

CORPORATE GOVERNANCE

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

The basic philosophy of corporate governance in the Company is to achieve business excellence and enhance shareholder value, keeping in view the needs and interests of its stakeholders.

BOARD OF DIRECTORS

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

Composition:

As on 31st March 2012, the total number of Directors of the Company was six comprising of three Executive and three Non-Executive Independent Directors.

Name	Category
Mr. Basudav Garg	Chairman & Whole Time Director
Mr. B.B Raina	Executive Director
Mr. Rahul Garg	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.

- Mr. Rahul Garg executive director of the Company due to personal reason was resigned from the post of directorship on 12.02.2012.

BOARD MEETING

During the financial year ended March 31, 2012, 17 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.	05.05.2011	10.	08.11.2011
2.	23.05.2011	11.	10.11.2011
3.	07.07.2011	12.	19.12.2011
4.	23.07.2011	13.	20.01.2012
5.	30.07.2011	14.	30.01.2012
6.	13.08.2011	15.	10.02.2012
7.	10.10.2011	16.	15.02.2012
8.	20.10.2011	17.	31.03.2012
9.	07.11.2011		

S. No.	Name of Director	No. of Meeting attending during 2011-12		No. of Directorship in other Public		No. of Membership Committee held Companies	
1.	Mr. Basudav Garg	17	Yes	Nil	1	Nil	Nil
2.	Mr. Rahul Garg	2	No	Nil	1	Nil	Nil
3.	Mr. M. S. Venkateswaran	17	Yes	Nil	Nil	Nil	Nil
4.	Mr. Mahesh Chandra Saxena	7	No	Nil	Nil	Nil	Nil
5.	Mr. Sundra Raj	Nil	No	Nil	Nil	Nil	Nil
6.	Mr. B.B Raina	17	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.

- Mr. Mahesh Chandra Saxena has been appointed as an additional director w.e.f 08.11.2011.

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. M. S. Venkateswaran (Independent Director)
2. Mr. Sundra Raj - (Independent Director)
3. Mr. Basudav Garg - (Executive Director)

Mr. M. S. Venkateswaran is heading the Committee. During the year under review audit committee had met five times. No two meetings have a gap of more than 120 days in between them. During the year, five Committee Meetings were held on 29.04.2011, 12.08.2011, 13.08.2011, 07.09.2011, 10.02.2012.

The attendance record of the members of the Audit Committee for the FY 2011-12 is as under:

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

INVESTORS GRIEVANCE COMMITTEE**i) Terms of reference**

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

ii) Composition:

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

- | | |
|------------------------|--------------------------|
| 1. M. S. Venkateswaran | - (Independent Director) |
| 2. Mr. Sundra Raj | - (Independent Director) |
| 3. Mr. Basudav Garg | - (Executive Director) |

Meeting and attendance:

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

Name of the Member Director	No. of Meetings Held	No. of Meetings attended
M. S. Venkateswaran	5	4
Mr. Sundra Raj	5	5
Mr. Basudav Garg	5	5

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

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

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

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

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

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

REMUNERATION-CUM-COMPENSATION COMMITTEE

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

GENERAL BODY MEETINGS

Date and venue of last three Annual General Meeting

Nature of Meeting passed	Date and Time	Venue	Special Resolution
Annual General Meeting	30 th September 2009 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	27 th September 2010 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
Annual General Meeting	30 th September 2011 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None

POSTAL BALLOT

No resolution was passed by Postal ballot during the financial year 2011-12.

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 one month of the close of the quarter and the results are announced to all the stock exchanges where the shares of the company are listed. Further the highlights of the quarterly results in the prescribed Performa are published in the newspapers.

GENERAL SHAREHOLDER INFORMATION

	Annual General Meeting	
(a)	Date and Time	: 29 th September 2012 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 st to March 31 st .	
	Tentative Schedule for Financial Year 2012-13	
	- 1 st Quarter ending June 30, 2012	: Declared on 07.08.2012
	- 2 nd Quarter ending September 30, 2012	: End of October 2012
	- 3 rd Quarter ending December 31, 2012	: End of January 2013
	- Annual Result for the year ended March 31, 2013	: End of June 2013
c)	Date of Book Closure/Record Date (Both Days inclusive)	: 25 th September to 29 th September 2012
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

KMG Milk Food Ltd.

