

Producer Company

“PROMOTE INDIAN CULTURE; PROMOTE PRODUCER COMPANIES”

Ministry of Company Affairs, India has introduced a Bill for amendment (based on the report submitted by High Powered Committee under the Chairmanship of Dr. YK Alagh) in the Companies Act, 1956 by inserting Part IX A, paving a way for the incorporation of Producer Companies. The Act has allowed primary producers to organize themselves to gain a maximum profit from the market oriented economy.

Meaning –

“Producer Company” means a body corporate having objects or activities specified in section 581B and registered as Producer Company under the Companies Act, 1956.

The Companies Act defines Producer as any person engaged in any activity connected with or relatable to any primary produce (Produce: “things that have been produced or grown, especially by farming”). A Producer Company is thus a body corporate having an object that is one or all of the following:

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

Further, the Producer Company must deal primarily with the produce of its active Members and must allow to carry on any of the following activities by itself or through other entities – on behalf of the members.

- Processing including preserving, drying, distilling, brewing, vinting, canning and packaging of the produce of its Members;
- Manufacture, sale or supply of machinery, equipment or consumables mainly to its Members;
- Providing education on the 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 the interests of its Members;
- Generation, transmission and distribution of power, revitalisation of land and water resources, their use, conservation and communication relatable to primary produce;
- Insurance of producers or their primary produce;
- Promoting techniques of mutuality and mutual assistance;
- Welfare measures or facilities for the benefit of Members as may be decided by the Board;
- Any other activity, ancillary or incidental to any of the activities which may promote the principles of mutuality and mutual assistance amongst the Members in any other manner;
- Financing of procurement, processing, marketing or other activities which include extending of credit facilities or any other financial services to its Members.

Producer Company Registration:

To register a Producer Company in India, the following members in any of the combination is necessary:

- Ten or more individuals, each of them being a producer; or
- Two or more producer institutions; or

A combination of ten or more individuals and producer institution . The registration process for a Producer Company is then similar to that of a **Private Limited Company**. Firstly obtain the DSC and DIN for the proposed first Directors of the Producer Company. After obtaining the DSC and DIN, the application for name reservation can be filed with the Registrar of Companies (ROC). The name of a producer company must end with the words "Producer Limited Company". After getting the name approval from the ROC, file the application for incorporation in the prescribed format for incorporating the Producer Company. If the Registrar is satisfied with the application for incorporation of Producer Company, then he/she will approve the same and issue Certificate of Incorporation. Once, a producer company is incorporated, it shall function similar to a private limited company subject to certain provisions.

Some Important points are listed below:

Share Capital: (Section – 581 ZB)

Share capital of a Producer Company shall consist of equity shares only. Members' equity cannot be publicly traded but only transferred.

Voting: (Section – 581Z)

Only of individuals, then voting rights shall be based on a single vote for every member. Only of producer institutions, then voting rights on the basis of their participation. Combination of both individuals and producer institutions then voting rights shall be based on a single vote for every member.

Director: (Section 581 O and Section 581 P)

Every producer company is to have:

- At least 5 and not more than 15. A full time chief executive should (CEO) be appointed by the board and
- Shall be entrusted with substantial powers of management as the board may determine.
- If any director resigns from his post the election shall be conducted within 90 days from the date of resignation of such director. The Director shall hold his office for a period not less than 1 year but not more than 5 years as may be specified in the articles. Every director shall be eligible for reappointment.

Chief Executive: (Section 581 W)

Every producer company shall have a full time Chief Executive to be appointed by the Board amongst persons other than the members.

Internal Audit: (Section 581 ZF)

Every Producer Company shall have internal audit of its accounts carried out in such intervals and in such manner as specified by its articles, by a Chartered Accountant.

Meetings of the Board Quorum: (Section 581 V)

Board shall meet at least once in every three months and at least four such meetings shall be convened in every year. The Chief Executive shall give notice for the board meeting at least 7 days in advance of the meeting. Meeting can be called with shorter notice but the reasons thereof shall be recorded by the Board. Quorum:- 1/3rd of the total strength of Directors subject to a minimum – 3.

CASE STUDY:

Vanilla India Producer Company Limited (Vanilco) is a new venture, promoted by Indian vanilla farmers to protect the long term interests of vanilla growers all over the country. Vanilco is a Producer Company with the twin objective of promoting vanilla production and processing vanilla as per international standards. Vanilco is owned by farmers and it works in tandem with them to produce and market the best vanilla beans and extracts. Its goal is to ensure a just and fair value for the farmers' produce at par with the international markets and standards. The company procures, processes, benchmarks and markets the farmer' produce and generates profits that are distributed to share holders as handsome dividends. Today Vanilco is recognized as one of the most reliable suppliers of natural Vanilla in the market, thanks to the technical know-how, quality of products, commercial expertise and knowledge of global markets