



CONVERSION FROM CO-OPERATIVE TO PRODUCER COMPANY

**SRI VIJAYA VISAKHA MILK PRODUCERS
COMPANY LTD**

**PRESENTATION BY
S.V.RAMANA
MANAGING DIRECTOR**



BACK GROUND

- Registered under AP State Co-operative Society Act in 1973 and commissioned dairy plant at Visakhapatnam in 1977
- Joined AP Dairy Development Co-operative Federation in 1981
- The Government of A.P introduced Mutually Aided Cooperative Societies Act in year 1995
- This act promised less of bureaucratic interference, relative autonomy in democratic functioning with little support from Government.
- Considering the merits in the act, Visakha Dairy converted into AP Mutually Aided Cooperative Societies Act in 1999.



BACK GROUND

- In 2003 there was another important development incorporating Part – IX –A in Company Law that enables rural producers to voluntarily form new entity known as Producer Company
- NDDDB has conducted various awareness and training programmes and released Handbook on Producer Companies
- After economic liberalization new legislation offers statutory and regulatory frame work to producer companies to compete with others on a competitive footing
- Includes Mutual assistance and cooperative principles with in the more liberal regulatory frame work.



BACK GROUND

- Conversion of cooperatives to producer companies is purely voluntary
- Member equity may not be publicly traded but may be transferred thereby Producer Companies are not vulnerable to takeover by MNCs / Others
- Can be converted only if two-thirds of the members vote in favour of a resolution to that effect
- Producer Company indicate certain category of persons in the ownership and necessarily be primary producers
- Objects inter alia to include production, processing, manufacture, sale of primary produce and allied matters



BACK GROUND

- As per new legislation, any Inter-state cooperative society i.e, extending its activities outside the State directly or indirectly or thru an institution of which it is a constituent can be converted.
- Visakha Dairy having its business operations extended to neighboring states converted into Producers Company in 2006 as a going concern.
- Main objects: To convert existing cooperative into producer company, To Own, establish, organize dairy and carry on the business of procuring, handling, processing, preserving, packing, selling, export of all kinds of milk and milk products



CONVERSION TO PRODUCER COMPANY

- Special resolution of members with majority two-thirds of total members supporting the resolution
- Application for availability of name with ROC
- Names of promoters, authorized share capital to tally with the names of subscribers and authorized share capital shown in Memorandum and Articles
- Preparation of Memorandum and Articles, stamping with requisite value of stamps
- Declaration of compliance with requirements of the Companies Act



CONVERSION TO PRODUCER COMPANY

- Submission of documents for registration with ROC:
- ROC fee for registration
- Stamped copies of Memorandum, Articles of Association
- Letter of ROC confirming availability of name
- Form 18 showing registered office (form changed)
- Form 32 particulars of proposed directors, manager, secretary etc
- POA to directors for executing documents



CONVERSION TO PRODUCER COMPANY

- Additional documents for conversion:
- Copy of special resolution
- Name, address, occupation of directors, CEO
- List of members of inter state cooperative society
- Statement indicating that society is inter state cooperative society
- CA certificate confirming that the society is inter state cooperative society



MEMORANDUM OF ASSOCIATION

- Important document and drafted carefully as it tantamount to ultra-vires if company act beyond scope of MOA
- Name of the company: should have the words 'Producers Company Limited'
- Registered Office: Situation of the office to be intimated clearly.
- Objects: Main Objects of the company is restricted to 5 and objects incidental or ancillary to the attainment of main objectives shall be in others



ARTICLES OF ASSOCIATION

- Important document as it sets the rules and regulations for internal management of the company and to public dealing with the company
- Articles are subordinate to MOA
- Neither MOA or AOA can authorize a company to do anything contravening any provisions of companies Act.
- AOA shall contain mutual assistance principles



ARTICLES OF ASSOCIATION

- **Authorised Share Capital:** Shall indicate the share capital, division of shares into a fixed amount etc
- **Directors:** minimum 5 and max 15
- **Limited Liability:** The liability of the members will be limited
- **Territories:** MOA shall state the territories it will extend if not confined to one state



MUTUAL ASSISTANCE PRINCIPLES

- Membership shall be voluntary and available to all eligible persons who can participate or avail facilities or services of producer company and willing to accept duties of membership
- Each member will have single vote irrespective of share holding
- Management of company by Board elected or appointed as Directors and Board shall be accountable to members
- Limited return on share capital



MUTUAL ASSISTANCE PRINCIPLES

- Surplus arising out of operations shall be distributed in equitable manner for:
- Business development
- Providing common facilities
- Distribution among members in proportion to respective participation
- Education to members, employees, others
- Cooperate with other producer companies or other organisations with similar principles local or international



Andhra Pradesh Mutually Aided Co-Operative Act (APMACS)

1. It registered under the Cooperative society Act. Cooperative Registrar has to registrar

2. Area of Operation - Area of operation is restricted

3. Shares - shares are not tradable and transferable

4. Membership is individuals and cooperatives

5. Management – If election not held by management, adhoc committee will take care

6. Staff – All staff are fully accountable to cooperative

Producer Company Act

1. Producer company registered under the Indian company Act by register of companies in respective state of register office.

