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Guidebook on Legal Compliance

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This handbook has been prepared to give some basic ideas on the regular compliance requirements for Producer Companies. This is not a complete book on all statutory compliances. But this will give a broad idea on the regular compliances to be taken care by the Producer Companies.

Background

The concept of Producer Companies was introduced in 2002 by incorporating a new Part IXA (section 581A to 581ZT) into the Companies Act, 1956 ("the Act") based on the recommendations of an expert committee led by an economist, Y. K. Alagh.

Aim of the Committee was to Frame a legislation that would enable incorporation of cooperatives as companies and conversion of existing cooperatives into companies; ensuring the unique elements of cooperative business with a regulatory framework similar to that of companies.

Meaning of Producer Company

A producer company is basically a body corporate **registered as Producer Company** under Companies Act, 1956/2013 and shall carry on or relate to any of following activities classified broadly:-

- a. production, harvesting, processing, procurement, grading, pooling, handling, marketing, selling, export of *primary produce of the Members or import of goods or services for their benefit;
- b. rendering technical services, consultancy services, training, education, research and development and all other activities for the promotion of the interests of its Members;
- c. generation, transmission and distribution of power, revitalization of land and water resources, their

use, conservation and communications relatable to primary produce;

- d. promoting mutual assistance, welfare measures, financial services, insurance of producers or their primary produce;

*Primary produce has been defined as a produce of farmers arising from agriculture including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products: produce of persons engaged in hand-loom, handicraft and other cottage industries: by - products of such products; and products arising out of ancillary industries.

Salient Provisions of Companies Act relating to Producer Companies

Incorporation

Any of the following combination of producers can incorporate a producer company:

- ten or more producers (individuals); or
- two or more producer institutions; or c
- Combination of the above two (10+2).

Registration

- a. In a Producer Company, only persons engaged in an activity connected with, or related to, primary produce can participate in the ownership. The members are required to be primary producers.
- b. These companies shall be termed as “Companies with Limited Liability” and the liability of the members will be limited to the amount, if any, unpaid on the shares.
- c. The name of the company shall end with the words “**Producer Company Limited**”.
- d. On registration, the producer company **shall become as if it is a private limited company** for the purpose of application of law and administration of the company (however it shall comply with the specific provisions of part IXA).
- e. The maximum number of **50 members is not applicable** to these companies.

Share Capital and Voting Rights

- i. The share capital of a Producer Company shall consist of **equity shares only**.
- ii. Members’ equity cannot be publicly traded but only transferred.
- iii. Voting when membership is
 - only of individuals then voting rights shall be based on a single vote for every member.
 - only of producer institutions then voting rights on the **basis of their participation**.
 - combination of both individuals and producer institutions then voting rights shall be based on a **single vote for every member**.

Management

- Every producer company is to have **at least five and not more than 15 directors**.

- A full time **chief executive should be appointed** by the board and shall be entrusted with substantial powers of management as the board may determine.

Reserves

- Every producer company **has to maintain a general reserve** in every financial year and in case there are not sufficient funds in any year for such transfer, the shortfall has to be made up by members’ contribution in proportion to their *patronage in the business.

*Patronage, in turn, is defined as the use of services offered by producer companies to their members by participation in their business activities.

Members’ Benefit

- Members will initially receive only such value for the produce or products pooled and supplied as the directors may determine. The withheld amount may be disbursed later either in cash or in kind or by allotment of equity shares.
- Members will be eligible to receive bonus shares.
- There is a provision for the distribution of patronage bonus (akin to dividend) after the annual accounts are approved — patronage bonus means payment out of surplus in come to members in proportion to their respective patronage (not shareholding).

Dispute Resolution

Dispute relating to producers companies are to be settled by conciliation or arbitration under the Arbitration and Conciliation Act, 1996 as if the parties to the dispute have consented in writing to such procedure.

Audit & Internal Audit Requirements

Producer Companies shall carry out an internal audit of its accounts, at regular intervals in accordance with its articles of association and such an audit shall be carried on by a Chartered Accountant.

In addition to the internal audit, the auditor shall make an annual audit report to the members of the company on the accounts examined by him, and on every balance sheet and profit and loss account and on every other document declared by the Act to be part of or annexed to the balance

sheet or profit and loss account, which are laid before the company in general meeting and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by the Act in the manner so required and give a true and fair view.

Tax Benefits

Indian economy is basically an agrarian economy. More than two-thirds of the Indian population depends upon agriculture for their livelihood.

The Indian Income Tax Act, 1961 (“the IT Act”) specifically exempts tax on agricultural income under section 10(1). However, the exemption for such agricultural income shall sometimes vary depending upon the kind of agricultural activity carried on. It is to be noted that though the IT Act

does not per-se give any special benefits or exemptions to Producer Companies as such, but depending upon the kind of agricultural activity it carries on certain tax benefits can be availed.

For instance, if green tea leaves are grown and sold directly without any further processing, the income derived from such an activity is considered as agricultural income under the IT Act and such income is 100 % tax free, but if the green tea leaves are further processed and tea powder is manufactured, only 60% of the income derived from such activity is considered as agricultural income and the tax exemption can be availed only on the said 60% of such income.

Thus, it is clear that the tax exemption to a producer company depends upon the activity it carries on.

Table 1.1 Differences between Producer Cooperative and Producer Company

Features	Producer Cooperative	Producer Company
Registration	Cooperative Societies Act	Companies Act
Membership	Open only to individuals and cooperatives	Only those who participate in the Activity
Relationship with other corporates/ business houses /NGOs	It can have contractual or transaction based relations.	Producers and corporate entity can together float a producer company and thus can become members of the Company
Voting Rights	One person, one vote, but Government and RCS holds veto powers	One person one vote. Those not having transactions with company can't vote
Role of Registering Authority	Significant	Minimal
Shares	Not tradable	Not tradable but transferable
Reserves	Created if there are profits	Mandatory to create every year
Dispute Settlement	Through Cooperative mechanism	By Arbitration

The Board of Directors and staff should have an understanding of the constitution of the Producer Companies, statutory provisions under which it is formed, various other requirements under the statute and compliance thereof. The Table 1.2 presents the main provisions of the Producer Companies pursuant to Companies Act, 1956/2013.

Table 1.2 Main provisions of the Producer Companies

S. No	Particulars	Section	Provisions
1	Name of the company	Section 581F(a)	Name of the company shall end with the words "Producer Company Limited"
2	Number of the Directors	Section 5810	Minimum- 5 Directors Maximum- 15 Directors In case of an inter-State co-operative society incorporated as a Producer Company, such company may have more than 15 directors for a period of 1 year from the date of its incorporation as a Producer Company.

S. No	Particulars	Section	Provisions
3	Election of the Directors	Section 581P(2)	The election of directors shall be conducted within a period of ninety days of the registration of the Producer Company. "Inter-State co-operative society incorporated as Producer Company can avail privileges of 365 days had been substituted instead of 90 days as provided to other companies".
4	Additional Directors and Expert Directors	Section 581P(6)	Expert directors or an additional director may be co-opted but shall not exceed 1/5th of the total number of directors subject to articles of association. Such expert directors shall not have the right to vote in the election of the Chairman but are eligible to be elected as a Chairman.
5	A Private Company	Section 581C(5)	On registration under Section 581 C (1), the Producer Company shall become a body corporate as if it is a private limited company to which the provisions contained in this Part apply. It cannot become or deemed to become a public limited company.
6	Share Capital and transfer of the shares of Producer Company	Section 581ZB Section 581ZC Section 581ZD	The Producer Company shall consist of equity shares only. The active members may have special rights if provided in the Articles. The shares shall not be transferrable. The shares having special rights may be transferred with the approval of the Board to another active member. Every member shall nominate a person within three months on becoming a member of the Company. The nominee shall get all the benefits on the death of the member. If the nominee is not a producer, the Board shall direct the nominee to surrender the shares.
7	Alteration of Memorandum of association and Articles of Association	Section 581H- MoA Section 581I- AoA	By passing Special Resolution after Memorandum or Articles of the company can be altered, but alteration of MoA or AoA shall not be inconsistent with Section 581B. In case of alteration of Articles- It has to be proposed by not less than 2/3rd of the elected directors or by not less than 1/3rd of the Members and adopted by special resolution. Copy of the altered MoA or AOA along with the copy of the special resolution has to be filed with the Registrar within 30days of adoption.
8	Annual General Meeting	Section- 581ZA Section-581 S Section- 581Y	<ol style="list-style-type: none"> 1. First AGM shall be conducted within 90 days from the date of incorporation. 2. The Registrar may permit extension of the time for holding Annual General Meeting (not being the first annual general meeting) by a period not exceeding 3 months. 3. The Producer Company shall in each year hold an Annual General Meeting and not more than 15 months shall elapse between the date of one Annual General Meeting to the next. 4. The AGM shall be called by issuing at least 14 days notice. 5. The proceedings of every AGM along with Directors' Report, the audited Balance Sheet and Profit & Loss Account shall be filed with the Registrar within 60 days of AGM. <p>The shareholders shall have exclusive rights to be exercised in the Annual General Meeting such as:</p> <ol style="list-style-type: none"> a. Approval of budget, b. Adoption of annual accounts, c. Issue of bonus shares, d. Approval of patronage bonus, e. Declaration of limited return and decision on the distribution of patronage, f. Specify the conditions and limits of loans that may be given by the Board to any director ; and g. Approval of any transaction of the nature as is to be reserved in the articles for approval by the Members. <p>Quorum:- 1/4th of the total number of members.</p>

S. No	Particulars	Section	Provisions
9	Meetings of the Board and Quorum.	Section 581V	Board shall meet at least once in every three months and at least four such meetings shall be convened in every year. The Chief Executive shall give notice for the board meeting at least 7 days in advance of the meeting. Meeting can be called with shorter notice but the reasons thereof shall be recorded by the Board. Quorum:- 1/3rd of the total strength of Directors subject to a minimum - 3 Penalty: If the Chief Executive fails to comply with the provisions of sending notice, he shall be punishable with a maximum fine of Rs. 1,000/.
10	Chief Executive	Section 581W	Every producer company shall have a full time Chief Executive to be appointed by the Board amongst persons other than the members.
11	Company Secretary	Section 581X	Every Producer Company, having average annual turnover exceeding Rs. 5.00 crores in each of three consecutive financial years shall have a full time Company Secretary. Penalty for not appointing: Company and every officer who is in default, shall be punishable with fine a maximum fine of Rs. 500/- for every day during which the default continues.
12	Internal Audit	Section 581ZF	Every Producer Company shall have internal audit of its accounts carried out in such intervals and in such manner as specified by its articles, by a Chartered Accountant.
13	General Reserve and other reserve	Section 581ZI	Every Producer Company shall maintain a general reserve in every year in addition to the Reserves as may be specified in the Articles. If the company does not have sufficient funds in any financial year for transfer to maintain the reserves as may be specified in articles, the contribution to the reserve shall be shared amongst the Members in proportion to their patronage in the business of that company in that year

Except for the above specified sections all other provisions which are applicable for the Private Limited Companies will apply to the Producer Companies.

Table 1.3 Annual Compliances for Private Limited Company including Producer Company

S. No.	Compliance	Section & Rules	Particular of Compliance	
1.	Receipt of MBP-1	184(1)	Form MBP- 1	Every Director of the Company in First Meeting of the Board of Director in each Financial Year will disclose his interest in other entities. Every Director is required to submit with the Company fresh MBP-1 whenever there is change in his interest from the earlier given MBP-1.
2.	Receipt of DIR- 8	164(2)	Form DIR – 8	Every Director of the Company in each Financial Year will file with the Company disclosure of non-disqualification.
3.	E- Forms Filing Requirements	92	E-form: MGT-7	Annual Return: Every Small Company will file its Annual Return within 60 days of holding of Annual General Meeting. Annual Return will be for the period 1st April to 31st March.
4.	Copy of Financial Statement to be filed with registrar	137	E-form: AOC-4	Financial Statement: Company is required to file its Balance Sheet along with statement of Profit and Loss Account and Director Report in this form. Attachment: Balance Sheet, Statement of Profit & Loss Account (Including Consolidated Financial Statement), Directors' Report, Auditors' Report, Cash Flow Statement and Notice of AGM.

