



KMG MILK FOOD LIMITED

23rd ANNUAL REPORT 2014 - 2015

REGISTERED OFFICE & WORKS:

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

HEAD OFFICE:

375, First Floor, Main Road
Gazipur, Delhi - 110 096

KMG MILK FOOD LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Sh. Basudev Garg
Smt. Mithlesh Garg
Sh. B. B. Raina
Sh. Mahesh Chandra Saxena
Sh. M. S. Venkateswaran
Sh. R. Sundra Raj

Chairman & Whole time Director
Non-Executive Director
Executive Director
Independent Director
Independent Director
Independent Director

REGISTERED OFFICE & WORKS

9th KM Stone,
Pipli to Ambala,
G.T. Road, Vill. Masana
Distt. Kurukshetra
Haryana – 132 118

EMAIL ID & WEBSITE

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

SECRETARIAL AUDITORS

AMJ & Associates
Company Secretaries
32-B, Ganesh Complex, Veer Savarkar Block
Delhi-110092

AUDITORS

M/s Rajan K Gupta & Co.,
Chartered Accountants
19, Chawla Complex,
A-215, Shakarpur,
Delhi-110092.

REGISTRAR & TRANSFER AGENT

M/s Skyline financial services Pvt. Ltd.
D-153 A, 1st 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
Ahmedabad Stock Exchange Limited

BANKERS

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

23 rd Annual General Meeting	
Date	25 th September, 2015
Day	Friday
Time	01:00 P.M.
Place	9 th KM Stone, Pipli to Ambala, G.T. Road, Vill. Masana, Distt. Kurukshetra, Haryana – 132 118

KMG MILK FOOD LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd Annual General Meeting of the members of the Company will be held on Friday, the 25th September, 2015 at 01:00 PM at the Registered Office of the Company at 9th 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 31st March 2015, 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. Bharat Bhushan Raina (DIN: 02154557) as Director, who retires by rotation and being eligible, offers himself for re-appointment.
3. 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 139 and all other applicable provisions of the Companies Act, 2013 (the “Act”) read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company be and hereby re-appoint M/s Rajan K Gupta & Co., Chartered Accountants(Firm Registration No. 005945C) retiring auditor of the Company to hold office until the conclusion of the Next Annual General Meeting on such remuneration as may be determined by the Board of Directors.”

SPECIAL BUSINESS:-

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

“RESOLVED THAT pursuant to the provisions of Section 196 and 197 read with schedule V of Companies Act, 2013 and subject to such amendments as may be made therein approval of the member of the company be and is hereby given to the re-appoint of Shri Basudev Garg, as the Whole Time Director of the Company, for a further period of five years w.e.f. 25.05. 2015 to 24.05.2020.

“FUTHER RESOLVED THAT subject to limits contained in Section 197 of the Companies Act, 2013, Shri Basudev Garg as Whole Time Director of the Company be paid such remuneration comprising of salary, performance linked bonus, commission on profit and perquisites as may be determined by the Board from time to time.”

Registered Office:
9th KM Stone,
Pipli to Ambala,
G.T. Road, Vill. Masana
Distt. Kurukshetra
Haryana – 132 118

Dated: 29.08.2015
Place: Kurukshetra (Haryana)

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

Vandana Kaushik
Company Secretary
ACS No. - 31054

KMG MILK FOOD LIMITED

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 17.09.2015 to 25.09.2015 (both days inclusive). Cutoff date for purpose of voting right is 18th September, 2015.
5. Corporate members are requested to send the Company a duly certified copy of the Board Resolution, pursuant to section 113 of the Companies Act, 2013, 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 72 of the Companies Act, 2013, are requested to submit to the Registrars and Transfer Agents the details as required in Form SH-13.
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 23rd 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
- ii) Click on "Shareholders" tab.
- iii) Now, select "KMG MILK FOOD LIMITED" from the drop down menu and click on "SUBMIT"
- iv) 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.
- v) Next enter the Image Verification as displayed and Click on Login.
- vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing passed is to be used.
- vii) If you are a first time user follow the steps given below:-

KMG MILK FOOD LIMITED

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">• 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.• 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 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.
 - 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 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. (xvi) Above to cast vote.

(C)

- (i) The voting period begins on **22nd September, 2015 (9:00 AM)** and ends on **24th September, 2015 (6:00 PM)**. During this period shareholders' of the company, holding shares either in

KMG MILK FOOD LIMITED

physical form or in dematerialized form, as on the cut-off date (record date) of **18th September, 2015**, 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.evotingia.co.in under help section or write an email to 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 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. 4

As the Term of appointment of Mr. Basudev Garg as Whole-time Director of the Company was expired on 24.05.2015, The Board of Directors have re-appointed Mr. Basudev Garg as the Whole Time Director of the Company, for a further period of five years w.e.f. 25.05.2015 to 24.05.2020.

Shri Basudev Garg have a vast experience of business and have expert knowledge of milk food industry and company expect a good growth in his directorship.

Pursuant to the provisions of Section 196 and 197 read with schedule V of Companies Act, 2013 and subject to such amendments as may be made therein and subject to the approval of the member of the company, Board proposed the re-appoint of Shri Basudev Garg, as the Whole Time Director of the Company, for a further period of five years w.e.f. 25.05.2015 to 24.05.2020.

Further the Board proposed, Subject to the limits contained in Section 197 of the Companies Act, 2013, the remuneration to Shri Basudev Garg will be paid Rs. 1,00,000/- per month comprising of salary, Performance linked bonus, commission on profit and perquisites as may be determined by the Board from time to time.

None of the Directors, Except Mr. Basudev Garg and Mrs. Mithlesh Garg are concerned or interested in this resolution. The Board recommend passing of the resolution as special Resolution.

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

Name of the Director	Mr. Bharat Bhushan Raina	Mr. Basudev Garg
DIN	02154557	00282038
Date of Birth	12/09/1948	05/12/1949
Age	66	65
Date of Appointment	30/06/2008	02/05/2008
Qualification	B. Tech (Dairy Technology)	Graduate
Expertise in Specific functional areas	30 years of experience in Milk Procurement on cooperatives lines and running of dairy plant project & implementation of same.	30 years of experience in Milk Food Industry and having command in such industry.
Directorship held in Other Public Companies as on date	NIL	1
Committee Positions in KMG Milk Food Limited*	1, Nomination And Remuneration Committee	2, Audit Committee and Stakeholder Relationship Committee
Committee Positions in Other Public Companies*	NIL	NIL
No of Shares held	215000	1082656

*Committee positions of only Audit and Stakeholder Relationship Committee included.

KMG MILK FOOD LIMITED

DIRECTORS' REPORT

The Directors hereby present their 23rd Annual Report on the business and operations of the company and financial results for the year ended 31st March 2015.

01. FINANCIAL HIGHLIGHTS:

(Rs. In lacs)

<i>Particulars</i>	<i>For the Year Ended 31.03.2015</i>	<i>For the Year Ended 31.03.2014</i>
Total Revenue	187.17	200.63
Total Expenditure excluding Depreciation, Amortization Expenses and Financial Charges	50.18	46.42
Depreciation and Amortization Expenses	65.40	48.63
Financial Charges	-	0.04
Profit/(Loss) before Extraordinary Item	71.58	105.56
Extraordinary Item	-	-
Profit/(Loss) before Tax	71.58	105.56
Tax Expenses	27.31	4.24
Net Profit/(Loss) after Tax	44.26	101.32

02. PERFORMANCE:

During the period under report the Company achieved a turnover of Rs 187.17 lacs as compared to Rs. 200.63 Lacs for the previous year.

Your Company performed good as industry position 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 AND RESERVES

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

04. MEETINGS

During the year, Eight Board Meetings and Four Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report.

05. DIRECTORS:

In accordance with the requirements of the Companies Act, 2013 and the Company's Articles of Association, Mr. Bharat Bhushan Raina, Director of the Company, retires by rotation and being eligible offers himself for reappointment.

KMG MILK FOOD LIMITED

And Company will re-appoint Mr. Basudev Garg as Whole Time Director of The Company in forthcoming Annual General Meeting.

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 134 of the Companies Act, 2013, there is no transaction of such items during the period.

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 197 of the Companies Act, 2013.

08. DIRECTORS' RESPONSIBILITY STATEMENT:

As required under section 134 of the Companies Act, 2013 regarding the Directors' Responsibility Statement it is hereby stated:

- that in the preparation of the annual accounts for the year ended 31.03.2015, 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. SECRETARIAL AUDITORS

The Board of Directors of your Company has appointed M/s AMJ & Associates, Company Secretaries, Delhi as Secretarial Auditor pursuant to the provisions of Section 204 of the Companies Act, 2013 for the financial year 2015-16. The Report of the Secretarial Auditor is annexed to the Report as per **Annexure "A"**.

