
| 4    | Milk Cess   | -            | 18,349,375.00 |
|      | Total   | -            | 18,969,668.00 |

## KMG MILK FOOD LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

## Note-21: 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   | 10,132,416.00 | 9,036,336     |
| 2    | Nominal value of equity share (₹)                                      | 10            | 10            |
| 3    | Total number of equity shares outstanding at the beginning of the year | 5,304,600     | 5,304,600     |
| 4    | Total number of equity shares outstanding at the end of the year       | 5,304,600     | 5,304,600     |
| 5    | Weighted average number of equity shares                               | 5,304,600     | 5,304,600     |
| 6    | <b>Basic/ diluted earning per share (₹)</b>                            | 1.91          | (1.70)        |

## 22 RELATED PARTY DISCLOSURES: -

Particulars of transactions with related party

The following is a summary of significant related party transaction

List of the Parties with whom transaction have taken place and relationship:

| A | Company under same management                             |           |           |
|---|---|-----------|-----------|
| 1 | KMG Macro Investment Pvt. Ltd ( Nature - Unsecured Loan ) | -         | 1,550,000 |
| 2 | KMG leasing and Advance Ltd ( Nature - Unsecured Loan )   | 9,500,000 | 300,000   |
| B | Director and relative of the director of the company      |           |           |
| 3 | Basudev Garg ( Nature - Unsecured Loan )                  | 600,000   | 7,700,000 |
| 4 | Mithlesh Garg ( Nature - Unsecured Loan )                 | -         | 48,000    |
| 5 | B.B Raina ( Nature-Salary)                                | 696,000   | 696,000   |
| 6 | B.B Raina ( Nature-Unsecured Loan)                        | -         | 375,000   |
| 7 | Basudev Garg ( Nature - Salary)                           | 1,200,000 | 1,200,000 |

## 23 Lease

Permission given on operative lease

Building and Plant &amp; 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                          | 20,000,000.00 | 20,000,000.00 |
| 2    | For a period later than one year and not later than five years | -             | -             |

Note: Milk cess amounting to rs 1,53,95,000/-for the period from 01/04/2007 to 31.03.2014 is paid by Mahaan Milk Food Ltd as per the term of lease agreement.

## 24 Contigent liabilities

- No provision has been made in the account for doubtful debts and advances. These all are considered by the management as recoverable.

## A The pending court cases against and for the company is as under:

- 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
- In the matter of Semen Bank Officer/Haryana Live Stock Development Board, Pehowa, Harayana(Milk Cess) vs. Company of Rs 26,04,15,499/ -as interest+1,57,59,375/- as principal.
- In the matter of Company vs Hitkari Industries Ltd in the Karkadoma Court for Rs.123671/- Delhi.

## KMG Milk Food Ltd.

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- 5 Company V/s Shree Ganesh Trading Co. Kurukshetra, Kurukshetra Court for Rs 128693+Interest
- B **Court Cases for Recovery**
- 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.
- 8 Company v/s Paradise Plastopack pvt ltd, Delhi, Pradeshik Cooperative diary Federation ltd, Lucknow,Gangol Sehkari Dugdh Utpadak Sangh ltd ( Meerut),and Herman Milk Food ltd,Pataila, in the Kurukhetra Court for Rs 275524+Interest
- 25 Previous year figures are regroupged/rearrange wherever necessary to conform to this year's classification.
- 26 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

For and on behalf of Board of Directors

Rajan Gupta  
Partner  
M.No 074696  
FRN 005945C

B.B Raina  
Director

Basudev Garg  
Director

Satish Kumar  
CFO

Place:Delhi  
Dated:30-05-2014

Company Secretary

**KMG MILK FOOD LIMITED**

CIN: L15201HR1999PLC034125

Regd. Office: 9th Kilometer Stone, Pipli to Ambala, Village Masana, Kurukshetra, Haryana-132118  
Head Office: 375, First Floor, Main Road, Gazipur, Delhi -110 096 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 22nd Annual General Meeting of KMG Milk Food Limited held on Monday, 29th September, 2014 at 1:00 p.m. at the Registered office of the Company at 9th K.M. Stone, Pipli to Ambala, Vill. Masana, Distt. Kurukshetra, Haryana - 132 118

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: 9th Kilometer Stone, Pipli to Ambala, Village Masana, Kurukshetra, Haryana-132118

Head Office: 375, First Floor, Main Road, Gazipur, Delhi -110 096

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;

1. Name: .....Address:.....

.....E-mail Id: .....

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 22nd Annual General Meeting of the KMG Milk Food Limited, to be held on Monday, 29th September, at the Registered office of the Company at 9th K.M. Stone, Pipli to Ambala, Village Masana, Distt. Kurukshetra, Haryana - 132 118 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Resolution No.  | Optional |         |
|---|----------|---------|
|   | For      | Against |
| Ordinary Business   |          |         |
| 1. Adoption of audited Financial Statements for the financial year ended March 31, 2014 and reports of the Board of the Directors and the Auditors thereon. |          |         |
| 2. Re-appointment of Mr. M S Venkateswaran, who retires by rotation.  |          |         |
| 3. Re-appointment of Mr. M C Saxena, who retires by rotation.   |          |         |
| 4. Re-appointment of M/s. Rajan K Gupta & Co, Chartered Accountants, as Auditors  |          |         |
| Special Business  |          |         |
| 5. Appointment of Mrs. Mithlesh Garg as Non-Executive Director  |          |         |

Signed this ..... day of ..... 2014.

\_\_\_\_\_  
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.

**BOOK-POST**

*If undelivered, please return to :*  
**KMG MILK FOOD LIMITED**  
G.T. Road, Vill. Masana,  
Distt. Kurukshetra,  
Haryana - 132 118.