

Weekly Theme: Artisan Producer Company

4th December 2017- Monday

What is a Producer Company?

The Producer Company (PC) is a legal institution, registered under Company Amendment Act 2002. It gives primary producers the flexibility to organize themselves as a normal company but on the basis of a one man-one vote principle.

In a Producer Company, only persons engaged in an activity connected with, or related to, primary produce can participate in the ownership. The members have necessarily to be the 'primary producers'.

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 handloom, handicraft and other cottage industries: by - products of such products; and products arising out of ancillary industries.

A producer company is a hybrid between a private limited company and a cooperative society.

It combines the benefits of a cooperative enterprise and the vibrancy and efficiency of a company. The members of the Company are the shareholders and the primary beneficiary. The business operations are run professionally through the appointed Board, CEO and office bearers.

Characteristics of a Producer Company?

- The producer company should be registered under the Companies Act
- Minimum 10 members are required
- The member would be the primary producers. The PC will have a management team to conduct day to day operations and will be governed by a Board of Members
- The surplus arising out of the operations of the Producer Company shall be distributed in an equitable manner by providing for the development of the business, providing for common facilities and for distributing amongst the members in proportion to their participation in business.
- Producer Company is formed with limited liabilities and limited only by share capital. The liability of the members is limited to the unpaid amount of the shares held by them
- The voting rights shall be based on a single vote for every member, irrespective of his shareholding or patronage
- The PC would have a Board elected from among the members.
- The Board may co-opt 1 or more expert directors or an additional director not exceeding one- fifth of the total number of directors

How?

An application in form-1 –A of companies (central government's) general rules and forms 1956 has to be made to the registrar of companies in the state where the registered office of the proposed company is situated. Applicant has to send a fee of Rs. 500 along with the four alternative names. The name of the promoters should also be the subscribers to the memorandum. The last words of the company should be “__producer company limited”. The registrar's confirmation of availability of name will be valid for 6 months.

REGISTRATION COMPLIANCES

Who can form a producer company?

A producer company can be formed by

- Any 10 or more individuals, each of them being a primary producer or
- Any 2 or more Producer institutions or
- Combination of 10 or more individuals and Producer institutions.

Meeting with any of the above criteria, and compliance with the registration requirements of the provisions of the Act, the Company can be incorporated as a Producer Company. The company shall be termed as “Producer Company Limited”.

Within 6 months of confirmation from the registrar regarding availability of name, the promoters of a producer company shall produce to the registrar of the state in which the registered office will be located the following:

1. Memorandum of association duly signed by the subscribers and witnessed (2 copies).
2. Articles of association duly signed and witnessed as above (2 copies).
3. Declaration in form by an advocate of the supreme court or high court, an attorney or pleader entitled to appear before high court, or a secretary or a chartered accountant, in whole –time practice in India, who's is engaged in the formation of company or by a person named in the memorandum as director of the company, to the effect that all the requirements of the act and the rules there under have been complied with in respect of registration and matters precedent and incidental thereto.
4. List of persons named in the MOA as first directors and their consents in form -29 to act as directors.
5. form -32 in duplicate giving particulars of the said persons named as directors
6. form -18 in respect of situation of registered office
7. power of attorney on NJ stamp paper, if any, executed by any subscriber authorising a person to sign the MOA and AOA on his behalf or executed by a producer institution as subscriber

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Advantages of Producer Company Registration

- A producer company enjoys a separate legal entity, and offers the facilities of limited liability and perpetuity.
- Producer companies offer greater credibility as compared to that offered by unregistered organizations of agriculturists/farmers.
- Changes in the Board of Management of a producer company can swiftly be made just through filing few simple forms with the ROC concerned.
- Only a duly registered producer company is entitled to sell or own a property in its own name.
- A registered producer company is fully entitled to accept deposits from or give loans to its agriculturist members, at reasonable rates of interest.

8th December 2017- Friday

Case Study of Artisan Producer Company

Industree / Mother Earth is a hybrid organization

Under this structure, there are two organization – Industree Crafts Pvt. Ltd & Industree Foundation (IF).

Industree Foundation (IF) the **non-profit** wing and works on building up the production base, enabling artisans to become owners of their enterprises. **Industree Crafts Private Limited (ICPL)** also known as **Mother Earth** is the **for-profit** design, distribution, retail and export wing. The two collaborate to make Industree commercially viable, self-sustainable and market oriented to ensure the success of their social mission of providing market for traditional crafts and supporting livelihoods.

Mother Earth, the company emerged out of Industree Crafts, a social enterprise that was set up with the vision of building a brand that would stand for sustainability. **Neelam Chhiber and Gita Ram**, the founders, started Industree in 1994 to help the rural artisanal sector, which they felt was “treated as a sunset sector by the government.”

Industree Crafts Foundation was set up in August 2000 as Industree’s non-profit arm in order to access public funds. The vision of the foundation was to provide rural artisan groups with adequate training and manufacturing support. However, providing training was just one aspect. What was really required was a stable demand, so that the producer groups were gainfully employed and could keep their units running throughout the year.