10. AUDITORS

The Auditors, M/s. Rajan K Gupta & Co, Chartered Accountants, having registration No 005945C, hold office until the conclusion of the Next 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.

KMG MILK FOOD LIMITED

The Board recommends the appointment of M/s. Rajan K Gupta & Co, Chartered Accountants, the Statutory Auditors of the Company for the Financial Year 2015-2016.

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 and Ahmedabad Stock Exchange Limited. During the year Jaipur Stock Exchange and Ludhiana Stock Exchange was De-recognised by SEBI. The Shares of the Company have been traded at BSE trading platform.

13. 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. And a Report on Corporate Governance Annexed as **Annexure-B**.

14. INTERNAL AUDITORS

The Board of Directors of your Company has appointed M/s Ankit P Jain & Co., Chartered Accountants, New Delhi as Internal Auditors pursuant to the provisions of Section 138 of the Companies Act, 2013 for the financial year 2015-2016.

15. BOARD EVALUATION

Pursuant to the Provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an Annual Performance Evaluation of its own performance and the Directors individually.

The manner of evaluation of Non-Independent Directors, Chairman and the Board as a whole was done at a separate meeting held by Independent Directors.

16. RELATED PARTY TRANSACTION

Company does all transaction at Arm Length Price if any transaction having related party transaction under section 188 of Companies Act, 2013 than mention in Form AOC-2 as **Annexure- "C"**.

17. EXTRACT OF ANNUAL RETURN

The details forming Part of the Extracts of Annual Return (Form-MGT-9) is annexed as per **Annexure "D"**.

18. 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. as per **Annexure "E"**.

19. 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.

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20. PUBLIC DEPOSIT

During the year under review, your company has not invited any deposits from the Public U/s 73 of the Companies Act, 2013

21. 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.

22. INVESTOR GRIEVANCES

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

23. 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/ un exchanged 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.

24. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

In order to prevent sexual harassment of women at work place a new act The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 Company has adopted a policy for prevention of Sexual Harassment of Women at workplace. During the year Company has not received any complaint of harassment.

25. ACKNOWLEDGEMENT:

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

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

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

Date: 29.08.2015

Place: Kurukshetra (Haryana)

KMG MILK FOOD LIMITED

ANNEXURE- A SECRETARIAL AUDIT REPORT Form No. MR-3

For the Financial Year ended 31st March, 2015

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies (Appoint and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
KMG MILK FOOD LIMITED,

I have conducted the secretarial audit of the compliance of applicable statutory provision and the adherence to good corporate practice by KMG MILK FOOD LIMITED (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representative during the conduct of secretarial audit, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended on 31st March 2015 ('Audit Period') complied with the statutory provision listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter :

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2015 according to the provisions of:

1. The Companies Act 2013 (The Act) and the rules made thereunder;
2. The Securities Contract (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
3. The Depository Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; **(Not applicable to the Company during the Audit Period)**;
5. The following Regulation and Guidelines prescribed under the Securities Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. **(Not applicable to the Company during the Audit Period)**;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and The Securities Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 notified on 28 October 2014; **(Not applicable to the Company during the Audit Period)**;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulation, 2008; **(Not applicable to the Company during the Audit Period)**;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulation, 1993 regarding the Companies Act and dealing with client;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009. **(Not applicable to the Company during the Audit Period)**; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations 1998 **(not applicable to the Company during the Audit Period)**.

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I have examined compliance with the applicable clauses of the following:

- (a) Secretarial Standard issued by The Institute of Company Secretaries of India. **(Notified and effective from 1st July, 2015 hence not applicable on to the Company during audited Period).**
- (b) The Listing Agreement entered into by the Company with Stock Exchange.

During the period under review the Company has complied with the provision of the Act, Rules, Regulations, Guidelines, Standards, etc. mention above.

I further report that, having regard to the compliance system prevailing in the company and on examination of the relevant documents and records in pursuance thereof, on the test check basis, Company has complied with the following laws applicable specifically to the Company:

- (a). Food Safety and Standards Act, 2006.
- (b). Food Safety and Standards Rules, 2011.
- (c). Food Safety and Standards (Packaging and Labeling) Regulation, 2011.
- (d). Food Safety and Standards (Licensing and Registration of Food businesses) Regulation, 2011.

This report is to be read with our letter of even date which is annexed as '**Annexure A-1**' and form an integral part of this report.

I further report that The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non Executive Directors and Independent Directors. The change in composition of the Board of Directors that took place during the period under review was carried out in compliance with provision of the Act.

Adequate notice is given to all the directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exist for seeking and obtaining further information and clarifications on the agenda item before the meeting and for meaningful participation at the meeting.

All decision at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period Jaipur Stock Exchange and Ludhiana Stock Exchange where the shares of the company were listed, were De-recognised by SEBI under voluntary exit scheme, so the shares of the company not more listed and traded on these Stock Exchanges.

For AMJ & Associates
Company Secretaries

Sd/-

Manoj Kumar Jain
(Partner)
C.P. No. : 5629
FCS No. : 5832

Place: New Delhi
Date : 29.08.2015

KMG MILK FOOD LIMITED

'Annexure A-1'

To,
The Members,
KMG MILK FOOD LIMITED,

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness about the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards, is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For AMJ & Associates
Company Secretaries

Place: New Delhi
Date: 29.08.2015

Sd/-
Manoj Kumar Jain
(Partner)
C.P. No. : 5629
FCS No. : 5832

KMG MILK FOOD LIMITED

ANNEXURE-B CORPORATE GOVERNANCE

THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company seeks to focus on enhancement of long-term value creation for all stakeholders without compromising on integrity, social obligations and regulatory compliances. As a responsible corporate citizen, Your Company encourages and recognizes employee participation in environment and social initiatives that contribute to organizational sustainability, training, learning, personal growth, conservation of energy and other scarce resources, promoting safety and health of its employees and of the neighboring communities. Company believes that profitability must go hand in hand with a sense of responsibility towards all stakeholders.

BOARD OF DIRECTORS

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

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

None of the Directors of the Company except the Chairman & Whole Time Director and Executive Director has any pecuniary relationship with the Company except to the extent of receipt of sitting fees for meetings of the Board/Committee(s) of Directors attended by them.

No Director is related to any other Director on the Board in terms of the definition of except Mr. Basudev Garg and Mrs. Mithlesh Garg having relationship of spouse as define under Companies Act, 2013.

Composition:

As on 31st March 2015, the total number of Directors of the Company was six comprising of two Executive and three Non-Executive Independent Directors and one non Executive Director

Name	Category
Mr. Basudav Garg	Chairman & Whole Time Director
Mrs. Mithlesh Garg	Women and Non-Executive Director
Mr. B.B. Raina	Executive Director
Mr. M. S. Venkateswaran	Independent Director
Mr. Mahesh Chandra Saxena	Independent Director
Mr. Sundra Raj	Independent Director

Note:

None of the Directors of your Company is a member of more than 10 Committees or is the Chairman of more than five Committees across all the Public Companies in which they are Directors.

KMG MILK FOOD LIMITED

Board Meeting

During the financial year ended March 31, 2015, 8 meetings of the Board of Directors were held as against the minimum requirement of 4 times. None of the two Board Meetings have a gap of more than 120 days between them. The dates of meetings and the number of directors present therein are mentioned below:

Board Meetings held and attendance

Dates on which the Board Meetings were held	Total Strength of the Board	No. of Directors Present
14.04.2014	5	4
30.05.2014	5	5
13.08.2014	5	4
29.08.2014	5	4
14.11.2014	6	5
20.12.2014	6	5
14.02.2015	6	5
27.03.2015	6	5

Information supplied to the Board

The Board has complete access to all information with the Company, inter-alia, the information as required under the revised Clause No. 49 of the Listing Agreement is regularly provided to the Board as a part of Agenda.

Attendance of each Director at the Board Meetings, last Annual general Meeting and number of other Directorships and Chairmanship/ Membership of Committee of each Director in various companies is as follows:

Name of the Director	Attendance Particulars		No. of other Directorship and Committee Member/ Chairmanship		
	Board Meetings	Last AGM	Other Directorship (in Public Co.) Excluding private companies which are subsidiary of public company	No. of Membership (s) of Board Committees in other Companies	No. of Chairmanship(s) of Board Committees in other Companies
Shri Basudev Garg	8	Yes	1	--	--
Smt. Mithlesh Garg	3	Yes	--	--	--
Shri B. B. Raina	8	Yes	--	--	--
Shri Mahesh Chandra Saxena	8	Yes	--	--	--
Shri M.S. Venkatswaran	8	Yes	--	--	--
Shri R. Sundra Raj	1	Yes	--	--	--

KMG MILK FOOD LIMITED

Separate Meetings of Independent Directors

As stipulated in Code of Independent Directors under the Companies Act, 2013 and the Listing Agreement, a separate Meeting of the Independent Directors of the Company was held on 14.02.2015 to review the performance of Non-Independent Directors (including the Chairman) and the Board as whole. The Independent Directors also reviewed the quality, content and timeliness of the flow of information between the Management and the Board and it's Committees which is necessary to effectively and reasonably perform and discharge their duties

Note:

None of the Directors of your Company is a member of more than 10 Committees or is the Chairman of more than five Committees across all the Public Companies in which they are Directors. The directorship/ committee membership is based on the disclosures received from the directors.

