



PROJECT GUIDELINES

PRODUCER COLLECTIVE



VAAZHNDHU KAATTUVOM PROJECT



PRODUCER COLLECTIVE

PROJECT GUIDELINES

VAAZHNDHU KAATTUVOM PROJECT

Contents

S.No	Particulars	Page No
1.	VKP Guidelines for Producer Collective	07
1.1	Introduction	07
1.2	VKP Producer Collective Initiative	07
1.3	Objectives of Producer Collective	07
1.4	Producer Collective (PC)	07
1.5	Function of PC	08
1.6	Legal Status of Producer Collectives	09
1.7	Organizational set up of Producer Collectives:	09
1.8	Statutory Compliances in the First Year of Incorporation under Producer Company Act.	10
1.9	Environmental Safeguards Requirements for the PCs	10
1.10	Board of Directors (BoD)	10
1.11	Board Meeting and Quorum	11
1.12	Annual General Body Meetings (AGM)	11
2.	Producer Collectives (PC) formation Process Flow	12
2.1	Pre - Planning	12
2.2	Planning	12
2.3	Formation of new Producer Collectives process flow:	12
2.4	Opening of Bank Account	14
2.5	Record keeping	14
2.6	VKP Project MIS systems	16
2.7	Guideline for Integration of existing PCs	16
2.8	Guideline for Integration of existing PGs with PCs	16
3.	Nurturing and Handholding	17
3.1	Capacity Building	17
3.2	Business Plan Preparation	18
3.3	Accessing Finance	18

4. VKP fund support to Producer collectives.	19
4.1 VKP Project start-up funding details	19
4.2 Start-up Fund flow and utilization.	20
4.3 Business Operations	20
5. Marketing Linkages	21
6. Role & Responsibilities of DPMU, TSA and ECP / PE	22
Annexure : 1 VKP Project finance for existing and New PC	23
Annexure : 2 Procedure for Grading Producer Collectives & Grading tool	28
Annexure : 3 Roles and Responsibilities of General Body, BOD & Sub Committee	42
Annexure : 4 Roles and Responsibilities of CEO and office bearers	44
Annexure : 5 Model MOA	46
Annexure : 6 Model AOA	49
Annexure : 7 Companies Act 2013	59
Annexure : 8 Amalgamation, merger or division, etc., to form new Producer Companies	60
Annexure : 9 Amalgamation, transfer of assets and liabilities for Cooperatives	62
Annexure : 10 Types of meeting and its importance	63
Annexure : 11 Common Action plan	64

1

VKP Guidelines for **Producer Collective**

1.1 Introduction

Vaazhndhu Kaattuvom Project (VKP) is an innovative World Bank assisted Project that aims at rural transformation through strategies that look beyond poverty alleviation by building sustainability and prosperity of rural communities through rural enterprise promotion, access to finance and employment opportunities in the selected blocks of Tamil Nadu. The Project will build on existing institutional capital and investments made by TNEPRP, TNSRLM and NRLP. The Project is implemented in 120 blocks covering 3,994 village panchayats spread across 31 districts of Tamil Nadu.

1.2 VKP Producer Collective Initiative

Producer Collective (PC) is a formal higher-level collective of producers for aggregation, value addition, marketing and service provisioning for economies of scale.

Membership is usually ranging between 300-3,000 producers

For certain commodities and in sparsely populated tribal areas, membership can be 150-300 producers.

1.3 Objectives of Producer Collective

- Promote economically viable, democratic, and self-governing PCs.
- Build value chain development interventions with focus on sustainable agriculture, livestock and village-based enterprises to enable small and marginal farmers, and SHG women gain better price realization
- Enable access to markets & improved technologies for value addition and technical support
- Strengthen farmer capacity via agricultural best practices for enhanced productivity.
- Ensure access to and usage of quality inputs and services for intensive agriculture production and enhance cluster competitiveness.
- Facilitate access to fair and remunerative markets including linking of producer groups to marketing opportunities through market aggregators.

1.4 Producer Collective (PC)

A Producer Collective (PC) is a collective of individual producers coming together for a commonly perceived objective. PC also facilitates information flow, enables collective action, business and lobbies for local infrastructure.

There is various possible institutional structure for PC, however in the VKP Project the following two approaches will be followed,

- PG federated approach
- Direct approach

The DPMU & TSA will take into consideration the possibility to form a new PC by either of the approaches. The Producer Collectives can initiate with a single commodity and then over a period of time can diversify into multiple commodities.

Federated approach

PC will be a membership-based organization, with members of Producer Groups (PGs) and as individual shareholders.

PGs will be federated in the form of PC at the respective (Block/Sub-district/District) level as per the requirement of commodity/sub-sector, business potential and the type of activities.

All PCs will be legally registered bodies.

Majority of PCs will be formed under this approach.

Direct approach

- The individual producers will be directly formed into the procedure collectives
- PC will be a membership-based organization having individual producers as its shareholders.
- Individual producers at village level will be the shareholders of the Producer Collectives (PC) at the appropriate (Block/Sub-district/District) level as per the requirement of the commodity / sub sector, business potential and the type of activities.
- The approaches can be adopted in hilly areas / tribal area/ based on the need.

Role of Producer Collective (PC):

Enhance value by enabling access to new technology

Technical and quality physical inputs

Formal finances

Market driven extension service

Accessing remunerative markets

Trade either in single or multiple commodities.

1.5 Function of PC

The PCs will leverage scale of economies for the PGs. They will be actively engaged in aggregation, quality input supply, higher order of value addition (like primary and secondary processing), branding, and marketing and wholesale/ retail selling. The services to be taken up by PCs are follows,

Input provision

PCs can buy inputs in bulk, at lower prices, and then supply it to the members. However, input supply should be only one of the many activities of the PC.

Production services

As small-scale producers generally have limited assets and skills, they can provide extension services and access to equipment, such as tractors and other farm equipment, to help members increase their productivity and improve the quality of their produce. PCs provide production related technical and technological services including input services, conduct training and capacity building activities.

Quality control

to meet the demanding quality standards of some markets, PCs would monitor and control the production process and the quality of the final product they sell.

Coordinating production

To take advantage of different market opportunities and respond to the needs of buyers, PCs may have to coordinate the individual production of their members. For example, PCs can meet the demand of buyers, who expect a continuous supply of fresh produce (Eg: vegetables) throughout the season, by organising members to plant their crops at different stages during the planting season.

Processing

Some PCs can engage in processing activities in order to add value to the produce and access markets further up the market or value chain.

Marketing

Marketing members' produce is the core service provided by PCs and to perform a range of tasks, including understanding market information, identifying market opportunities, sorting & grading, packaging, branding, quality assurance and standardization, pricing, certification, negotiating sales, storing (cold storage & warehousing), distribution and logistics.

Trading

Depending on the commodity, some PCs can also do trading, buying and selling produce from producers other than just their own members, in

order to meet the quantity, variety, or consistency of supply demanded by certain markets. Eg. delayed marketing of millets. They can procure millets / pulses in bulk during peak production season, store and sell when the price becomes high. While trading value additions too can be undertaken based on market demand. Online trading of produces through e-platforms will also be undertaken.

Retailing

They can also get involved in retailing activities and also have retail shops in the cities. The cities have a high demand for niche products and the consumers are willing to pay high prices for it.

1.6 Legal Status of Producer Collectives

The current legal options available in the State for PC registration are

1. Tamil Nadu Cooperatives Act, 1983,
2. Companies Act, 2013

However, the VKP project recommends to register PC under Companies Act, 2013 (under chapter XXI A of Companies Act, 2013).

1.7 Organizational set up of Producer Collectives:

- The members of the PCs could either be PGs or individual producers. In case of PGs it would be represented by the PG members.
- The PC should have a BOD and General Body.
- Members, Board of Directors and Staff are the three constituents in any PC.
- PCs are directed and controlled by a governing body commonly called Board of Directors. The board has a legal, moral, and executor responsibility for the organisation.
- Board of Directors of PC ranges between 5 to 15 members.
- The Board of Directors may appoint one or more directors as expert directors. The expert director need not be a member and provide technical advisories to the board. but the expert director not exceeding 20% of the total strength.
- The Board elect the chairperson and other office bearers.
- All the members of the PC will be considered as members of the General Body which will review the policy decisions taken by the BoD meeting.
- The GB will elect the office bearers and other members of the BoD and sub committees. The GB will approve the business plan, annual budget and accounts.
- The BOD meetings will be conducted every month. Minimum 1/3 of members will form quorum for every meeting.
- The Board of Directors can constitute a committee to assist them. The CEO of the Board should be a member of the committee.
- The BOD is a functional wing of the GB. It will have a Chairperson to lead/ support / guide the Board.
- The following sub committees will be formed to support the functioning of the Producer Collectives (PCs): The sub - committee will consist of 1 member from BOD & 2 member from GB.
 - Procurement sub-committee (3 members)
 - Production sub- committee (3 members)
 - Quality Assurance sub - committee (3 members)
 - Marketing sub-committee (3 members)
 - Finance sub-committee (3 members)
- Tenure of all sub committees will be two years. They will be selected in the General Body. The General Body can decide to have more sub-committees, in future, based on the requirement of the PC activities apart from the above sub committees.
- PC Registered by company act & legal entity.
- Producer are shareholders in the organization & deals with business activities of Primary Produce.
- The governance will be supported by a professional management structure comprising of a CEO and support staff. The support staff will be decided based on the business nature.
- The project will ensure 65 % of women of the total PC members
- To ensure inclusion of socially vulnerable groups in the collectives.
- The PC will also ensure that 65% of women members are in BOD.
- The Project should be inclusive membership

1.8 Statutory Compliances in the First Year of Incorporation under Producer Company Act.

- a) Hold first Board Meeting within 30 days from the date of incorporation.
 - Arrange for Printing of Share Certificate Books/Combined Statutory Register/Letter heads /Rubber Stamps, etc.,
 - Name and address of the Registered Office along with CIN no./phone no./email/website address should be printed on all letter heads, bill heads, notices and correspondence of the Company
 - Name and address of the Registered Office should be painted or affixed on the outside of every office of the Company in a very conspicuous manner.
- b) Appoint first auditors at the first Board Meeting or within 3 months from the date of incorporation.
- c) Hold first AGM within 90 days from the date of incorporation for adoption of AOA (Articles of Association) and appointment of first directors.
- d) Ensure that 4 Board Meetings are held during a calendar year and gap between two Board Meetings is not more than 3 months.
- e) Ensure that the gap between two AGMs is not more than 15 months.
- f) The first Auditors will hold office till the next AGM where they have to be appointed for a period of 5 years each time and their appointment is ratified at each AGM.
- g) Appoint Chief Executive Officer (CEO) of the Company and he shall not be a member of the Company.
- h) Share Certificates shall be issued to the first 10 subscribers of the company within 2 months of the date of incorporation.
- i) All routine decisions like opening of bank account, authorization to any director for dealing with all government departments for licenses/permits/registrations can be done by resolutions passed at Board Meetings or by resolutions passed by circulation.
- j) Minimum paid-up capital of PC is Rs. 1,00,000 (1 Lakhs).

- k) Authorized capital of PC can be more than Rs. 25,00,000 (25 - Lakhs).
- l) Members' equity shares cannot be traded but can be transferred.

1.9 Environmental Safe guards Requirements for the PCs

Promoting climate smart agriculture that reduces Green House Gas (GHG) emissions is the need of the hour for sustainable production and food security. One of the critical impacts of climate change is reducing the capacity of natural resources (biodiversity, soil and water) in supporting food production; hence the interlinked challenges of food security and climate change need to be addressed simultaneously.

This implies towards a significant transformation of food/crop production, with definite actions and coordinated involvement of all stakeholders. There is need for empowering farmers with knowledge, skills and necessary inputs to adapt to changing climate as well as for increasing production and income. The activities, which may be harmful to the society or environment will not be considered by the VKP Project. The project Environmental and Social Safeguard measures should be followed by the PC as per the project requirement.

The Project should follow the below eligibility criteria

- The PC members from SHG/SHG households
- The PC women membership should be 65 % including the BOD
- The membership should be inclusive.

1.10 Board of Directors (BoD)

- The Board of Directors are elected by members.
- PC can have 5- 15 Directors.
- The nominated directors are also elected by the general body meeting.
- At least 65% women directors should be in the Board.
- For every 5 BoD, one nominated director may be appointed from non-member (Technical specialist)
- The tenure of a director is minimum one year and maximum three years and the director can be re-elected.

The Role and responsibilities of the Board of Directors, CEO and office bearers in the Annexure: 2 & 3.

1.11 Board Meeting and Quorum

The board meeting is the most critical exercise for the Producer company to steadily progress. The best practices recommended are as follows,

- Conduct board meeting every month without fail though it is once in quarter minimum as per law and four such meetings should be held in a year.
- 1 weeks' notice in writing, should be given by CEO for holding a Board Meeting to all the Directors.
- The quorum for a Board Meeting is 1/3rd of the total strength
- Minutes of the proceedings of the Board Meetings shall be prepared and entered in to Minutes Books within 30 days of the meeting.
- Decisions are taken by resolutions passed by majority and routine resolutions can be passed by circulation.

1.12 Annual General Body Meetings (AGM)

An annual general meeting should be conducted every year.

At least 65% women members should be in the General body.

The gap should not extend not more than fifteen months between the meetings

1st AGM within a period of 90 days from incorporation

Adopt AoA and appoint BOD in the annual general meeting

1/4th of the Members entitled to vote makes the quorum

Not less than 14 days' prior notice in writing to the members.

Audited financial statements to be filed with ROC within 60 days of AGM

Note: The Chairman in consultation with BoDs may convene a special / emergency meeting of BoD or AGM if needed. The different types of meeting followed by VKP promoted PCs attached in the annexure: 9

2

Producer Collectives (PC) formation Process Flow:

The PC organization building processes and activities under the project are described as under.

2.1 Pre - Planning

The State team SPMU along with TSA will develop tools, guidelines, training manual & modules on PCs. The Technical Support Agency (TSA) will be support the project in formation, capacity building and handholding of the PCs.

2.2 Planning

The project would adopt the traditional approach of PC formation i.e., the PGs will be formed first at the village level (Sub Groups/PGs) which will later be federated into a PC. Alternatively, in few cases, the initiation may start with the PC formation and slowly add on a greater number of producers/ PGs till the optimum size is reached. The sequence of PG and PC promotion will be based on the market demand and opportunities in the ecosystem.