S. No.	Compliance	Section & Rules	Particular of Compliance	
5.	Annual Return	92	MGT-8	Private Company: Having paid up share capital of 10 Crore or more or turnover of Rs. 50 crore or more shall be certified by a Company Secretary in Practice.
6.	Directors' Report	134	Directors' Report will be prepared by mention of all the information required under Section 134. It should be signed by the "Chairperson" authorized by the Board, where he is not so authorized by at least 2 Directors.	
7.	Circulation of Financial Statement & other relevant Documents	136	Company will send to the members of the Company approved Financial Statement (including consolidated Financial Statement), Cash Flow Statement, Directors' Report and Auditors' Report at least 21 clear days before the Annual General Meeting. (Except in case of AGM is called on Shorter Notice).	
8.	Notice of AGM	101 & SS-II	Every Notice of Annual General Meeting will be prepared as per Section 101 of Companies Act 2013 and Secretarial Standard – II.	
9.	Sending of Notice of AGM	101 & SS	Notice of Annual General Meeting will be sent to following: <ul style="list-style-type: none"> • All Directors; • Members; • Statutory Auditor; • Secretarial Auditor (if any) 	
10.	AGM / EGM	96 & 100	Any other General Meetings other than Annual General Meeting will be called as Extra Ordinary General Meeting (EGM). It is required to follow Secretarial Standards (SS 2) on General Meetings. Minutes to be recorded and signed by Chairman within 30 days and the pages to be consecutively numbered and signed by Chairman. Minutes to be kept permanently. Attendance register to be maintained in the prescribed format and to be signed by all the attendees of the Meeting. Specimen AGM Minutes provided as Annexure.	
11.	Board Meetings	173 & SS-I	Every Company shall hold a minimum number of FOUR meetings of its Board of Directors every calendar year in such a manner that maximum gap between two meetings should not be more than 120 (One hundred twenty) days. Companies shall follow the Secretarial Standards on Board and Committee Meetings (SS 1). The major compliances are as follows: <ol style="list-style-type: none"> 1. Notice in writing shall be given to all Directors atleast 7 days before the Board Meeting. 2. Minutes to be recorded after the Board Meeting and the draft of the same shall be circulated to all the Directors within 1 days from the Meeting. 3. Attendance register to be maintained in the prescribed format and to be signed by all the attendees of the Meeting. 4. Minutes to be properly numbered and the pages to be consecutively numbered and all pages to be initialled/signed by the Chairman. 5. Minutes to be recorded in the Minutes book within in 30 days, after providing at least 7 days for Directors comment on the draft Minutes. 6. Minutes to be kept permanently and the notice, agenda and any other annexure placed before the Meeting to be kept for at least 8 years. Specimen of the Minutes of Board Meeting is provided as Annexure.	
12.	Appointment of Auditor	139	E-form ADT-1	Auditor will be appointed for the 5 (Five) year and form ADT-1 will be filed for 5-year appointment.

S. No.	Compliance	Section & Rules	Particular of Compliance
13.	Maintenance of Registers	88	Company will maintain the following mandatory Registers: <ul style="list-style-type: none"> Register of Director; Director Shareholding; Members.
14.	Annual Return	92	Annual Return of Every Private Company (Except Small Company) should be signed by Company Secretary in Practice, if there is no whole time Company Secretary.
15.	DIR 3 KYC		Every Director to file DIR 3 KYC every year to keep the DIN active.
16	MSME 1		Every Company which has any outstanding payments to MSME for more than 45 days have to file form MSME 1 half yearly i.e. on to before 30th April, and 31st October for the corresponding half year end.
17	DPT3		The Companies which has deposits from shareholders need to file form DPT 3 on or before 30th June, every year.

Above mentioned Compliances are mandatory yearly compliances for the Private Limited Company. Except above there may be event-based compliances for the Company. The table 1.4 presents some of the regular events and their compliances respectively:

Table 1.4 Regular Events and their Compliances

S. No.	Events	Compliances
1.	Appointment of Directors	<ol style="list-style-type: none"> Digital Signature and Director Identification Number need to be obtained. Consent to act as Director to be obtained from the proposed Director. General Meeting to be convened for appointing Directors. Board will have the power to appoint additional Directors or to fill the casual vacancy. However the said appointment shall be subject to approval from shareholders. Form MBP 1 and DIR 8 to be obtained from the appointed Director. Form DIR 12 for the appointment of Directors to be filed within 30 days of such appointment. Register of Directors to be updated.
2.	Cessation of Directors	<p>In case of Resignation:</p> <ol style="list-style-type: none"> Resignation letter to be obtained from the respective Director. Resignation to be approved by the Board. Form DIR 12 to be filed within 30 days from the date of resignation. <p>In case of removal:</p> <ol style="list-style-type: none"> There should be proper justification for removal according to the law. Board/General Meeting to be convened by giving proper notice including an opportunity to be heard for the respective Director. Form DIR 12 to be filed attaching the decision of Board/Company with proper justification. Obtain approval from the Registrar of Companies.
3.	Allotment of Shares	<ol style="list-style-type: none"> To check whether Authorised Capital Limit is there for the proposed allotment. To offer shares on rights basis. To receive application with application money. To convene Board Meeting for allotment of shares. To file form PAS 3 before the Ministry of Corporate Affairs. To pay 0.1 percent stamp duty on issue of share certificate. To issue share certificate. To update register of members.

S. No.	Events	Compliances
4.	Increasing Authorised Capital Limit	<ol style="list-style-type: none"> 1. Convene Board Meeting to approve the proposal. 2. Alter the Memorandum of Association. 3. Convene the General Meeting (Shareholders Meeting) to approve the same. 4. File form MGT 14 and SH 7 before the Ministry of Corporate Affairs within 30 days from the General Meeting. 5. Obtain approval for the eforms filed accordingly.

Functions of CEO

- Do administrative acts of a routine nature including managing the day-to-day affairs of the Producer Company;
- Operate bank accounts or authorize any person, subject to the general or special approval of the Board in this behalf, to operate the bank account;
- Make arrangements for safe custody of cash and other assets of the Producer Company;
- Sign such documents as may be authorized by the Board, for and on behalf of the company;
- 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;
- Furnish Members with periodic information to apprise them of the operation and functions of the Producer Company;
- Make appointments to posts in accordance with the powers delegated to him by the Board;
- Assist the Board in the formulation of goals, objectives, strategies, plans and policies;
- Advise the Board with respect to legal and regulatory matters concerning the proposed and ongoing activities and take necessary action in respect thereof;
- Exercise the powers as may be necessary in the ordinary course of business;
- Discharge such other functions, and exercise such other powers, as may be delegated by the Board.

Powers and Functions of Board

- Determination of the dividend payable;
- Determination of the quantum of withheld price and recommend patronage to be approved at general meeting;
- Admission of new Members;
- Pursue and formulate the organizational policy, objectives, establish specific long-term and annual objectives, and approve corporate strategies and financial plans;
- Appointment of a Chief Executive and such other officers of the Producer Company, as may be specified in the articles;
- Exercise superintendence, direction and control over Chief Executive and other officers appointed by it;
- Cause proper books of account to be maintained; prepare annual accounts to be placed before the annual general meeting with the auditor's report and the replies on qualifications, if any, made by the auditors;
- Acquisition or disposal of property of the Producer Company in its ordinary course of business;
- Investment of the funds of the Producer Company in the ordinary course of its business;
- Sanction any loan or advance, in connection with the business activities of the Producer Company to any Member, not being a director or his relative;
- Take such other measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.

Table 1.5 Due Dates for other Statutory Filing

TDS		
1st Quarter	1st April to 30th June	31st July
2nd Quarter	1st July to 30th September	31st Oct
3rd Quarter	1st October to 31st December	31st Jan
4th Quarter	1st January to 31st March	31st May
ADVANCE TAX		
1st Quarter	On or before 15th June	15% of advance tax less advance tax already paid
2nd Quarter	On or before 15th September	45% of advance tax less advance tax already paid
3rd Quarter	On or before 15th December	75% of advance tax less advance tax already paid
4th Quarter	On or before 15th March	100% of advance tax less advance tax already paid
TDS PAYMENT		
Every month except March		7th of the following month
For March month		30th April
GST		
for regular dealer		
GSTR1 monthly		10th of the following month
GSTR1 quarterly (if opted)		30th of the month following the quarter
GSTR 3B monthly		20th of the following month
Annual Return		31st December
Professional Tax		
for employer		30th April (yearly)
Amount		Rs 2500
for employee		20th of the following month (monthly)
Amount		Rs 200 per employee per month
		(if gross salary is > Rs 15,000pm)
		(to be remitted by employer only)
Provident fund if applicable		
Monthly payment		15th of the following month
ESI if applicable		
Monthly payment		20th of the following month
INCOME TAX FILING		
If tax audit applies		30th September
If tax audit does not apply		31st July
If TP audit applies		30th November

Books of Accounts to be Maintained

- Cash book/register: A daily record of all cash receipts, payments and cash balance.
- Bank book: A daily record of all bank transaction and to be reconciled with the bank account statement / pass book.
- Sales Register
- Purchase Register
- Debit / Credit Note Register
- Journal, in case of use of Mercantile Accounting format
- General Ledger
- Carbon copies of bills and receipts, with serial numbers, issued by the entity.
- Original bills and receipts for expenditure incurred by the entity.
- Invoices issued
- Fixed Asset register and stock register
- All the agreements entered into by the entity, such as lease agreements, sale agreements / service agreements, agency agreements etc.

Annexure 1

Reference- Section 465(1) of the Companies Act, 2013

PART IXA OF COMPANIES ACT, 1956

Chapter I: Producer Company

Definitions

581A. In this Part, unless the context otherwise requires,

- a. “active Member” means a member who fulfils the quantum and period of patronage of the Producer Company as may be required by the articles;
- b. “Chief Executive” means an individual appointed as such under sub-section (1) of section 581W;
- c. “limited return” means the maximum dividend as may be specified by the articles;
- d. “Member” means a person or Producer institution (whether incorporated or not) admitted as a Member of a Producer Company and who retains the qualifications necessary for continuance as such;
- e. “inter-State co-operative society” means a multi-State co-operative society as defined in clause (k) of section 3 of the Multi-State Co-operative Societies Act, 1984 (51 of 1984) and includes any co-operative society registered under any other law for the time being in force, which has, subsequent to its formation, extended any of its objects to more than one State by enlisting the participation of persons or by extending any of its activities outside the State, whether directly or indirectly or through an institution of which it is a constituent;
- f. “mutual assistance principles” means the principles set out in sub-section (2) of section 581G;
- g. “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 Producer Company is carried on;
- h. “patronage” means the use of services offered by the Producer Company to its Members by participation in its business activities;
- i. “patronage bonus” means payments made by a Producer Company out of its surplus income to the Members in proportion to their respective patronage;
- j. “primary produce” means
 - i. produce of farmers, arising from agriculture (including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products), or from any other primary activity or service which promotes the interest of the farmers or consumers; or
 - ii. produce of persons engaged in handloom, handicraft and other cottage industries;
 - iii. any product resulting from any of the above activities, including by-products of such products;
 - iv. any product resulting from an ancillary activity that would assist or promote any of the aforesaid activities or anything ancillary thereto;
 - v. any activity which is intended to increase the production of anything referred to in sub-clauses (i) to (iv) or improve the quality thereof;
- k. “producer” means any person engaged in any activity connected with or relatable to any primary produce;
- l. “Producer Company” means a body corporate having objects or activities specified in section 581B and registered as Producer Company under this Act;
- m. “Producer institution” means a Producer Company or any other institution having only producer or producers or Producer Company or Producer Companies as its member whether incorporated or not having any of the objects referred to in section 581B and which agrees to make use of the services of the Producer Company or Producer Companies as provided in its articles;
- n. “withheld price” means part of the price due and payable for goods supplied by any Member to the Producer Company; and as withheld by the Producer Company for payment on a subsequent date.

Chapter II: Incorporation of Producer Companies and Other Matters

Objects of Producer Company

581A.

1. The objects of the Producer Company shall relate to all or any of the following matters, namely
 - a. production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the Members or import of goods or services for their benefit:

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

- b. processing including preserving, drying, distilling, brewing, vining, canning and packaging of produce of its Members;
 - c. manufacture, sale or supply of machinery, equipment or consumables mainly to its Members;
 - d. providing education on the mutual assistance principles to its Members and others;
 - e. rendering technical services, consultancy services, training, research and development and all other activities for the promotion of the interests of its Members;
 - f. generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce;
 - g. insurance of producers or their primary produce;
 - h. promoting techniques of mutuality and mutual assistance;
 - i. welfare measures or facilities for the benefit of Members as may be decided by the Board;
 - j. any other activity, ancillary or incidental to any of the activities referred to in clauses (a) to (i) or other activities which may promote the principles of mutuality and mutual assistance amongst the Members in any other manner;
 - k. financing of procurement, processing, marketing or other activities specified in clauses (a) which include extending of credit facilities or any other financial services to its Members.
2. Every Producer Company shall deal primarily with the produce of its active Members for carrying out any of its objects specified in this section.

Formation of Producer Company and its Registration

581C.