Resume of Directors Proposed To Be Reappointed

The brief resume of Directors retiring by rotation and seeking re-appointment is appended herein above in the notice for calling Annual General Meeting.

COMMITTEES OF THE BOARD

The Board has constituted the following standing Committees:

1. Audit Committee
2. Stakeholders' Relationship Committee
3. Nomination and Remuneration Committee

AUDIT COMMITTEE

Presently, the Audit Committee comprises of three member Directors viz. Shri Mahesh Chandra Saxena, Shri M.S. Venkateswaran and Mr Basudev Garg. All the members of the Audit Committee are Non-Executive and Independent Directors except Shri Basudev Garg. The Chairman of the Audit Committee attended the Annual General Meeting (AGM) held on 29.09.2014. All the Members of the Audit Committee have accounting and financial management expertise.

The terms of reference role and power of the Audit Committee as revised and stipulated by the Board of Directors from time to time are in conformity and in line with the statutory and regulatory requirements as prescribed under section 177 of the Companies Act. 2013 and Clause 49 of the Listing Agreement, which include the following:

Role of Audit Committee

1. Overseeing of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
3. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
4. Reviewing, with the Management, the Annual Financial Statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Section 134 of the Companies Act, 2013.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of Judgment by Management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.

KMG MILK FOOD LIMITED

- f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing, with the Management, the quarterly Financial Statements before submission to the Board for approval.
 6. Reviewing, with the Management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
 7. Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the Internal Control Systems.
 8. Reviewing the adequacy of Internal Audit Function, if any, including the structure of the Internal Audit Department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 9. Discussion with Internal Auditors any significant findings and follow up thereon.
 10. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
 11. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 12. To look into the reasons for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non- payment of declared dividends) and creditors.
 13. To review the functioning of the Whistle Blower Mechanism, in case the same is existing.
 14. Carrying out any other function as is mentioned in terms of reference of the Audit Committee.
 15. To review the following information:
 - The Management Discussion and Analysis of financial condition and results of operations.
 - Statement of significant related party transactions (as defined by the Audit Committee), submitted by Management;
 - Management letters/ letters of internal control weakness issued by the Statutory Auditors;
 - Internal Audit Reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of Internal Auditors.
 16. Approval of appointment of CFO after assessing the qualifications, experience and background etc. of the candidate.

Power of Audit Committee

- a) To investigate any activity within its terms of reference
- b) To seek any information from any employee.
- c) To obtain outside legal or other professional advice.
- d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

Details of Meetings and Attendance

During the year, the Audit Committee had met Four times on. 30.05.2014, 13.08.2014, 14.11.2014 and 14.02.2015. The attendance of each Committee members is as under:

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

KMG MILK FOOD LIMITED

The head of Finance, internal Auditors and Statutory Auditors are permanent invitees to the Audit Committee Meetings. Further, representatives from various departments of the Company also attended the meetings as and when desired by the members of the Committee to answer and clarify questions raised at the Audit Committee. The company Secretary acts as the Secretary to the Committee.

STAKEHOLDERS' RELATIONSHIP COMMITTEE (erstwhile Investor Grievances Committee)

Presently the Stakeholders' Relationship Committee consists of Mr. Mahesh Chandra Saxena, Mr. M.S. Venkateswaran and Mr. Basudev Garg. The Committee, inter- alia approves issue of duplicate certificates, oversees and reviews all matters connected with the securities transfers. The Committee also looks into redressal of shareholders'/Investors' complaints. The Committee oversees the performance of the Registrar and Share Transfer Agent and recommends measures for overall improvement in the quality of Investor services. The Company Secretary acts as the Secretary to the Committee.

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

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

Ms. Vandana Kaushik, Company Secretary has been designated as Compliance Officer to monitor the share transfer and liaison with the regulatory authorities.

NOMINATION AND REMUNERATION COMMITTEE (erstwhile Remuneration-Cum-Compensation Committee)

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

During the year, the Nomination and Remuneration Committee Meeting had met once on 14.02.2015. All the Members had attended this meeting.

The Nomination and Remuneration Committee has been constituted to recommend/review the remuneration package of the Managing/Whole – time Directors based on performance and defined criteria.

Further, the remuneration policy of the company is to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

For any termination of contract, the Company or the Executive Director is required to give notice of 3 months to the other party.

No Sitting Fees paid to the Directors during the financial year.

Remuneration Policy

The remuneration policy of the Company is based on the principle of attracting best available talent and is in line with the industry standards. The remuneration policy is market led so as to attract and retain the best talent and seeks to leverage performance in a significant manner.

GENERAL BODY MEETINGS

Date and venue of last three Annual General Meeting

KMG MILK FOOD LIMITED

Nature of Meeting	Date and Time	Venue	Special Resolution passed
20 th Annual General Meeting	29 th September 2012 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
21 st Annual General Meeting	30 th September 2013 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None
22 nd Annual General Meeting	29 th September 2014 at 1.00 P.M.	9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana	None

DISCLOSURES

Related Party Transactions

Related party transactions in terms of Accounting Standard-18 are set out in the notes to accounts. These transactions are not likely to have a conflict with the interest of the Company. The details of all significant transactions with related parties are periodically placed before the Audit Committee and the Board. All the related party transactions are negotiated on arms' length basis and are intended to further the interest of the Company.

Disclosure of Accounting Treatment

In the preparation of financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

Disclosures of Risk Management

The Company has laid down procedures to inform the members of the Board about the risk assessment and minimization procedures. A Risk Management Committee consisting of Senior Executive of the Company periodically reviews these procedures to ensure that executive management controls risk through properly defined framework. The Company has framed the risk assessment and minimization procedure, which is periodically reviewed by the Audit Committee and the Board.

Proceeds from public issue, right issue, preferential issue, FCCB issue, etc.

During the year, the Company has not raised any funds from public issue, right issue, preferential issue and FCCB issue.

Particulars of Directors to be appointed/ re-appointed

Information pertaining to particulars of Directors to be appointed and re-appointed at the forth coming Annual General Meeting is being included in the Notice convening the Annual General Meeting.

Management Discussion and Analysis

A Management Discussion and Analysis Report forms part of the Annual Report and includes discussions on various matters specified under Clause 49(IV)(F) of the Listing Agreement.

KMG MILK FOOD LIMITED

Penalties or stricture imposed on the Company by Stock Exchange or SEBI or any Statutory Authority

No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to Capital Markets during the last three years.

Code of Conduct

The Company had adopted the code of conduct and ethics for Directors and senior Management. The code has been circulated to all the Members of the Board and Senior Management and the same has been put on the Company's website www.kmggroup.com. The Board Members and Senior Management have affirmed their compliance with the code and a declaration signed by the Chairman & Whole Time Director appointed in terms of the Companies Act, 2013 (i.e. the CEO within the meaning of Clause 49-V of the Listing Agreement) is annexed to this report.

Board of Directors' Responsibility Statement

The Board in its Report to the Members of the Company have confirmed that the Annual Accounts for the year ended 31st March, 2015 have been prepared as per applicable Accounting Standards and policies and that sufficient care has been taken for maintain adequate accounting records.

CEO/CFO Certifications

The Whole Time Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Clause 49 of the Listing Agreement at its meeting held on 29th August, 2015.

MEANS OF COMMUNICATION

The Company communicates with the shareholders at large through its Annual report and publication of financial results.

The Board of Directors of the Company approves and takes on record the Un-audited financial results within 45 days of the close of the quarter and the results are announced to all the stock exchanges where the shares of the company are listed. Further the highlights of the quarterly results in the prescribed Performa are published in the newspapers.

GENERAL SHAREHOLDER INFORMATION

a) Annual General Meeting

Date and Time : 25th September 2015 at 1.00 P.M.

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

b) Financial Year of the Company

The Company follows financial year of April 01st to March 31st.