PCs can either trade in single commodity or multi commodities depending upon the activity and requirement of the producers. The Producer Collectives can initiate with a single commodity and then over a period of time can diversify into other commodities.

In the very first year, the project will facilitate initial activities of aggregation, processing and marketing by PGs. This would be done through a nodal PG till the time a PC has been formally initiated. The DPMU,

Block unit and TSA will play an important role during this time by developing the ecosystem for the PGs to graduate into PCs.

2.3 Formation of new Producer Collectives process flow:

The steps in the formation process are described as follows:

Step 1. Preparatory meetings with PGs/ Producers

The DPMU/block & TSA will be proactive and organize meetings with PG Representatives / member at the village level with the support of BTLs / ECPs on formation of new collectives. The PC Orientation meetings will be explained the following points:

The need for collective's formation

Appraising the need for effective forward and backward linkages to producers.

Opportunities and possible interventions in value chain of the commodity.

Explaining concepts, advantages and requirements of PC.

PC's benefits like economies of scale, market interface, legal recognition, ability to deal with large market players.

Bank linkages and other linkages with developmental programmes of line departments.

The interested PG Representative / member will be taken on an exposure visit to successful producer companies to strengthen their understanding and to develop trust for forming new PC.

Step 2. Consultative meetings with Producers/PG representatives

The district team along with the TSA will organize a consultative meeting at the block level with the PGs member/ representative willing to federate into a producer collective. One or two consultative meetings will take place in a period of one or two weeks to facilitate boarded vision, frame objectives, discuss and decide stake of members, legal form, member constitution etc.

The formation process proposed for PCs during the consultative meetings are detailed out below:

Membership & Annual Service fee:

- In the federated approach forming PCs, Each PG has to contribute a onetime membership fee of Rs 1000 & an annual service fee of Rs 1000. The Membership fee, Annual service fee should be transferred from PG Account to PC account.
- In the method of Direct forming PCs, Each members has to contribute the one time membership fee of Rs 100 with an annual service fee of Rs 100. The members to get the services from field functionaries, book keeping, auditing etc from the PC membership fee.

Share capital:

- Each member should contribute a share capital of Rs.1000 to PC.
- The share capital contribution will be applicable for forming PC by both the approaches.

Organization set up : The appropriate organizational structures will be introduced to them. The functions of the General Body, BOD, modalities of the legal structure, framing of bye laws etc. will also be discussed and decided by the members. This is detailed in the coming sections.

Selection of BOD and Chairman: The General Body members will discuss the identifying BOD, Chairman and also the Auditor. The roles and responsibilities of the BOD, Auditor, placing of PC staff will be discussed and clarified in the meeting. The DPMU & TSA will assist the BODs to identify the relevant Chartered Accountant / Company Secretary.

Step 3. Preparing the draft MoA & AoA (By Law)

The DPMU / TSA in consultation and support from the members, develops the draft 'Memorandum and Articles of Association' specifying the roles and responsibilities of each of the office bearers of PC. The shareholders have also to finalize the authorized capital of the company and the cost of each share. While finalizing the cost of share and the number of shares per member, the paying capacity of the economically deprived shareholders should also be considered. The MoA (Memorandum of Association) has covers the following aspects,

Name of the company shall end with the words "Producer Company Limited".

MoA is a document that indicates what activities the company can undertake.

MoA explains constitution & rights of Company.

It guides shareholders of company, lenders, bankers, and third party to know the mandate of the company.

MoA comprises Name of company, Address, objectives, promoters, scope of work, no. of shares & its value etc.

It is to be signed by requisite no. of subscribers/ Promoters.

AOA (Articles of Association)

The AOA has covers the following aspects

- AoA is a document that specifies the rules for company's operations.
- It defines the company's purpose and lays out how tasks are to be accomplished within the organization.
- It includes the process for appointing Directors and how financial records are handled.
- AoA specifies Membership, voting rights, BoD, funding, Dividend distribution, AGM, quorum for AGM, election of chairman & directors.
- It is to be signed by requisite no. of subscribers/ Promoters.
- The example MoA and AOA has attached in the annexure 4 & 5.

Step 4. First Shareholders meeting

Once these documents are in place, the first formal meeting of the shareholders should be organized. The basic agenda of this meeting is to get the approval on the Memorandum and Articles of Association as well as select the Board of Directors of the company. 10 -15 board of directors should be selected during the shareholder meeting.

Step 5: Registration (Certificate of incorporation)

In the VKP project suggest to register PC under Producer company act 2013. A separate meeting will be conducted for registration of PC. The chairman of PC will preside over the meeting.

The DEO, BTL along with the TSA will guide the representatives about the registration process, documents required etc. and initiate the statutory process required for formation of PC. The Estimated cost for incorporation of a producer company under company act may varies between Rs 39000 to Rs 45000, however this will depend on the Fees of Chartered Accountant or Company Secretary.

The following are the steps to be followed for registration of a company

Step 1: Digital Signature Certificate (DSC)

Step 2: Director Identification Number (DIN)

Step 3: Naming a Producer Company

Step 4: Documents submitted to RoC

Step 5: Incorporation of Producer Company

Step 6: Obtaining Certificate of Incorporation

After this process, the PC will be assisted to register under producer company act and the PC will be able to avail funds through the project only when the governing board is in place and the formal registration is completed.

The Step-by-Step Approach for Registration of PCs as Producer Company & the VKP district project & TSA role & responsibilities has attached in the annexure 2

Appointment of Professional CEO/ other key staff as per business needs

The PC has to appoint professional CEO & Key staff as per business needs soon after the registration of PC. The DPMU, BTL & TSA will assist for recruitment of the CEO and key staffs.

Tasks to be completed immediately after incorporation of PC

After completion of registration of the company, the first General meeting of the shareholders should be conducted mandatorily within 90 days of the registration. Other than discussing the business plan, the General Body has to elect the Board of Directors for the next tenure. The proceedings of the meeting should be sent to the Registrar of Company (RoC) within 60 days of the meeting along with the list of finalized BoD

The entire new PC formation process might take 2 to 4 months, depending upon the motivation and inclination of the producers.

2.4 Opening of Bank Account

The Bank account will be opened in the name of the PC by submitting the bye-laws and a resolution for authorising the Chairman and CEO as the signature authorities. PC have to open two bank account, one account for maintaining share capital transfers and another one for current account for PC business operations.

Transfer of Share amount, membership & service fee amount to PC bank account

Each PG must collect share amount, membership & service fee amount from their member. The amount collected by PG should be transferred wholly to the PC bank account. The amount collected through shareholders could be used for registration fees and other processing related expenditures like fees for Company secretary, stationary, travel etc.

2.5 Record keeping

The process of recording transactions and events in an accounting system or the activity or occupation of keeping records or accounts. Double entry book keeping system will be followed. The VKP promoted PC should at least have some accounting software like Tally ERP 9 for tracking the business activities.

Keeping good records is vital for PC business as:

It helps to manage legal, regulatory or tax compliance.

It helps to manage and improve PC business.

Is essential for collecting, storing and

effectively analyzing PC data.

Records can identify the source of receipts.

Separate business taxable income from non-taxable income.

Keep track of PC expenses.

Records are must to prepare PC tax returns.**PC should make sure to keep the following 5 types of records/ document regarding its business:**

- Business records - Business records dealing with business activities. It is consisting of Purchase, sales, stock, expenses, business contracts etc., Business records support to prepare business statement and reports. These records should be updated as on date by an accountant / concern staff of the PC.
- Accounting records - Accounting records dealing with financial transaction. It is consisting of Cash book, General ledger, receipts, voucher, Bank reconciliation, Asset register.
- Legal documents - Legal documents are very necessary to run the PC.
- Permits and licenses - Licenses are needed for trade, procurement, processing and operations of the business. Most businesses need a combination of licenses and permits from relevant authorities at state and central level.
- Insurance documents - Running a business involves many risks, sometime risk leads to financial loss / asset loss to the PC. To avoid the risk and to protect producer company assets insurance is very important.

Business records comprise:

- Purchase book - Purchase Book is a subsidiary book which records the transactions of credit purchase of goods for trading purpose. Cash purchases are recorded in the Cash Book.
- Sale book - Sales book records all credit sales made by a business. It is one of the secondary book of accounts and unlike cash sales which are recorded in cash book, sales book is only to record credit sales.
- Stock register - A stock register is a records of goods purchased and/or stored.
- Bill book/ Receipt book - Receipts are a document that represents proof of a financial transaction. A receipt is a written acknowledgment that

something of value has been transferred from one party to another.

- Expenses register- The expense register helps PCs to manage expenses, which records all of PCs expense information.

Accounting records comprise:

General ledger

Bank cheque book, statements, deposit book

and Bank reconciliations

Asset register

Attendance, inward, outward, visitor register

Legal records comprise:

- Minutes book
- Share capital register
- Share certificate records
- Returns filed
- Agreements and MoUs

Permits and licenses comprise:

- APMC license - To trade produce through APMC market
- GST license - Goods and service tax applicable to any entity that deals in sales and purchases
- Weight and measurement license – Licenses are needed for weigh and measuring the products
- FSSAI license - Licenses are needed for all processed and packaged foods
- Seed, pesticide and fertilizer license - Licenses are needed for input business

Insurance documents comprise:

This insurance covers risk arising due to loss or damage caused to goods or personal belongings while in the transportation.

Warehouse insurance This provides coverage against any monetary loss resulting from any damage of goods, machinery or building in and outside of the premises.

Members insurance The PC provide various insurance like Crop Insurance, Electric Motors Insurance and Life Insurance for members.

Asset insurance Asset / Property insurance is the kind of insurance that provides protection against certain risks on property such as fire, theft and earthquake.

2.6 VKP Project MIS systems

The VKP Project will develop digitised MIS systems. The digital platform will provide a centralised platform for PCs to create and maintain a complete digital database of farmers along with land and crop profile digitisation, and accounting of financial transactions within the PCs.

The MIS integrated platform to monitor and evaluate the performance of the PCs promoted by the VKP project. Additionally, this process of digitising enables better data management to derive valuable insights and generation of MIS reports.

2.7 Guideline for Integration of existing PCs

- A list of the existing producer collectives functioning in the district and blocks would be obtained from the relevant Government departments (Agricultural marketing Department, NABARD and other NGOs).
- A joint review of the existing producer collectives already existing in the district (promoted by SFAC and other NGOs) will be undertaken by the district, state TSA team and technical experts.
- The existing PCs willingness to join VKP will be assessed & select the PC based on the project eligibility criteria. The orientation meeting will be conducted by the DPMU & TSA
- The project team along with Technical support agencies will assist in the grading of existing producer collectives in the district. Based on the grading outcome the gaps will be strengthened

through capacity building trainings, market tie-up, technical and financial linkages.

- The existing producer collectives would be encouraged to enhance the membership of women. (65 Percent of women membership).

2.8 Guideline for Integration of existing PGs with PCs

- A list of existing Producer Groups formed by Agriculture, Horticulture, TNSRLM, NABARD and NGOs or self-promoted in the districts and blocks would be identified.
- From this list of those Producer Groups which are already linked / federated into PC and so far not linked will be prepared.
- The District team along with the TSA will organize a series of consultative meetings at the block level with the member PGs willing to federate into a producer collective. Two to three consultative meetings will take place in a period of two months to facilitate visioning, frame objectives, discuss and decide stake of members, legal form, member constitution etc.
- The existing PGs willingness to join VKP will be assessed & select the PG based on the project eligibility criteria. The orientation meeting will be conducted by the DPMU & TSA.
- The existing producer collectives would be encouraged to enhance the membership of women. (65 Percent of women membership).
- The steps (step 2 to step 6) for the formation of new Producer Collective will be followed for the integration of existing PGs with PC.

3

Nurturing and Handholding

The TSAs will support the DPMU in nurturing and handholding the PCs by placing systems framing guidelines and policies on HR, Financial, Procurement and Marketing.

Systems strengthening

The TSA will facilitate for system strengthening of the PC. To ensure organizational principles are followed. To ensure the Annual General Body meet at least once in a year. The BoD of PC shall meet at least once in a month. The DPMU with the support of TSA may handhold or facilitate the PC in conducting the meetings.

Identification and placing of staff

The PC will have a team of staff comprising of a CEO and support staff in carrying out the business activities. The number of staff and support staff will be based on the business volume/ transaction. The BOD would be involved in the identification and the selection process of the CEO, Staff and support staff. The BoD will be trained on the selection and recruitment process. TSA & DPMU will Facilitate in identifying right office bearers for PC and work in close coordination with CEO and BOD for handholding support.

Notice for the recruitment of the staff would be given through advertisement in local papers. The selection procedure would involve a process of interview done by the BoD members. A resolution will be passed

into the BoD meeting after the selection process is completed.

3.1 Capacity Building

The PCs will require systematic capacity building inputs at various levels to execute the functions effectively and efficiently. The Board of directors, CEO and support staff will require various Technical inputs to develop their knowledge, skills and attitudes and build their capacity to manage the business activities. Induction program and other trainings for PC staff would also be planned.

The capacity building training program would include the following areas:

Orientation on PC (Nature, Objective, Purpose, Activities)

Vision Building, stakeholder management, conflict resolution

Statutory functions and its management

Business plan preparation

Financial management

Marketing management

Book keeping and accounting

The training events will be facilitated and coordinated by the DPMU & TSA. These capacity building trainings would result in strengthening of PCs on Governance, finance, business technical and management aspects.

3.2 Business Plan Preparation

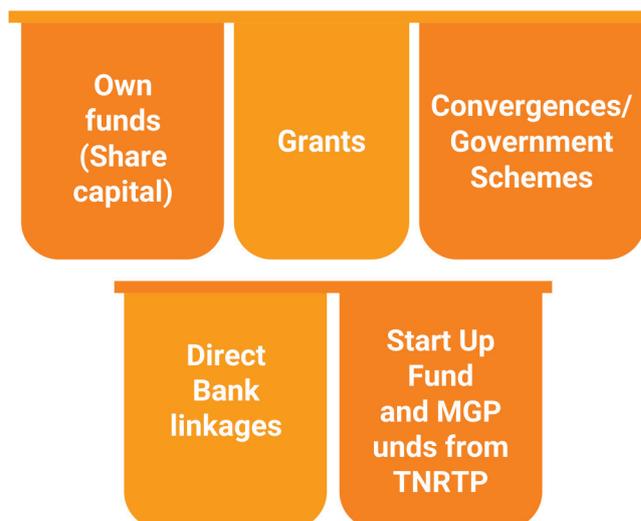
Preparation of the business plan should involve the PG representatives so that the ownership of the business plan remains with them. The members of the PC should ensure that the Business Plan contains details about selected economic activity, total cost required, members involved, other credit linkages, marketing opportunities, expected income and expenditure details. The business plan should be planned, implemented and managed in a participatory way and agree on all aspects of the business plan, selection of technology, total cost of the project, amount of equity to be mobilized and financing the business plan.