1. Any ten or more individuals, each of them being a producer or any two or more producer institutions, or a combination of ten or more individuals and producer institutions, desirous of forming a Producer Company having its objects specified in section 581B and otherwise complying with the requirements of this Part and the provisions of this Act in respect of registration, may form an incorporated Company as a Producer Company under this Act.
2. If the Registrar is satisfied that all the requirements

of this Act have been complied with in respect of registration and matters precedent and incidental thereto, he shall, within thirty days of the receipt of the documents required for registration, register the memorandum, the articles and other documents, if any, and issue a certificate of incorporation under this Act.

3. A Producer Company so formed shall have the liability of its Members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them and be termed a company limited by shares.
4. The Producer Company may reimburse to its promoters all other direct costs associated with the promotion and registration of the company including registration, legal fees, printing of a memorandum and articles and the payment thereof shall be subject to the approval at its first general meeting of the Members.
5. On registration under sub-section (1), the Producer Company shall become a body corporate as if it is a private limited company to which the provisions contained in this Part apply, without, however, any limit to the number of Members thereof, and the Producer Company shall not, under any circumstance, whatsoever, become or be deemed to become a public limited company under this Act.

Membership and Voting Rights of Members of Producer Company

581D.

1.
 - a. In a case where the membership consists solely of individual members, the voting rights shall be based on a single vote for every Member, irrespective of his shareholding or patronage of the Producer Company.
 - b. In a case where the membership consists of Producer institutions only, the voting rights of such Producer institutions shall be determined on the basis of their participation in the business of the Producer Company in the previous year, as may be specified by articles:

Provided that during the first year of registration of a Producer Company, the voting rights shall be determined on the basis of the shareholding by such Producer institutions.
 - c. In a case where the membership consists of individuals and Producer institutions, the voting rights shall be computed on the basis of a single vote for every Member.

2. The articles of any Producer Company may provide for the conditions, subject to which a Member may continue to retain his membership, and the manner in which voting rights shall be exercised by the Members.
 3. Notwithstanding anything contained in sub-section (1) or sub-section (2), any Producer Company may, if so authorised by its articles, restrict the voting rights to active Members, in any special or general meeting.
 4. No person, who has any business interest which is in conflict with business of the Producer Company, shall become a Member of that Company.
 5. A Member, who acquires any business interest which is in conflict with the business of the Producer Company, shall cease to be a Member of that Company and be removed as a Member in accordance with articles.
- c. the main objects of the Producer Company shall be one or more of the objects specified in section 581B;
 - d. the names and addresses of the persons who have subscribed to the memorandum;
 - e. the amount of share capital with which the Producer Company is to be registered and division thereof into shares of a fixed amount;
 - f. the names, addresses and occupations of the subscribers being producers, who shall act as the first directors in accordance with sub-section (2) of section 581J;
 - g. that the liability of its members is limited;
 - h. opposite to the subscriber's name the number of shares each subscriber takes :
Provided that no subscriber shall take less than one share;
 - i. in case the objects of the Producer Company are not confined to one State, the States to whose territories the objects extend.

Benefits to Members

581E.

1. Subject to provisions made in articles, every Member shall initially receive only such value for the produce or products pooled and supplied as the Board of Producer Company may determine, and the withheld price may be disbursed later in cash or in kind or by allotment of equity shares, in proportion to the produce supplied to the Producer Company during the financial year to such extent and in such manner and subject to such conditions as may be decided by the Board.
2. Every Member shall, on the share capital contributed, receive only a limited return:
Provided that every such Member may be allotted bonus shares in accordance with the provisions contained in section 581ZJ.
3. The surplus if any, remaining after making provision for payment of limited return and reserves referred to in section 581ZI, may be disbursed as patronage bonus, amongst the Members, in proportion to their participation in the business of the Producer Company, either in cash or by way of allotment of equity shares, or both, as may be decided by the Members at the general meeting.

Memorandum of Producer Company

581F. The memorandum of association of every Producer Company shall state

- a. the name of the company with "Producer Company Limited" as the last words of the name of such Company;
- b. the State in which the registered office of the Producer Company is to situate;

Articles of Association

581G.

1. There shall be presented, for registration to the Registrar of the State to which the registered office of the Producer Company is, stated by the memorandum of association, to be situate
 - a. memorandum of the Producer Company;
 - b. its articles duly signed by the subscribers to the Memorandum.
2. The articles shall contain the following mutual assistance principles, namely:
 - a. the membership shall be voluntary and available, to all eligible persons who, can participate or avail of the facilities or services of the Producer Company, and are willing to accept the duties of membership;
 - b. each Member shall, save as otherwise provided in this Part, have only a single vote irrespective of the shareholding;
 - c. the Producer Company shall be administered by a Board consisting of persons elected or appointed as directors in the manner consistent with the provisions of this Part and the Board shall be accountable to the Members;
 - d. save as provided in this Part, there shall be limited return on share capital;
 - e. the surplus arising out of the operations of the Producer Company shall be distributed in an equitable manner by

- i. providing for the development of the business of the Producer Company;
 - ii. providing for common facilities; and
 - iii. distributing amongst the Members, as may be admissible in proportion to their respective participation in the business;
- f. provision shall be made for the education of Members, employees and others, on the principles of mutuality and techniques of mutual assistance;
 - g. the Producer Company shall actively co-operate with other Producer Companies (and other organizations following similar principles) at local, national or international level so as to best serve the interest of their Members and the communities it purports to serve.
3. Without prejudice to the generality of the foregoing provisions of sub-sections (1) and (2), the articles shall contain the following provisions, namely:
 - a. the qualifications for membership, the conditions for continuance or cancellation of membership and the terms, conditions and procedure for transfer of shares;
 - b. the manner of ascertaining the patronage and voting right based on patronage;
 - c. subject to the provisions contained in sub-section (1) of section 581N, the manner of constitution of the Board, its powers and duties, the minimum and maximum number of directors, manner of election and appointment of directors and retirement by rotation, qualifications for being elected or continuance as such and the terms of office of the said directors, their powers and duties, conditions for election or co-option of directors, method of removal of directors and the filling up of vacancies on the Board, and the manner and the terms of appointment of the Chief Executive;
 - d. the election of the Chairman, term of office of directors and the Chairman, manner of voting at the general or special meetings of Members, procedure for voting, by directors at meetings of the Board, powers of the Chairman and the circumstances under which the Chairman may exercise a casting vote;
 - e. the circumstances under which, and the manner in which, the withheld price is to be determined and distributed;
 - f. the manner of disbursement of patronage bonus in cash or by issue of equity shares, or both;
 - g. the contribution to be shared and related matters referred to in sub-section (2) of section 581ZI;
 - h. the matters relating to issue of bonus shares out of general reserves as set out in section 581ZJ;
 - i. the basis and manner of allotment of equity shares of the Producer Company in lieu of the whole or part of the sale proceeds of produce or products supplied by the Members;
 - j. the amount of reserves, sources from which funds may be raised, limitation on raising of funds, restriction on the use of such funds and the extent of debt that may be contracted and the conditions thereof;
 - k. the credit, loans or advances which may be granted to a Member and the conditions for the grant of the same;
 - l. the right of any Member to obtain information relating to general business of the company;
 - m. the basis and manner of distribution and disposal of funds available after meeting liabilities in the event of dissolution or liquidation of the Producer Company;
 - n. the authorisation for division, amalgamation, merger, creation of subsidiaries and the entering into joint ventures and other matters connected therewith;
 - o. laying of the memorandum and articles of the Producer Company before a special general meeting to be held within ninety days of its registration;
 - p. any other provision, which the Members may, by special resolution recommend to be included in articles.

Amendment of Memorandum

581H

1. A Producer Company shall not alter the conditions contained in its memorandum except in the cases, by the mode and to the extent for which express provision is made in this Act.
2. A Producer Company may, by special resolution, not inconsistent with section 581B, alter its objects specified in its memorandum.
3. A copy of the amended memorandum, together with a copy of the special resolution duly certified by two directors, shall be filed with the Registrar within thirty days from the date of adoption of any resolution referred to in sub-section (2) :

Provided that in the case of transfer of the registered office of a Producer Company from the jurisdiction of one Registrar to another, certified copies of the special resolution certified by two directors shall be filed with both the Registrars within thirty days, and each Registrar shall record the same, and thereupon the Registrar from whose jurisdiction the office is transferred, shall

forthwith forward to the other Registrar all documents relating to the Producer Company.

4. The alteration of the provisions of memorandum relating to the change of the place of its registered office from one State to another shall not take effect unless it is confirmed by the Company Law Board on petition.

Amendment of Articles

581-I.

1. Any amendment of the articles shall be proposed by not less than two-third of the elected directors or by not less than one-third of the Members of the Producer Company, and adopted by the Members by a special resolution.
2. A copy of the amended articles together with the copy of the special resolution, both duly certified by two directors, shall be filed with the Registrar within thirty days from the date of its adoption.

Option to inter-State co-operative Societies to become Producer Companies

581J.

1. Notwithstanding anything contained in sub-section (1) of section 581C, any inter-State co-operative society with objects not confined to one State may make an application to the Registrar for registration as Producer Company under this Part.
2. Every application under sub-section (1) shall be accompanied by
 - a. a copy of the special resolution, of not less than two-third of total members of inter-State co-operative society, for its incorporation as a Producer Company under this Act;
 - b. a statement showing
 - i. names and addresses or the occupation of the directors and Chief Executive, if any, by whatever name called, of such co-operative; and
 - ii. list of members of such inter-State co-operative society;
 - c. a statement indicating that the inter-State co-operative society is engaged in any one or more of the objects specified in section 581B;
 - d. a declaration by two or more directors of the inter-State co-operative society certifying that particulars given in clauses (a) to (c) are correct.
3. When an inter-State co-operative society is registered as a Producer Company, the words "Producer Company Limited" shall form part of its name with any word or expression to show its identity preceding it.

4. On compliance with the requirements of sub-sections (1) to (3), the Registrar shall, within a period of thirty days of the receipt of application, certify under his hand that the inter-State co-operative society applying for registration is registered and thereby incorporated as a Producer Company under this Part.
5. A co-operative society formed by producers, by Federation or Union of co-operative societies of producers or co-operatives of producers, registered under any law for the time being in force which has extended its objects outside the State, either directly or through a union or federation of co-operatives of which it is a constituent, as the case may be, and any Federation or Unions of such co-operatives, which has so extended any of its objects or activities outside the State, shall be eligible to make an application under sub-section (1) and to obtain registration as a Producer Company under this Part.
6. The inter-State co-operative society shall, upon registration under sub-section (1), stand transformed into a Producer Company, and thereafter shall be governed by the provisions of this Part to the exclusion of the law by which it was earlier governed, save insofar as anything done or omitted to be done before its registration as a Producer Company, and notwithstanding anything contained in any other law for the time being in force, no person shall have any claim against the co-operative institution or the company by reason of such conversion or transformation.
7. Upon registration as a Producer Company, the Registrar of Companies who registers the company shall forthwith intimate the Registrar with whom the erstwhile inter-State co-operative society was earlier registered for appropriate deletion of the society from its register.

Effect of Incorporation of Producer Company

581K. Every shareholder of the inter-State co-operative society immediately before the date of registration of Producer Company (hereafter referred to as the transformation date) shall be deemed to be registered on and from that date as a shareholder of the Producer Company to the extent of the face value of the shares held by such shareholder.

Vesting of Undertaking in Producer Company

581L.

1. All properties and assets, movable and immovable, of, or belonging to, the inter-State co-operative society as on the transformation date, shall vest in the Producer Company.
2. All the rights, debts, liabilities, interests, privileges and obligations of the inter-State co-operative society as on

the transformation date shall stand transferred to, and be the rights, debts, liabilities, interests, privileges and obligations of, the Producer Company.

3. Without prejudice to the provisions contained in sub-section (2), all debts, liabilities and obligations incurred, all contracts entered into and all matters and things engaged to be done by, with or for, the society as on the transformation date for or in connection with their purposes, shall be deemed to have been incurred, entered into, or engaged to be done by, with or for, the Producer Company.
4. All sums of money due to the inter-State co-operative society immediately before the transformation date, shall be deemed to be due to the Producer Company.
5. Every organization, which was being managed immediately before the transformation date by the inter-State co-operative society shall be managed by the Producer Company for such period, to such extent and in such manner as the circumstances may require.
6. Every organization which was getting financial, managerial or technical assistance from the inter-State co-operative society, immediately before the transformation date, may continue to be given financial, managerial or technical assistance, as the case may be, by the Producer Company, for such period, to such extent and in such manner as that company may deem fit.
7. The amount representing the capital of the erstwhile inter-State co-operative society shall form part of the capital of the Producer Company.
8. Any reference to the inter-State co-operative society in any law other than this Act or in any contract or other instrument, shall be deemed to be reference to the Producer Company.
9. If, on the transformation date, there is pending any suit, arbitration, appeal or other legal proceeding of whatever nature by or against the inter-State co-operative society, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the incorporation of the Producer Company under section 581C or transformation of the inter-State co-operative society as a Producer Company under section 581J, as the case may be, but the suit, arbitration, appeal or other proceeding, may be continued, prosecuted and enforced by or against the Producer Company in the same manner and to the same extent as it would have, or may have been continued, prosecuted and enforced by or against the inter-State co-operative society as if the provisions contained in this Part had not come into force.