Tentative Schedule for Financial Year 2015-16

- 1st Quarter ending June 30, 2015 : Declared on 14th August 2015
- 2nd Quarter ending September 30, 2015 : Mid of November 2015
- 3rd Quarter ending December 31, 2015 : Mid of February 2016
- Annual Result for the year ended March 31, 2016 : End of May 2016

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

KMG MILK FOOD LIMITED

- d) Registered Office : 9th Kilometer Stone Pipli To Ambala, Village Masana, Kurukshetra, Haryana
- e) Dividend Payment Date : Not Applicable as the Board has not Proposed any dividend
- f) Listing of Equity Shares on Stock Exchanges : BSE Limited, Delhi Stock Exchange Limited, Ahmedabad Stock Exchange Limited.
- g) Stock Code :
Bombay Stock Exchange Code : 519415
Delhi Stock Exchange : 7161
Ahmedabad Stock Exchange Limited : 50106
- h) Registrar & Share Transfer Agents : M/s Skyline Financial Services Pvt. Ltd
- i) Market Price Data

Month	Value (In Rupee)		Volumes
	High	Low	
April,2014	18.70	18.70	200
May, 2014	22.60	19.60	600
June, 2014	24.85	23.70	600
July, 2014	NIL	NIL	NIL
August, 2014	NIL	NIL	NIL
September, 2014	24.45	23.30	400
October, 2014	NIL	NIL	NIL
November, 2014	NIL	NIL	NIL
December, 2014	23.25	23.25	100
January, 2015	NIL	NIL	NIL
February, 2015	NIL	NIL	NIL
March, 2015	22.10	22.10	100

j) Liquidity

The Shares of the Company are listed on the BSE Limited, Delhi Stock Exchange Limited, Ahmedabad Stock Exchange Limited. The trading of Shares are traded on BSE trading platform.

- k) Dematerialization of Shares
Nearly 40.19% of total equity share capital is held in dematerialized form up to 31.03.2015 with NSDL/CDSL. The shares of the Company are listed and traded on BSE Ltd, which provide sufficient liquidity to the investors.
- l) Outstanding GDRs/ADRs/Warrants or any other convertible instruments
Company does not have any GDRs/ADRs/Warrants or any other Convertible Instruments.
- m) Investor Correspondence
For transfer of shares, payment of dividend on shares and any other queries relating to the shares is handled by the Company's Registrar & Share Transfer Agent at the following address:
M/s Skyline Financial Services Private Limited
D-153 A, 1st Floor, Okhla Industrial Area, Phase – I, New Delhi- 110020.

Ms. Vandana Kaushik, Compliance officer and Company Secretary as per Clause 47 of the Listing Agreement with Stock Exchanges and Investor's complaint may also be addressed to him at following address:

KMG MILK FOOD LIMITED

- n) Address: 9th KM Stone, Pipli to Ambala, Village Masana, Kurukshetra, HR-132118
Shareholding Pattern
The shareholding pattern as on 31st March 2015:

	Category	No. of shares held	Percentage of Shareholding
A.	Shareholding of Promoter and Promoter Group		
(1)	Indian	31,51,435	59.41
(2)	Foreign	--	--
	Total	31,51,435	59.41
B.	Public Shareholding		
(1)	Institutions	--	--
(a)	Mutual Funds/UTI	38,200	0.72
(b)	Financial Institutions/Banks	--	--
(c)	Foreign Institutional Investors	2,50,000	4.71
(d)	Any Other	--	--
	Sub Total	2,88,200	5.43
(2)	Non Institutions		
(a)	Bodies Corporate	1,11,400	2.10
(b)	Individuals	17,51,665	33.03
(c)	Any Other (HUF)	600	0.01
(d)	NRI	1300	0.02
	Sub Total	18,64,965	35.16%
	Total (A+B)	5,304,600	100.00
	Grand Total	5,304,600	100.00

P) Distribution of Shareholding as on 31.03.2015

S.No	Category (Shares)	Holders	% of Total Holders	Shares	% of Total Shares
1.	Upto 500	1053	77.88%	243400	4.59%
2.	501-1,000	141	10.43%	115315	2.17%
3.	1,001-2,000	80	5.92%	123900	2.34%
4.	2,001-3,000	22	1.63%	56200	1.06%
5.	3,001-4,000	5	0.37%	18300	0.34%
6.	4,001-5,000	12	0.89%	58000	1.09%
7.	5,001-10,000	12	0.89%	103200	1.95%
8.	10,001 & Above	27	2.00%	4586285	86.46%

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

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

**Date: 29.08.2015
Place: Haryana (Kurukshetra)**

KMG MILK FOOD LIMITED

Declaration by the Whole Time Director under Clause 49 of the Listing Agreement

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

I, Basudev Garg, the Whole Time Director of the Company confirm the compliance of this code by myself and other members of the Board of Directors and Senior Management personnel as affirmed by them individually, for the year ended 31st March, 2015.

Place: Kurukshetra
Dated: 29.08.2015

Basudev Garg
Chairman & Whole Time Director
DIN: 00282038

C E R T I F I C A T E

To

The Members of KMG Milk Food Limited

We have examined the compliance of conditions of corporate governance by KMG Milk Food Limited for the year ended on 31.03.2015 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

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

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

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

We further state that such compliance is neither 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: 29.08.2015

For Rajan K Gupta & Co.
Chartered Accountants

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

KMG MILK FOOD LIMITED

CEO & CFO CERTIFICATION

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

- (a) We have reviewed the financial statements and cash flow statement for the year ended on 31st March, 2015 and to the best of our knowledge and belief:
- i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- (b) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2015 are fraudulent, illegal or volatile of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware and have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- (d) We have indicated to the Auditors and Audit Committee:
- i) There has not been any significant change in internal control over financial reporting during the year under reference;
 - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Place: Delhi
Date: 29.08.2015

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

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

KMG MILK FOOD LIMITED

ANNEXURE "C"

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

(a)	Name(s) of the related party and nature of relationship:	Nil
(b)	Nature of contracts/arrangements/transactions:	Nil
(c)	Duration of the contracts /arrangements/transactions:	Nil
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Nil
(e)	Justification for entering into such contracts or arrangements or transactions:	Nil
(f)	date(s) of approval by the Board:	Nil
(g)	Amount paid as advances, if any:	Nil
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	Nil

2. Details of material contracts or arrangement or transactions at arm's length basis

a.	Name(s) of the related party and nature of relationship:	Mr. Basudev Garg(WTD)	Mr. Bharat Bhushan Raina(GM cum Executive Director)	Mrs. Mithlesh Garg
b.	Nature of contracts/arrangements/transactions:	Salary	Salary	Rent
c.	Duration of the contracts / arrangements/transactions:	01.04.2014 to 31.03.2015	01.04.2014 to 31.03.2015	01.04.2014 to 31.03.2015
d.	Salient terms of the contracts or arrangements or transactions including the value, if any:	Rs.12,00,000	Rs.8,40,000	Rs.1,20,000
e.	Date(s) of approval by the Board, if any:	30/05/2014	30/05/2014	30/05/2014
f.	Amount paid as advances, if any:	Nil	Nil	Nil

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

Basudev Garg
Chairman & Whole Time Director
DIN: 00282038

Date: 29.08.2015

Place: Haryana (Kurukshetra)

KMG MILK FOOD LIMITED

ANNEXURE-D Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March, 2015

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	:	L1520HR1999PLC034125
ii)	Registration Date	:	20/01/1999
iii)	Name of the Company	:	KMG MILK FOOD LIMITED
iv)	Category / Sub-Category of the Company	:	Company Limited By Shares/ Indian Non-Government Company
v)	Address of the Registered office	:	9 th K.M. Stone, Pipli to Ambala, Village-Masana, Kurukshetra, Haryana-132118
vi)	Whether listed company Yes/No	:	YES
vii)	Name, Address and Contact details of Registrar and Transfer Agent	:	M/s Skyline Financial Services Pvt. Ltd, D-153, A, 1 st Floor, Okhla Industrial Area, Phase-I, New Delhi-110020

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contribution 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products/services	NIC Code of the product/Service	% to total turnover of the company
1	Dairy Product	99611224	100%

III. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Shareholder	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter and Promoter Group									
(1) Indian									
2. Individual /Hindu Undivided Family	2004385	352450	2356835	44.43%	2004385	616750	2621135	49.41%	4.98%
3. Central Government / State Government(s)	-	-	-	-	-	-	-	-	-
4. Bodies Corporate	-	530300	530300	10%	-	530300	530300	10%	-
5. Financial Institution / Banks	-	-	-	-	-	-	-	-	-
6. Any other (specify)	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1)	2004385	882750	2887135	54.43	2004385	1147050	3151435	59.41%	4.98%
(2) Foreign									
a) Individual /Hindu Undivided Family	-	-	-	-	-	-	-	-	-
b) Central Government / State Government(s)	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Financial Institution /	-	-	-	-	-	-	-	-	-