The TSA will facilitate and provide expertise in preparing Business plans. The DPMU will support the PC in Business Plan preparation.

3.3 Accessing Finance

The PC will require funds to operationalize the business plan which includes working capital requirement, operational expenses and its fixed costs (such establish common facility infrastructures for storage, processing, drying yards, purchase of machineries, purchase of land etc).

PCs can access finance in the following ways:



Once the PC is ready with the business plan, the application will be submitted to DPMU, Financial institutions, relevant Government departments to access finance. TSA & DPMU will support the PC for preparing the Business Plan preparation.

4

VKP fund support to **Producer collectives**

The Project will support start up Grant and matching Grant for the project promoted PC.

Start Up Grant: The project funds will support PCs to address the gaps in terms of finance to initiate its business activities and meet its operational expenses. This will include the operating costs, meeting working capital requirements, long term infrastructure, risk fund and investment in equity. Each of the new PC is entitled to get a maximum amount of up to Rs 30 lakhs from the project start up grant based on the category & achieving the milestones.

Matching Grant: The project is set up, to incentivize the repayment of borrowers and generate momentum amongst the financial institutions to lend to the PC. Matching Grant will be available, to the PCs, together with the loans sanctioned by the bank. On prompt repayment of 70% of the loan amount, the borrower is eligible for 30% waiver off which will be contributed by the Project.

For example, if the loan sanctioned by bank is Rs.1,00,000/- on prompt repayment of 70% of the loan (Rs. 70,000/-) balance 30% (Rs. 30,000) will be waived off being contributed by the project. The maximum amount for the Matching Grant is 40 Lakhs per eligible PC. The detailed Matching grant information is available in the VKP project Matching Grant Program Operational Guidelines.

4.1 VKP Project start-up funding details

The details of the milestones to be achieved for release of funds in three categories. The project funding details for existing and new PC is attached in the annexure I.

operational experience)

1. Establishment grant – 5 lakhs (single tranche)
2. Business expansion viability grant - Upto 8 lakh (single tranche) for grade A Upto 6 lakhs for Grade B
3. Leverage fund grant – Upto 12 lakh (single tranche) for grade A Upto 10 lakhs for Grade B
4. Innovation/ Inclusion incentive grant – 5 lakh (single tranche) for grade A & 3 lakhs for Grade B

years of operational experience)

1. Establishment grant – 3 lakhs (single tranche)
2. Business expansion viability grant - Upto 10 lakh (single tranche) for grade A Upto 8 lakhs for Grade B
3. Leverage fund grant - Upto 12 lakh (single tranche) for grade A Upto 10 lakhs for Grade B
4. Innovation/ Inclusion incentive grant - 5 lakh (single tranche) for grade, 3 lakhs for Grade B

Category C - For mature PCs (with more

than 3 years of operational experience)

1. Business expansion capex/ Market positioning grant - Upto 10 lakh (single tranche) for grade A Upto 8 lakhs for Grade B
2. Leverage fund grant - 15 lakh (single tranche) for grade A Upto 12 lakhs for Grade B
3. Innovation/ Inclusion incentive grant - 5 lakh (single tranche) for grade, 3 lakhs for Grade B

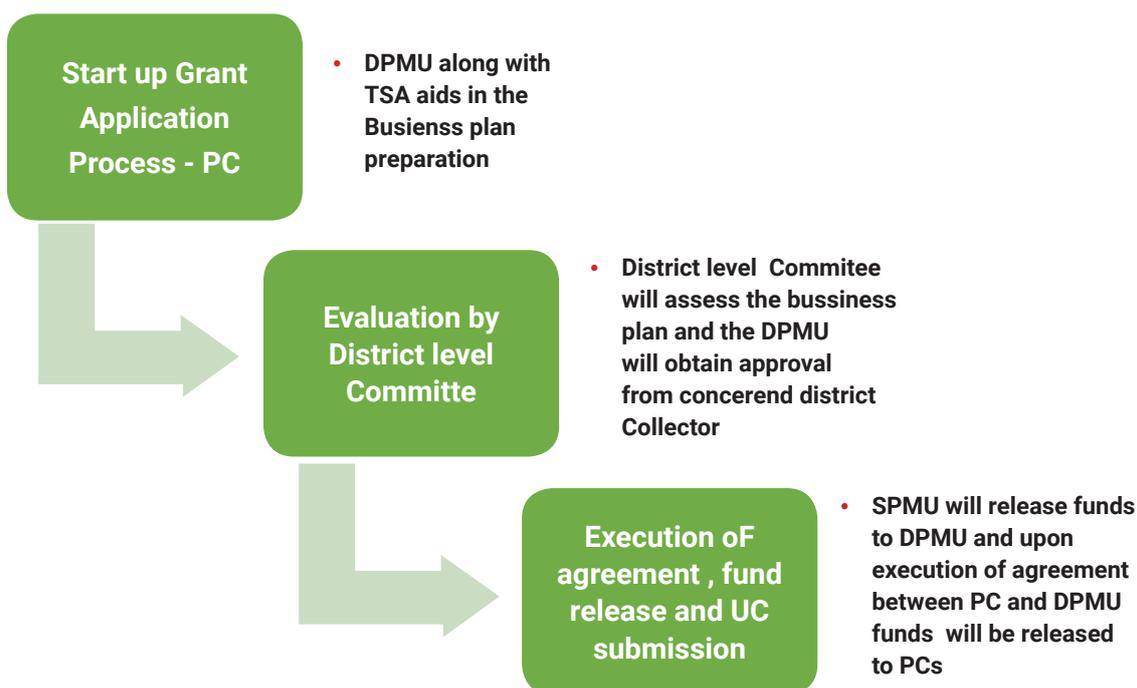
4.2 Start-up Fund flow and utilization.

- The PC will submit their application-for start-up funds to the DPMU.
- DPMU will constitute a District Level Committee
 - ✓ *The District level committee comprise of DEO, EO – ED, BPF , TSA - DPMU, PD – TNSRLM / PD - DRDA will access the business plan and*

the DPMU will obtain approval from concerned district Collector

- The District Level Committee will assess the grant application based project milestone.
- DPMU will obtain the approval from the concerned District Collector and submit them to SPMU.
- SPMU will release the funds to concerned DPMU after due verification
- An agreement will be executed between the PC and DPMU clearly stating the purpose of utilization.
- The start -up grant will be disbursement of the Grant from DPMU to the PC bank account.
- The PC will submit their utilisation certificate and their Annual Audited statement which reflects the utilization of the grant.

The process and fund flow mechanism for Start-up grant assistance to PCs is depicted below:



4.3 Business Operations

The TSA and DPMU will handhold the PC in the initial years on the following aspects:

- Providing efficient backward and forward linkages like procurement of raw materials, commodities and services, Product sales and distribution, Packaging, Branding, Marketing etc.,
- Costing and pricing of products (production, service or retail).
- Ensure quality assurance mechanisms and address quality concerns.
- Support to prepare standard operating procedures and to implement them.
- Helping in efficient storage, logistics / transportation of goods.
- Participate in the PC review meetings in order to identify issues and take up corrective measures.

5

Marketing Linkages

PCs will explore various markets by participating in buyers-sellers meet, exhibitions; trade fairs etc and build suitable partnerships. The DPMU will facilitate the PCs in establishing the market linkages with the support of TSA.

The TSA & DPMU also facilitate the PC for convergence with formal financial, technical institutions, Government schemes etc.,

The Amalgamation, merger or division, etc., to form new Producer Companies & Cooperative act has attached in the 7 & 8.

6

Role & Responsibilities of DPMU, TSA and ECP / PE

The Role & Responsibilities of DPMU, TSA and ECP in the table below,

S.No	Responsibility	Description of Role
1	DPMU – DEO, EO ED,YP	<ul style="list-style-type: none"> • Coordination with the TSAs for promotion and trainings for PC • Liaising and coordinating with district administration, various government departments and resource institutions, private actors on business and enterprise promotion like the agri- business departments, MSMEs, DIC, etc. • Identification and sourcing of resource persons at district level. • Conducting assessment and reviews on producer collectives promoted by various actors. • Arrange meetings and trainings at district level • Participation in the initial mobilization and formation meetings of PCs. • Assisting, handholding and monitoring of activities of PCs in the district. • Participating in the assessment of health of PCs. • Assisting in PC staff and leaders in their operation. • Participating in the PC meetings regularly. • Monitoring and reporting PC activities in the district – month wise
2	BPMU - BTL,PE	<ul style="list-style-type: none"> • Arrange meetings and trainings at block level • Participation in the initial mobilization and formation meetings of PCs. • Assisting, handholding and monitoring of activities of PCs in the district. • Participating in the assessment of health of PCs. • Assisting in PC staff and leaders in their operation. • Participating in the PC meetings regularly. • Monitoring and reporting PC in the block – month wise
3	TSA	<ul style="list-style-type: none"> • Handholding the district project staff in promotion of PC • Capacity building and strengthening of PC. • Support the producer collectives in establishing linkages with market and financial institution. • Attending PC meetings & trainings
4	PE/ ECPs	<ul style="list-style-type: none"> • Facilitating linkages with OSF, banks, technical institutions, markets. • Facilitating convergences at the village level. • Support formation of PC by interfacing with PC and PG. • Collection of shares from the producers

Annexure: 1

VKP Project finance for existing and New PC

VKP Project Financing for Existing and New Producer Collectives				
Tranche Name	Definition	Category I – For New PCs (within 2 years of operational experience)	Category II - For growing PCs (2 years to 3 years of operational experience)	Category III - For mature PCs (with more than 3 years of operational experience)
		<ul style="list-style-type: none"> Without any grant support from any agency Or a max grant support of 5 lakh from any other agency (SFAC / NABARD / NGOs / Other projects) With or without any credit linkage from formal financial institutions 	<ul style="list-style-type: none"> With grant support from any agency to the tune of 5-10 lakhs (SFAC/NABARD/ NGOs/ Other projects) With or Without credit linkage from formal financial institutions (or availed a credit of maximum 10 Lakh one time) 	<ul style="list-style-type: none"> With grant support from any agency to the tune of more than 10 lakhs (SFAC/NABARD/ NGOs/ Other projects) with credit linkage from formal financial institutions (more than one time, more than 20 lakh)
Establishment grant <ul style="list-style-type: none"> To meet out the establishment expenses like setting up of office, training, admin expenses, salaries etc., This grand will be used for establishing the PC in the initial days. 	<ul style="list-style-type: none"> Untied fund that can be used for any purpose but should be based on a business plan. 	Amount 5 lakhs <ul style="list-style-type: none"> Bank account PC registration Basic minimum staff (CEO and accountant at least) onboard. Minimum 25% of the members share capital amount mobilized Women representation in Board of Directors should be 50% 	Amount 3 lakhs <ul style="list-style-type: none"> Bank account PC registration Basic minimum staff (CEO and accountant at least) onboard Minimum 40% of the members share capital amount mobilized Share certificate issued to 40% of the members. Women representation in Board of Director should be 50 % If receiver of CAP fund, then submit utilisation certificate. If VKP has initiated PC digitization, then data entry must be completed. 	**Not Applicable

Tranche Name	Definition	Category I – For New PCs (within 2 years of operational experience)	Category II - For growing PCs (2 years to 3 years of operational experience)	Category III - For mature PCs (with more than 3 years of operational experience)
<p>Business expansion viability grant</p> <ul style="list-style-type: none"> To meet out the business working capital & expanding the business operations. For example, Procurement & raw material purchase etc, 	<p>Fund can be utilized for capex; or margin money for cap ex development through convergence; working capital for input/ output procurement and for other operational expenses (Excluding salary of staff, training, honorarium to BoD, etc). Fund can be availed only after approval of a business plan</p>	<p>Amount – A grade- 8 Lakhs (maximum) B grade – 6 lakhs (maximum)</p> <ul style="list-style-type: none"> Completion of two production cycle (or) one year of actual operation whichever is less. Minimum 50 % of members share capital amount mobilized and share certificate issued to 50 % of the members. Last business turnover – at least INR 10 lakh (Audit Statement should be submitted). (Fund can be availed only after approval of a business plan) 	<p>Amount – A Grade 10 Lakhs (maximum) B Grade 8 Lakhs (maximum)</p> <ul style="list-style-type: none"> Completion of 2 years of actual operation (submission of one year of audited statement) Last business turnover 25 lakhs Minimum 60% of the members share capital mobilized and share certificate issued to 60% of the members. Graded A or B as per the VKP grading parameter. Able to meet out 50% of the cost of operation from the business operations. (If VKP has initiated PC digitization, then data entry must be completed) 	<p>**Not Applicable</p>
<p>Business expansion capex / Market positioning grant</p> <ul style="list-style-type: none"> To meet out the business expansion operations related to marketing activities. For example, Promotion expenses including, branding, Packing, labelling and other marketing activities. 	<p>Fund can be utilized for capex; or margin money for cap ex development through convergence; for branding and packaging if engaged in secondary/ tertiary processing. This fund cannot be used as working capital or to bear operational cost. Fund can be availed only after approval of a business plan</p>	<p>**Not Applicable</p>	<p>**Not Applicable</p>	<p>Amount - A Grade 10 Lakhs (maximum) B Grade 8 Lakhs (maximum)</p> <ul style="list-style-type: none"> Completion of 3 years of actual operation (2 years of audited statement submission). Last business turnover 50 lakhs and above Minimum 80% of the members share capital mobilized and share certificate issued to the members. Graded A or B as per the VKP grading parameter.