2. No boundaries if permitted in MOA

3. Share shall be proportion to the members patronage, shares can be transferred to active members as decided by board.

4. Producer company membership will be individual, groups, Association, Institutions, producers.

5. Company should be governed by board of directors under companies act

6. Managing Director/CEO, Ex-Officio director vested with more powers and accountable for performance of the company to Board



Andhra Pradesh Mutually Aided Co-Operative Act (APMACS)	Producer Company Act
7. In Cooperative one member will have one share and have one vote.	7. Members can have more number of shares in proportion to their business contribution but only one vote.
8. Borrowing power is restricted - as per by-laws	8. Producer company borrowing powers is more freedom and more flexibility
9. Meetings – As per provisions laid down in the society Bylaws	9. Large number of meetings, AGMs and extraordinary general meetings and with specifications and conduct of these meetings as per Companies Act
10. Penalties – Special courts to look into offences	10. Offences will attract severe penalties under companies act and falls under registrar of companies
11. Audit – Responsibility of Board	11. Act specify books of accounts to be maintained as per Companies Act and internal audit to be conducted by Chartered Accountant
12. Dissolution or take over by state, by members and by tribunal	12. Very difficult



PRODUCER COMPANY – BENEFITS TO MEMBERS

- ❖ Limited Return on Share capital
- ❖ Withheld price – payment at a later date, savings
- ❖ Bonus Shares – arising out of free reserves
- ❖ Patronage Bonus – linked to business patronage
- ❖ Surplus (AGM may decide for development of business)
- ❖ providing common facilities,

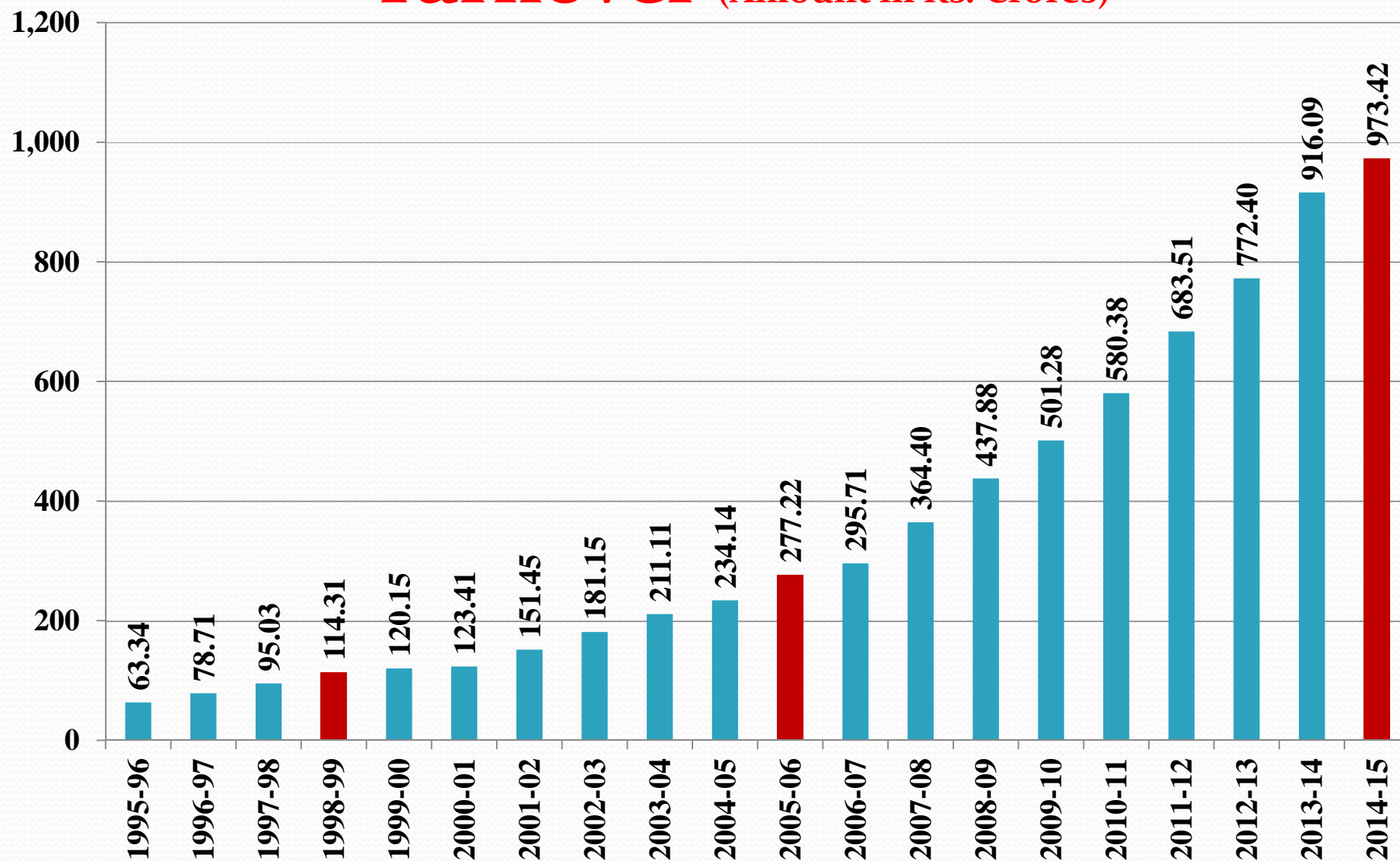


PRODUCER COMPANY – BENEFITS TO MEMBERS

- ❖ Any distribution to members shall be based on patronage
- ❖ education of members or employees
- ❖ allocation of shares for consideration other than cash – withheld price etc
- ❖ Right to obtain information relating to general business of the company
- ❖ In the event of dissolution, surplus may be disbursed as determined by Board