Concession, etc., to be Deemed to have been Granted to Producer Company

581M. With effect from the transformation date, all fiscal and other concessions, licenses, benefits, privileges and exemptions granted to the inter-State co-operative society in connection with the affairs and business of the inter-State co-operative society under any law for the time being in force shall be deemed to have been granted to the Producer Company.

Provisions in Respect of Officers and other Employees of inter-State co-operative Society

581N.

1. Notwithstanding anything contained in section 581-O, all the directors in the inter-State co-operative society before the incorporation of the Producer Company shall continue in office for a period of one year from the transformation date and in accordance with the provisions of this Act.
2. Every officer or other employee of the inter-State co-operative society (except a director of the Board, Chairman or Managing Director) serving in its employment immediately before the transformation date shall, insofar as such officer or other employee is employed in connection with the inter-State co-operative society which has vested in the Producer Company by virtue of this Act, become, as from the transformation date, an officer or, as the case may be, other employee of the Producer Company and shall hold his office or service therein by the same tenure, at the same remuneration, upon the same terms and conditions, with the same obligations and with the same rights and privileges as to leave, leave travel concession, welfare scheme, medical benefit scheme, insurance, provident fund, other funds, retirement, voluntary retirement, gratuity and other benefits as he would have held under the erstwhile inter-State co-operative society if its undertaking had not vested in the Producer Company and shall continue to do so as an officer or, as the case may be, other employee of the Producer Company.
3. Where an officer or other employee of the inter-State co-operative society opts under sub-section (2) not to be in employment or service of the Producer Company, such officer or other employee shall be deemed to have resigned.
4. Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947) or in any other law for the time being in force, the transfer of the services of any officer or other employee of the inter-State co-operative society to the Producer Company shall not entitle such officer or other employee to any

compensation under this Act or under any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.

5. The officers and other employees who have retired before the transformation date from the service of the inter-State co-operative society and are entitled to any benefits, rights or privileges, shall be entitled to receive the same benefits, rights or privileges from the Producer Company.
6. The trusts of the provident fund or the gratuity fund of the inter-State co-operative society and any other bodies created for the welfare of officers or employees shall continue to discharge functions in the Producer Company as was being done hitherto in the inter-State co-operative society and any tax exemption granted to the provident fund or the gratuity fund would continue to be applied to the Producer Company.
7. Notwithstanding anything contained in this Act or in any other law for the time being in force or in the regulations of the inter-State co-operative society, no director of the Board, Chairman, Managing Director or any other person entitled to manage the whole or substantial part of the business and affairs of the inter-State co-operative society shall be entitled to any compensation against the inter-State co-operative society or the Producer Company for the loss of office or for the premature termination of any contract of management entered into by him with the inter-State co-operative society.

Chapter III: Management of Producer Company

Number of Directors

581-O. Every Producer Company shall have at least five and not more than fifteen directors :

Provided that in the case of an inter-State co-operative society incorporated as a Producer Company, such Company may have more than fifteen directors for a period of one year from the date of its incorporation as a Producer Company.

Appointment of Directors

581P.

1. Save as provided in section 581N, the Members who sign the memorandum and the articles may designate therein the Board of directors (not less than five) who shall govern the affairs of the Producer Company until the directors are elected in accordance with the provisions of this section.

2. The election of directors shall be conducted within a period of ninety days of the registration of the Producer Company:

Provided that in the case of an inter-State co-operative society which has been registered as a Producer Company under sub-section (4) of section 581J in which at least five directors (including the directors continuing in office under sub-section (1) of section 581N) hold office as such on the date of registration of such company, the provisions of this sub-section shall have effect as if for the words “ninety days”, the words “three hundred and sixty-five days” had been substituted.

3. Every person shall hold office of a director for a period not less than one year but not exceeding five years as may be specified in the articles.
4. Every director, who retires in accordance with the articles, shall be eligible for re-appointment as a director.
5. Save as provided in sub-section (2), the directors of the Board shall be elected or appointed by the Members in the annual general meeting.
6. The Board may co-opt one or more expert directors or an additional director not exceeding one-fifth of the total number of directors or appoint any other person as additional director for such period as the Board may deem fit:

Provided that the expert directors shall not have the right to vote in the election of the Chairman but shall be eligible to be elected as Chairman, if so provided by its articles:

Provided further that the maximum period, for which the expert director or the additional director holds office, shall not exceed such period as may be specified in the articles.

Vacation of Office by Directors

581Q.

1. The office of the director of a Producer Company shall become vacant if
 - a. he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;
 - b. the Producer Company, in which he 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;
 - c. he has made a default in repayment of any advances or loans taken from the Producer Company in which he is a director;

- d. the Producer Company, in which he is a director
 - i. has not filed the annual accounts and annual return for any continuous three financial years commencing on or after the 1st day of April, 2002; or
 - ii. 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;
 - e. default is made in holding election for the office of director, in the Producer Company in which he is a director, in accordance with the provisions of this Act and articles;
 - f. the annual general meeting or extraordinary general meeting of the Producer Company, in which he is a director, is not called in accordance with the provisions of this Act except due to natural calamity or such other reason.
2. The provisions of sub-section (1) shall, as far as may be, apply to the director of a producer institution which is a member of a Producer Company.

Powers and Functions of Board

581R.

1. Subject to the provisions of this Act and articles, the Board of directors of a Producer Company shall exercise all such powers and to do all such acts and things, as that company is authorized so to do.
2. In particular and without prejudice to the generality of the foregoing powers, such powers may include all or any of the following matters, namely :
 - a. determination of the dividend payable;
 - b. determination of the quantum of withheld price and recommend patronage to be approved at general meeting;
 - c. admission of new Members;
 - d. pursue and formulate the organizational policy, objectives, establish specific long-term and annual objectives, and approve corporate strategies and financial plans;
 - e. appointment of a Chief Executive and such other officers of the Producer Company, as may be specified in the articles;
 - f. exercise superintendence, direction and control over Chief Executive and other officers appointed by it;
 - g. cause proper books of account to be maintained; prepare annual accounts to be placed before the annual

general meeting with the auditor's report and the replies on qualifications, if any, made by the auditors;

- h. acquisition or disposal of property of the Producer Company in its ordinary course of business;
 - i. investment of the funds of the Producer Company in the ordinary course of its business;
 - j. sanction any loan or advance, in connection with the business activities of the Producer Company to any Member, not being a director or his relative;
 - k. take such other measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.
3. All the powers specified in sub-sections (1) and (2) shall be exercised by the Board, by means of resolution passed at its meeting on behalf of the Producer Company.

Explanation. For the removal of doubts, it is hereby declared that a director or a group of directors, who do not constitute the Board, shall not exercise any of the powers exercisable by it.

Matters to be Transacted at General Meeting

581S. The Board of directors of a Producer Company shall exercise the following powers on behalf of that company, and it shall do so only by means of resolutions passed at the annual general meeting of its Members, namely :

- a. approval of budget and adoption of annual accounts of the Producer Company;
- b. approval of patronage bonus;
- c. issue of bonus shares;
- d. declaration of limited return and decision on the distribution of patronage;
- e. specify the conditions and limits of loans that may be given by the Board to any director; and
- f. approval of any transaction of the nature as is to be reserved in the articles for approval by the members.

Liability of Directors

581T.

1. When the directors vote for a resolution, or approve by any other means, anything done in contravention of the provisions of this Act or any other law for the time being in force or articles, they shall be jointly and severally liable to make good any loss or damage suffered by the Producer Company.

2. Without prejudice to the provisions contained in sub-section (1), the Producer Company shall have the right to recover from its director
 - a. where such director has made any profit as a result of the contravention specified in sub-section (1), an amount equal to the profit so made;
 - b. where the Producer Company incurred a loss or damage as a result of the contravention specified in sub-section (1), an amount equal to that loss or damage;
3. The liability imposed under this section shall be in addition to and not in derogation of a liability imposed on a director under this Act or any other law for the time being in force.
3. The Chief Executive shall give notice as aforesaid not less than seven days prior to the date of the meeting of the Board and if he fails to do so, he shall be punishable with fine which may extend to one thousand rupees:

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.
4. The quorum for a meeting of the Board shall be one-third of the total strength of directors, subject to a minimum of three.
5. Save as provided in the articles, directors including the co-opted director, may be paid such fees and allowances for attendance at the meetings of the Board, as may be decided by the Members in the general meeting.

Committee of Directors

581U.

1. The Board may constitute such number of committees as it may deem fit for the purpose of assisting the Board in the efficient discharge of its functions:

Provided that the Board shall not delegate any of its powers or assign the powers of the Chief Executive, to any committee.
2. A committee constituted under sub-section (1) may, with the approval of the Board, co-opt such number of persons as it deems fit as members of the committee:

Provided that the Chief Executive appointed under section 581W or a director of the Producer Company shall be a member of such committee.
3. Every such committee shall function under the general superintendence, direction and control of the Board, for such duration, and in such manner as the Board may direct.
4. The fee and allowances to be paid to the members of the committee shall be such as may be determined by the Board.
5. The minutes of each meeting of the committee shall be placed before the Board at its next meeting.

Meetings of Board and Quorum

581V.

1. 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 in every year.
2. 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 usual address in India to every other director.

Chief Executive and his Functions

581W.

1. Every Producer Company shall have a full time Chief Executive, by whatever name called, to be appointed by the Board from amongst persons other than Members.
2. The Chief Executive shall be ex officio director of the Board and such director shall not retire by rotation.
3. Save as otherwise provided in articles, the qualifications, experience and the terms and conditions of service of the Chief Executive shall be such as may be determined by the Board.
4. The Chief Executive shall be entrusted with substantial powers of management as the Board may determine.
5. Without prejudice to the generality of sub-section (4), the Chief Executive may exercise the powers and discharge the functions, namely :
 - a. do administrative acts of a routine nature including managing the day-to-day affairs of the Producer Company;
 - b. operate bank accounts or authorize any person, subject to the general or special approval of the Board in this behalf, to operate the bank account;
 - c. make arrangements for safe custody of cash and other assets of the Producer Company;
 - d. sign such documents as may be authorized by the Board, for and on behalf of the company;
 - e. 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;
 - f. furnish Members with periodic information to apprise them of the operation and functions of the Producer Company;

- g. make appointments to posts in accordance with the powers delegated to him by the Board;
 - h. assist the Board in the formulation of goals, objectives, strategies, plans and policies;
 - i. advise the Board with respect to legal and regulatory matters concerning the proposed and ongoing activities and take necessary action in respect thereof;
 - j. exercise the powers as may be necessary in the ordinary course of business;
 - k. discharge such other functions, and exercise such other powers, as may be delegated by the Board.
6. The Chief Executive shall manage the affairs of the Producer Company under the general superintendence, direction and control of the Board and be accountable for the performance of the Producer Company.

Secretary of Producer Company

581X.

1. Every Producer Company having an average annual turnover exceeding five crore rupees in each of three consecutive financial years shall have a whole-time secretary.
2. No individual shall be appointed as whole-time secretary unless he possesses membership of the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980 (56 of 1980).
3. If a Producer Company fails to comply with the provisions of sub-section (1), the company and every officer of the company who is in default, shall be punishable with fine which may extend to five hundred rupees for every day during which the default continues:

Provided that in any proceedings against a person in respect of an offence under this sub-section, it shall be a defence to prove that all reasonable efforts to comply with the provisions of sub-section (1) were taken or that the financial position of the company was such that it was beyond its capacity to engage a whole-time secretary.

Quorum

581Y. Unless the articles require a larger number, one-fourth of the total membership shall constitute the quorum at a general meeting.

Voting Rights

581Z. Save as otherwise provided in sub-sections (1) and (3) of section 581D, every Member shall have one vote and in the case of equality of votes, the Chairman or the person presiding shall have a casting vote except in the case of election of the Chairman.

Chapter IV: General Meetings

Annual General Meetings

581ZA.