Tranche Name	Definition	Category I – For New PCs (within 2 years of operational experience)	Category II - For growing PCs (2 years to 3 years of operational experience)	Category III - For mature PCs (with more than 3 years of operational experience)
				<ul style="list-style-type: none"> Able to meet out 70% of the cost of operation from the business operations. VKP has initiated PC digitization, then data entry must be completed. Women representation in BoD should be 50 %
Leverage fund grant <ul style="list-style-type: none"> This grant can be utilized in the form of security and mobilized the banking credit at least 2 times (Overdraft or term loan). 	<p>Mostly to be used as working capital but it is advisable to use the fund as a collateral (in the form of an FD with bank) for overdraft facility.</p> <p>The fund cannot be used for operational expenses (including salary of staff, training, honorarium to BoD, etc)</p> <p>Funds to be accessed based on a business plan.</p>	<p>Amount – A Grade 12 Lakhs (maximum) B Grade 10 Lakhs (maximum) An additional 2 lakhs maximum (reimbursable amount) may be provided if the FPO has done a third party credit rating</p> <ul style="list-style-type: none"> Completion of 2 years of actual operation (one year audited financial statement). Last business turnover - Minimum 25 lakhs. Minimum 70% of the members share capital mobilized and share certificate issued to the members. Graded A or B as per the VKP grading parameter. Able to meet out 40% of the cost of operation from the business operations. If VKP has initiated PC digitization, then data entry must be completed. 	<p>Amount - A Grade 12 Lakhs (maximum) B Grade 10 Lakhs (maximum) An additional 2 lakhs maximum (reimbursable amount) may be provided if the FPO has done a third party credit rating</p> <ul style="list-style-type: none"> Completion of 3 years of actual operation (submission of 2 years of audited statement) Last business turnover - Minimum 50 lakhs and above Minimum 80% of the members share capital mobilized and share certificate issued the members. Graded A or B as per the VKP grading parameter. Able to meet out 60% of the cost of operation from the business revenue. If VKP has initiated PC digitization, then data entry must be completed. 	<p>Amount – A Grade 15 Lakhs (maximum) B Grade 12 Lakhs (maximum) An additional 2 lakhs maximum (reimbursable amount) may be provided if the FPO has done a third party credit rating</p> <ul style="list-style-type: none"> Completion of 3 years of actual operation. Last business turnover - minimum 60 lakhs. Minimum 80% of the members share capital mobilized and share certificate issued the members. Graded A or B as per the VKP grading parameter. Able to meet out 70% of the cost of operation from the business revenue. If VKP has initiated PC digitization, then data entry must be completed.
Innovation/ Inclusion incentive grant <ul style="list-style-type: none"> This grant can be used for innovative business activities or including more 	<p>Fund can be availed after verification of the eligibility criteria by the SPMU.</p>	<p>Amount - A Grade 5 Lakhs B Grade 3 Lakhs</p> <ul style="list-style-type: none"> Completed at least 1 year of operation. (1 year of audited statement). Minimum 50% of the members share capital mobilized and share certificate issued the members. 	<p>Amount - A Grade 5 Lakhs B Grade 3 Lakhs</p> <ul style="list-style-type: none"> Completed at least 2 years of operation (2 year of audited statement). Minimum 50% of the members share capital mobilized and 	<p>Amount - A Grade 5 Lakhs B Grade 3 Lakhs</p> <ul style="list-style-type: none"> Completed at least 2 years of operation (2 year of audited statement). Minimum 50% of the members share capital mobilized and share

Tranche Name	Definition	Category I – For New PCs (within 2 years of operational experience)	Category II - For growing PCs (2 years to 3 years of operational experience)	Category III - For mature PCs (with more than 3 years of operational experience)
<p>than 65 % women & Vulnerable category.</p> <ul style="list-style-type: none"> For example, Drone used for farm fields, Drip irrigation, Climate smart technologies etc., 		<ul style="list-style-type: none"> Received A or B in the green PC rating. If VKP has initiated PC digitization, then data entry must be completed (And) 1. Has deployed innovative technology for production/ processing technology. (Or) 2. Engaged in an innovative product development. (Or) 3. 100% of the shareholders/ members are women/ women SHG members. (Or) 4. 60% of the members belong to SC+ST+PTG category. (Or) 5. 20% of the shareholders/ members belong to vulnerable section (PwD/transgender). 	<p>share certificate issued the members.</p> <ul style="list-style-type: none"> Received A or B in the green PC rating. If VKP has initiated PC digitization, then data entry must be completed (And) 1. Has deployed innovative technology for production/ processing technology. (Or) 2. Engaged in an innovative product development. (Or) 3. 100% of the shareholders/ members are women/ women SHG members. (Or) 4. 60% of the members belong to ST/PTG category. (Or) 5. 20% of the shareholders/ members belong to vulnerable section (PwD/transgender). 	<p>certificate issued the members.</p> <ul style="list-style-type: none"> Received A or B in the green PC rating. If VKP has initiated PC digitization, then data entry must be completed (And) 1. Has deployed innovative technology for production/ processing technology. (Or) 2. Engaged in an innovative product development. (Or) 3. 100% of the shareholders/ members are women/ women SHG members. (Or) 4. 60% of the members belongs to ST / PTG category (Or) 5. 20% of the shareholders/members belong to vulnerable section (PwD/ transgender).

Annexure: 2

Procedure for Grading Producer Collectives & Grading tool

1. Introduction

Vaazhndhu Kaattuvom Project (VKP) is implemented with an objective of transforming the rural communities by creating sustainable development and prosperity through enterprise promotion, creating access to finance and employment opportunities. The project also aims to strengthen and capacitate the existing and new Producer collectives which are promoted through the project.

Producer Collective (PC) is a “formal higher-level collective of producers for aggregation, value addition, marketing and service provisioning for economies of scale”. The membership is usually ranging between 300- 3000 producers and for certain commodities and in sparsely populated tribal areas the size of the PC with in the range of 150 - 300 producers.

The Technical Support Agency (TSA) will support the project in formation, capacity building and handholding of the PCs.

A grading mechanism is required to assess / diagnosis the current institution status and gaps to strengthen the producer collectives for financial, market and technical convergence to sustain their business. This grading tool may serve as a self-assessment tool and also increase their creditworthiness amongst the financial institutions

2. Objectives of PC Grading

- To identify the institutional status and training needs for further strengthening and capacitating of PC for viable and sustainable businesses.
- To support and facilitate the PC in accessing finance or other benefits from financial, marketing and technological institutions.

3. Grading Parameters

Following are the broad parameters on which the Grading is to be done:



4. Eligibility Criteria for Grading and frequency of Grading

- The PC should have completed at least 18 months of operation from the date of formation to be eligible for Grading.
- PCs formed by the project and already PCs integrated with project are eligible for the grading.
- In the project, grading exercise will be organized regularly once in a year
- For the PCs which are graded as C & D the lacking parameters shall be further strengthened and they can reappear for grading within six months.

5. Grading team

The grading team will be constituted of DEO, District Co-coordinator - TSA, Executive Officer (ED), Executive Officer (BPF) and the respective Block Team Leader (BTL).

6. Grading Process

- Before the conduct of Grading an orientation has to be given to the grading team with the support of TSA.
- The Block team has to prepare the eligible PC list for Grading and submit it to the district.
- The DPMU will prepare a schedule to conduct the Grading exercise
- The PC will be intimated on the grading date at least one week before the grading.
- The grading will be conducted during the PC meetings only. The Quorum for the Grading is 80% of the BOD.
- If there is the attendance is less than 80% of the BOD members, Grading should not be performed and it has to be postponed to another date.
- The Grading team has to submit the report within 3 days of date of completion of Grading.

7. Grading result based on Scoring

The PC has to be graded based on the scores obtained and as detailed in the table below:

Grade	2 years old (18 to 24 months)	3 years old PC (25 months to 36 months)	4 years to 5 years (37 months to 60 months)	Above 5 years (Above 60 months)
A	65 % and above	70 % and above	75 % and above	80 % and above
B	55 -64 %	61-69 %	65-74 %	70-79%
C	40-54 %	45-60 %	45-64 %	50- 69%
D	Below 40%	Below 45%	Below 45%	Below 50%

8. Project support

PCs Graded as A and B will be eligible for project grant support linked with achievement of milestones. PC grant wise milestones and grant amount details given in the PC guidelines. The PC categories and type of grant linked with grading details as follows.

Category I: For new PCs and fledging PC (within 2 years of operational experience)

Leverage fund – Achievement of Leverage fund milestone and Graded as A or B.

Innovation/ Inclusion incentive grant - Achievement of Innovation/ Inclusion incentive grant Leverage fund milestone and Graded as A or B.

Category II: For growing PCs (with more than 2 years of operational experience)

Business expansion viability grant - Achievement of Business expansion viability grant milestone and Graded as A or B.

Leverage fund grant - Achievement of Leverage fund grant milestone and Graded as A or

Innovation / Inclusion incentive grant - Achievement of Innovation/ Inclusion incentive grant Leverage fund milestone and Graded as A or B.

Category III: For mature PCs (with more than 3 years of operational experience)

Business expansion / Market positioning grant - Achievement of Business expansion / Market positioning grant milestone and Graded as A or B.

Leverage fund grant - Achievement of Leverage fund grant milestone and Graded as A or B.

Innovation/ Inclusion incentive grant - Achievement of Innovation/ Inclusion incentive grant Leverage fund milestone and Graded as A or B.

- The PCs can utilize the project fund for any business development activities as per project guidelines.
- PCs Graded as C and D will be provided with necessary capacity building training and handholding support to improve their governance, business performance and grade.



Grading Tool for Producer Collectives -VKP



S.No	Categories	Score	Obtained Score
A.	Profile of PC		
B.	PC Governance	11	
C.	Membership / Shareholders & its participation of PC	11	
D.	PC Management	10	
E.	Capacity building	3	
F.	Compliances (6), Environment safeguards (6) Innovation (1)	14	
G.	Financial management	19	
H.	Business Activities of PC	18	
I.	Business performance	12	
J.	Convergence & Grant Support	2	
	Total	100	

Suggestions:

Remarks:



Grading Tool for Producer Collectives -VKP



A. Profile of PC (Please tick mark the optional questions)

1	Name of the PC:	
2	Name of the district:	
3	Date of Grading of PC:	
4	PC registered under a. which Act b. Registration no c. Date	
5	Operational Since (Year & month)	
6	Date of Formation	
7	Full address of the PC with email ID:	
8	CEO Name: Mobile:	
9	Name of the Chairman /President Mobile:	
10	Name of the Promoting Organization (PO)	SFAC/NABARD/IFAD/VKP/ NGO's/Self Promoted
11	Key Sectors in which PC is involving & commodities	Agri = Agri Allied = Non-Farm =
12	Total Shareholders	Total shareholders (enrolled Shareholders) = Active shareholders (Involved in Business Activities) =
13	No of Board Member	
14	No of Staff	CEO = Accountant = Resource person = other workers =
15	Key PCs business activities	
16	Name of the brand (if any)	
17	Number of the shareholders benefited by PC (At least any one of the services availed from PC)	
18	Number of the non-members benefited by PC (At least any one of the service availed from PC)	
19	Name of the awards received, if any with details enclosed	
20	Share Capital Mobilized (in Lakhs)	
21	Average share capital per shareholder	
22	Total women members	
23	Total SHG members	
24	Total SHG Household (family members of SHG member)	
25	Operational area No of village panchayat Cultivable land area in acre	
26	Livestock owned by shareholders	
27	Total turnover of the PC (last year from the audit statement)	
28	Total operation cost (last year from the audit statement)	

B. PC Governance Max Marks 11				
S.No	Particulars	Indicators and Marks	Means of Verification	Score
1	Selection of Board Members (this has to be verified from the meeting register)	The board member selected by shareholder in GB / AGM or in presence of a number of members/ shareholders = 2 Selected by promoter/ supporting agency/ CEO = 0	AGM Minute's book	
2	Composition of Board - Women inclusion (No.of women in the Board/ Total Board members)X 100 = %	If 65 % & above = 2 30 to 64 % = 1 Below 30 = 0	AGM Minute's book	
3	Regularity of Board meeting - Last one year (min 4 meeting on quarterly basis)	4 meetings and above = 2 4 meetings or less = 0	BoD Minute's book	
4	Attendance of Board Members - Last one year (Total no.of meeting X total board members = Total no.of attendees(cumulative), No.of members attended (cumulative)/ Total no.of attendance x 100 =	Above 79% = 2 50 to 79% = 1 Below 50% = 0	BoD Minute's book / Attendance	
5	Rotation of Board Members (As per AOA)	Yes / if the date is not due = 1 No = 0	AGM Minute's book and Compliance filing documents	
6	Regular AGM done since inception (As per company act 2013, AGM has to conduct yearly basis and not more than fifteen months between the AGM)	Yes (more than 90% AGMs as per schedule done) = 2 In between 70 – 89 % = 1 Less than 70% AGM organized - 0	AGM Minute's book and RoC compliance file	
C. Membership / Shareholders & its participation of PC - Max Marks 11				Score
1	Inclusion of women in PC (No. of shareholders who are women/ total no. of shareholders*100)	Above 64% =2 30-64% = 1 Below 30% = 0	Member profile – MIS	
2	Inclusion of SHGs members / HH (No of shareholders who are women/ total no. of shareholders*100)	Above 65% =2 30-64 % = 1 Below 30% = 0	Member profile – MIS	

S.No	Particulars	Indicators and Marks	Means of Verification	Score
3	% of total member contributing Share Capital (no of member contributed / total member)	Above 75% = 2 50-75 = 1 30-49% = 0.50 Below 30% = 0	Share register	
4	% of share capital amount mobilized as per the number of shareholders (Share amount collected / Share amount to be collected *100)	Above 75% = 2 50-75 = 1 30-49% = 0.50 Below 30% = 0		
5	No of Shareholders increased since formation	Increase 20% and above =3 Increase 10 % and 19% = 2 below 10 % = 1 No increase = 0	Share register	
D. PC Management – Max Marks 10				Score
1	Does the PC have a policies on HR & Finance	Yes = 1 No = 0	Policy documents	
2	Does the PC have adequate professional (minimum one CEO, one accountant? few support staff)	Yes = 1 No = 0	A p p o i n t m e n t letters, Attendance	
3	Planning and Monitoring (Does the PC have a process for planning, review and monitoring its activities (Max Score = 4) (Takes up annual activity plan & business plan Quarterly monitoring of activities Documentation of monitoring & follow up the decisions)	Activity Planning Yes/ No If yes = 1 monitoring its activities Yes/ No If yes = 1 Documentation of monitoring Yes/ No If yes = 1 Taking decision based on the documentation = Yes/ No If yes = 1	Approval minutes in the BoD minutes, Documents and files	
4	Does the PC have Management Information System and maintained regularly	Yes =1 No =0	MIS	
5	Does the PC own assets in the name of PC (Land, building, machinery etc...)	Asset worth of Above 40 lakhs – 3 Rs.30 – 40 lakhs – 2 Rs. 20 lakhs to 29.9 lakhs - 1 Rs. 5 lakhs to Rs.19.9 lakhs – 0.50 Below Rs.5 lakhs - 0	Asset register and Audit statement	