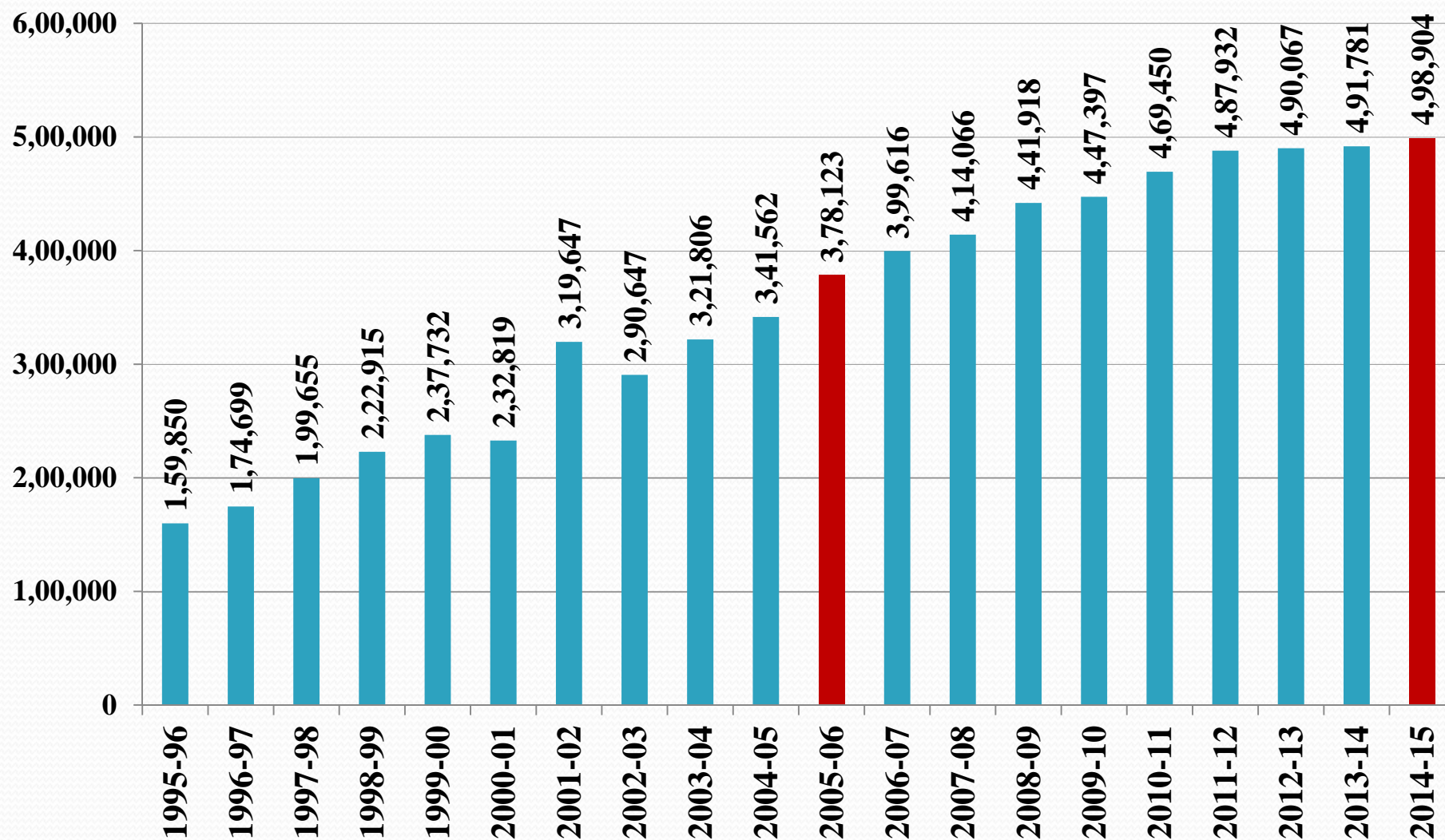


Turnover (Amount in Rs. Crores)