KMG MILK FOOD LIMITED

Banks									
e) Any other (specify)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	2004385	882750	2887135	54.43	2004385	1147050	3151435	59.41%	4.98%
B. Public Shareholding									
1. Institutions									
a) Mutual Funds/UTI	-	38200	38200	0.72%	-	38200	38200	0.72%	-
b) Banks/Financial Institutions									
c) Central Government	-	-	-	-	-	-	-	-	-
d) State Government	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) Foreign Institutional Investors	-	250000	250000	4.71%	-	250000	250000	4.71%	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Other (specify)	-	-	-	-	-	-	-	-	-
Sub - Total (B)(1)		288200	288200	5.43%		288200	288200	5.43%	-
(2) Non-Institutions									
a) Bodies Corporate	62000	49800	111800	2.11%	68300	43100	111400	2.10%	(0.01%)
i) Indian									
xvii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual Shareholders holding Nominal Share Capital upto Rs.1 lakh	28800	636815	665615	12.55%	34300	630315	664615	12.53%	(0.02%)
ii) Individual Shareholders holding nominal Share Capital in excess of Rs.1 lakh	22900	1328450	1351350	25.47%	23200	1063850	1087050	20.49%	(4.98%)
c) Any Other (specify)									
- HUF	500	-	500	0.01%	600	-	600	0.01%	-
• NRIs	-	-	-	-	1300	-	1300	0.02%	0.02%
• Clearing Members (in Transit Position)	-	-	-	-	-	-	-	-	-
Sub - Total (B)(2)	114200	2015065	2129265	40.14%	127700	1737265	1864965	35.16%	(4.98%)
Total Public Shareholding (B) = (B)(1)+(B)(2)	114200	2303265	2417465	45.57	127700	2025465	2153165	40.59%	(4.98%)
C. Shares held by Custodians for GDRs & ADRs									
GRAND TOTAL (A)+(B)+(C)	2118585	3186015	5304600	100%	2132085	3172515	5304600	100%	-

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	% change in share holding during the year
1.	Rahul Garg	-	-	-	64300	1.21%	0	1.21%
2.	Basudev Garg	882656	16.64%	-	1082656	20.41%	0	3.77%
3.	Shivangi Garg	352450	6.64%	-	352450	6.64%	0	-
4.	Mithlesh Garg	1121729	21.15%	-	1121729	21.15%	0	-
5.	KMG International Ltd.	530300	10.00%	-	530300	10.00%	0	-

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(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1	At the beginning of the year	2887135	54.43%	3151435	59.41%
2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	
	At the End of the year			3151435	59.41%

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	For each of the Top 10 Shareholder	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	B B Raina	279600	5.66%	215000	4.02%
2	ADBANTAGE ADVISER INDIA FUND INC	250000	4.71%	250000	4.71%
3	STOCK HOLDING CORPORATION	78500	1.48%	78500	1.48%
4	PUSHPA GARG	300000	5.66%	100000	1.89%
5	TULA FINANCE LTD	59600	1.12%	59600	1.12%
6	ARUN KUMAR GUPTA	53200	1.00%	53200	1.00%
7	BABITA GUPTA	75000	1.41%	75000	1.41%
8	SANDEEP GUPTA	191550	3.61%	191550	3.61%
9	SANDEEP GUPTA	70000	1.32%	70000	1.32%
10	SANJAY GUPTA	81500	1.54%	81500	1.54%

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of Total Shares of the company	No. of Shares	% of total Shares of the company
Mr. Basudev Garg					
1.	At the beginning of the year	882656	16.64%	882656	16.64%
2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	200000 Shares Purchase During the Year	-	-	-

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3	At the End of the year	1082656	20.41%	1082656	20.41%
Mrs. Mithlesh Garg					
1.	At the beginning of the year	1121729	21.15%	1121729	21.15%
2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	-	-	-	-
3	At the End of the year	1121729	21.15%	1121729	21.15%
Mr. B. B. Raina					
1.	At the beginning of the year	279600	5.66%	279600	5.66%
2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	64600 Shares sales During the year	-	-	-
3	At the End of the year	215000	4.05%	215000	4.05%

IV. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	-	1500000	-	1500000
I) Principal Amount	-	-	-	-
II) Interest due but not paid	-	-	-	-
III) Interest accrued but not due	-	-	-	-
Total (I + II + III)	-	-	-	-
Change in Indebtedness during the financial year	-	-	-	-
• Addition	-	(1500000)	-	-
• Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year	-	-	-	-
I) Principal Amount	-	-	-	-
II) Interest Due but not paid	-	-	-	-
III) Interest accrued but not due	-	-	-	-

V. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Mr. Basudev Garg Whole Time Director	Total Amount
1.	Gross salary		
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12,00,000	12,00,000
	b) Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-
	c) Profits in lieu of salary under section 17(3) of Income-tax Act,	-	-

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	1961		
2.	Stock Option	-	-
3.	Sweat Equity	-	-
4.	Commission		
	• as % of profit	-	-
	• others, specify	-	-
5.	Others		
	• Medical reimbursement and Contribution to Provident Fund	-	-
	Total (A)	12,00,000	12,00,000
	Ceiling as per the Act	As Per Section 197 & Schedule V of the Companies Act, 2013	

B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors					Total Amount		
		Mr. B.B. Raina	Mrs. Mithlesh Garg	Mr. Mahesh Chandra Saxena	Mr. M. S. Venkateswaran	Mr. R Sundra Raj			
1.	• Fee for attending board / committee meetings	-	-	-	-	-	-	-	-
	• Commission	-	-	-	-	-	-	-	-
	• Others, please specify	-	-	-	-	-	-	-	-
	• Salary	840000	-	-	-	-	-	-	-
	Total (B)	-	-	-	-	-	-	-	-
Total Managerial Remuneration							840000		
Overall ceiling as per the Act		As Per Section 197 & Schedule V of the Companies Act, 2013							

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial personnel		
		Mr. Satish Kumar Narang(CFO)	Ms. Vandana Kaushik Company Secretary	Total
1.	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	3,00,000	1,20,000	4,20,000
	b) Value of perquisites u/s 17(2) of Income Tax Act, 1961	-	-	-
	c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-

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3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- Others, specify	-	-	-
5.	Others			
	- Medical Reimbursement and Contribution to Provident Fund	-	-	-
	Total (C)	3,00,000	1,20,000	4,20,000

VI. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES : Not Applicable

Type	Section of the Companies Act	Brief Description	Details of Penalty/Punishment/Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

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ANNEXURE-E MANAGEMENT DISCUSSION & ANALYSIS REPORT

Your Directors presents before you the Company's Management Discussion and Analysis Report for the year ended on 31.03.2015.

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.

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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.
- 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

KMG MILK FOOD LIMITED

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.

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

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

**Date: 29.08.2015
Place: Kurukshetra (Haryana)**

KMG MILK FOOD LIMITED

Independent Auditor's Report

To the Members of
KMG MILK FOOD LIMITED

Report on the Financial Statement

We have audited the accompanying financial statements of **KMG MILK FOOD LIMITED** ("the company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

KMG MILK FOOD LIMITED

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- b) In the case of the Statement of Profit and Loss Account, of the **Profit** for the year ended on that date;
- c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Report on the other Legal and regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act 2013, We give in the Annexure statement on the matters specified in paragraph 3 & 4 of the order.
2. As required by section 143(3) of the Act, we report that:
 - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of written representations received from the directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the other matters included in the Auditor's Report and to our best of our information and according to the explanations given to us:
 - i. The Company have the following pending litigations which would impact its financial position.
 - a.) 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
 - b.) In the matter of Semen Bank Officer/Haryana Live Stock Development Board, Pehowa, Harayana (Milk Cess) vs. Company of Rs 35,01,14,839/ –as interest 1,57,59,375/- as principal.

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- c.) In the matter of Company vs Hitkari Industries Ltd in the Karkadoma Court for Rs.1,85,000 + 123671/- Delhi.
 - d.) Company V/s Shree Ganesh Trading Co. Kurukshetra, Kurukshetra Court for Rs 128693 Interest
- ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
 - iii. No amount is required to be transferred to the Investor Education and Protection Fund by the Company as on 31 March, 2015.

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

Rajan Gupta
(Partner)
M. No:074696
FRN: 005945C

Place : Delhi
Date : 29/05/2015

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The Annexure referred to in paragraph 1 of the Our Report of even date to the members of KMG MILK FOOD LIMITED on the accounts of the company for the year ended 31st March, 2015.

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of information available.

(b) As explained to us, fixed assets have been physically verified by the management reasonable intervals; no material discrepancies were noticed on such verification.

In our opinion and according to the information and explanations given to us, no substantial part of fixed asset has been disposed off during the year and therefore does not affect the going concern assumption.

(ii) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Consequently, the provisions of clauses iii (a) and iii (b) of the order are not applicable to the Company.

(iii) In our opinion and according to the information and explanations given to us, there is generally an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of inventories & fixed assets and for the sale of goods and services. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.