B. PC Governance Max Marks 11				
S.No	Particulars	Indicators and Marks	Means of Verification	Score
1	BoD attended Governance and Business development trainings?	Yes =1 No =0	Training register	
2	CEO and Staffs attended Business planning, Product and Market development?	Yes =1 No =0	Training register	
3	Has the PC arranged the 50 % skill trainings for their members? (Production technology transfer for sustainable agriculture Basics of quality standards, market information based on business)	Yes =1 No=0	BoD Minute's book, Training register, Training reports	
F. Compliances – 6, Environmental safeguards – 7 & Innovation – 1. Max Marks 14				Score
1	Legal compliances- Annual audit	Timely Auditing for last FY and placed in AGM / GB If Yes = 2 If only audit and approved by BOD = 1 No audit in last FY = 0	Audit statement	
2	Registrar of Companies (ROC) return filing	Annual return with RoC (Timely filing) If Yes = 1 till the last FY No =0	C o m p l i a n c e register and files	
3	GST return filing (Last 4 quarters)	GST return filing (updated) If yes = 1	GST returns file	
4	Income Tax filing	Income Tax File returns (updated) If Yes = 1	Income tax return file	
5	Key Licenses <ul style="list-style-type: none"> Marketing / APMC license = 0.25 Processing license = 0.25 FSSAI license = 0.25 Input License (Seed, pesticide &fertilizer) = 0.25 Please refer to the Annexure 2 and having the required licenses according to their Business	Key licenses (PC having key licenses required as per business activities) If yes as per requirement = 1	Copies of the licenses – in display	
6	Environmental safeguards compliance and Green Index <i>Please note that this indicator will be assessed only key / major (60 % & above of PC business) thematic sector / business focus area/ commodity of the PC.</i> <i>The maximum score for the sector 3.5, Non-Farm activity score 2.5 and Innovative Score 1, total max score is 7.</i>	Policy compliance (must) If yes = 1	Input centre, Sales register and bills. Verification of relevant certificates /license / field observation	

S.No	Particulars	Indicators and Marks	Means of Verification	Score
	<p>Agriculture/Horticulture related (score = 3.5)</p> <p>PCs are not supplying non permissible pesticides as per pest management policy (class Ia, Ib and II of WHO classification are to be avoided)</p> <p>PCs are supplying the protective gear for pesticide use (masks, gloves, boots, helmets etc)</p> <p>PCs are supplying a minimum of 2 non-chemical pesticides (eg: botanicals, bio control agents etc.)</p> <p>PCs are supplying a minimum of 2 organic nutrients (eg: vermicopost, bio fertilizers, green manure seeds etc.)</p> <p>The PCs have either got PGS/Organic certification or have maintained chemical residues below MRL for food crops</p> <p>(Or)</p> <p>Livestock related (score = 3.5)</p>	<p>No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1</p> <p>No = 0</p> <p>If yes = 0.5</p> <p>No = 0</p> <p>If yes = 0.5</p> <p>No = 0</p> <p>If yes = 0.5</p> <p>No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1</p> <p>No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1</p> <p>No = 0</p>		
	<p>Vaccination to animals grazing near forest areas against zoonotic diseases</p> <p>Breeds promoted are according to state breeding policy</p> <p>Non use of growth promoters, antibiotics</p> <p>Fodder/fodder tree cultivation promoted</p> <p>Clean sheds and proper manure management practices (pit composting)</p> <p>(or)</p> <p>Fisheries related (score = 3.5)</p> <p>No invasive species like Tilapia, catfish etc, are promoted</p>	<p>If yes = 0.50</p> <p>No = 0</p> <p>If yes = 0.50</p> <p>No = 0</p> <p>If yes = 0.50</p> <p>No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1</p> <p>No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1</p> <p>No = 0</p> <p>If yes = 0.50</p> <p>No = 0</p> <p>If yes = 0.50</p>		

S.No	Particulars	Indicators and Marks	Means of Verification	Score
	<p>Soil, water testing done for ponds, reservoirs as applicable</p> <p>Water test based feed application is followed</p> <p>Integrated farming methods are followed (rice –fish, fish-duck etc.)</p> <p>Promotion of native/indigenous species</p> <p>Non-Farm Activities (score = 3.5)</p>	<p>No = 0</p> <p>If yes = 0.50</p> <p>No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1</p> <p>No = 0</p> <p>Policy compliance (must)</p> <p>If yes = 1</p> <p>No = 0</p> <p>If yes = 0.5</p> <p>No = 0</p> <p>If yes = 0.5</p> <p>No = 0</p>		
	<p>Applicable compliances in place (PCB consents). Non use of banned colors/harmful materials etc.</p> <p>Applicable worker safety aspects in place (use of PPE, fire safety, basic amenities like water, toilets etc.)</p> <p>Use of natural and safe ingredients, locally sourced raw materials etc.</p> <p>Safe disposal of wastes, alternative use of wastes as applicable</p> <p>Energy and water use efficiency if applicable</p> <p>(The first 2 points in all thematic sectors are mandatory compliances. The next 3 points are on good practices.</p> <p>For green index rating/award - the highest scoring PCs will be considered for in-depth assessment and green rating/award.</p>	<p>If yes = 0.5</p> <p>No = 0</p>		
7	<p>Does the PC have adopted any innovative process, system or in the product?</p> <p>If Yes Please, mention the innovative process /systems/ product</p>	<p>Yes =1</p> <p>No=0</p>		
	<p>The criteria for green rating/ award will primarily be the</p> <ul style="list-style-type: none"> • proportion of beneficiaries /PGs and/or • the proportion of area/Or • Proportion of total production under compliances and good practices as deemed fit) 			

Total marks obtained by the PC =

Grade of the PC based on the score obtained (Total Max marks = 100)

Based on the score obtained				
Grade	2 years' old	3 years' old PC	4 years to 5 years' old	Above 5 years' old
S.No	Particulars	Indicators and Marks	Means of Verification	Score
G. Financial management = Max Marks 19				Score
1	Accounts Maintenance	Online/ Tally accounts / other relevant accounting software updated as on date (max delay of 15 days) = 1 Irregular Books of Accounts = 0	MIS	
2	Register and Books- As per company act	Share Capital register: 0.5 Minutes book: 0.5 Returns filed: 0.5 Cash book- payments and receipts: 0.5 General ledger: 0.5 Sale register :0.5 Stock register : 0.5		
3	Financial Transparency- Financial decision making	Majority BoDs aware about the financial management =0.5 CEO Only = 0	BoD meeting minutes	
4	Business plan prepared	Yes = 1 No = 0	Business projections	
5	Operational self-sufficiency - Covering Overhead Expenses – Salaries, Admin expenses Total Business gross revenue / Operational Expenses X 100 (Last financial year)	Above 75% = 3 50-75% = 2 11-49% = 1 0-10 % =0	Audited Balance sheet	
6	Working capital - Operational expenditure Available funds / funds need as per BP or Business projections in BOD/ GB X100 (Total working capital (Including capital raised through loans/credit advances/govt funds)	Above 75% = 2 50-75% = 1 11-49% = 0.50 0-10 % =0	Audited Balance sheet	

S.No	Particulars	Indicators and Marks	Means of Verification	Score
G. Financial management = Max Marks 19				Score
7	Bank Loans availed Having a bank loan/ having a CC account	Yes =1 No=0	Audit statement	
8	If bank Loan availed what % of the total working Capital used by PC	Above 50 =2 30 to 50 % =1 Below 30% = 0.5	Audit statement, Bank pass book, sanction letter	
9	Bank loan repayment - As per Repayment schedule	100% = 2 90 – 99 =1 80 – 89=0.5 Less than 80 =0	Tally	
10	Mode of Payment and receipts (Payment made above Rs 5000 with on line internet payment mode)	Online banking / NEFT/ RTGS = 1 Cheque, DD= 0.50 Cash transaction = 0	Receipts books and files, Bank statement	
11	Profit /Dividend shared with member (In last 2 years)	Yes = 1 No =0	AGM minutes, Bank statement, Audit statement	
12	Assets insurance	PC assets are insured = 0.5 If not insured = 0	Copy of the insurance certificate	
13	Reserve fund	Does the PC have any sort of reserve fund to cover the risk related to business? If yes = 0.5 If No = 0	Audited balance sheet	
14	Volume of Reserve fund		Minute's book	
H. Business Activities of PC - Max Marks 18				Score
1	No of Business Development service by PC (Max Score = 1)	Input services = 0.25 Productivity enhancement Service = 0.25 Agriculture equipment service = 0.25 Marketing Service =0.25	Member MIS, Input sales register	
2	Use of input services by shareholders (Applicable only if the service is rendered by the PC) No. of shareholders availed input supply services/total no. of shareholder's X 100	More than 40 % = 3 26 – 40 % = 2 10- 25 % =1 Below 10% = 0	Sales register	

S.No	Particulars	Indicators and Marks	Means of Verification	Score
H. Business Activities of PC - Max Marks 18				Score
3	Use of productivity enhancement services by shareholders (Applicable only if the service is rendered by the PC) (No. of shareholders adopted new technologies for productivity enhancement /total no. of shareholder's) X 100	More than 50% =3 26-50% = 2 10- 25 % =1 Below 10% = 0	Training register	
4	Use of agricultural equipment services by shareholders (Applicable only if the service is rendered by the PC) No. of shareholders used /hired agricultural equipment services /total no. of shareholder's X 100	More than 40% = 2 21-40% = 1 below 21% = 0	Machinery rental service register	
5	Use of marketing services by shareholders (Applicable only if the service is rendered by the PC) No. of shareholders used marketing services /total no. of shareholder's X 100	More than 30% = 2 21-30% = 1 below 21% = 0	Purchase and Market committee minutes book,	
6	Use of Crop insurance services (notified crops)/ Livestock insurance services by shareholders (Applicable only if the service is rendered by the PC) No of shareholders enrolled in crop insurance (notified crops) or Livestock insurance / total no of shareholder's cultivated notified crops/no.of shareholders having livestock X 100	More than 50% = 2 26-50% = 1 10-25% = 0.5 below 10% = 0	Acknowledgement for the Crop insurance/ Livestock insurance document and consolidation statement	
7	PC involved in Value addition PC engaged in value addition of produce procured from shareholder, Value addition likely primary processing, secondary / tertiary processing and branding	IF PC engaged in secondary / tertiary processing and branding = 2 IF PC engaged primary processing = 1 IF not = 0	Physical verification, Stock register and licenses	
8	Multiple marketing channel PC having multiple marketing strategies and channels	Aggregation and delayed marketing/ Value addition and marketing = 2 Aggregation and supply = 1	List of buyers	

S.No	Particulars	Indicators and Marks	Means of Verification	Score
9	Does the PC has market linkages established (buyer - seller meet, Partnerships deed & Contracts)	Yes =1 No = 0	List of buyer and sellers, Meeting minutes	
10	PCs involved in export activities – Yes / No If Yes give details	Not for scoring	Export license and relevant documents	
I. Business performance Max Marks 12				Score
1	Annual Business Volume (transaction) Total Capital: share capital + credit + reserve + other income	Total capital used for above 2 times of business transaction = 3 Total capital used for 2 time of business transaction = 2 Total capital used for 1 time of business transaction = 1	Audit statement, Procurement and sales register	
2	Input Business	>40% inputs of shareholders = 3 26-39% inputs of shareholders = 2 10-25% inputs of shareholders = 1 <10% inputs of shareholders = 0	Input centre, Procurement and sales register	
3	Output Business	>30% outputs of selected commodity of shareholders = 3 15-30% outputs of selected commodity of shareholders = 2 <15% outputs of selected commodity of shareholders = 0	Product purchase register and finished goods product	
4	Business Time span of the PC activity in a year	More than 9 months = 3 7-9 months = 2 4 - 6 months = 1 Less than 3 months = 0	Purchase and sales register	
J. Convergence & Grant Support -Maximum Marks 2				Score
1	Equity Grant Aailed (SFAC)	Fully Aailed =1 Partially Aailed =0.5 Not Aailed=0	Sanction letter, Bank statement, Audit statement	
2	Government agencies like MSDA, NADP, NFSM, AED, PPC, SPU	2 & Above schemes aailed=1 Any 2 Scheme Aailed=0.50 Any 1 Scheme Aailed=0.25 Nil =0	Sanction letter, physical verification.	
Total Marks		100		
Total marks obtained by the PC =				
Grade of the PC based on the score obtained (Total max marks = 100)				

Annexure - 3

Roles and Responsibilities of General Body, BOD & Sub Committee

Roles and Responsibilities of General Body

- All the members together are called General Body and have an equal right to participate and be heard.
- Only general body will have the powers to take all final decisions relating to PC
- Powers of the General Body
 - **Election of BoD**
 - **Amendment to byelaws/Articles**
 - **Approval of future plan, policies and budget**
 - **Approval of annual report and audited statements**
 - **Disposal of surplus and management of deficit**
 - **Creation of specific reserves and funds**
 - **Appointment of Auditor**
- General Body is supreme with all required powers as they are the owners of the PC. - to take all crucial decisions like long term plans, dissolution of the PC, dismiss Board's decisions etc.

Roles and responsibilities of BOD

- The BOD will take all the key policy decisions in the PC.
- It will be instrumental in the business plan preparation.
- It will also decide and monitor all the key activities of the PC.
- The BOD will also appoint the staff necessary to execute the operations of the PC.
- It will also monitor the roles of the sub-committees and report the PC activities to the GB.

Sub- committees and their roles

The Functional sub committees on procurement and Finance, Marketing and Business Operations will be formed out of the EC. These are essential for the

successful, profitable and sustainable functioning of the PC. The members of the sub-committee will either be from the General Body or BoD.

Procurement sub-committee

The procurement committee will overlook the procurement functions of the PC.

They will ensure the quality of the materials procured and also decide on the price of the materials.

Production sub-committee

- The Production subcommittee will overlook the production functions of the PC.
- Organising Technical trainings

Quality Assurance Sub committee

- They will ensure the quality of the production and the quality standards of the produce from members.

Marketing sub-committee

- The marketing sub-committee will ensure proper marketing of the products to earn more Profit.
- It will negotiate good price for the produce and identify different means of marketing.

Financial sub-committee

- The financial sub-committee will supervise the Supervise all financial functions of the federation.
- It will ensure the submission of books of accounts for annual audit.

The PCs will also have a business plan operations sub-committee to overlook the business development functions of the PC.