1. Every Producer 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 a Producer Company and that of the next :
Provided that the Registrar may, for any special reason, permit extension of the time for holding any annual general meeting (not being the first annual general meeting) by a period not exceeding three months.
2. A Producer Company shall hold its first annual general meeting within a period of ninety days from the date of its incorporation.
3. The Members shall adopt the articles of the Producer Company and appoint directors of its Board in the annual general meeting.
4. The notice calling the annual general meeting shall be accompanied by the following documents, namely:
 - a. the agenda of the annual general meeting;
 - b. the minutes of the previous annual general meeting or the extraordinary general meeting;
 - c. the names of candidates for election, if any, to the office of director including a statement of qualifications in respect of each candidate;
 - d. the audited balance sheet and profit and loss accounts of the Producer Company and its subsidiary, if any, together with a report of the Board of Directors of such Company with respect to
 - i. the state of affairs of the Producer Company;
 - ii. the amount proposed to be carried to reserve;
 - iii. the amount to be paid as limited return on share capital;
 - iv. the amount proposed to be disbursed as patronage bonus;
 - v. the material changes and commitments, if any, affecting the financial position of the Producer Company and its subsidiary, which have occurred in between the date of the annual accounts of the Producer Company to which the balance-sheet relates and the date of the report of the Board;
 - vi. any other matter of importance relating to energy conservation, environmental protection, expenditure or earnings in foreign exchanges;

- vii. any other matter which is required to be, or may be, specified by the Board;
 - e. the text of the draft resolution for appointment of auditors;
 - f. 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.
5. The Board of directors shall, 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 extraordinary general meeting in accordance with the provisions contained in sections 169 to 186 of this Act.
 6. Every annual 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 Producer Company or at some other place within the city, town or village in which the registered office of the Company is situate.
 7. A general meeting of the Producer Company shall be called by giving not less than fourteen days prior notice in writing.
 8. The notice of the general meeting indicating the date, time and place of the meeting shall be sent to every Member and auditor of the Producer Company.
 9. Unless the articles of the Producer Company provide for a larger number, one-fourth of the total number of members of the Producer Company shall be the quorum for its annual general meeting.
 10. The proceedings of every annual general meeting along with the Directors' Report, the audited balance sheet and the profit and loss account shall be filed with the Registrar within sixty days of the date on which the annual general meeting is held, with an annual return along with the filing fees as applicable under the Act.
 11. In the case where a Producer Company is formed by Producer institutions, such institutions shall be represented in the general body through the Chairman or the Chief Executive thereof who shall be competent to act on its behalf :

Provided that a Producer institution shall not be represented if such institution makes a default or failure referred to in clauses (d) to (f) of sub-section (1) of section 581Q.

Chapter V: Share Capital and Members Right

Share Capital

581ZB.

1. The share capital of a Producer Company shall consist of equity shares only.
2. The shares held by a Member in a Producer Company, shall as far as may be, be in proportion to the patronage of that company.

Special User Rights

581ZC.

1. The producers, who are active Members may, if so provided in the articles, have special rights and the Producer Company may issue appropriate instruments to them in respect of such special rights.
2. The instruments of the Producer Company issued under sub-section (1) shall, after obtaining approval of the Board in that behalf, be transferable to any other active Member of that Producer Company.

Explanation. For the purposes of this section, the expression “special right” means any right relating to supply of additional produce by the active Member or any other right relating to his produce which may be conferred upon him by the Board.

Transferability of Shares and Attendant Rights

581ZD.

1. Save as otherwise provided in sub-sections (2) to (4), the shares of a Member of a Producer Company shall not be transferable.
2. A Member of a Producer Company may, after obtaining the previous approval of the Board, transfer the whole or part of his shares along with any special rights, to an active Member at par value.
3. Every Member shall, within three months of his becoming a Member in the Producer Company, nominate, in the manner specified in articles, a person to whom his shares in the Producer Company shall vest in the event of his death.
4. The nominee shall, on the death of the Member, become entitled to all the rights in the shares of the Producer Company and the Board of that Company shall transfer the shares of the deceased Member to his nominee:

Provided that in a case where such nominee is not a producer, the Board shall direct the surrender of shares together with special rights, if any, to the Producer Company at par value or such other value as may be determined by the Board.

5. Where the Board of a Producer Company is satisfied that
 - a. any Member has ceased to be a primary producer; or
 - b. any Member has failed to retain his qualifications to be a Member as specified in articles,
 - c. the Board shall direct the surrender of shares together with special rights, if any, to the Producer Company at par value or such other value as may be determined by the Board :

Provided that the Board shall not direct such surrender of shares unless the Member has been served with a written notice and given an opportunity of being heard.

Chapter VI: Finance, Accounts and Audit

Books of Account

581ZE.

1. Every Producer Company shall keep at its registered office proper books of account with respect to
 - a. all sums of money received and expended by the Producer Company and the matters in respect of which the receipts and expenditure take place;
 - b. all sales and purchase of goods by the Producer Company;
 - c. the instruments of liability executed by or on behalf of the Producer Company;
 - d. the assets and liabilities of the Producer Company;
 - e. in case of a Producer Company engaged in production, processing and manufacturing, the particulars relating to utilisation of materials or labour or other items of costs.
2. The balance sheet and profit and loss accounts of the Producer Company shall be prepared, as far as may be, in accordance with the provisions contained in section 211.

Internal Audit

581ZF. Every Producer Company shall have internal audit of its accounts carried out, at such interval and in such manner as may be specified in articles, by a chartered accountant as defined in clause (b) of sub-section (1) of

section 2 of the Institute of Chartered Accountants Act, 1949 (38 of 1949).

Duties of Auditor Under this Part

581ZG. Without prejudice to the provisions contained in section 227, the auditor shall report on the following additional matters relating to the Producer Company, namely:

- a. the amount of debts due along with particulars of bad debts if any;
- b. the verification of cash balance and securities;
- c. the details of assets and liabilities;
- d. all transactions which appear to be contrary to the provisions of this Part;
- e. the loans given by the Producer Company to the directors;
- f. the donations or subscriptions given by the Producer Company;
- g. any other matter as may be considered necessary by the auditor.

Donations or Subscription by Producer Company

581ZH. A Producer Company may, by special resolution, make donation or subscription to any institution or individual for the purposes of

- a. promoting the social and economic welfare of Producer Members or producers or general public; or
- b. promoting the mutual assistance principles:

Provided that the aggregate amount of all such donation and subscription in any financial year shall not exceed three per cent of the net profit of the Producer Company in the financial year immediately preceding the financial year in which the donation or subscription was made :

Provided further that no Producer Company shall make directly or indirectly to any political party or for any political purpose to any person any contribution or subscription or make available any facilities including personnel or material.

General and Other Reserves

581ZI.

1. Every Producer Company shall maintain a general reserve in every financial year, in addition to any reserve maintained by it as may be specified in articles.
2. In a case where the Producer Company does not have sufficient funds in any financial year for transfer to maintain the reserves as may be specified in articles,

the contribution to the reserve shall be shared amongst the Members in proportion to their patronage in the business of that company in that year.

Issue of Bonus Shares

581ZJ. Any Producer 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 referred to in section 581Z-I in proportion to the shares held by the Members on the date of the issue of such shares.

Chapter VII: Loans to Members and Investments

Loan, etc., to Members

581ZK. The Board may, subject to the provisions made in articles, provide financial assistance to the Members of the Producer Company by way of

- a. credit facility, to any Member, in connection with the business of the Producer Company, for a period not exceeding six months;
- b. loans and advances, against security specified in articles to any Member, repayable within a period exceeding three months but not exceeding seven years from the date of disbursement of such loan or advances:

Provided that any loan or advance to any director or his relative shall be granted only after the approval by the Members in general meeting.

Investment in Other Companies, Formation of Subsidiaries, etc.

581ZL.

1. The general reserves of any Producer Company shall be invested to secure the highest returns available from approved securities, fixed deposits, units, bonds issued by the Government or co-operative or scheduled bank or in such other mode as may be prescribed¹.
2. Any Producer Company may, for promotion of its objectives acquire the shares of another Producer Company.
3. Any Producer Company may subscribe to the share capital of, or enter into any agreement or other arrangement, whether by way of formation of its subsidiary company, joint venture or in any other manner with anybody corporate, for the purpose of promoting the objects of the Producer Company by special resolution in this behalf.

4. Any Producer Company, either by itself or together with its subsidiaries, may invest, by way of subscription, purchase or otherwise, shares in any other company, other than a Producer Company, specified under sub-section (2), or subscription of capital under sub-section (3), for an amount not exceeding thirty per cent of the aggregate of its paid up capital and free reserves:

Provided that a Producer Company may, by special resolution passed in its general meeting and with prior approval of the Central Government, invest in excess of the limits specified in this section.

5. All investments by a Producer Company may be made if such investments are consistent with the objects of the Producer Company.
6. The Board of a Producer Company may, with the previous approval of Members by a special resolution, dispose of any of its investments referred to in sub-sections (3) and (4).
7. Every Producer Company shall maintain a register containing particulars of all the investments, showing the names of the companies in which shares have been acquired, number and value of shares; the date of acquisition; and the manner and price at which any of the shares have been subsequently disposed of.
8. The register referred to in sub-section (7) shall be kept at the registered office of the Producer Company and the same shall be open to inspection by any Member who may take extracts therefrom.

Chapter VIII: Penalties

Penalty for Contravention

581ZM.

1. If any person, other than a Producer Company registered under this Part, carries on business under any name which contains the words "Producer Company Limited", he shall be punishable with fine which may extend to ten thousand rupees for every day during which such name has been used by him.
2. If a director or an officer of a Producer Company, who willfully fails to furnish any information relating to the affairs of the Producer Company required by a Member or a person duly authorized in this behalf, he shall be liable to imprisonment for a term which may extend to six months and with fine equivalent to five per cent of the turnover of that company during preceding financial year.
3. If a director or officer of a Producer Company
 - a. makes a default in handing over the custody of books of account and other documents or property

in his custody to the Producer Company of which he is a director or officer; or

- b. fails to convene annual general meeting or other general meetings,

He/she shall be punishable with fine which may extend to one lakh rupees, and in the case of a continuing default or failure, with an additional fine which may extend to ten thousand rupees for every day during which such default or failure continues.

Chapter IX: Amalgamation, Merger or Division

Amalgamation, Merger or Division, etc., to form new Producer Companies

581ZN.

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 581B;
 - 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 referred to as “merging company”) with another Producer Company (hereafter 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 Producer Company’s affairs in the future;
 - b. the purchase of shares or interest of any Members of the Producer Company by other Members or by the Producer Company;
 - c. in the case of purchase of shares of one Producer Company by another Producer Company, the consequent reduction of its share capital;
 - 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 sub-section (8), 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.
 15. The Registrar shall strike off the names of every Producer Company deemed to have been dissolved under sub-sections (11) to (14).
 16. Any member or creditor or employee aggrieved by the transfer of assets, division, amalgamation or merger may, within thirty days of the passing of the resolution, prefer an appeal to the High Court.
 17. The High Court shall, after giving a reasonable opportunity to the person concerned, pass such orders thereon as it may deem fit.
 18. Where an appeal has been filed under sub-section (16), the transfer of assets, division, amalgamation or merger of the Producer Company shall be subject to the decision of the High Court.

Chapter X: Resolution of Disputes

Disputes

581ZO.

1. Where any dispute relating to the formation, management or business of a Producer Company arises
 - a. amongst Members, former Members or persons claiming to be Members or nominees of deceased Members; or
 - b. between a Member, former Member or a person claiming to be a Member, or nominee of deceased Member and the Producer Company, its Board of directors, office-bearers, or liquidator, past or present; or
 - c. between the Producer Company or its Board, and any director, office-bearer or any former director, or the nominee, heir or legal representative of any deceased director of the Producer Company, such dispute shall be settled by conciliation or by arbitration as provided under the Arbitration and Conciliation Act, 1996 (26 of 1996) as if the parties to the dispute have consented in writing for determination of such disputes by conciliation or by arbitration and the provisions of the said Act shall apply accordingly.

Explanation. For the purposes of this section, a dispute shall include

- a. a claim for any debt or other amount due;
 - b. a claim by surety against the principal debtor, where the Producer Company has recovered from the surety amount in respect of any debtor or other amount due to it from the principal debtor as a result of the default of the principal debtor whether such debt or amount due be admitted or not;
 - c. a claim by Producer Company against a Member for failure to supply produce as required of him;
 - d. a claim by a Member against the Producer Company for not taking goods supplied by him.
2. If any question arises whether the dispute relates to formation, management or business of the Producer Company, the question shall be referred to the arbitrator, whose decision thereon shall be final.

Chapter XI: Miscellaneous Provisions

Strike off name of Producer Company

581ZP.

1. Where a Producer Company fails to commence business within one year of its registration or ceases to transact business with the Members or if the Registrar is satisfied, after making such inquiry as he thinks fit, that the Producer Company is no longer carrying on any of its objects specified in section 581B, he shall make an order striking off the name of the Producer Company, which shall thereupon cease to exist forthwith:

Provided that no such order cancelling the registration as aforesaid shall be passed until a notice to show cause has been given by the Registrar to the Producer Company with a copy to all its directors on the proposed action and reasonable opportunity to represent its case has been given.