(iv) In our opinion, and according to the information and explanation given to us, the company has not accepted any deposits; hence, clause (v) is not applicable to the company. Accordingly, directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under are not applicable.

(v) The Company is not required to maintain cost records pursuant to the Rules made by the Central Government for maintenance of cost records under sub-section (1) of section 148 of the Act.

(vi) (a) According to the records of the Company, undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Duty of Custom, Duty of Excise, Value added tax, cess to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 31st of March, 2015 for a period of more than six months from the date they became payable

(b) According to the information and explanations given to us, the following amounts payable in respect of income tax, sales tax, wealth tax, service tax, duty of customs, duty of excise or value added tax or cess which have not been deposited on account of any disputes.

STATEMENT OF 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	1,57,59,375/-	2001-2007	Haryana Live stock Development Board, Pehowa, Haryana
	Interest on Milk Cess	35,01,14,839/-		

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- (c) Company does not have any amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under.
- (vii) The Company has accumulated loss of Rs.3,37,07321/- (Previous Year of Rs.4,84,292,18/-) at the end of the financial year which are more than fifty percent of net worth of the Company and has not incurred cash losses in the financial year and in the financial year immediately preceding such financial year.
- (viii) 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.
- (ix) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by other from bank or financial institutions.
- (x) According to the information and explanations given to us, the Company has not raised any term loans during the year.

For Rajan K Gupta & Co.
Chartered Accountants

Rajan Gupta
(Partner)
M. No:074696
FRN: 005945C

Place : Delhi
Date : 29.05.2015

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KMG MILK FOOD LIMITED			
Balance Sheet as at 31st March 2015			
(Amount in Rs.)			
Particulars	Note No	Current Year	Previous Year
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	1	5,30,46,000.00	5,30,46,000.00
(b) Reserves and surplus	2	(3,36,71,566.00)	(4,84,29,218.00)
2 Non-current liabilities			
(a) Long-term borrowings	3	-	15,00,000.00
(b) Deferred tax liabilities (net)	4	37,42,556.00	35,76,124.00
(c) Other long term liabilities	5	-	2,11,337.00
3 Current liabilities			
(a) Other current liabilities	6	1,55,78,206.00	1,55,22,055.00
(b) Short-term provisions	7	26,77,405.00	1,11,923.00
Total		4,13,72,601.00	2,55,38,221.00
B Assets			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	8	2,56,11,283.00	1,75,94,270.00
(b) Non-current investments	9	33,000.00	33,000.00
(c) Long-term loans and advances	10	27,31,358.00	19,81,654.00
(d) Other Non Current Assets	11	15,03,684.00	15,03,684.00
2 Current assets			
(a) Cash and cash equivalents	12	93,50,129.00	2,82,230.00
(b) Short-term loans and advances	13	40,000.00	30,09,322.00
(c) Other current assets	14	21,03,147.00	11,34,061.00
Total		4,13,72,601.00	2,55,38,221.00
		-	-
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 DIN : 02154557	Basudev Garg Chairman & Whole Time Director DIN : 00282038	Satish Kumar CFO PAN : ASDPK1532A
Place:Delhi Dated:29-05-2015		Vandana Kaushik Company Secretary ACS : 31054	

KMG MILK FOOD LIMITED

KMG MILK FOOD LIMITED									
Statement of Profit and Loss for the year ended 31st March, 2015									
(Amount in Rs.)									
Particulars	Note No	Current Year	Previous Year						
Continuing operations									
Income									
Revenue from operations	15	1,85,00,004.00	2,00,00,000.00						
Other income	16	2,17,584.00	63,213.00						
Total revenue		1,87,17,588.00	2,00,63,213.00						
Expenses									
Employee benefits expense	17	28,80,254.00	29,10,039.00						
Other expenses	18	21,38,392.00	17,32,928.00						
Total		50,18,646.00	46,42,967.00						
Earnings before interest, tax, depreciation and amortization (EBITDA) (I) - (II)		1,36,98,942.00	1,54,20,246.00						
Depreciation and amortization expense	19	65,40,438.00	48,63,422.00						
Profit/(loss) before extraordinary items and tax		71,58,504.00	1,05,56,824.00						
Extraordinary items		-	-						
Profit/(loss) before tax		71,58,504.00	1,05,56,824.00						
Tax expense									
Current tax		25,65,482.00	-						
(Less): MAT credit (where applicable)			-						
Current tax expense relating to prior years			-						
Net current tax expense									
Deferred tax		1,66,432.00	4,24,408.00						
Total Tax expense		27,31,914.00	4,24,408.00						
Profit/(loss) for the year		44,26,590.00	1,01,32,416.00						
Minority shareholders interest- loss/(profit)		-	-						
Share in loss of associates		-	-						
Profit/ (Loss) for the year from continuing operations (A)		44,26,590.00	1,01,32,416.00						
Discontinuing operations									
Profit/(loss) before tax from discontinuing operations		-	-						
Tax expense of discontinuing operations		-	-						
Profit/(loss) after tax from discontinuing operations (B)		-	-						
Profit/(loss) for the year (A+B)		44,26,590.00	1,01,32,416.00						
Earnings per share	20	0.83	1.91						
Basic		0.83	1.91						
Diluted		0.83	1.91						
The accompanying notes are an integral part of the financial statements									
This is the Statement of Profit & Loss in our report of even date									
For Rajan K. Gupta & Co. Chartered Accountants Rajan Gupta Partner M.No 074696 FRN 005945C Place: Delhi Dated:29-05-2015		For and on behalf of Board of Directors <table style="width: 100%; border: none;"> <tr> <td style="text-align: center; width: 33%;"> B.B Raina Director DIN : 02154557 </td> <td style="text-align: center; width: 33%;"> Basudev Garg Chairman & Whole Time Director DIN : 00282038 </td> <td style="text-align: center; width: 33%;"> Satish Kumar CFO PAN : ASDPK1532A </td> </tr> <tr> <td colspan="3" style="text-align: center;"> Vandana Kaushik Company Secretary ACS : 31054 </td> </tr> </table>		B.B Raina Director DIN : 02154557	Basudev Garg Chairman & Whole Time Director DIN : 00282038	Satish Kumar CFO PAN : ASDPK1532A	Vandana Kaushik Company Secretary ACS : 31054		
B.B Raina Director DIN : 02154557	Basudev Garg Chairman & Whole Time Director DIN : 00282038	Satish Kumar CFO PAN : ASDPK1532A							
Vandana Kaushik Company Secretary ACS : 31054									

KMG MILK FOOD LIMITED

KMG MILK FOOD LIMITED			
CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2015			
(Amount in Rs)			
	Particulars	Year Ended 31.03.2015	Year Ended 31.03.2014
A	<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
	Net Profit/(Loss) before Tax	44,26,590.00	1,01,32,416.00
	<u>Add/(Deduct)</u>		
1	Depreciation on Fixed Assets	65,40,438.00	48,63,422.00
2	Interest	-	-
3	Increase(Decrease) in Deferred Tax Liabilities	1,66,432.00	4,24,408.00
	Operating Cash Profit before Working Capital Changes	1,11,33,460.00	1,54,20,246.00
	<u>Add/(Deduct)</u>		
1	(Increase) decrease in Debtors	-	-
2	Increase(Decrease) in Creditors & other Payables	26,21,633.00	(24,17,003.00)
3	(Increase)Decrease in Advance Recoverable	20,00,236.00	(33,94,322.00)
	Cash flow from Operations	1,57,55,329.00	96,08,921.00
1	Interest Paid	-	-
2	Net Cash flow from Operating Activities	1,57,55,329.00	96,08,921.00
B	<u>CASH FLOW FROM FINANCIAL ACTIVITIES</u>		
	<u>Add/(Deduct)</u>		
1	Increase (Decrease) in Secured Loans	-	-
2	Increase (Decrease) in Unsecured Loans	(15,00,000.00)	(95,00,000.00)
3	Increase (Decrease) in Other Long Term Liabilities	(2,11,337.00)	-
	Net Cash flow from Financial Activities	(17,11,337.00)	(95,00,000.00)
C	<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
	Add: Capital Received	-	-
	Less Purchase of Fixed Assets	42,26,389.00	12,000.00
	Increase (Decrease) in Long Term Loan & Advances	7,49,704.00	-
	Net Cash flow from Investing Activities	(49,76,093.00)	(12,000.00)
	Net Increase/(Decrease) in Cash/Cash Equivalents (A+B+C)	90,67,899.00	96,921.00
	Add: Balance at the beginning of the year	2,82,230.00	1,85,309.00
	Cash and Cash Equivalents at the close of the year	93,50,129.00	2,82,230.00
This is the cash flow statement referred to in our report of even date		-	-
For Rajan K. Gupta & Co.		For and on behalf of Board of Directors	
Chartered Accountants			
Rajan Gupta	B.B Raina	Basudev Garg	Satish Kumar
Partner	Director	Chairman & Whole Time Director	CFO
M.No 074696	DIN : 02154557	DIN : 00282038	PAN : ASDPK1532A
FRN 005945C		Vandana Kaushik	
		Company Secretary	
Place:Delhi		ACS : 31054	
Dated:29-05-2015			