Annexure-4

Roles and Responsibilities of CEO and office bearers

Roles and Responsibilities of CEO

Responsible and accountable to the Board of Directors of the PC

- Assist the Board in formulation of plans, goals, strategies and policies
- Ensure different legal compliances like Board meeting, GB meeting,
- bookkeeping, audit, annual returns etc as directed by the Board
- Ensure all required reports as required by the Board and external support agencies
- Managing day-to-day affairs of the PC
- Discharge such other functions as may be delegated by the Board

Services to members under the overall guidance of the BoD

- Identifying opportunities for business of the PC / welfare of members,
- business plan development and operationalization of the business plan
- different services to the members as per direction of the Board.
- Information, training & orientation to members
- Resource (financial, technical) mobilization for the PC

Organizational systems and compliances

- Maintain proper books of account,
- Prepare annual accounts and audit thereof, place the audited accounts before the Board

and in the annual general meeting of the Members

- Recruit staff on direction of the Board and monitor their performance
- Establish and operationalize different systems in the PC – Accounting & Bookkeeping, Monitoring & Reporting, Production, Marketing, Governance, HR etc.,
- Dealing with support agencies, partners and government agencies.

Roles and Responsibilities of Chairman

- Preside over the meeting. The chairman must be ensured that the resolutions made and the decisions taken by the board are implemented.
- To always be aware and conscious that the operations of the PC are carried out effectively and efficiently as per the guidelines and take necessary actions for the same
- Implement decisions taken in the General and Special meetings of members
- Implement decisions taken by the BoD meetings
- To oversee all the matters of the PC including the legal compliances Supervise the staff
- To direct the progress for the PC and plan its line of action
- Represent the PC in the outside world and to understand the problems, complaints of members/ staff through the Secretary, solve them, take decisions and actions.

Annexure-5

Model MOA

**Incorporated under the Companies Act, 1956
(1 of 1956) Part IX-A (Producer Company)
Company Limited by Shares**

Memorandum of Association of

.....Producer Company Limited

I Name The name of the Company is
Producer Company Limited.

II Location of the registered office
.....

The registered office of the Company will be situated
in the State of Tamil Nadu. III Objects The objects for
which the Company is incorporated are:

**A. The Objects to be pursued by the
Company on its incorporation are:**

1. To carry on the business of pooling, purchasing, processing, value addition and marketing ofprimarily of the Members and also of others, marketing of the same and to deal in activities that are part of or incidental to any activity related thereto.
2. To provide or arrange to provide technical and managerial services in the areas of (input, productivity enhancement, information and knowledge) for the benefit of the Members.
3. To provide education, training and other activities which may promote the principles of mutuality and mutual assistance amongst the Members.
4. To arrange that the quality of produce pooled from the members and others and subsequently marketed would meet the standards laid down by the Company and the statutory authorities.
5. To extend various financial services to the Members.

**B. Matters which are necessary for
furtherance of the Objects specified in clause
III A are:**

1. To carry on the business and deal in any Primary Produce.
2. To own, hire, arrange for, and set up facilities, including manufacturing and processing thereof, of the Primary Produce which the Company is authorized to deal with.
3. To finance procurement, processing, marketing and other activities that include extending of credit facilities to its Members.

4. To generate, transmit and distribute power from animal waste, other biomass, and renewable energy sources.
5. To own, hold on lease, hire, manage, sell, let on hire, convey, mortgage, assignor otherwise acquire or dispose of, any undertaking, movable or immovable properties and assets.
6. To engage in, support, commission, finance and otherwise engage in research and development.
7. To provide education, organize education and training programmes, seminars and conferences for its members, directors, producers, employees and any other persons associated with the business of the Company.
8. To borrow money or raise or secure the payment of money on such securities or otherwise in such manner as the Company may deem expedient.
9. To draw, make, accept, discount, execute and issue bills of exchange, promissory notes, bills of lading, warrants, and such other negotiable or transferable instruments or securities of all types.
10. To decide to transfer its assets and liabilities, in whole or in part, to any other Producer Company whether by sale or purchase for shares or otherwise, to divide itself into two or more new Producer Companies, to amalgamate and form a new Producer Company, or to merge with any other Producer Company.
11. To enter into partnership, agreement or arrangement with any person or body corporate whether by way of formation of subsidiary company, joint venture, partnership, union of interest or in any other manner, and to promote any other company or companies including Producer Company or Companies, for the purpose of promoting the objects of the Company.
12. To take or hold mortgages, liens, and charges to secure payment or any money due to the Company.
13. To insure any of the properties, undertakings, contracts, risk or obligations of the Company in any manner whatsoever.
14. To make donations or service fee, to any institution for the purposes of promoting the social and economic welfare of the Members or promoting the mutual assistance principles

- as may be directly or indirectly conducive to any of the objects of the Company or otherwise expedient, subject to the provisions of section 581ZH of the Act.
15. To open and operate accounts with any bank or banks and give any instructions in connection therewith.
 16. To accumulate funds, lend, provide financial assistance to any person and institution, with such securities or without securities upon such terms and conditions as may be determined from time to time.
 17. To invest in, acquire, hold and deal in shares, stocks, debentures, bonds, negotiable instruments, obligations and securities issued by any producer company, constituted or carrying on business in India or elsewhere and other securities and instruments specified in section 581ZL of the Act.
 18. To give any guarantee for the payment of money or the performance of any obligation or undertaking.
 19. To apply for, purchase or otherwise, acquire any goodwill, patent, patent right, copyright, trademark, design, brand, formulae, license, lease, concessions, conferring any exclusive or limited right to use, intellectual property rights, or any secret, proprietary or other information as to any invention which may seem capable of being used for any of the purposes of the Company; and to use, exercise, develop or grant licenses in respect of the property rights, or information so acquired which may directly or indirectly to benefit the Company.
 20. To establish provident fund, gratuity fund, superannuation fund and other funds, and to create any trust for the benefit of employees.
 21. To establish and support or aid in the establishment and support of associations, institutions, funds, trusts and conveniences and to take up such welfare measures or facilities for the benefit of its members, employees and their dependents.
 22. To enter into arrangements, and agreements for rendering, and obtaining of technical know-how, services including consultancy, technical and other collaboration with individuals, firms, research laboratories, bodies corporate or any other persons whether in or outside India.
 23. To accept gifts, grants, or donations, in cash or in kind or of property, provided that the conditions of such gifts in no way limit or compromise the interests of the Company.
 24. To form, float, promote, support or take membership of any professional bodies, other mercantile and public bodies, associations or federations for the protection, advancement, growth of commerce and industry and for protection and welfare of persons engaged therein.
 25. To apply for, promote, and obtain any order, regulation, or other authorization or enactment, which may directly or indirectly benefit the Company.
 26. To arrange for or obtain insurance for members and their productive assets.
 27. To purchase, sell or supply machinery, equipment or consumables.
 28. To reimburse all costs associated with the promotion and registration of the Company including registration, legal fees, printing of a memorandum and articles and the payment thereof, subject to the provisions of section 581C(4) of the Act.
 29. To carry on all or any of the businesses which the Company is entitled to do, as principals or in any other lawful capacity, and by or through agents, or otherwise, and either by itself or in conjunction with or through other institutions or persons.
 30. To carry on any other business, service and activity, ancillary or incidental to any of the activities referred to above which may seem expedient for the Company to enhance, directly or indirectly, the value or profitability of the Company, and which may promote the principles of mutuality and techniques of mutual assistance amongst the Members in any manner.

IV Territories to which objects extend

The objects of the Company shall extend to the whole of India.

V Liability of Members

The liability of the Members is limited and this liability is limited to the amount unpaid if any on the shares held by them.

VI Share Capital

The Authorized share capital of the Company is Rs. (Rupees Lakhs only) divided into equity shares of **Rs.500/- (Rupees Five Hundred each)**.

Annexure-6

Model AOA

Incorporated under Part IX-A of the Companies Act, 1956 (Producer Company) Company Limited by Shares

Articles of Association of _Producer Company Limited

1. General

- 1.1 Wherever in the Companies Act, 1956 and or Companies Act, 2013 (to the extent applicable) it is provided that the Company shall have any right, privilege or authority if so authorized by its Articles, then by virtue of this Article, the Company is hereby specifically authorized, empowered and entitled to have such right, privilege or authority, as have been permitted by the Act without there being any specific provision and or separate Article in that behalf herein provided.
- 1.2 Regulations contained in Table 'A' of Schedule I of the Companies Act, 1956 and Table F of Schedule I of the Companies Act, 2013 (to the extent applicable) shall not apply to the Company.
- 1.3
 - i. The Company is a producer company within the meaning of Section 581A(l) of the Companies Act, 1956.
 - ii. All the limitations, restrictions and provisions of the Companies Act, 1956 read with Companies Act, 2013 (to the extent applicable), other than those specified in Part IXA of the Companies Act, 1956, applicable to a private company shall, apply to the Company, and as if it is a private limited company in so far as they are not in conflict with the provisions of Part IXA of the Act.
 - iii. The company is deemed to be a private Company within the meaning of the Companies Act, 1956 read with Companies Act, 2013 (to the extent applicable) with such minimum paid up capital as may be prescribed under the applicable provisions of the Companies Act, 2013 and accordingly,
 - a. Restricts the right to transfer its shares in the manner and to the extent here in after provided; and
 - b. Prohibits any invitation to the public to subscribe for any shares on, or debentures of, the Company.

2. Definitions

- 2.1 In the Articles and the Memorandum of Association of the Company, unless the context otherwise requires, words or expressions shall have the meanings as provided below.
 - i. 'Act' means the Companies Act, 1956 (1 of 1956) unless specified otherwise.
 - ii. 'Active Member' means a Member who fulfils the quantum and period of patronage of the Company as laid down by the Board.
 - iii. 'Articles' means Articles of Association of the Company for the time being in force.
 - iv. 'Board' or 'Board of Directors' means the board of directors of the Company constituted under the provisions of the Act and the Articles.
 - v. 'Chairman' or 'Chairperson' means Chairman of the Board of Directors, for the time being of the Company.
 - vi. 'Chief Executive' means an individual appointed as such under the provisions of the Act.
 - vii. 'Company' means the Producer Company Limited, registered under Part IXA of the Companies Act, 1956.
 - viii. 'Director' means the Director, for the time being of the Company.
 - ix. 'Financial Year' means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company is made up.
 - x. 'Limited Return' means the maximum dividend, as laid down in the Articles.
 - xi. 'Member' means an individual woman Producer admitted as a Member of the Company.
 - xii. 'Officer' includes any Director or Chief Executive or Secretary or any person in accordance with whose directions or instructions part or whole of the business of the Company is carried on.

- xiii. 'Mutual Assistance Principles' means the principles set out in Part IXA of the Act, and as provided in article 3.
- xiv. 'Patronage' means the extent to which a Member participates in the business of the Company by quantity of primary produce supplied and such other criteria as may be decided by the Board from time to time.
- xv. 'Patronage Bonus' means payments made by the Company out of its surplus income to the Members in proportion to the value of their respective Patronage.
- xvi. 'Primary Produce' means milk, vegetables, fruits, Non-Timber Forest Produce, fish, meat, egg or any other produce arising from agriculture, horticulture, pisciculture, NTFP collection and dairy farming (including animal husbandry) and any other product including by-products of such produce, that would assist or promote any of the aforesaid activities or anything ancillary thereto, and any activity which is intended to increase the production or improve the quality thereto.
- xvii. 'Producer' means any person engaged in production of any Primary Produce or collection of NTFP in which the Company is engaged.
- xviii. 'Producer Company' means a body corporate having objects or activities specified in the Act and registered as a Producer Company.
- xix. 'Secretary' means an individual appointed as such under the provisions of the Act read with Companies Act, 2013 (to the extent applicable)
- xx. 'Withheld Price' means part of the price due and payable for the produce supplied by any Member to the Company; and as withheld by the Company for payment on a subsequent date in the manner specified in the articles.

2.2 Interpretation

In the Articles unless the context otherwise requires:

- i. Words importing the masculine gender shall be taken to include feminine; and

- ii. The term 'article' refers to the specified provision(s) of the Articles hereof.

3. Mutual Assistance Principles

- 3.1 The Membership shall be voluntary and available to all eligible persons who agree to make use of the services of the Company and are willing to abide by the provisions of the Memorandum and the Articles of Association of the Company.
- 3.2 The Company shall be administered by a Board consisting of persons elected or appointed as Directors, and the Board shall be accountable to the Members.
- 3.3 There shall be Limited Return on share capital.
- 3.4 The surplus arising out of the operations of the Company shall be distributed amongst the Members as Patronage Bonus after providing for Limited Return on share capital, transfer to reserves, providing for development of business, education of members etc. as may be decided by the Board/General Body of shareholders.
- 3.5 The Company may co-operate actively at local, national and international level with other producer companies, cooperatives, other entities and organizations.

4. Membership

- 4.1 The Company may have individual Producers as its Members.
- 4.2 Qualifications and procedure for obtaining Membership
 - i. An individual woman Producer engaged in production of primary produce or collection of NTFP would be eligible for applying for Membership of the Company. Membership shall be limited to only one producer from each household.
 - ii. An individual woman Producer desirous of becoming a Member of the Company shall apply in prescribed application form to the Company and undertake in writing to abide by the provisions of the Memorandum and the Articles of Association of the Company. In addition, she will pay a non-refundable admission fee, subscribe to equity shares of the

Company and satisfy other conditions laid down by the Board from time to time.

- iii. No person, who has any business interest which is in conflict with business of the Company, shall become a Member of the Company.
 - iv. Such an individual woman Producer shall become a Member after the Board of Directors passes a resolution accepting her admission as a Member.
- 4.3 Conditions for continuation and cancellation of Membership
- i. Membership shall continue as long as a Member does not fail to meet the criteria as may be prescribed by the Board from time to time.
 - ii. A Member, who acquires any business interest which is in conflict with the business of the Company, shall cease to be a Member of the Company.
 - iii. Any Member who is not eligible to continue as a Member shall be served a written notice by the Company for removal as Member and given an opportunity of being heard. The Member would need to reply to the notice within the stipulated period as specified in the notice. Thereafter, the Board shall take a decision in the matter.
 - iv. Voting Rights of Member
 - v. Every member shall have a single vote, provided the member remains an active member throughout the year. However, at the first Annual General Meeting of the Company, all members shall have a single vote each.
 - vi. Price to be paid to the Members
 - vii. The members shall be paid price for the produce supplied as per the guidelines framed by the Board.
 - viii. Information to Member
 - ix. The Members may obtain information relating to the general business of the Company.
 - x. Active Member
 - xi. The Board, if so desires, lay down

the criteria with respect to quantum and period of patronage for an Active Member. An active member is a member who has patronized the company by supplying a minimum quantity of primary produce in year that is to be decided by the Board of Directors from time to time.