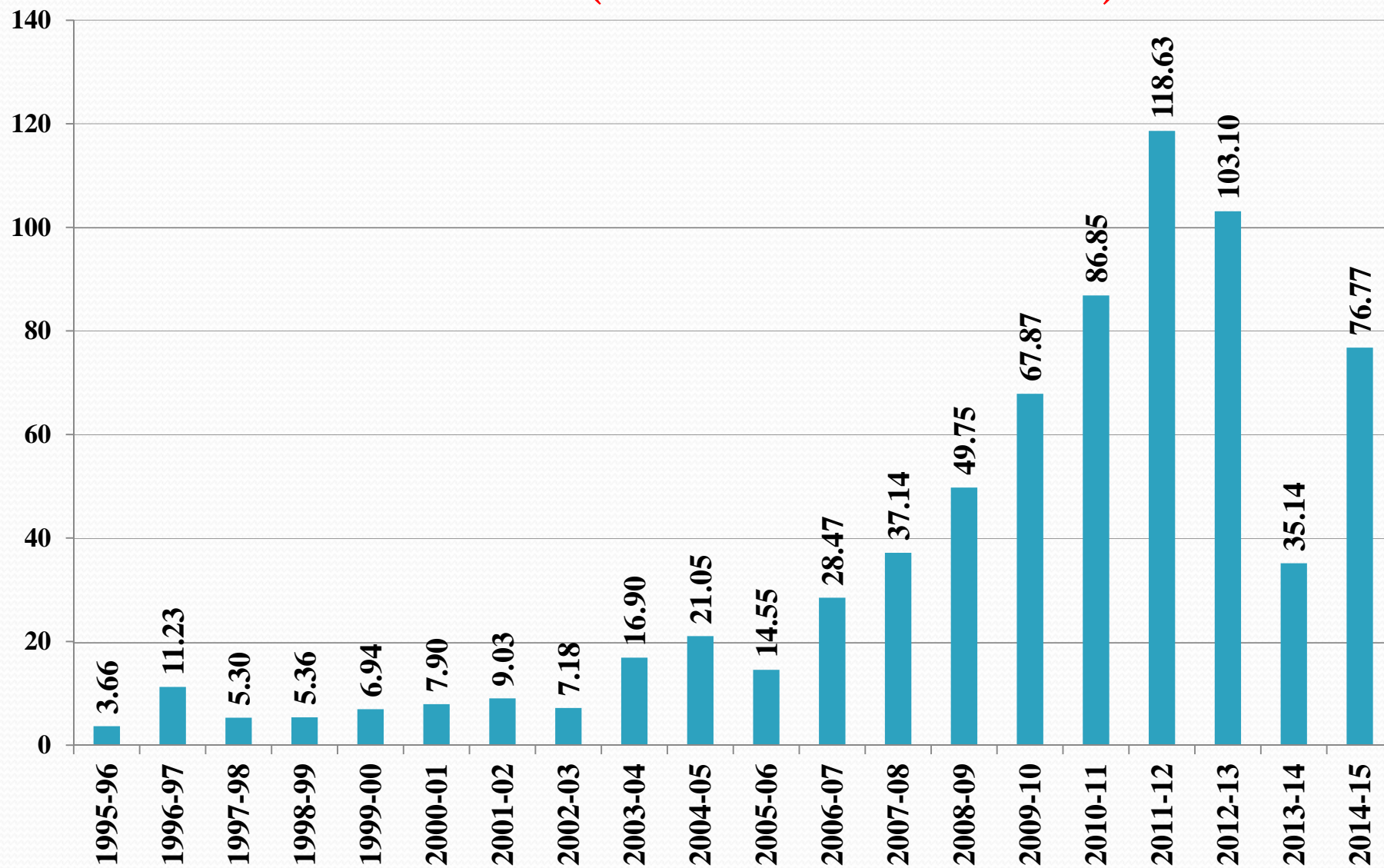


Liquid Milk Sales (LPD)