KMG MILK FOOD LIMITED

KMG MILK FOOD LIMITED

Notes to financial statements for the year ended 31 March 2015

Note-1:Share Capital

		(Amount in Rupees)	
(a)	Authorised, Issued, Subscribed and paid-up share capital	Current Year	Previous Year
1	Authorized shares capital 60,00,000 (Previous Year 60,00,000) equity shares of Rs.10/- each	6,00,00,000	6,00,00,000
2	Issued, subscribed and paid-up capital 53,04,600 (Previous Year 5304600) equity shares of Rs.10/- each	5,30,46,000	5,30,46,000
Total		5,30,46,000	5,30,46,000

(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
	Out of the equity shares issued by the company, shares held by its associates company is as below :		
1	Equity shares of Rs. 10 each fully paid up 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
	Equity shares of Rs. 10 each fully paid up		
1	Smt Mithlesh Garg		
	-No. of Shares	1121729	1121729
	-% held	21.15%	21.15%
2	Shri Basudev Garg		
	-No. of Shares	872656	872656
	-% held	16.45%	16.45%
3	Smt Shivangi Garg		
	-No. of Shares	352450	352450
	-% held	6.64%	6.64%
4	M/S KMG International Ltd		
	-No. of Shares	530300	530300
	-% held	10.00%	10.00%

KMG MILK FOOD LIMITED

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.

Note-2: Reserve & Surplus

(Amount in Rupees)			
S.No	Particulars	Current Year	Previous Year
	Surplus/(deficit) in the statement of profit and loss		
		-	-
1	Balance as per the last financial statements	4,84,29,218	5,85,61,634
2	Amount Transferred from I tax (Mat)	-	-
3	Profit for the year	44,26,590	1,01,32,416
4	Less Deferred Tax Assets	-	
5	Add: Change in Value of Assets Due to Depreciation	1,03,31,062	
6	Total appropriation	1,03,31,062	1,01,32,416
	Net surplus in the statement of profit and loss	1,47,57,652	1,01,32,416
		-	-
	Total reserves and surplus	3,36,71,566	4,84,29,218
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
	Unsecured,		
	From Associates Companies		
1	KMG Non-Ferrous Metal P Ltd	-	15,00,000
	Total	-	15,00,000

Note:

The loan is repayable on demand.

Notes to financial statements for the year ended 31 March 2015

Note-4 : Deferred Tax Liabilities

(Amount in Rupees)			
S.No	Particulars	Current Year	Previous Year
	Deferred tax liability arising on account of:		
1	Employee benefits	1,66,432	34,584
2	Depreciation		-
3	Opening Balance	35,76,124	31,51,716
4	Less Deferred Tax Assets	-	(3,89,824)
	Deferred tax liability (Net)	37,42,556	35,76,124

KMG MILK FOOD LIMITED

Note-5 : Other Long Term Liabilities

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1 (b)	Shree Ganesh ji Maharaj Due to Others	-	253
	- Baff Engineering Pvt Ltd	-	1,50,904
	- We Power Engineers (Delhi)	-	60,180
	Total	-	2,11,337

(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	3,78,115	4,16,869
2	Shree Ganesh ji Maharaj	253	-
3	Advance Received	1,06,213	-
4	Statutory Remittance	1,50,93,625	1,51,05,186
	Total	1,55,78,206	1,55,22,055

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
	Provision for employee benefits		
1	Provision for gratuity	1,11,923	1,11,923
2	Income Tax	25,65,482	-
	Total	26,77,405	1,11,923

KMG MILK FOOD LIMITED

Notes to financial statements for the year ended 31 March 2015

Note 8: Fixed Assets

Particulars	Gross Block				Depreciation/Amortisation				Net Block	
	Balance as at 1st April,2014	Additions	Disposals	Balance as at 31st March,2015	Up to 1st April,2014	For the Year	Disposals	Up to 31st March,2015	Balance as at 31st March,2015	Balance as at 31st March,2014
I Tangible Assets										
1 Land	6,37,337	-	-	6,37,337	-	-	-	-	6,37,337	6,37,337
2 Site Development	18,71,960	-	-	18,71,960	-	-	-	-	18,71,960	18,71,960
3 Building	2,51,38,728	-	-	2,51,38,728	1,62,10,076	7,96,060	18,81,001	1,51,25,135	1,00,13,593	89,28,652
Building- Guest House		10,21,602	-	10,21,602		16,175		16,175	10,05,427	-
Fence, Wall		4,66,822	-	4,66,822		-		-	4,66,822	-
4 Plant & Machinery	8,47,03,318	-	-	8,47,03,318	7,87,18,250	53,64,543	83,48,928	7,57,33,865	89,69,453	59,85,068
5 Furniture & Fixture	3,29,658	-	-	3,29,658	3,20,356	31,317	1,01,133	2,50,540	79,118	9,302
6 Vehicles	26,41,233	27,37,965	-	53,79,198	25,09,171	3,25,133	-	28,34,304	25,44,894	1,32,062
7 Office Equipments	3,77,380	-	-	3,77,380	3,47,491	7,210	-	3,54,701	22,679	29,889
8 Items cost less than Rs 5000/-	3,295	-	-	3,295	3,295	-	-	3,295	-	-
	11,57,02,909	42,26,389	-	11,99,29,298	9,81,08,639	65,40,438	1,03,31,062	9,43,18,015	2,56,11,283	1,75,94,270
Previous Year Total	11,56,90,909	12,000	-	11,57,02,909	9,32,45,217	48,63,422	-	9,81,08,639	1,75,94,270	

Note:(1) All the assets including factory building has been given on lease for the period from 01-04-2012 to 31-03-2015 for amounting to RS 200 lacs per year.

(2) Due the change in the method of calculation of depreciation on fixed assets the amount of Rs 1,03,31,062/- has been adjusted to Reserve & Surplus account.

KMG MILK FOOD LIMITED

Notes to financial statements for the year ended 31 March 2015

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)	Security deposits		
	Hseb	27,31,358	18,81,654
(b)	Others		
1	Unsecured, considered good		
	- Galaxy Toyota	-	1,00,000
	Total	27,31,358	19,81,654

Note-11: Other Non Current Assets

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Trade Receivables		
	- Bapna Trading Co, Kankroli	88,756	88,756
	- Fair Deal Agencies	34,075	34,075
	- Goldline Milk Food Pvt Ltd	6,59,262	6,59,262
	- Right Choice	7,15,000	7,15,000
	- Right Choice, Jodhpur	6,591	6,591
	Total	15,03,684	15,03,684

Note-12: Cash and bank balances

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Cash and cash equivalents		
	Cash on hand	454	1,176
2	Balances with banks:		
	On current accounts	93,49,675	2,81,054
	Total	93,50,129	2,82,230

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	-	25,00,000
2	Advocate-Rakesh Kr Gupta	-	2,500
3	Capital Advance	-	4,66,822
4	- Staff Advance	40,000	40,000
	Total	40,000	30,09,322

KMG MILK FOOD LIMITED

Note-14: Other Current Assets

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	TDS Receivable	15,04,057	11,34,061
	Mat tax deposited	5,99,090	-
	Total	21,03,147	11,34,061

Note-15: Revenue from operations

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Revenue from operations		
	Sale of products		
	Export	-	-
	Domestic-Equipment Rental	1,85,00,004	2,00,00,000
		1,85,00,004	2,00,00,000
2	Other operating revenues	-	-
	Revenue from operations (Gross)	1,85,00,004	2,00,00,000
	Less : Excise duty	-	-
	Revenue from operations (Net)	1,85,00,004	2,00,00,000

Note-16: Other income

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Sundry Balance written Off	2,17,584	315
2	Interest Received	-	62,898
	Total	2,17,584	63,213

Note-17: Employee benefit expense

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Salaries, wages and bonus	28,51,481	28,81,335
2	Contribution to provident fund and other funds	25,500	25,500
3	Staff welfare expenses	3,273	3,204
	Total	28,80,254	29,10,039