- 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
(Appointed w.e.f. 01.08.2011)

i) Market Price Data

Month	Value (In Rupee)		Volumes
	High	Low	
October, 11	N.A.	N.A.	N.A.
November, 11	N.A.	N.A.	N.A.
December, 11	N.A.	N.A.	N.A.
January, 12	N.A.	N.A.	N.A.
February, 12	N.A.	N.A.	N.A.
March, 12	N.A.	N.A.	N.A.

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 has been suspended at all Stock Exchanges. So there is no liquidity in the scrips of the Company but recently Company fulfilled all compliance required to revoke the suspension of the trading at Bombay Stock Exchange, hence trading of the shares of the Company is starting in very short period, however still there is no liquidity in the scrips of the Company.

k) Dematerialization of Shares

Company's shares are in physical mode.

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

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

m) Investor Correspondence

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

M/s Skyline Financial Services Private Limited

D-153 A, 1st Floor, Okhla Industrial Area, Phase - I, New Delhi- 110020.

Mr. Aditya Kumar Dwivedi, 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: N-223, LG Floor, Geater Kailash- I, New Delhi- 110048.

o) Shareholding Pattern

The shareholding pattern as on 31st March 2012:

Category	No. of shares held	Percentage of Shareholding
A. Shareholding of Promoter and Promoter Group		
(1) Indian	30,46,485	57.43
(2) Foreign	—	—
Total	30,46,485	57.43
B. Public Shareholding		
(1) Institutions	—	—
(a) Mutual Funds/UTI	38,400	0.72
(b) Financial Institutions/Banks	—	—
(c) Foreign Institutional Investors	2,50,000	4.71
(d) Any Other	78,500	1.48
Sub Total	3,66,900	6.91
(2) Non Institutions		
(a) Bodies Corporate	1,07,300	2.02
(b) Individuals	17,83,915	33.63
(c) Any Other (NRI)	—	—
Sub Total	18,91,215	35.65
Total (A+B)	5304600	100
Grand Total	5304600	100

P) Distribution of Shareholding as on 31.03.2012

S.No	Category (Shares)	Holders	% of Total Holders	Shares	% of Total Shares
1.	Upto 500	1027	76.80	240800	4.53
2.	501-1,000	146	10.92	119415	2.25
3.	1,001-2,000	91	6.81	139400	2.63
4.	2,001-3,000	20	1.50	51200	0.97
5.	3,001-4,000	05	0.37	17800	0.34
6.	4,001-5,000	10	0.75	49200	0.93
7.	5,001-10,000	14	1.05	114500	2.16
8.	10,001 & Above	24	1.80	4572285	86.19

For KMG Milk Food Limited

Sd/-

Basudev Garg

Chairman and Whole Time Director

Place: Haryana
Date: 25.08.2012

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

The Board of Directors
KMG Milk Food Limited

We hereby certify that for the Financial Year 2011-12:

1. We have reviewed the financial statements and the cash flow statement and that to the best of our knowledge and belief : -
 - a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2011-12 which are fraudulent, illegal or violate the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
4. We further certify that: -
 - a. there have been no significant changes in internal control during this year.
 - b. there have been no significant changes in accounting policies during this year.
 - c. there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Company's internal control system.

Sd/-

Place: Haryana
Dated: 25th August 2012

Basudev Garg
Chairman & Whole Time Director

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

As per requirement of Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has laid down a Code of Conduct for its Board of Directors and Senior Management.

I, Basudev Garg, Chairman & Whole Time Director of the Company confirm the compliance of this code by myself and other members of the Board of Directors and Senior Management personnel as affirmed by them individually, for the year ended 31st March, 2012.

Sd/-

Place: Haryana
Dated: 25th August 2012

Basudev Garg
Chairman & Whole Time Director

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 31.03.2012 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mention Listing Agreement.

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Delhi
Date: 25th August, 2012

For Rajan K Gupta & Co.
Chartered Accountants

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