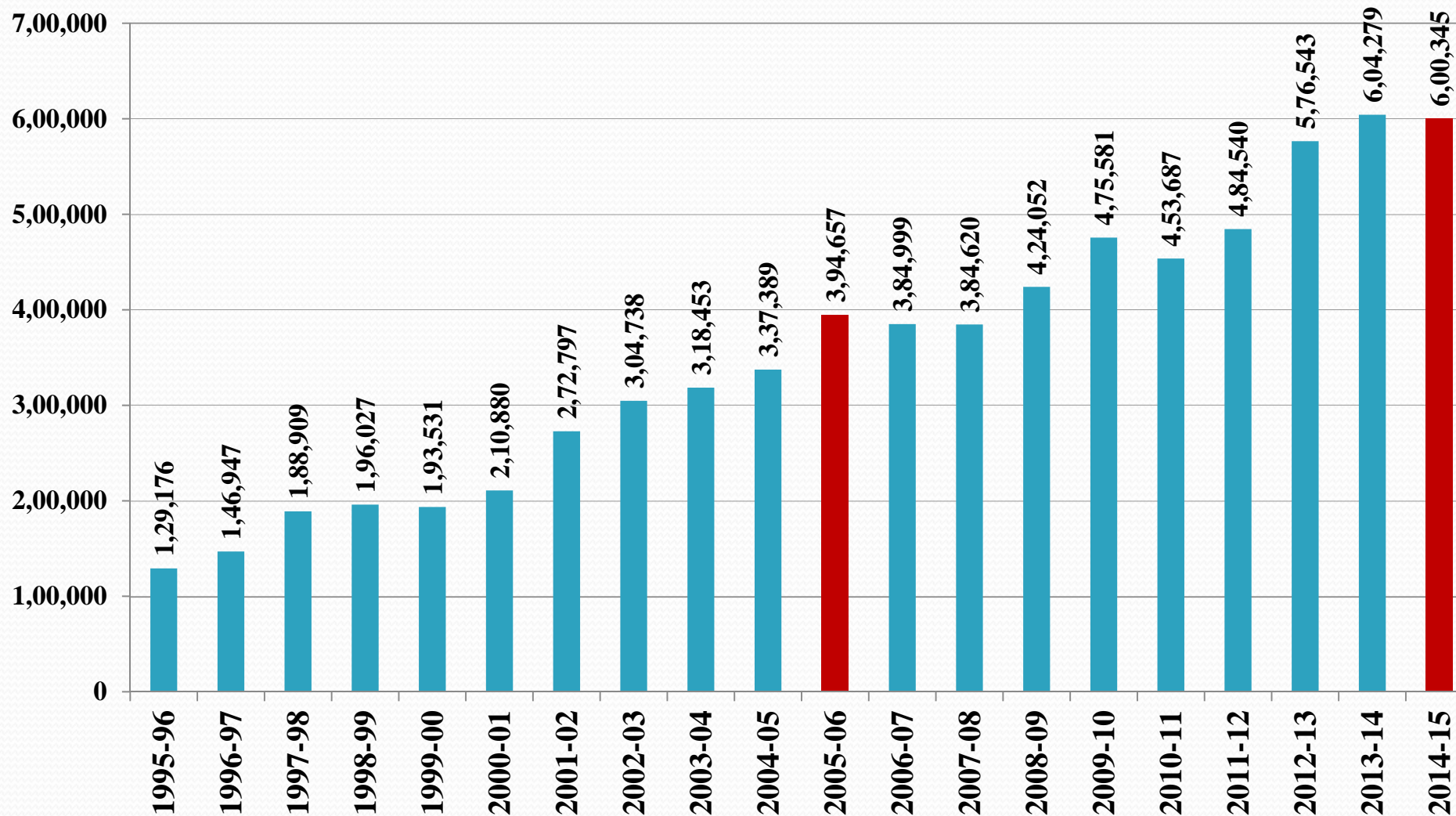


Profit (Amount in Rs. Lakh)



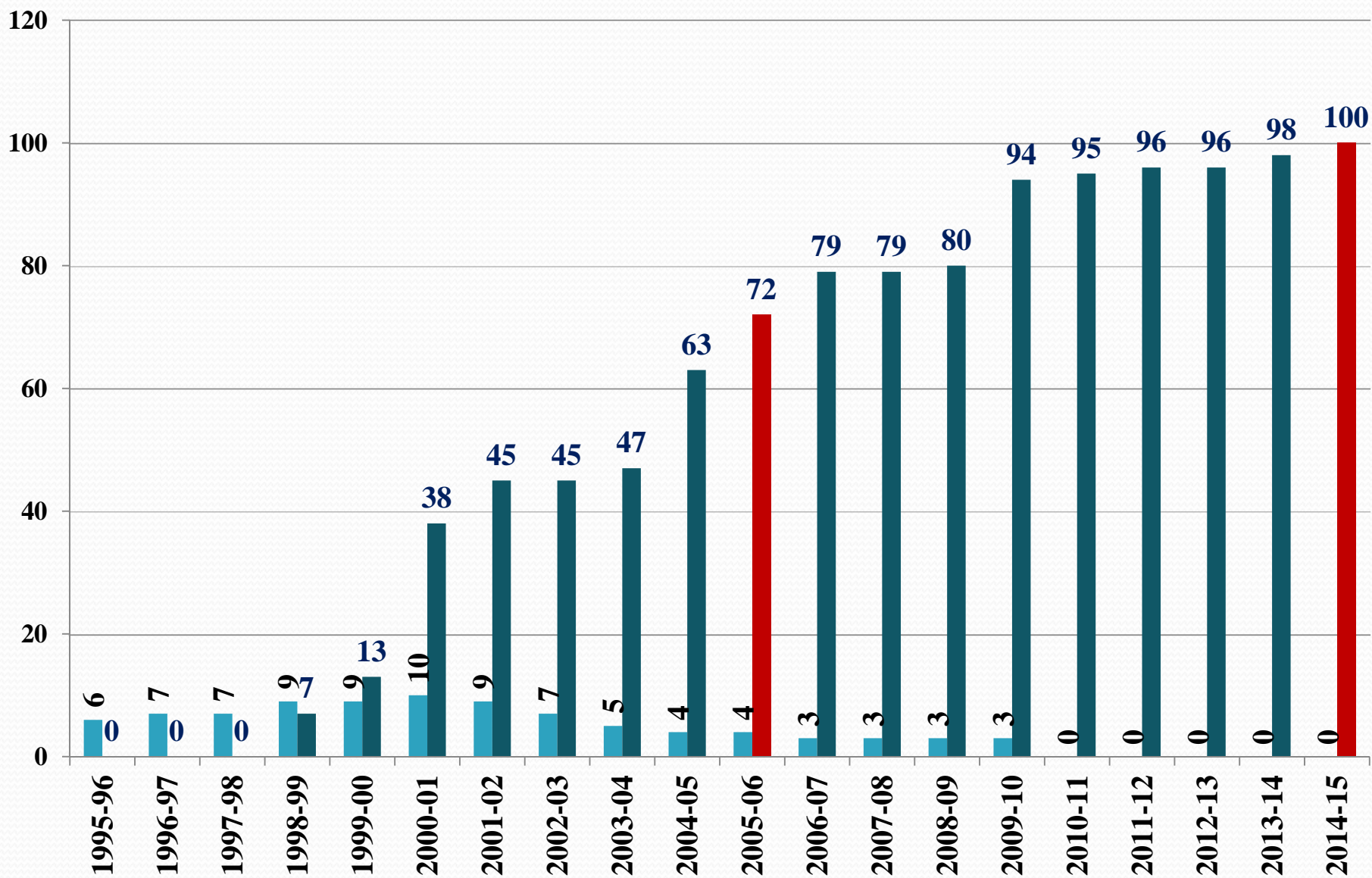


Milk Procurement (LPD)