2. Where the Registrar has reasonable cause to believe that a Producer Company is not maintaining any of the mutual assistance principles specified, he shall strike its name off the register in accordance with the provisions contained in section 560 of this Act.
3. Any Member of a Producer Company, who is aggrieved by an order made under sub-section (1), may appeal to the Company Law Board within sixty days of the order.
4. Where an appeal is filed under sub-section (3), the order striking off the name shall not take effect until the appeal is disposed of.

Provisions of this Part to Override Other Laws

5. 581ZQ. The provisions of this Part shall have effect notwithstanding anything inconsistent therewith contained in this Act or any other law for the time being in force or any instrument having effect by virtue of any such law; but the provisions of any such Act or law or instrument insofar as the same are not varied by, or are inconsistent with, the provisions of this Part shall apply to the Producer Company.

Application of Provisions Relating to Private Companies

581ZR. All the limitations, restrictions and provisions of this Act, other than those specified in this Part, applicable to a private company, shall, as far as may be, apply to a Producer Company, as if it is a private limited company under this Act insofar as they are not in conflict with the provisions of this Part.

Chapter XII: Reconversion of Producer Company to Inter-State Co-Operative Society

Reconversion of Producer Company to inter-State co-operative Society

581ZS.

1. Any Producer Company, being an erstwhile inter-State co-operative society, formed and registered under this Part, may make an application
 - a. after passing a resolution in the general meeting by not less than two-third of its Members present and voting; or
 - b. on request by its creditors representing three-fourth value of its total creditors, to the High Court for its reconversion to the inter-State co-operative society.
2. The High Court shall, on the application made under sub-section (1), direct holding meeting of its Members or such creditors, as the case may be, to be conducted in such manner as it may direct.
3. If a majority in number representing three-fourths in value of the creditors, or Members, as the case may be, present and voting in person at the meeting conducted in pursuance of the directions of the High Court under sub-section (2), agree for reconversion, if sanctioned by the High Court, be binding on all the Members and all the creditors, as the case may be, and also on the company which is being converted :

Provided that no order sanctioning reconversion shall be made by the Court unless the Court is satisfied that the company or any other person by whom an application has been made under sub-section (1) has disclosed to the Court, by affidavit or otherwise, all material facts relating to the company, such as the latest financial position of the company, the latest auditor's report on the accounts of the company, the pendency of any investigation proceedings in relation to the company under sections 235 to 251, and the like.

4. An order made by the Court under sub-section (3) shall have no effect until a certified copy of the order has been filed with the Registrar.
5. A copy of every such order shall be annexed to every copy of the memorandum of the company issued after the certified copy of the order has been filed as aforesaid, or in the case of a company not having a memorandum, to every copy so issued of the instrument constituting or defining the constitution of the company.
6. If default is made in complying with sub-section (4), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to one hundred rupees, for each copy in respect of which default is made.
7. The Court may, at any time after an application has been made to it under this section, stay the commencement or continuation of any suit or proceeding against the company on such terms as the Court thinks fit, until the application is finally disposed of.
8. Every Producer Company which has been sanctioned reconversion by the High Court, shall make an application, under the Multi-State Co-operative Societies Act, 1984 (51 of 1984) or any other law for the time

being in force for its registration as multi-State co-operative society or co-operative society, as the case may be, within six months of sanction by the High Court and file a report thereof to the High Court and the Registrar of companies and to the Registrar of the co-operative societies under which it has been registered as a multi-State co-operative society or co-operative society, as the case may be.

Power to modify Act in its Application to Producer Companies

581ZT.

1. The Central Government may, by notification in the Official Gazette, direct that any of the provisions of this Act (other than those contained in this Part) specified in the said notification
 - a. shall not apply to the Producer Companies or any class or category thereof; or
 - b. shall apply to the Producer Companies or any class or category thereof with such exception or adaptation as may be specified in the notification.
2. A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

Annexure 2

Format of Board Meeting Notice

Date:

To

The Board of Directors

.....Limited

Dear Sirs,

This is to intimate you that the ...th Meeting of the Board of Directors will be held as per details below:

Time:

Date:

Venue:

Agenda for the meeting is illustrated in Table 2.1:

Table 2.1 Agenda for the Meeting

S. No.	Particulars
1.	To elect Chairman of the Meeting.
2	Leave of Absence to Directors, if any.
3.	Noting of the Minutes of the previous Board Meeting
4.	
5.	
6.	
7.	Review and signing Statutory Registers
8.	Review of Performance
9.	Any other business with the permission of the Chairman and with the consent of majority of other Directors present

Please make it convenient to attend the meeting.

Thanking you

Yours truly

For Limited

.....

Managing Director/CEO

DIN:

Annexure 3

Format of Board Meeting Minutes

Minutes of theth Meeting of the Board of Directors ofLimited held at AM onDAY,, 2018 at the registered office of the company at

Present:

1. - Director
2. - Director

1. Chairman

Mr., Chairman occupied the Chair at Am and he conducted the proceedings of the Meeting.

2. Leave of Absence:

Matter did not arise

3. NOTING of the minutes of the previous Board Meeting:

Minutes of the previous Meeting of the Board of Directors as recorded in the minutes book was noted.

4. Disclosure of Interests by Directors Under Section 184(1) of the Companies ACT, 2013:

The Board was informed about the receipt of notice from all the Directors in prescribed form MBP-1 as required under Section 184 (1) of the Companies Act, 2013 disclosing their interests and shareholding if any, in other Company or companies or bodies corporate, firms, or other association of individuals etc.

Thereafter the notice of disclosure of interest in prescribed form MBP.1 as received from the Directors were read out before the Board and It was directed to enter the same in the Register maintained for the purpose.

The Board noted the same and passed the following resolution:

“RESOLVED THAT pursuant to Section 184 (1) of the Companies Act, 2013 read with Rule 9 (1) of the Companies (Meetings of Board and its Powers) Rules, 2014, and other applicable provisions of Companies Act, 2013, the general notice of disclosure of interest or concern received from the Directors in prescribed Form MBP.1 as read out here before, be and are hereby noted and taken on record by the Board and that the same be entered in the Register maintained for the purpose.”

5. Declarations Under Section 164 (2) of the Companies ACT, 2013:

The Board was informed about the receipt of Declarations in prescribed form DIR-8 from all the Directors as required under the provisions of Section 164 (2) of the Companies Act, 2013, confirming that they have not been disqualified to act as Directors and the same were read out and it was noted that no Director was disqualified to act as Director.

Thereafter the Board taken the same on record and passed the following resolution:

“RESOLVED THAT Declarations received from the Directors pursuant to Section 164 (2) of the Companies Act, 2013 as tabled here before, be and are hereby taken on record and the Board noted that none of the Directors is disqualified to act as Director.”

6. Remuneration to Auditor:

Chairman informed the Board of Directors of the Company that the approval of the Board was required for the payment of remuneration to, (registered with ICAI under the Firm Registration Number), Chartered Accountants, Bangalore, Statutory Auditor of the Company.

Chairman placed before the Board, the following details of the remuneration payable to, Chartered Accountant, Bangalore, Statutory Auditors of the Company for its approval as mentioned in Table 3.1.

Table 3.1. Remuneration payable

Particulars	Amounts (In Rs.)
Audit Fees	
Tax Audit	
Other services	
Total	

After due discussion, the Board passed the following resolution:

“RESOLVED THAT the approval of the Board be and is hereby accorded for payment of remuneration to, Chartered Accountant, Bangalore, for services rendered by them as Statutory Auditors of the Company as per the following details in Table 3.2.

Table 3.2 Resolution

Particulars	Amounts (In Rs.)
Audit Fees	
Tax Audit	
Other services	
Total	

RESOLVED FURTHER THAT the Directors of the Company be and are hereby severally authorized to take all such steps and to do all such acts and deeds as may be necessary to give effect to this resolution.”

7. Approval of Financial Statements for Financial Year

The draft Financial Statements for the financial year ended 31st March, 2018 were placed before the Board and the Board was requested to consider and approve the same. There were queries on certain items in the schedules to the accounts which were properly replied. Comparisons of financials, ratios with those of the previous year were reviewed carefully and the variations were evaluated and suitable explanations were furnished. Discussions held with the Auditors were recapitulated. It was reported that the Auditors have no serious observations on the financials.

After due deliberations, the following Resolution was passed:

“RESOLVED THAT the Financial Statements including Balance Sheet as at 31st March, 2018 and the Statement of Profit and Loss for the year ended as on that date along with the notes attached thereto tabled here before the Board be and are hereby approved.

RESOLVED FURTHER THAT the copy of Balance Sheet, Statement of Profit and Loss and the notes attached thereto, as approved by the Board be signed by any two Directors of the Company and be forwarded to the Statutory Auditors of the Company for their report thereon.

FURTHER RESOLVED THAT any one Director of the Company be and is hereby authorized to take all necessary actions for giving effect to the above resolution, including filing requisite returns with the Ministry of Corporate Affairs.”

8. Approval of Board’s Report:

The draft Board’s Report for the year ended 31st March, 2018 was placed before the Board and was perused carefully by the Board.

After due deliberations, the Board passed the following Resolution:

“RESOLVED THAT the draft Board’s Report for the year ended 31st March, 2018 be and is hereby approved.

RESOLVED FURTHER THAT any one Director of the Company be and is hereby authorised to make any corrections to the Board's Report on receipt of Auditors' Report.

RESOLVED FURTHER THAT any two Directors of the Company be and are hereby authorised to sign the Board's Report for and on behalf of the Board."

9. Authorisation for Filing Forms with MCA:

Chairman informed the Board that it was proposed to authorize any one of the Directors of the Company to sign on behalf of the Company all forms that were required to be filed with the Ministry of Corporate Affairs (MCA) from time to time.

The Board noted the same and passed the following Resolution:

"RESOLVED THAT any one Director of the Company be and is hereby authorized to sign all such forms as may be required to be filed with the Ministry of Corporate Affairs from time to time under the Companies Act, 2013."

10. Convening Annual General Meeting:

The Board discussed the subject of convening Annual General Meeting and it was proposed to convene the Second Annual General Meeting for the year ended 31st March, 2018 at 10.00 AM on, the, 2018, at the Registered Office of the Company at..... The draft notice convening the Annual General Meeting was placed before the Board for its consideration.

After due discussions, the Board passed the following Resolution:

"RESOLVED THAT .th Annual General Meeting for the year ended 31st March, 2018 be convened at AM on day, the, 2018, at the Registered Office of the Company at....."

RESOLVED FURTHER THAT any one Director of the Company be and is hereby authorized to send notice of Annual General Meeting to all the members, Directors and Statutory Auditors of the Company."

11. Review of Business:

The Board discussed the various aspects of the business of the Company and in particular the following:

- Market
- Forecast
- Liquidity
- Others

Chairman confirmed that the quorum was present throughout the meeting. Since there was no other business to transact, Meeting concluded with a vote of thanks to the chair at ...00 am as presented in Table 3.3.

Table 3.3 Vote of Thanks

Date on which draft Minutes forwarded to the Directors for their comments.	
Last date for receiving comments from the Directors	
Date of recording of the Final Minutes in Minutes Book	

Place: Bangalore

Date:

Chairman

DIN:

Annexure 4

Format of AGM Notice

NOTICE

NOTICE is hereby given that theth Annual General Meeting of the members of Limited will be held at am onday, theth day of September, 2018 at the Registered Office of the Company at, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Financial Statements including Audited Balance Sheet as at 31st March, 2018 the Statement of Profit and Loss for the period ended on that date, together with Independent Auditors Report and the Board's Report.
2.
3.
4.

For and on behalf of the Board

Place:

Date: Chairman

DIN:

NOTES:

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/ her and such proxy need not be a member of your company. Proxies in order to be valid must be received at the registered office at least 48 hours before the time fixed for the meeting.

Annexure 5

Format of AGM Minutes

Minutes of theth Annual General Meeting ofLimited held at AM onDAY, the 30th Day of September, 2018 at the Registered Office of the Company at #

PRESENT:

-Director and Member

-Director and Member

At am Mr. Chairmn took the chair. He ascertained the presence of requisite quorum and called the meeting to order. He extended a hearty welcome to the other member present. Attention was drawn to the fact that the Statutory Registers including Register of Directors' Shareholdings was kept open for inspection.

Notice convening the meeting, which was already circulated, was taken as read.

Chairman further informed that the Company had given exemption to the Statutory Auditors of the Company from attending this Annual General Meeting. He further mentioned that any qualification/adverse remarks/emphasis matters in the Auditors' Report need to be read out at the Meeting. Since there are no qualification/adverse remarks/emphasis matters in the Auditors' Report the same was not read out.

