

A-Z of a Producer Company (PC)

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Introduction

Companies Act 1956 (the Act)

1. Companies limited by Shares
(Public & Private)
2. Companies limited by Guarantees
3. Limited and Unlimited Companies.

New Amendment on Companies Act 2002

- Dr. Y.K Alagh

- a) To frame a legislation that would enable incorporation of cooperatives as companies and conversion of existing cooperatives into companies and
- b) To ensure that the proposed legislation accommodated the unique elements of cooperative business with a regulatory framework similar to that of companies.

2. Basic Concepts

- Companies Act 2002 sections 581 A to 581 ZT
- Definition:581A

1. Active member: Member who fulfils the quantum and period of patronage of the Producer Company
2. Chief Executive : Sub-section (1) of section 581W
3. Member: A person or Producer institution (whether incorporated or not) admitted as a Member of a Producer Company and
4. Inter – State Co- operative Society : multi-State co-operative society

5. Mutual – Assistance Principles: *subsection (2) of section 581G*
6. Officer: *Director or Chief Executive or Secretary or any person in accordance with whose directions or instructions part or whole of the business of the Producer Company is carried on*

7. Patronage: Use of services offered by the Producer Company to its Members by participation in its business activities
8. Patronage Bonus: Payments made by a Producer Company out of its surplus income to the Members in proportion to their respective patronage

9. primary produce

- Produce of farmers of agriculture including animal husbandry, horticulture, forestry, forest products, bee-raising etc.....
- Produce of persons engaged in handloom, handicraft and other cottage industries.
- Any other product resulting from any of the above activities or any by- products thereof.
- Any activity which is intended to increase the production of anything

10. Producer

- Any Person engaged in any activity connected with or relatable to any primary produce

11. Producer Company

- A body corporate having objects or activities specified in section 581 B of the companies Act and registered as producer company

12. Producer Institution: Producer Company or any other institution having only producer or producers or Producer Company or Producer Companies as its member whether incorporated or not having any of the objects

13. Withheld Price- part of the price due and payable for goods supplied by any member to the PC

3.Objectives, Nomenclature & Registration of PC Contd...

Objectives(581B)

- Production, harvesting, procurement, grading, pooling, handling marketing, selling, export of primary produce of members or import of goods or services for their benefit.

The Producer Company may carry on any of the activities specified in this clause either by itself or through other institution

- Processing including preserving drying, distilling, brewing, venting canning and packing of produce of farmers
- Manufacture, sale or supply of machinery, equipment or consumables mainly to its members & providing education on mutual assistance principles to its members and others
- Rendering technical services, consultancy services, training, research and development and all other activities for the promotion of interests of its members

- generation, transmission and distribution of power
- insurance of producers on their primary producer
- promoting techniques of mutuality and mutual assistance.
- welfare measures or facilities for the benefit of members as may be decided by the board;

Formation of PC (581C)

- ❖ Any ten or more individuals, each of them being a producer or
- ❖ any two or more Producer institutions or
- ❖ a combination of ten or more individuals and Producer institutions, desirous of forming a Producer Company having its objects specified in the Act

Nomenclature and Registration

- For the registration of company online application is made through the website of Ministry of Corporate Affairs. (<http://www.mca.gov.in>)
- In order to register Coconut Producer's Company, applicant is required to file Form 1A for name availability. Promoters have to give 6 names of their choice, After approval of the same, applicant is required to file Form 39 along with filing e form 1, 18 and 32.

- In this case another application has to be submitted. Form No.1 is application and declaration for incorporation of a company.
- Form No.18 is notice of situation or change of situation of registered office.
- Form No. 32 gives director's details.
- Form No.39 is for registration of an existing company as limited company.
- A fee of Rs.500 will be also sent .

- Availability of the name would be for a period of 60 days.
- Once a name is approved by the ROC, the MOA and AOA have to be drafted within this 60 days.
- If this deadline is exceeded, the name approval will expire.

- The name of the promoters should also be the subscribers to the memorandum.
- The last words of the company should be “.....producer company limited”
- If a company with that name is not registered within two months, a fresh application will have to be made to the registrar with fees of Rs. 500

Steps for the Registration of PC

- **Directors Identification Number**
- **Digital Signature Certificate**
- **Articles of Association**
- **Memorandum of Producer Company**

The promoters of a producer company shall produce to the registrar of the state in which the registered office will be located the following.

- Memorandum of association duly signed by the subscribers and witnessed (2 copies).
- Articles of association duly signed and witnessed as above (2 copies).
- List of persons named in the MOA as first directors and their consents in form -29 to act as directors.
- form -32 in duplicate giving particulars of the said persons named as directors

- form -18 in respect of situation of registered office
- power of attorney on NJ stamp paper, if any, executed by any subscriber authorizing a person to sign the MOA and AOA on his behalf or executed by a producer institution as subscriber
- Power of attorney on NJ stamp paper signed by all subscribers authorizing one of the subscribers or other person authorizing him to make corrections on any of the document as may be required by the registered.
- Evidence as to deposit of fees for incorporation of the company on the basis of the authorized capital as given in schedule X to the act.

Estimated Cost incorporation of PC: Equity Share 5 Lakhs

S.No	Particulars	Heads	Amounts
1.	Application for Name of PC	Fees	500
2.	Digital Signature	Fees	2600
3.	Stamp duty	MoA	500
4.		AoA	1000
	Registration/ filing fees	MoA	16000
		AoA	300
		Form-1	300
		Form-18	300
		Form-32	300
5.	Fees of CA/CS firm	Consultancy fees	10000
6.	Stamps cancellation	Charge	300
7.	Affidavit expenses	Fees of Notary	450
8.	Share transfer fees & processing charge		5000
	Total		37550

Advantages of PC

- The principle of one vote per member
- Irrespective of number of shares, the office bearer has to be a primary producer
- Sharing of the profits proportionate to the transactions made

- Patronage proportionate to the number of shares
- The primary producers have the flexibility, freedom and efficiency of a private limited company
- Non trading nature of shares in the stock exchange and Shares can only be sold at par to the company or transferred to another producer member with the prior approval of the company

Disadvantages of PC

- PCs do not have enough tangible assets and they are not able to raise loans in the market.
- PCs being substitute of cooperative societies should be extended initial hand-holding in the form of start-up capital by NABARD, NDDB, AFC, NFDB, SFAC etc

Thank You...