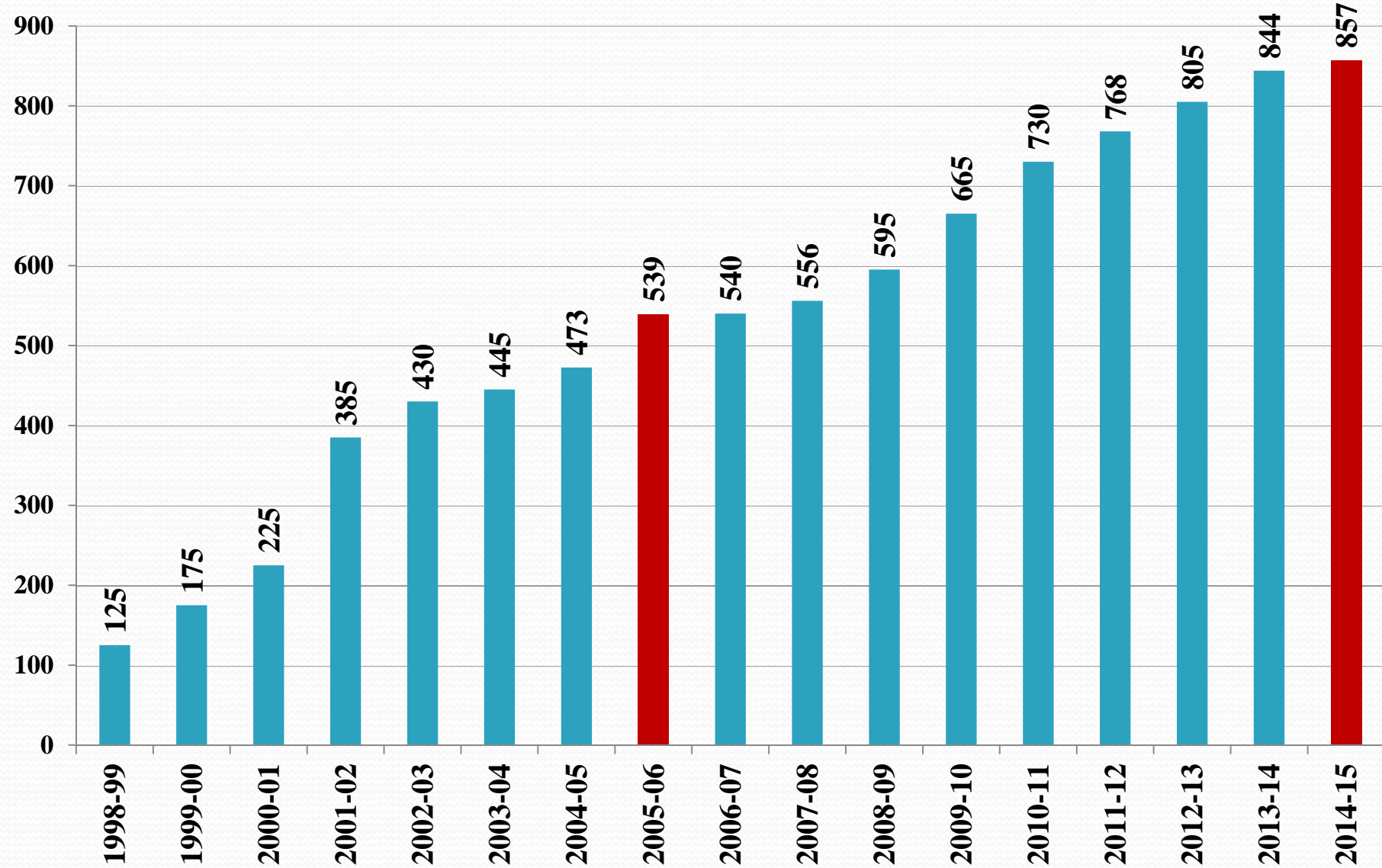


MCC Vs BMCC (in Nos)