Thereafter, Chairman briefed the other member on the business activities, forecasts and other issues of the Company during the year.

Ordinary Business:

Chairman proposed and seconded the following resolution as an Ordinary Resolution:

“RESOLVED THAT the Audited Financial Statements including Balance Sheet as at 31st March, 2018, and the Statement of Profit & Loss for the year ended on that date along with the Board's Report and the Auditor's Report thereon be and are hereby received, considered and adopted.”

The resolution when put to vote by show of hands, was passed unanimously.

.....

Chairman confirmed that the requisite quorum was present throughout the meeting. He thanked the members for their continued cooperation and declared the meeting as closed at 10.30 am.

Place:

Date: Chairman

Annexure 6

List of registers to be maintained by the Company as illustrated in Table 6.1

Table 6.1 Registers to be Maintained

#	FORM NAME	NAME OF REGISTER	CHAPTER	RELEVANT SECTION & RULE
1	MGT-1	Register of Members	VII	S.88(1)(a) & R.3(1) OF COS (MANAGEMENT & ADMINISTRATION) RULES, 2014
2	MGT-2	Register of Debenture Holders/ Other Securities Holders	VII	S.88(1)(b) & (c) AND R.4 OF COS (MANAGEMENT & ADMINISTRATION) RULES, 2014
3	REGISTER	Register of Directors and Key Managerial Personnel and Their Shareholding	XI	S.170 & R.17 OF COS (APPOINTMENT & QUALIFICATION OF DIRECTOR) RULES, 2014
4	SH-2	Register of Renewed and Duplicate Share Certificate	IV	S.46(3) & R.6(3)(a) OF COS (SHARE CAPITAL & DEBENTURE) RULES, 2014
5	SH-3	Register of Sweat Equity Shares	IV	S.54 & R.8(14) OF COS (SHARE CAPITAL & DEBENTURE) RULES, 2014
6	SH-6	Register of Employee Stock Option	IV	S.62(1)(b) & R.12(10) OF COS (SHARE CAPITAL & DEBENTURES) RULES, 2014
7	SH-10	Register of Shares/Other Securities Bought Back	IV	S.68(9) & R.17(12) OF COS (SHARE CAPITAL & DEBENTURES) RULES, 2014
8	CHG-7	Register of Charges	VI	S.85 & R.10(1) OF COS (REGISTRATION OF CHARGES) RULES, 2014
9	MBP-2	Register of Loans, Guarantee, Security And Acquisition Made By Company	XII	S.186(9) & R.12(1) OF COS (MEETINGS OF BOARDS & ITS POWERS) RULES, 2014
10	MBP-3	Register of Investment Not Held In Its Own Name By The Company	XII	S.187(3) & R.14(1) OF COS (MEETINGS OF BOARDS & ITS POWERS) RULES, 2014
11	MBP-4	Register of Contracts With Related Party And Contracts And Bodies Etc. In Which Directors Are Interested	XII	S.189(1) & R.16(1) OF COS (MEETINGS OF BOARDS & ITS POWERS) RULES, 2014

Annexure 7

Form No. SH.1

Share Certificate

[Pursuant to sub-section (3) of section 46 of the Companies Act, 2013 and rule 5(2) of the Companies (Share Capital and Debentures) Rules 2014]

.....Limited/Private Limited

.....(Corporate Identification Number)

(Incorporated under...the Companies Act, 1956/2013)

Registered Office:.....

This is to certify that the person(s) named in this Certificate is/are the Registered Holder(s) of the within mentioned share(s) bearing the distinctive number(s) herein specified in the above named Company subject to the Memorandum and Articles of Association of the Company and the amount endorsed herein has been paid up on each such share.

EQUITY SHARES EACH OF RUPEES..... (Nominal value)

AMOUNT PAID-UP PER SHARE RUPEES.....

Register Folio No:

Certificate No:

Name(s) of the Holder(s):

No. of shares held:.....

(in words) (in figures)

Distinctive No.(s): From..... To..... (Both inclusive)

Given under the common seal of the Company this..... day of..... 20.....

(1) Director:

(2) Director:

(3) Secretary/ any other authorized person:

Note: No transfer of the Share(s) comprised in the Certificate can be registered unless accompanied by this Certificate.

Annexure 8

Form No. SH-4

Securities Transfer Form

[Pursuant to Section 56 of the Companies Act, 2013 and sub-rule (1) of rule 11 of the Companies (Share Capital and Debentures) Rules 2014]

Date of execution:

FOR THE CONSIDERATION stated below the “Transferor(s)” named do hereby transfer to the “Transferee(s)” named the securities specified below subject to the conditions on which the said securities are now held by the Transferor(s) and the Transferee(s) do hereby agree to accept and hold the said securities subject to the conditions aforesaid.

CIN:

Name of the company (in full):

Name of the Stock Exchange where the company is listed, if any: **NA**

Kind/ Class of Securities (1)	Nominal value of each unit of security (2)	Amount called up per unit of security (3)	Amount paid up per unit of security (4)
Equity

No. of securities being transferred		Consideration received (Rs.)	
In figures	In words	In figures	In words
.....

Format of Boards Report

Distinctive Number From
To

Corresponding

Certificate Number:

Transferor’s Particulars:

Registered Folio number: Signature (s)

Name(s) in full and Address:.....

.....

I, hereby confirm that the Transferor has signed before me. Signature of witness

Name and address:

Transferee’s Particulars:

Name	Father's/Mother's/ Spouse	Address & E-mail id (3)	Occupation (4) &	Signature (6)
In full (1)	Name (2)		Existing Folio no. If	
.....	any (5)	
			Business	
			

Folio No. of Transferee Specimen Signature of Transferee (s)

.....

Value of stamp affixed: (Rs.)(0.25% on share value)

Stamps : Affix on the reverse side on the space provided

Enclosures: (1) Certificate of shares or debentures or other securities, (2) If no certificate is issued, letter of allotment. , (3) Others, specify.....

FOR OFFICE USE ONLY

Checked by:

Signature tallied by:

Entered in the Register of Transfer on:

vide Transfer No.:

Approval Date:

Power of attorney / Probate / Death Certificate / Letter of Administration Registered on

.....at No.....

Annexure 9

Format of Yearly declarations from Directors

FORM MBP-1

Notice of interest by Director

[Pursuant to Section 184 (1) and Rule 9(1)]

To

The Board of Directors

..... Limited

Bangalore

Dear Sir (s)

I,, son of Mr., resident of, Director of the Company hereby give notice of interest or concern in the following company or companies, bodies corporate, firms or other association of individuals:

I.

S. No.	Name of the Companies/ bodies corporate / firms / association of individuals	Nature of interest or concern / Change in interest or concern	Shareholding	Date on Which interest or concern arose / changed
	PUBLIC COMPANIES			
	PRIVATE COMPANIES			
	FOREIGN COMPANIES			
	TRUSTS & NON-TRADING ORGANISATIONS			
	Partnership Firms in which I am a Partner and Association of individuals in which I am a member			

Attached herewith is a list of my relatives.

Place:

Signature:

Date:

Director

DIN:

DIR-8**Intimation by Director**

[Pursuant to Section 164(2)]

Table 9.1 Intimation by Director

Name of the Company:	
Address:	
CIN:	
Nominal Capital:	
Paid up Capital:	

To

The Board of Directors

..... Limited

Bangalore

Dear Sirs

I,, son of Mr., resident of, Director in the Company, hereby give notice that I am/was a Director in the following companies during the last 3 years:

Table 9.2 Director Details

No.	Name of the Company/LLP	CIN/LLPIN	Date of Appointment	Date of Cessation
.				

I further confirm that I have not incurred disqualification under Section 164(2) of the Companies Act, 2013 in any of the above companies, in the previous financial year, and that I, at present, stand free from any disqualification from being a Director.

Place:

Signature:

Date:

Director

DIN:

Annexure 'A'

List of Relatives as Contemplated by Section 2(77) of the Companies Act, 2013

Table A.1 List of Relatives

S. No.	Relationship	Name of the relative
1	Wife/ Husband	
2	Father (including step father)	
3	Mother (including step mother)	
4	Son(s) (including step son)	
5	Son's wife	
6	Daughter(s)	
7	Daughter's husband	
8	Brother(s) (including step Brother)	
9	Sister(s) (including step sister)	
10	Members of HUF of which I am a : member (Other than those whose name is mentioned at Sl. No.1 – 9 above)	

Place:

Signature:

Date:

Director

DIN:

Clarifications for Filling the Above Declarations

1. Tabular column should be filled with the following details

1st column - Names of the Companies / bodies corporate / firms / association of individuals (i.e. all Indian as well as foreign companies/firms/bodies corporate) in which the director is having an interest.

2nd column – The word “interest” includes companies in which the director is a Shareholder holding more than 2% of the paid up capital, alone or with other directors and/or a Director / Promoter/Manager/CEO of the other body corporate.

3rd column – Percentage of shareholding.

4th column – Date of acquisition of share or appointment as Director/Promoter/Manager/CEO of the other body corporate or cessation thereof.

2. If the number of companies is more than the given rows, increase the number of rows accordingly.

3. If the director is not having interest in any company/ (ies), please mention “NIL” in the tabular column in Form 12.1.

Intimation by Director

1. First tabular column in Intimation by Director should be filled with the details (company name, date of appointment and date of resignation if any) of **all Indian companies** in which the Director(s) was/is a director in the past three years.
2. If the number of companies is more than the provided rows, increase the number of rows accordingly.
3. If the Director is/was not director in any other Company/(ies) in the past three year, please mention “NIL” in the first tabular column in Intimation by Director
4. Second tabular column in Intimation by Director should be filled with the details (company name, date of appointment and date of resignation if any) of all companies/firms in which the Director(s) has been disqualified from being a director in the past three years.
5. If the director does not incur any disqualification, please leave the tabular column blank or fill it as “NOT APPLICABLE”

Annexure A

1. Please fill the name of relative who are alive as on date.

Annexure 10

Board's Report

To the Members

The Directors have pleasure in presenting before you the ...th Annual Report of the Company together with the Audited Financial Statements for the period ended 31st March,

Table 10.1 Financial Summary/Highlights, Operations, State of Affairs (Amount in Rs.)

Particulars		
Gross Income		
Finance Charges		
Provision for Depreciation		
Total Expenses		
Net Profit Before Tax		
Provision for Tax		
Net Profit After Tax		

Performance Review:

State of Company's Affairs and Future Outlook

a. General Information about the Company:

Events Subsequent to the Date of Financial Statements:

There were no such events warranting disclosure hereunder.

Changes in the Nature of Business:

Dividend:

Amounts Transferred to Reserves:

Changes in Share Capital:

Capital Structure of the Company as on 31.03.2018:

Authorised Capital of the Company:

The Issued, Subscribed and Paid up Capital of the Company:

Board Meetings

The Meetings of the Board were held at regular intervals with a time gap of not more than 120 days between two consecutive meetings. Additional meetings of the Board of Directors were held when necessary. During the year under review (....) meetings were held on

Agenda and notes of the meetings were circulated to the Directors in advance. Minutes of the meetings of the Board of Directors were prepared, circulated and maintained according to the provisions of Secretarial Standards and the Companies Act, 2013.

Directors and Key Managerial Personnel:

The following Directors and Key Managerial Personnel are part of the Board as on the date of the report as mentioned in Table 10.2

Table 10.2 Directors and Key Managerial Personnel

Sl. No	Particulars	Designation	DIN	Date of Appointment
1				
2				

Receipt of any Commission by MD / WTD From A Company or for Receipt of Commission / Remuneration from it Holding or Subsidiary:

Not Applicable.

Directors' Responsibility Statement

In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

- in the preparation of the Financial Statements, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the Financial Statements on a going concern basis; and
- the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively to be provided.

Financial Information about the Subsidiaries / Associates/ JV:

The Company does not have any Subsidiaries, Associates or JVs.

Extract of Annual Return:

As required pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of Annual Return in MGT- 9 is given as an Annexure I to this Annual Report.

Auditors:

Qualifications in the Audit Report, if any:

There were no qualifications or adverse remarks given by the Statutory Auditors in their report.