5. Funds

Funds may be raised by (i) issue of equity shares to Members, (ii) admission fee and deposits from Members, (iii) issue of debentures to Members, (iv) loans and advances and (v) grants, aid, subsidies and donations.

6. Share Capital

- 6.1 The authorized share capital of the Company shall be as stated in clause VI of the Memorandum of Association of the Company.
- 6.2 The share capital of the Company shall consist of fully paid-up equity shares only.
- 6.3 The shares held by the Member in the Company, shall as far as may be, be in proportion to her or its patronage.
- 6.4 The share capital of the Company shall be under the control of the Board who may all or otherwise dispose of the same to such members in proportion to the Patronage, as far as may be, and on such terms and conditions against payment in cash or kind or in lieu of the whole or part of the sale proceeds of produce or products supplied by the Members, and at such times and for such consideration as the Board may decide.
- 6.5 The Company may, by Ordinary Resolution:
 - i. increase the share capital;
 - ii. consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - iii. sub-divide its existing shares or any of them, into shares of smaller amount than is fixed by the Memorandum of Association, subject, nevertheless, to the provisions of the Act; and
 - iv. Cancel any shares which have not been taken or agreed to be taken by any person, and diminish the amount of

its share capital by the amount of the shares so cancelled.

- 6.6 The Company may reduce in any manner in accordance with the provisions of the Act, (i) its share capital, (ii) balance in the securities premium account, (iii) capital reserves, and (iv) reserves arising out of amalgamation, merger, division, reorganization, reconstruction or in any other manner.
- 6.7 The Board may at any time decide to issue equity shares in a dematerialized form, and also compulsorily convert the existing equity shares in a dematerialized form.
- 6.8 The Company may purchase its own equity shares in accordance with the provisions made under the Companies Act, 1956 read with Companies Act, 2013 (to the extent applicable).

7. Transfer of equity shares

Subject to the provisions of Sections 581 ZC and 581ZD of the Act, a Member may transfer the whole or part of her shares to a Member after obtaining the prior approval of the Board.

8. Surrender of equity shares

- 8.1 Where the Board is satisfied that any Member has failed to retain the qualifications as a Member, the Board shall direct the Member to surrender her shares to the Company at par value or such other value as determined by the Board.
- 8.2 The Member also, if so desires, apply to the Company to surrender her equity shares. After the receipt of application from the Member, the Board may take a decision in the matter. The Board shall prescribe the procedure for surrender of equity shares.
- 8.3 A surrendered equity share shall be deemed to be the property of the Company and may be sold to members or otherwise cancelled as the Board thinks fit.

Management of Producer Company

9. Board of Directors

- 9.1 The Company shall be governed by the Board consisting of persons elected or appointed as Directors.

- 9.2 The Board of the Company shall have at least five and not more than eleven Directors. The Board may co-opt one or more Expert Directors not exceeding one-fifth of the total number of Directors for such period as the Board may deem fit.
- 9.3 The subscribers who have signed the Memorandum and the Articles of Association have designated Five Directors, who shall govern the affairs of the Company until the directors are elected. The election of Directors shall be conducted within a period of ninety days of the registration of the Company.
- 9.4 The Board shall from time to time with the approval of the General Body of shareholders decide the criteria for categorizing members into different classes based on patronage.
- 9.5 i. The number of positions on the Board representing each class of members, to the extent possible, shall be based on patronage of the respective class. However, for the first 3 years of the operations of the Company, this requirement can be waived by the Board.
- ii. Directors representing a particular class of members shall be elected /appointed from amongst and by the respective class of members.
- 9.6 i. One fourth of total elected Directors shall retire by rotation at every Annual General Meeting of the Company and the position vacated by rotational retirement shall be filled up ensuring the representation in accordance with article 9.5.
- ii. The vacant position on the Board as per 9.6 (i) shall be filled based on the commendation of the Nominating Committee appointed by the Board.
- iii. Every Director, who retires in accordance with the articles, shall be eligible for re-appointment as Director. However, no person shall be elected / appointed as Director for more than two consecutive terms.
- 9.7 To fill the vacant position (s) on the Board or otherwise, the Board may co-opt Additional Director(s) and the Director(s) so appointed shall hold office till the next Annual General Meeting of the Company or for a shorter period if the Board decides so at the time of appointment.

- 9.8 The Directors at its meeting shall elect a Chairman from amongst the Directors, other than the Expert Director and the Chief Executive, for a period of four years. For the election of the Chairman of the Company, the Expert Director and the Chief Executive will not have voting rights.
- 9.9 The Chairman shall preside over the meetings of the Board. In her absence, the Directors present shall elect one of the elected Directors to preside over the meeting.
- 9.10 A meeting of the Board shall be held not less than once in every three months and at least four such meetings shall be held every year.
- 9.11 Notice of every meeting of the Board of Directors shall be given in writing to every Director for the time being in India, and at his/her usual address in India to every other Director.
- 9.12 The Chief Executive shall give notice as aforesaid not less than seven days prior to the date of the meeting of the Board. Provided that a meeting of the Board may be called at shorter notice and the reasons thereof shall be recorded in writing by the Board.
- 9.13 The quorum for a meeting of the Board shall be one-third of the total strength of directors, subject to a minimum of three including the presence of at least one elected Director and one Expert Director. Notwithstanding the above, the quorum for the meeting of the Board of Directors shall not require the presence of the Expert Director in case there is no Expert Director on the Board of the Company.
- 9.14 All the decisions of the Board shall be decided by a majority vote. Each Board Member shall have one vote. In the case of equality of votes, the Chairman or the person presiding shall have a casting vote except for election of Chairman.
- 9.15 No Director shall participate on any matter in which she has personal interest except as a member.
- 9.16 An elected Director shall cease to be member of the Board on her losing the status as a Member of the Company. Also, a Member shall not be eligible for appointment as a Director on the Board or the office of the Director shall become vacant if:
- i. she is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;
 - ii. the Producer Company, in which she is a director, has made a default in repayment of any advances or loans taken from any company or institution or any other person and such default continues for ninety days;
 - iii. she has made a default in repayment of any advances or loans taken from the Producer Company in which she is a director;
 - iv. the Producer Company, in which she is a director:
 - a. has not filed the annual accounts and annual return for any continuous three financial years commencing on or after the 1st day of April 2020; or
 - b. has failed to, repay its deposit or withheld price or patronage bonus or interest thereon on due date, or pay dividend and such failure continues for one year or more;
 - v. default is made in holding election for the office of director, in the Producer Company in which she is a director, in accordance with the provisions of the Act and articles;
 - vi. The member has committed any act which has damaged the interest and reputation of the Company;
 - vii. The member has willfully deceived the Company;
 - viii. the annual General meeting or extraordinary General meeting of the Producer Company, in which she is a director, is not called in accordance with the provisions of this Act except due to natural calamity or such other reason;
 - ix. she has failed to satisfactorily complete the prescribed training programme, as prescribed by the Board from time to time, within six months of being elected/appointed as a Director. This training programme is intended for equipping her with the requisite skill sets and knowledge to satisfactorily discharge her responsibilities;
 - x. she has not passed at least 10th or equivalent standard from any recognized educational institution.

- xi. she is or becomes a member of any legislative body such as Parliament, State Legislatures/ District Council, Gram / Village Panchayat; or
 - xii she is or becomes an office bearer of any political party at any level i.e. village, Taluka, District, State or National level.
 - Xiii She is of unsound mind and stands so declared by a competent court.
 - Xiv She is an un-discharged insolvent or has applied to be adjudicated insolvent and such application is pending.
 - Xv She has not been allotted a DIN number.
- 9.17 The Directors may be entitled to such fees and allowances including travelling and hotel expenses for attendance at the meetings of the Board and its Committees, if any constituted by the Board in terms of provisions of section 581U of the Act, as may be decided by the Board.
- 9.18 Powers and Functions of the Board
- i. Subject to the provisions of the Act and the Articles, the Board shall exercise all such powers and to do all such acts and things, as that the Company is authorized so to do.
 - ii. In particular, and without prejudice to the generality of the foregoing powers, such powers may include the following matters, namely:
 - a. determination of the dividend payable;
 - b. determination of the quantum of withheld price;
 - c. recommends patronage bonus to be approved at General Meeting;
 - d. admission of new Members;
 - e. pursue and formulate the organizational policy, objectives, establish specific long-term and annual objectives, and approve corporate strategies and financial plans;
 - f. appointment of a Chief Executive;
 - g. approval of organization structure of the Company;
 - h. acquisition or disposal of property of the Company in its ordinary course of its business;
 - i. investment of the funds of the Company in the ordinary course of its business;
 - j. sanction any loan or advance, in connection with the business activities of the Company to any Member, not being a Director or his/ her relative;
 - k. constitutes a Nominating Committee in terms of the provisions of section 581U of the Act, to scrutinize applications received from eligible Members for positions on the Board based on the defined criteria as approved in the General meeting and as provided in these Articles, and accordingly recommend eligible members to the Board for its consideration. In turn the Board, after due consideration in the Board meeting, shall recommend Members for the position on the Board to be elected or appointed by the Members in the Annual General Meeting; and
 - l. Approve interim budget which shall form integral part of the budget to be approved at Annual General Meeting (AGM);
 - m. Take such other measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.
 - iii. The Board shall exercise its powers at its duly convened meeting where the required quorum is present to transact the business.
- 9.19 Liability of Directors
- i. When the directors vote for a resolution, or approve by any other means, anything done in contravention of the provisions of the Act or any other law for the time being in force or the Articles, they shall be jointly and severally liable to make good any loss or damage suffered by the Company.
 - ii. The Company shall have the right to recover from its Directors:
 - a. Where such Director has made any profit as a result of the contravention specified in the Act, an amount equal to the profit so made.

- b. Where a company incurred a loss or damage as a result of the contravention specified in the Act, an amount equal to that loss or damage.
- iii. The liability imposed under article 9.19 (ii) shall be in addition to and not interrogation of a liability imposed on a Director under any other provision of the Act or any other law for the time being in force.

9.20 Removal of Director: A Director may be removed by simple majority of the Members present and voting at the General Meeting in accordance with the provisions of the Act.

10. Chief Executive and his functions

- 10.1 The Company shall have a full time Chief Executive, by whatever name called, who shall be appointed by the Board.
- 10.2 The Chief Executive shall be Ex officio Director of the Board and such Director shall not retire by rotation.
- 10.3 The qualifications, experience and the terms and conditions of service of the Chief Executive, including the remuneration payable to Chief Executive, shall be such as may be determined by the Board.
- 10.4 The Chief Executive shall be entrusted with substantial powers of management as the Board may determine. Without prejudice to the generality of the foregoing, he shall also exercise powers and discharge the functions laid down in the Act.

11. General Meetings

- 11.1 The Company shall in each year, hold, in addition to any other meetings, a General Meeting, as its Annual General Meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next.
- 11.2 Every General Meeting shall be called, for a time during business hours, on a day that is not a public holiday and shall be held at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situated.

11.3 A General Meeting of the Company shall be called by giving not less than fourteen days' prior notice in writing.

11.4 i. At any General Meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded under the Articles, be decided by show of hands.

li Before or on the declaration of the result of the voting on any resolution on a show of hands, a demand for a poll can be made by one-tenth of the total number of Members or 100 Members, whichever is lower, present in person or by proxy.

11.5 The Company may, if permissible, allow the Members of the Company to participate in any General Meeting through electronic mode.

11.6 i. a. Attendance of such number of Members as provided in the Act shall form the quorum for the General Meeting.

b. Attendance either in person or by proxy shall be considered for the purpose of quorum.

c. No person shall be appointed a proxy unless she is a Member.

d. A proxy shall be entitled to vote on a show of hands as well as in a poll.

ii. If there is no quorum within half an hour from the scheduled time of meeting, the meeting shall stand adjourned to reassemble on the same day at the same place after three hours from the appointed time. If at the reassembled meeting, the quorum is not present within half an hour, the Members present shall constitute the quorum and may transact the business for which the meeting was called.

11.7 The Company shall hold its first Annual General Meeting within a period of ninety days from the date of its incorporation.

11.8 The Memorandum and Articles of the Company shall be laid before the first Annual General Meeting.

11.9 The Members shall adopt the Articles of the Company and appoint directors of its Board in the first Annual General Meeting.

11.10 The notice calling the Annual General Meeting shall be accompanied by the

following documents, as approved by the Board namely:

- i. the agenda of the Annual General Meeting;
- ii. the minutes of the previous Annual General Meeting or the Extra-Ordinary General Meeting;
- iii. the names of candidates, if any, to the office of director including a statement of qualifications in respect of each candidate;
- iv. the audited balance sheet and profit and loss accounts of the Company and its subsidiary, if any, together with a report of the Board of Directors of the Company with respect to:
 - a. the amount proposed to be carried to reserves;
 - b. the amount to be paid as Limited Return on share capital;
 - c. the amount proposed to be disbursed as Patronage Bonus;
 any other matter of importance relating to energy conservation, environmental protection, expenditure or earnings in foreign exchanges;
 - d. any other matter which is required to be, or may be, specified by the Board;
- v. the text of the draft resolution for appointment of Auditors; and
- vi. the text of any draft resolution proposing amendment to the Memorandum or Articles to be considered at the General Meeting, along with the recommendations of the Board.

11.11 The following powers shall be exercised only at the Annual General Meeting, namely:

- i. approval of budget and adoption of annual accounts of the Company;
- ii. approval of Patronage Bonus;
- iii. issue of Bonus Shares;
- iv. declaration of Limited Return and decision on the distribution of Patronage;
- v. Specify the conditions and limits of loans that may be given by the Board to any Director;
- vi. approval of the criteria for categorizing members into different classes;

- vii. approval of guidelines for constitution of Nominating Committee in order to scrutinize the application for vacant position by eligible members and recommend the same for consideration at the Annual General Meeting through the Board; and
- viii. approval of any transaction of the nature as is to be reserved in the Articles for approval by the Members.