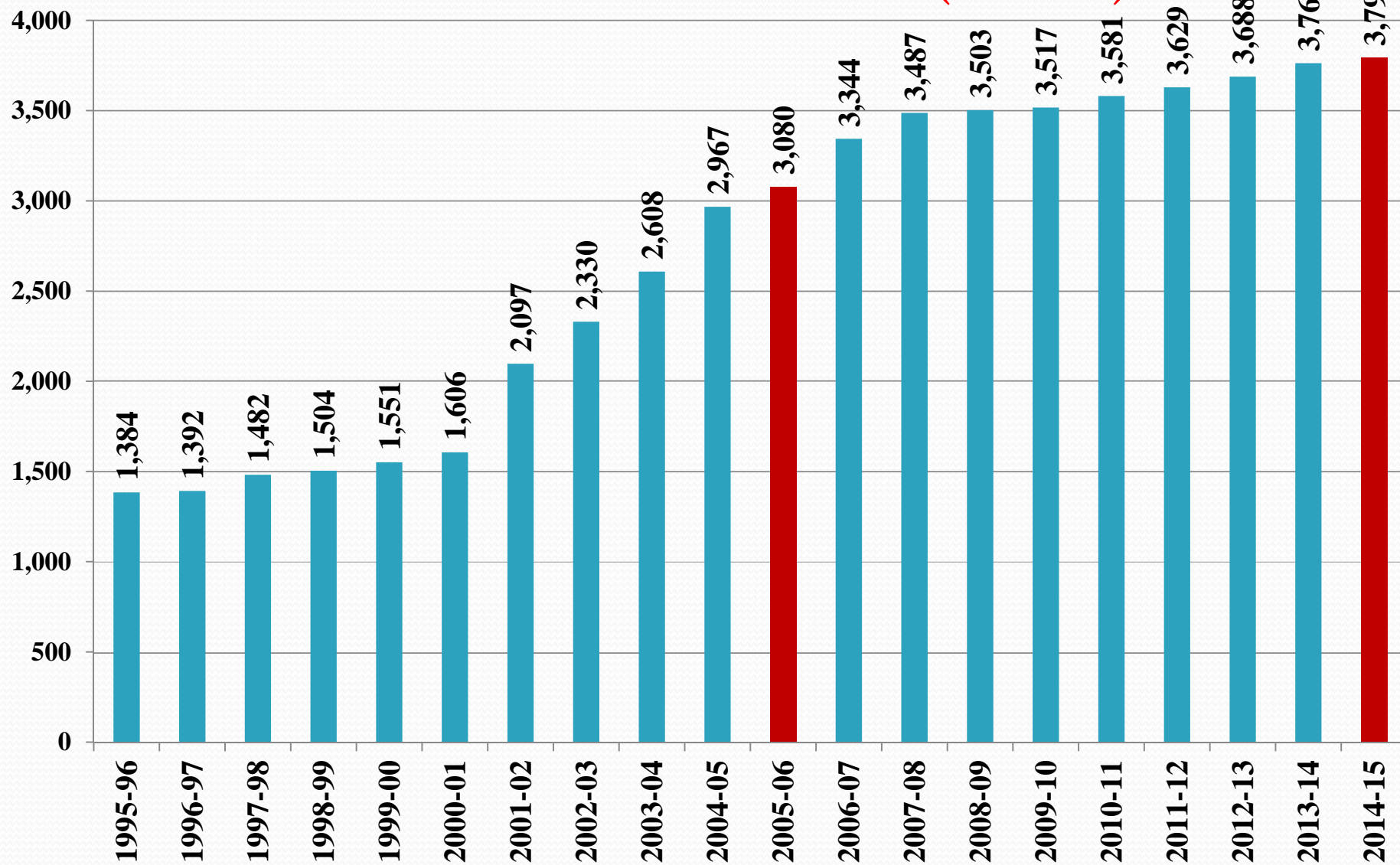


Capacity of BMCCs (in KL)