KMG MILK FOOD LIMITED

Note-18: Other expenses

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Distribution, advertising and business promotion	76,274	91,045
2	Repairs and maintenance - Building	-	27,324
3	Repairs and maintenance - Others	1,700	3,63,364
4	Insurance	3,876	3,906
5	Miscellaneous expenses	-	10,633
6	Legal and professional expenses	5,77,841	7,04,207
7	Donation & Charity	1,27,100	50,000
8	Office Expenses	83,089	65,971
9	Office Rent	1,20,000	30,000
10	AGM Expenses	17,425	9,760
11	Stock Exchange Expenses	1,12,360	28,090
12	Power and Fuel Expenses	-	14,530
13	Postage Expenses	31,144	-
14	Meeting Fees	20,000	-
15	Travelling and conveyance	29,125	66,478
16	Festival Expenses	1,70,132	71,536
17	Fees & Taxes	1,58,400	14,546
18	Bank Charges	1,671	4,367
19	Communication costs	60,086	50,267
20	Vehicle Mainenace Expenses	3,79,922	-
21	Sale Tax Demand	3,137	-
22	Printing and stationery	41,795	37,016
23	Internal Audit Fees	25,000	-
24	Payment to auditor (Audit and other expenses)	98,315	89,888
	Total	21,38,392	17,32,928

Note-19: Depreciation and amortization expenses

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Depreciation of tangible assets	65,40,438	48,63,422
	Total	65,40,438	48,63,422

Note-20: Earning per share

(Amount in Rupees)

S.No	Particulars	Current Year	Previous Year
1	Net profit attributable to equity shareholders		
	Profit after tax	44,26,590	1,01,32,416
2	Nominal value of equity share (₹)	10	10
3	Total number of equity shares outstanding at the beginning of the year	53,04,600	53,04,600
4	Total number of equity shares outstanding at the end of the year	53,04,600	53,04,600
5	Weighted average number of equity shares	53,04,600	53,04,600
6	Basic/ diluted earning per share (₹)	0.83	1.91

KMG MILK FOOD LIMITED

21 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	<u>Company under same management</u>		
1	KMG Non-Ferrous Metal P Ltd(Nature-Unsecured Loan)	-	-
2	KMG leasing and Advance Ltd (Nature - Unsecured Loan)	-	95,00,000
B	<u>Director and relative of the director of the company</u>		
	Miss Mithlesh Garg (Nature - Rent)	1,20,000	-
3	Basudev Garg (Nature - Unsecured Loan)	-	6,00,000
4	B.B Raina (Nature-Salary)	6,96,000	6,96,000
5	Basudev Garg (Nature - Salary)	12,00,000	12,00,000

22 Lease

Permission given on operative lease Building and Plant & 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		2,00,00,000.00	2,00,00,000.00
2	For a period later than one year and not later than five years		-	-
Note: Milk cess amounting to rs 1,48,23,750/-for the period from 01/04/2007 to 31/03/2015 is paid by Mahaan Milk Food Ltd as per the term of lease agreement.				

23 Contingent liabilities

1	No provision has been made in the account for doubtful debts and advances. These all are considered by the management as recoverable. The pending court cases against and for the company is as under:			
A				
2	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			
3	In the matter of Semen Bank Officer/Haryana Live Stock Development Board, Pehowa, Harayana(Milk Cess) vs. Company of Rs 35,01,14,839/-as interest+1,57,59,375/- as principal.			
4	In the matter of Company vs Hitkari Industries Ltd in the Karkadoma Court for Rs.185000 + 123671/- Delhi. Company V/s Shree Ganesh Trading Co. Kurukshetra, Kurukshetra Court for Rs 128693+Interest			
5				
B	Court Cases for Recovery U/S 138			
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.			

KMG MILK FOOD LIMITED

24 Previous year figures are regrouped/rearrange wherever necessary to conform to this year's classification.

25 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
DIN : 02154557

Basudev Garg
Chairman & Whole Time Director
DIN : 00282038

Satish Kumar
CFO
PAN : ASDPK1532A

Place:Delhi
Dated:29-05-2015

Vandana Kaushik
Company Secretary
ACS : 31054

KMG MILK FOOD LIMITED

Annexure-I

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (Annexed to and forming part of the financial statements for the year ended 31st March, 2015)

1. BASIS OF PREPARATION: -

These financial statements have been prepared on in accordance with the generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material aspects, with the accounting Standards notified under section 133 of the companies act,2013 , read together with paragraph 7 of the companies accounts Rules 2014,the financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2. USE OF ESTIMATES :-

The preparation of Financial Statements requires estimates & assumptions to be made that affect the reported amount of assets & liability on the date of financial statements and the reported amount of revenues & expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known\ materialized.

3. FIXED ASSETS: -

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses if any. The cost comprises purchase price, borrowing cost if Capitalization criteria are met and directly attributable cost of bringing the assets to its working condition for the intended use.

Subsequent expenditure related to an item of fixed assets is added to its book value only if it increases the future benefits from the exiting assets beyond tits previously assessed standard of performance.

All other expenses on existing fixed assets, including day to day repair & maintenance expenditure and cost of replacing parts are charged to the statement of P&L for the period during which such expenses are incurred.

DEPRECIATION ON TANGIBLE FIXED ASSETS:-

Depreciation on fixed assets is calculated on SLM using the rates arrived at based on the useful as per Companies Act, 2013. The company has used the following useful lives to provide deprecation on its fixed assets:-

Particular	Useful lives estimated by management (Years)	Useful lives as per schedule II
Computer	03	03
Furniture & Fixtures	10	10
Vehicles	08	08
Plant & Machinery	15	15
Building	30	30
Building-Guest House	60	60
Building – Fence, walls	05	05

Till the year ended 31st march 2014 Schedule XIV to the Companies Act 1956, prescribed requirements concerning depreciation of Fixed Assets. From the Current year Schedule XIV has been replaced by Schedule II to the Companies Act, 2013. The applicability of Schedule to has resulted in the following Changes relates to depreciation of Assets, unless Stated otherwise the impact mentioned in the current year is likely to hold good for the futures years till the year ended 31st march 2014 , depreciation rates prescribed

KMG MILK FOOD LIMITED

under Schedule XIV were treated as minimum rates and the company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful lives of the assets, Schedule II of the companies Act, 2013 prescribes the useful lives of the fixed assets which, in many cases, are different from the lives prescribed under the erstwhile Schedule XIV. However Schedule II allows companies to use higher / Lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for the difference is disclosed in the financial statements.

4. REVENUE RECOGNITION: -

(a) Lease income from operating lease shall be recognized in income on a straight-line basis over the lease period, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(b) Revenue in respect of other income is accounted on accrual basis except claim received/paid.

5. INVESTMENTS: -

Long term investments are stated at cost. Provision is made to recognize any diminution in value, other than that of a temporary nature.

6. EMPLOYEES BENEFITS: -

(A) Contribution to defined schemes such as provident fund, superannuating/pension benefits, gratuity employee's state insurance scheme is charged as incurred on accrual basis. These are in accordance with the respective Act's.

(B) Leave Encashment: -

As per the employment policy of the company the employees avail their annual Leave and provision for leave encashment is made on the basis of unutilized leave to the credit of employees.

(C) GRATUITY: -

In accordance with the Payment of Gratuity Act, 1972, the company provides for gratuity covering all employees. The plan, subject to the above Act, provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based in the respective employee's salary and the tenure of employment.

7. BORROWING COSTS :-

Interest and other borrowing costs attributable to qualifying assets are capitalised. Other interest and borrowing costs are charged to revenue.

8. EARNING PER SHARE :-

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average of no of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average no of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

9. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:-

A provision is recognised when there is a present obligation as a result of a past event, that probably requires an outflow of resources and a reliable estimate can be made to settle the amount of obligation. Provision is not discounted to its present value and is determined based on the last estimate required to settle the obligation at the year end. These are reviewed at each year end and adjusted to reflect the best current estimate. Contingent liabilities are not recognised but disclosed in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

KMG MILK FOOD LIMITED

10. TAXATION :-

Income-tax expense comprises current tax and deferred tax charge or credit. Provision for current tax is made on the basis of the assessable income at the tax rate applicable to the relevant assessment year. The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets arising mainly on account of brought forward losses and unabsorbed depreciation under tax laws, are recognised, only if there is a virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is a reasonable certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassure realisation. Minimum Alternative Tax credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal tax during the specified period.

11. IMPAIRMENT OF ASSETS:-

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognised in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

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
DIN : 02154557

Basudev Garg
Chairman & Whole Time Director
DIN : 00282038

Satish Kumar
CFO
PAN : ASDPK1532A

Place:Delhi
Dated:29-05-2015

Vandana Kaushik
Company Secretary
ACS : 31054

KMG MILK FOOD LIMITED

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 **23rd Annual General Meeting** of **KMG Milk Food Limited** held on Friday, 25th September, 2015 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

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;
2. 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 23rd Annual General Meeting of the KMG Milk Food Limited, to be held on Friday, 25th September, 2015 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
1.		
2.		
3.		
Special Business		
4.		

Signed this day of 2015.

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.