11.12 An Extra-Ordinary General meeting may be called at any time:

- i. By the Board; or by the Board on the requisition made in writing, duly signed and setting out the matters for the consideration, made by one-third of the Members entitled to vote in any General Meeting, proceed to call an Extra Ordinary General Meeting in accordance with the provisions contained in the Act.
- ii. If the meeting is called upon requisition by Members and there is no quorum within half an hour from the appointed time of the meeting, the meeting shall and dissolved.
- iii. All items of business to be transacted at the General Meeting shall be deemed as Ordinary and the provisions of section 102 of the Companies Act, 2013 shall not apply.

12. Investments out of the General reserves

- i. Investments out of the General reserves shall be made in accordance with the provisions of Act and Rules framed there under from time to time.
- ii. Bonus Shares
- iii. The Company may, upon recommendation of the Board and passing of resolution in the General Meeting, issue bonus shares by capitalization of amounts from General reserves in proportion to the shares held by the Members on the date of the issue of such shares.

13. Amalgamation, Merger and Division

As provided under the provisions of the Act, the Company by a resolution passed at its General Meeting may decide to transfer its assets and liabilities, in whole or in part, to any other Producer

Company, to divide itself into two or more new Producer Companies, to amalgamate and form a new Producer Company, or to merge with any other Producer Company.

14. Loans and advances etc. to the Members and to any Director or his relative

- 14.1 Subject to the provisions of the Act, the Board may provide financial assistance to the Members by way of (a) credit facility, to any Member, in connection with the business of the Company; (b) loans and advances, with or without security to any Member.
- 14.2 Any loan or advance to any Director of the Company or his/her relative shall be granted only after the approval by the Members at a General meeting.
15. Investment in other companies, formation of subsidiaries, etc. Subject to the provisions of the Act, the Company by previous approval of Members at its General meeting, may make investments and dispose of any such investments in other companies, enter into partnership, agreement or arrangement with any person or body corporate whether by way of formation of subsidiary company, joint venture, partnership, or in any other manner, and to promote any other company or companies including Producer Company or Companies, for the purpose of promoting and consistent with the objects of the Company.

16. Internal Audit

The Company shall have internal audit of its accounts carried out at such interval and in such manner as may be decided by the Board.

17. Books of account

The books of account shall be kept at the Registered office of the Company in accordance with and as provided under the provisions of the Act. If the Company has any branch office, the books of accounts shall be kept as per the provisions of the Act applicable for keeping the books of accounts of branch office.

18. Common Seal

- 18.1 The Board shall provide for the safe custody of the common seal, if any.
- 18.2 The common seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorized by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the common seal of the company is so affixed in their presence.
- 18.3 All deeds, agreements, instruments, letters, bonds, affidavits, declaration, indemnities, power of attorney and other documents of any nature whatsoever entered into by the Company shall be executed by such person(s) duly authorized by the Board or the Committee thereof.

20. Secrecy Clause

- 20.1 Every Director, Chief Executive, Officer, manager, secretary, trustee, Member of a committee, servant, agent, accountant or any other person employed in the business of the Company shall observe strict secrecy respecting all transactions of the Company except when required so to do by a Court of Law and except so far as maybe necessary in order to comply with any of the provisions contained in the Articles.
- 20.2 No Member shall be entitled to inspect the Company's books or will be given any confidential information relating to the business of the Company without the permission of the Board of Directors of the Company.

21. Resolution of Disputes

Any dispute relating to the formation, management or business of the Company as provided under the provisions of the Act shall be settled by conciliation or by arbitration as provided under the Arbitration and Conciliation Act, 1996.

Annexure - 7

Companies Act 2013

Companies Act 2013

In 2002, though an amendment in the Indian Companies Act, 1956, the Government of India (GoI) enacted the Producer Companies Act, by incorporating a new Part IX-A in the Indian Companies Act, 1956 based on the recommendations of the Y.K. Alagh Committee set up for this purpose. Later, The Companies (Amendment) Act, 2020 received the assent of the President on the 28th September, 2020 to amend the Companies Act 2013 where in new chapter XXIA was inserted for Producer Companies. The producer companies are incorporated with the Registrar of Companies (RoC). The objective of Government of India for this initiative

was to formulate a legislation that would enable the incorporation of new cooperatives as companies and also conversion of existing cooperatives into companies, while ensuring that the unique elements of cooperative business remain intact in the new legislation.

The producer companies have several advantages compared to other acts for undertaking producer collective. The producer company act infuses a professional attitude into the management. It takes care of the flaws in the cooperative societies but keeps its strengths. It has also borrowed the strengths of the corporate companies.

Annexure - 8

Amalgamation, merger or division, etc., to form new Producer Companies

- (1) A Producer Company may, by a resolution passed at its general meeting, –(a) decide to transfer its assets and liabilities, in whole or in part, to any other Producer Company, which agrees to such transfer by a resolution passed at its general meeting, for any of the objects specified in section 378B (objectives of PC mentioned in the AOA) (b) divide itself into two or more new Producer Companies.
- (2) Any two or more Producer Companies may, by a resolution passed at any general or special meetings of its Members, decide to—(a) amalgamate and form a new Producer Company; or (b) merge one Producer Company (hereafter in this Chapter referred to as “merging company”) with another Producer Company (hereafter in this Chapter referred to as “merged company”).
- (3) Every resolution of a Producer Company under this section shall be passed at its general meeting by a majority of total Members, with right of vote not less than two-thirds of its Members present and voting and such resolution shall contain all particulars of the transfer of assets and liabilities, or division, amalgamation, or merger, as the case may be.
- (4) Before passing a resolution under this section, the Producer Company shall give notice thereof in writing together with a copy of the proposed resolution to all the Members and creditors who may give their consent.
- (5) Notwithstanding anything contained in articles or in any contract to the contrary, any Member, or any creditor not consenting to the resolution shall, during the period of one month of the date of service of the notice on him, have the option,—
 - (a) in the case of any such Member, to transfer his shares with the approval of the Board to any active Member thereby ceasing to continue as a Member of that Company; or (b) in the case of a creditor, to withdraw his deposit or loan or advance, as the case may be.
- (6) Any Member or creditor, who does not exercise his option within the period specified in sub-section (5), shall be deemed to have consented to the resolution.
- (7) A resolution passed by a Producer Company under this section shall not take effect until the expiry of one month or until the assent thereto of all the Members and creditors has been obtained, whichever is earlier.
- (8) The resolution referred to in this section shall provide for— (a) the regulation of conduct of the affairs of the Producer Company in future; (b) the purchase of shares or interest of any Members of the Producer Company by other Members or by the Producer Company; (c) the consequent reduction of its share capital, in case of purchase of shares of one Producer Company by another Producer Company;
 - (d) termination, setting aside or modification of any agreement, howsoever arrived between the company on the one hand and the directors, secretaries and manager on the other hand, apart from such terms and conditions as may, in the opinion of the majority of shareholders, be just and equitable in the circumstances of the case; (e) termination, setting aside or modification of any agreement between the Producer Company and any person not referred to in clause (d):

Provided that no such agreement shall be terminated, set aside or modified except after giving due notice to the party concerned:

Provided further that no such agreement shall be modified except after obtaining the consent of the party concerned; (f) the setting

- aside of any transfer, delivery of goods, payment, execution or other act relating to property, made or done by or against the Producer Company within three months before the date of passing of the resolution, which would if made or done against any individual, be deemed in his insolvency to be a fraudulent preference; (g) the transfer to the merged company of the whole or any part of the undertaking, property or liability of the Producer Company; (h) the allotment or appropriation by the merged company of any shares, debentures, policies, or other like interests in the merged company; (i) the continuation by or against the merged company of any legal proceedings pending by or against any Producer Company; (j) the dissolution, without winding up, of any Producer Company;
- (k) the provision to be made for the Members or creditors who make dissent; (l) the taxes, if any, to be paid by the Producer Company; (m) such incidental, consequential and supplemental matters as are necessary to secure that the division, amalgamation or merger shall be fully and effectively carried out.
- (9) When a resolution passed by a Producer Company under this section takes effect, the resolution shall be a sufficient conveyance to vest the assets and liabilities in the transferee.
- (10) The Producer Company shall make arrangements for meeting in full or otherwise satisfying all claims of the Members and the creditors who exercise the option, within the period specified in sub-section (4), not to continue as the Member or creditor, as the case may be.
- (11) Where the whole of the assets and liabilities of a Producer Company are transferred to another Producer Company in accordance with the provisions of sub-section (9), or where there is merger under sub-section (2), the registration of the first mentioned Company or the merging company, as the case may be, shall stand cancelled and that Company shall be deemed to have been dissolved and shall cease to exist forthwith as a corporate body.
- (12) Where two or more Producer Companies are amalgamated into a new Producer Company in accordance with the provisions of sub-section (2) and the Producer Company so formed is duly registered by the Registrar, the registration of each of the amalgamating companies shall stand cancelled forthwith on such registration and each of the Companies shall thereupon cease to exist as a corporate body.
- (13) Where a Producer Company divides itself into two or more Producer Companies in accordance with the provisions of clause (b) of sub-section (1) and the new Producer Companies are registered in accordance with the provisions of this Chapter, the registration of the erstwhile Producer Company shall stand cancelled forthwith and that Company shall be deemed to have been dissolved and cease to exist as a corporate body.
- (14) The amalgamation, merger or division of companies under the foregoing sub-sections shall not in any manner whatsoever affect the pre-existing rights or obligations and any legal proceedings that might have been continued or commenced by or against any erstwhile company before the amalgamation, merger or division, may be continued or commenced by, or against, the concerned resulting company, or merged company, as the case may be.

Annexure - 9

Amalgamation, transfer of assets and liabilities for Cooperatives

- (1) A co-operative society may, by a resolution passed by a two-thirds majority of the members present and voting at a general body meeting of the co-operative society -
 - (a) transfer its assets and liabilities in whole or in part to any other co-operative society;
 - (b) divide itself into two or more co-operative societies.
- (2) Any two or more co-operative societies may, by a resolution passed by a two-thirds majority of the members present and voting at a general body meeting of each such co-operative society, amalgamate themselves and form a new co-operative society.
- (3) The resolution of a co-operative society under sub-section (1) or sub-section (2) shall contain all particulars of the transfer, division or amalgamation, as the case may be :

Provided that in the case of a co-operative bank, the Registrar shall not accord approval to any such resolution without the previous sanction in writing of the Reserve Bank.
- (4) When a co-operative society has passed any such resolution, it shall give notice thereof in writing to all its members and creditors and, notwithstanding any bye-laws or contract to the contrary, any member or creditor shall, during the period of thirty days of the date of service of the notice upon him, have the option of withdrawing his shares, deposits or loans, as the case may be.
- (5) Any member or creditor who does not exercise his option within the period specified in sub-section (4) shall be deemed to have assented to the proposals contained in the resolution.
- (6) A resolution passed by a co-operative society under this section shall not take effect until, either
 - (a) the assent thereto of all the members and creditors has been obtained;
 - (b) all claims of members and creditors who exercise the option referred to in sub-section (4) within the period specified therein have been met in full.
- (7) Where a resolution passed by a co-operative society under this section involves the transfer of any assets and liabilities, the resolution shall, notwithstanding anything contained in any law for the time being in force, be a sufficient conveyance to vest the assets and liabilities in the transferee without any further assurance.

Annexure - 10

Types of meeting and its importance

Meeting	Frequency	Importance
1. Regular meetings	Once every month Key Participant : BOD member	<ul style="list-style-type: none"> • Periodic monitoring and follow-up of transactions • Explore scope for regular transactions, such as collective buying and selling. • To identify, discuss and take up activities & programs. • Provides opportunity for the capacity building of the board members and for developing their communication
2. Board meetings	Once in every 3 months Key Participant : BOD member	<ul style="list-style-type: none"> • Review of PC business activities • Approval of transaction and resolutions.
3. Annual general body meeting	Gap between 2 AGMs should not exceed 15 months Key Participant : All Shareholders (Members, BOD member), CEO, PC Staff	<ul style="list-style-type: none"> • Confirm the proceedings of the previous General Meeting. • Declare the names of Board of Directors elected as per the election rules. • Approve the expenditure, budget and reports. • Appoint auditors and fix their remunerations. • Take note of admission of new member and removal of members during the year.
4. Emergency meetings	As and when required Key Participant : BOD,CEO	<ul style="list-style-type: none"> • To address the urgent requirement related with business and compliance.
5. Sub Committee meetings- Examples:- marketing committee, procurement committee etc.,	As and when required Key Participant: Committee members	<ul style="list-style-type: none"> • Are vital to effective functioning of PC and its ability to carry out its role. This is need based. For smooth functioning and sharing of responsibilities committees can be formed. The decision to form committees is accepted by the board unless it requires further review.

Annexure - 11

Common Action plan

VAAZHNDHU KAATTUVOM PROJECT Producer Collectives - Activity Plan

PC ACTIVITY PLAN FORMAT

- 1) Name of the Producer Collective:
- 2) No. of Shareholders:
- 3) Date of Registration:
- 4) PC registered under which Act:
- 5) Commodities (Crop/Livestock/others) planned:
- 6) Date of Activity Planning:
- 7) Activity planning team members:

S.No	Areas/stage of Intervention	Activities Planned (indicative check list of activities- more activities could be added depends on the nature of the business	No. of units	Budget	Timeline	Persons responsible
1.	Production	Training on production methods Collective Input purchase (Bulk purchase of seeds, fertilisers, pesticides etc) and Raw material purchase. Custom hire of machineries /tools				
2	Post-production	Collective Procurement from PGs Storage points- Renting of warehouse, Primary Processing and secondary Processing, Quality Assurance & enhancement.				
3.	Marketing	Packing, Labeling, Branding, Organise and Transport (Producer Collectives or Markets) Retail sales point				

S.No	Areas/stage of Intervention	Activities Planned (indicative check list of activities- more activities could be added depends on the nature of the business)	No. of units	Budget	Timeline	Persons responsible
4.	Organizational Development	Open a Bank account HR Requirement – Salaries Office Rent BoD,CEO Trainings/ meetings Establish monitoring systems for the PC				
		Total in INR				

Budget Abstract				
S.No	Heads	Activity description (As per the nature of the business activities)	Unit	Budget Amount INR
1.	Production			
2.	Post-production			
3.	Marketing			
4.	Organizational Development			
	Total			



VAAZHNDHU KAATTUVOM PROJECT

Department of Rural Development and Panchayat Raj

5th Floor, Tamilnadu Small Industries Development Corporation Limited,
Thiru Vi Ka Industrial Estate, Chennai 600 032

(044) 434 43200 | tnrtstate@gmail.com | www.tnrttp.org



TN_RTP



VaazhndhuKaattuvom



vaazhndhukaattuvom



VaazhndhuKaattuvom