Conservation of Energy, Technology Absorption and Foreign Exchange Outgo:

(A) Conservation of Energy

Steps taken / impact on conservation of energy,	
i Steps taken by the company for utilizing alternate sources of energy including waste generated	
ii Capital investment on energy conservation equipment	
Total energy consumption and energy consumption per unit of production as per Form A	

(B) Technology Absorption

Efforts in brief, made towards technology absorption, adaptation and innovation	
Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution, etc.	
In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:	
Technology imported	
Year of Import	
Has technology been fully absorbed	
If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action	

(C) Research and Development (R&D)

Specific areas in which R & D carried out by the company	
Benefits derived as a result of the above R & D	
Future plan of action	
Expenditure on R & D	
(a) Capital	
(b) Recurring	
(c) Total	
(d) Total R & D expenditure as a percentage of total turnover	

(D) Foreign Exchange Earnings and Outgo

Activities relating to exports	
Initiatives taken to increase exports	
Development of new export markets for products and services	
Export plans	
Total Exchange used (Cash basis)	
Total Foreign Exchange Earned (Accrual Basis)	

Disclosure Relating to Remuneration of Employees

There are no employees receiving remuneration more than 1,02,00,000/- (Rupees One Crore Two Lakhs only) per annum and /or Rs. 8,50,000/- (Rupees Eight Lakhs Fifty Thousand only) per month. Therefore statement/disclosure pursuant to Sub Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not required to be circulated to the members and is not attached to the Annual Report.

There are no employees posted and working in a country outside India, not being Directors or relatives, drawing more than Rs. 1,02,00,000/- (Rupees One Crore Two Lakhs only) per financial year or Rs. 8,50,000/- (Rupees Eight Lakhs Fifty Thousand only) per month as the case may be. Therefore statement/disclosure pursuant to Sub Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is not required to be circulated to the members and is not attached to the Annual Report.

Details Relating to Deposits, Covering the Following

The following details of deposits, covered under Chapter V of the Act:

Sl. No.	Particulars	Amount in Rupees
1	Deposits Accepted during the year	Nil
2	Remained unpaid or unclaimed as at the end of the year	Nil
3	Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved	Nil
4	The details of deposits which are not in compliance with the requirements of Chapter	Nil

Significant & Material Orders Passed By the Regulators

There was no such order to disclose hereunder

Details of Adequacy of Internal Financial Controls

The Company is following adequate Internal Financial Controls with reference to the Financial Statements.

Particulars of Loans, Guarantees or Investments

The Company has not given any Loans, Guarantees or made investments during the Financial Year.

Risk Management Policy

In today's economic environment, Risk Management is a very important part of business. The main aim of risk management is to identify, monitor and take precautionary measures in respect of the events that may pose risks for the business. Your Company's risk management is embedded in the business processes. Your company has identified the following risks:

Key Risks	Mitigation Policies
Interest Rate Risk	Dependence on debt is very minimum and we have surplus funds with Banks to settle the entire debt in case the need arises.
Human Resources Risk	By continuously benchmarking of the best HR practices across the industry and carrying out necessary improvements to attract and retain the best talent.
Competition Risk	By continuous efforts to enhance the brand image of the Company by focusing on R&D, quality, Cost, timely delivery and customer service.
Employee Health and Safety Risk	By development and implementation of safety standards across the various departments of the factory to provide healthy and safe working environment.

Corporate Social Responsibility Policy

Since the Company does not meet the criteria for the applicability of Section 135 of the Companies Act read with the Companies (Accounts) Rules, 2015, this clause is not applicable.

Related Party Transactions

There was no Related Party Transaction entered with during the year.

Disclosure Under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

Your Company has always believed in providing a safe and harassment free workplace for every individual working in Company's premises through various interventions and practices. The Company always endeavors to create and provide an environment that is free from discrimination and harassment including sexual harassment.

No complaints pertaining to sexual harassment was reported during the year.

Maintenance of Cost Records

Maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is not applicable to the Company.

Acknowledgements

The Directors wishes to place on record their appreciation for the sincere and dedicated efforts of all employees. Your Directors would also like to thank the Shareholders, Bankers and other Business associates for their sustained support, patronage and cooperation.

For and on behalf of the Board

For Limited

Date:

Place:

Director

Director

DIN:

DIN:

Address:

Address:

Annexure-I to Boards Report

Form No. MGT-9

Extract of Annual Return

as on the financial year ended on 31.03.....

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

I. Registration and Other Details:

- i. CIN:
- ii. Registration Date:
- iii. Name of the Company:
- iv. **Category of the Company:** - [Please tick]
 1. Public Company (NA)
 2. Private company **(Yes)**

Sub Category of the Company:- [Please tick whichever are applicable]

1. Government Company (NA)
2. Small Company (NA)
3. One Person Company (NA)
4. Subsidiary of Foreign Company (NA)
5. NBFC (NA)
6. Guarantee Company (NA)
7. Limited by shares (Yes)
8. Unlimited Company (NA)
9. Company having share capital (Yes)
10. Company not having share capital (NA)
11. Company Registered under Section 8 (NA)

v. Registered Office Address And Contact Details:

Address	
Town / City	
State	Karnataka
Pin Code	
Country Name Country Code	INDIA IN
Telephone With STD	Area Code: Number:
Fax Number	Area Code: Number:
Email Address Website, if any	

- vi. Whether shares listed on recognized Stock Exchange(s) - Yes/No
- vii. Name, Address and contact details of Registrar & Transfer Agents (RTA), if any: **NA**

II. Principal Business Activities of the Company: As Per NIC Code 2008

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

S. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company

III. Particulars of Holding, Subsidiary and Associate Companies: NA

IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual / HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.									
e) Banks / FI									
f) Any Other....									
Sub-total (A) (1)									
(2) Foreign									
a) NRIs - Individuals									
b) Other – Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
Sub-total (A) (2)									
Total shareholding of Promoter (A) = (A)(1)+(A)(2)									
B. Public Shareholding									

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
1. Institutions									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1)									
2. Non-Institutions									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh									
c) Others (specify)									
Sub-total (B)(2)									
Total Public Shareholding (B)=(B)(1)+(B)(2)									

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)									

ii. Shareholding of Promoters

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1.								
2.								

iii. Change in Promoters' Shareholding:

Promoter's Name		CHANGE IN PROMOTERS' SHAREHOLDING	
		No. of shares	% of total shares of the company
Mr. Harish Mothukapalli Krishna Reddy	At the beginning of the year		
Mrs. NagabhushanDeepika			
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. llotment /transfer /bonus/ sweat equity etc)		
Mr. Harish Mothukapalli Krishna Reddy	At the End of the year		
Mrs. NagabhushanDeepika			

(iv) Shareholding Pattern of top ten Shareholders (Other Than Directors, Promoters and Holders of GDRS and ADRS): NA

(v) Shareholding of Directors and Key Managerial Personnel:

S.No.	SHAREHOLDING OF DIRECTORS/ KEY MANAGERIAL		
NAME	For Each of the Directors and MP	No. of shares	% of total shares of the company
	At the beginning of the year		
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)		
	At the End of the year (or on the date of separation, if separated during the year)		

V. Indebtedness of the Company Including Interest Outstanding/Accrued But Not Due For Payment:
(Amount in Rs.)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i. Principal Amount				
ii. Interest due but not paid				
iii. Interest accrued but not due				
Total (i+ii+iii)				
Change in Indebtedness during the period				
• Addition				
• Reduction				
Net Change				
Indebtedness at the end of the financial year				
i. Principal Amount				
ii. Interest due but not paid				
iii. Interest accrued but not due				
Total (i+ii+iii)				

VI. Remuneration of Directors and Key Managerial Personnel:

- a. Remuneration to Managing Director, Whole-Time Directors and/or Manager:
- a. Remuneration to other Directors:
- b. **Remuneration to key Managerial Personnel other than MD/Manager/WTD:**

VII. Penalties / Punishment/ Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment					
Compounding	None				
B. DIRECTORS					
Penalty	None				
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty	None				
Punishment					
Compounding					

For and on behalf of the Board

For Limited

Date:

Place:

Director

Director

DIN:

DIN:

Address:

Address:

Frequently Asked Questions

1. Is it possible to increase paid-up capital and authorized capital?

Yes, it is possible to increase paid-up capital and authorized capital by following certain steps and filing stamp duty to the ROC

2. Is it possible to increase the number of members?

Yes, it is possible to increase the number of members by following certain steps but the Articles need to be observed for the same.

3. What is the basis for the members to get patronage bonus. Will all the members of FPO get patronage bonus?

The patronage bonus for the members is based on the profits earned by the FPO and it is distributed based on the business transactions of the members with the FPO

4. What should be the quorum for conduct of annual general body meeting of the FPO?

The quorum for conduct of annual general body meeting of the FPO is 1/4th of the total member base (250 for 1000 members)

5. Is there any reservation for selection/election the Board of Directors?

No, there is no reservation for selection/ election the Board of Directors

6. If CEO and BOD are doing business/transactions in any other company, should he declare the same to the company?

Yes, if CEO and BOD are doing business/transactions in any other company, he should declare the same to the FPO

7. Can accounting standards be changed?

Accounting Standards need to be in compliance with the Companies Act, 2013 and it cannot be changed.

8. Is it possible to draw petty cash, monthly expenses and other expenses in the name of CEO?

No. CEO may be authorised to keep the petty cash or other amount as may be required to conduct day to day operations. He cannot draw any money in his name.

9. How many EGM's can be conducted annually?

No such restrictions.

10. Do the absentee members of the Board meeting have the authority to modify draft minutes of the Board meeting?

No, the absentee members of the Board meeting do not have the authority to modify draft minutes of the Board meeting.

11. If a meeting is adjourned, should the meeting notice has to be sent again?

If the meeting is adjourned, due to want of quorum, the same will be convened on the same day, place and time during subsequent week. If the meeting adjourned due to some other reason or for some other day, fresh notice to be issued.

12. Can expert director be the part of the prescribed 15 Board of Directors?

Yes, expert director can be part of the 15 Board of Directors (BOD), but he should have a separate DIN and DSC. The co-opted expert director should not exceed 1/5 of the BOD

13. Does the expert director has voting powers?

Yes, except for election of Chairman. The AOA shall prevail.

14. Can we invite expert director for monthly meeting?

Yes, the expert Director can be invited for monthly meetings; however he will be treated as an invitee

15. Is it possible to conduct more than four board meetings?

Yes, it is possible to hold more than four meetings

16. What is the limit for distribution of patronage bonus?

There is no limit for patronage bonus. However, it depends on the profits of the Farmer Producer Organizations and the volume of business transacted by the individual shareholders

17. Can we give loan to the members of the Farmer Producer Organizations?

Yes, loans can be given to the members of the Farmer Producer Organizations. However, the FPO can give loan to members for business related activities. Also, it is safe to take collateral against the loan disbursed along with an agreement with the loanee

18. Should the BOD give authorization to provide loans to the members?

Yes, Board of Directors (BOD) approval is required to give loan to the members

19. What is the maximum term for Board of Directors?

The maximum term for Board of Directors is 5 years. However, it can be modified based on the articles of association

20. Is it compulsory to provide nominee details by the FPO shareholders?

Yes, it is compulsory to provide nominee details by the shareholders of the FPO within three months of the issue of the share

21. Is it compulsory to appoint statutory auditors by the FPO?

Yes, it is compulsory to appoint statutory auditors by the FPO for a period of five years

22. If auditors are appointed for five years, can they be removed in-between?

Yes, according to the Act, auditors appointed for 5 years can be removed either by taking resignation or removal with proper justification

23. Is it compulsory for the FPO to maintain reserves?

Yes, it is compulsory for the FPO to maintain reserves of 10% from the profits as per the AOA

24. Can the share money kept as fixed deposit in the bank?

Yes, the share money can be kept in the bank as a fixed deposit with the approval of the BOD approval during the BOD meeting. The interest earned can be utilised for the business of the FPO

25. Is it compulsory for the Board of Directors to disclose his interests in other organizations?

Yes, it is compulsory for BOD to disclose his/her interest in other trusts, boards, cooperatives or any other organizations

26. What will happen to a Board of Director if he fails to attend the meetings of the Board continuously for four times?

If the Board of Director fails to attend the meetings of the Board continuously for four times in-spite of notice, then it will be treated as vacation of Office

27. Should the Board of Director file for KYC every year?

Yes, the Board of Director has to file for KYC every year and is his individual responsibility

28. Does the FPO come under RTI Act?

No, the FPO does not come under RTI Act

29. Is it necessary to appoint both Chartered Accountant (CA) & Company Secretary (CS) for the FPO?


Yes, it is necessary to separately appoint both CA and CS as they have different roles and responsibilities. However, the appointment of Company Secretary in employment is subject to the FPO making a turnover of more than 5 crores continuously for three years

30. Is it compulsory to mention the BOD and AGM meeting numbers in the register?

Yes, it compulsory to mention the BOD and AGM meeting numbers in the register and every page has to be number along with signature of the Chairman on the meeting pages

31. What will happen to the BOD member if he/she has not attended the BOD meeting continuously for three meetings?

If a BOD member does not attend the meeting of the Board continuously for three meetings, according to the Company Act, action has to be initiated against the member for cessation of the Office by filing DIR-12 along with BOD decision and company decision with proper justifications. This has to be approved by the Registrar of Companies.



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