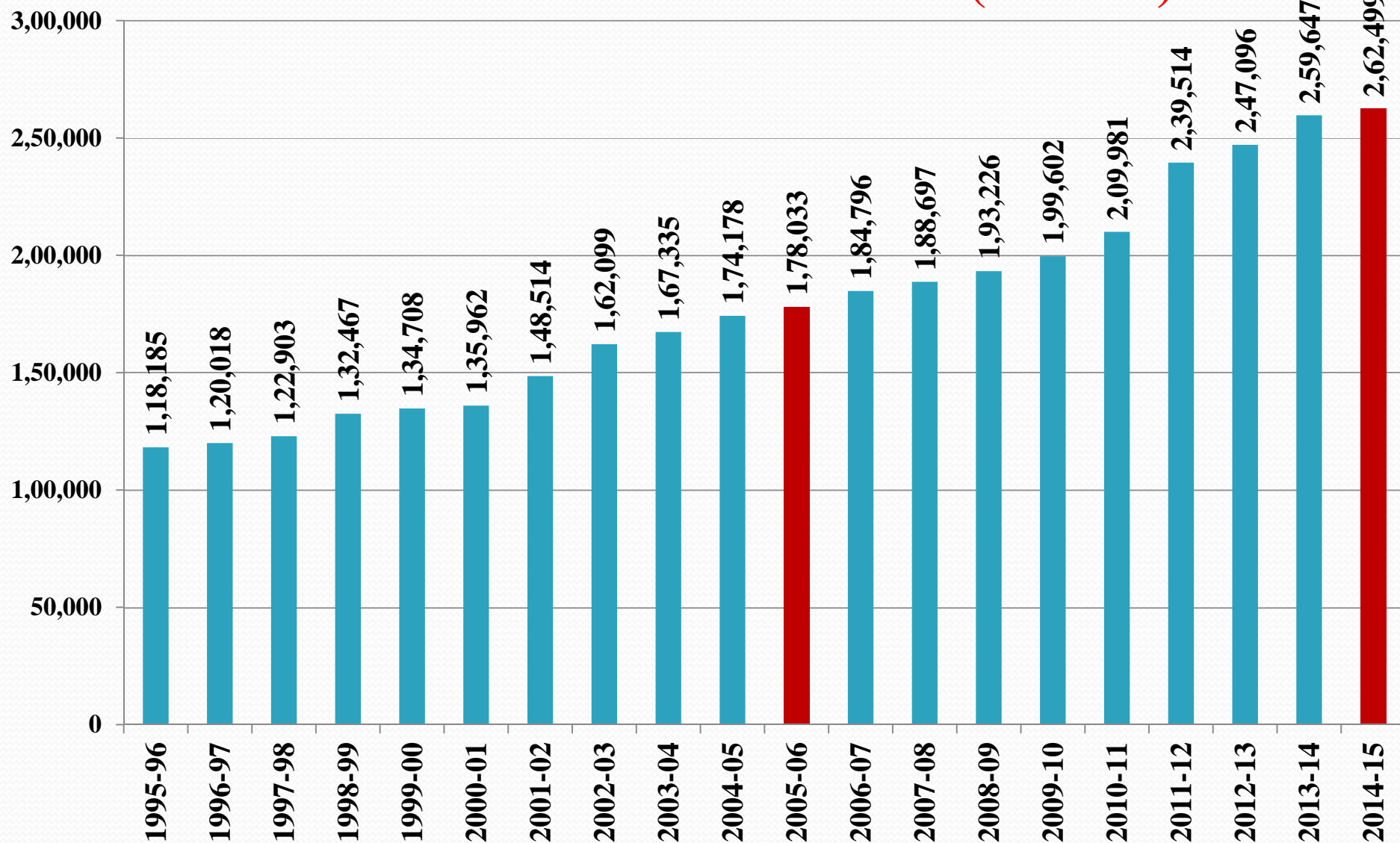


Functional Centers (in Nos)



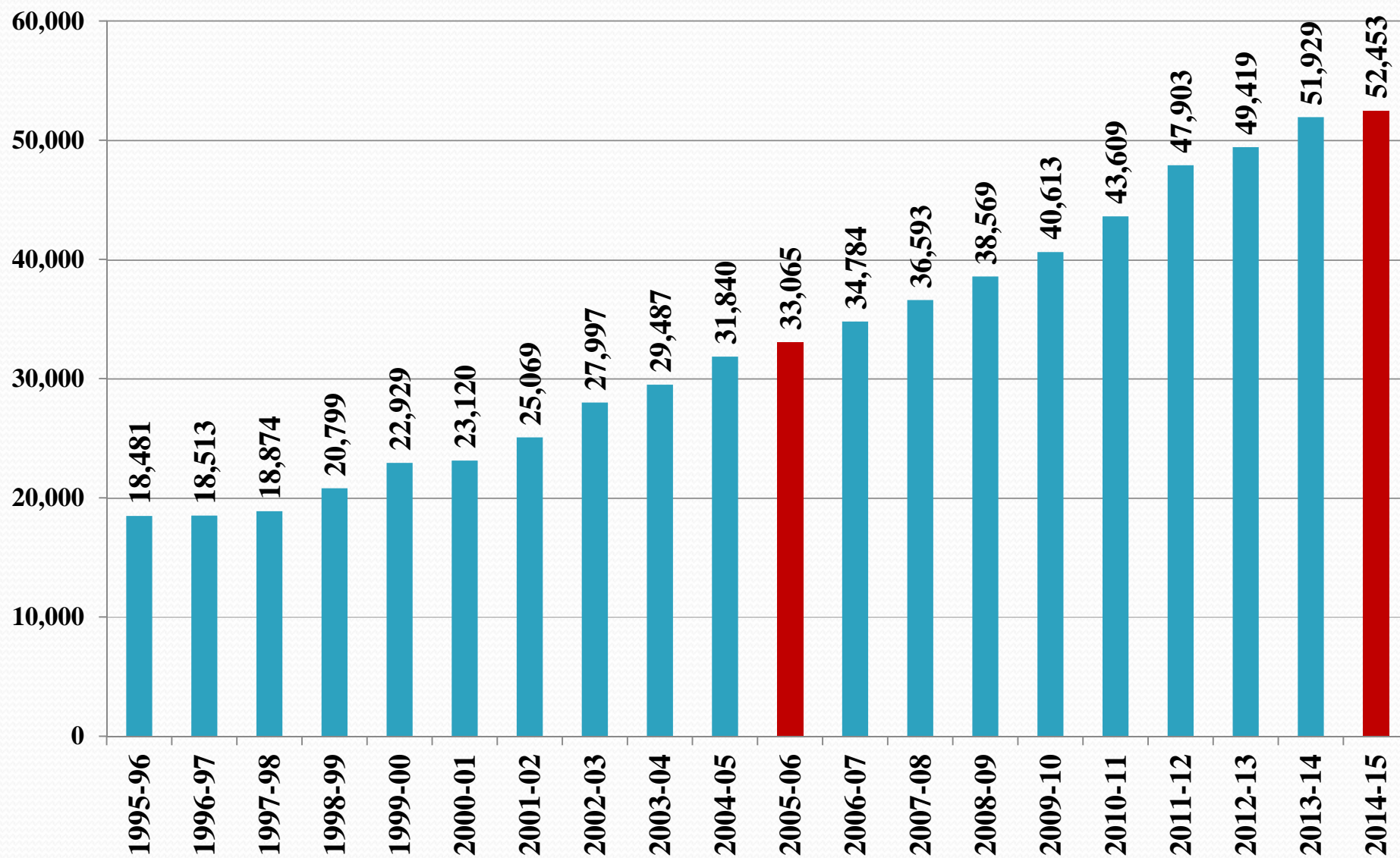


PRODUCER MEMBERS (In Nos.)



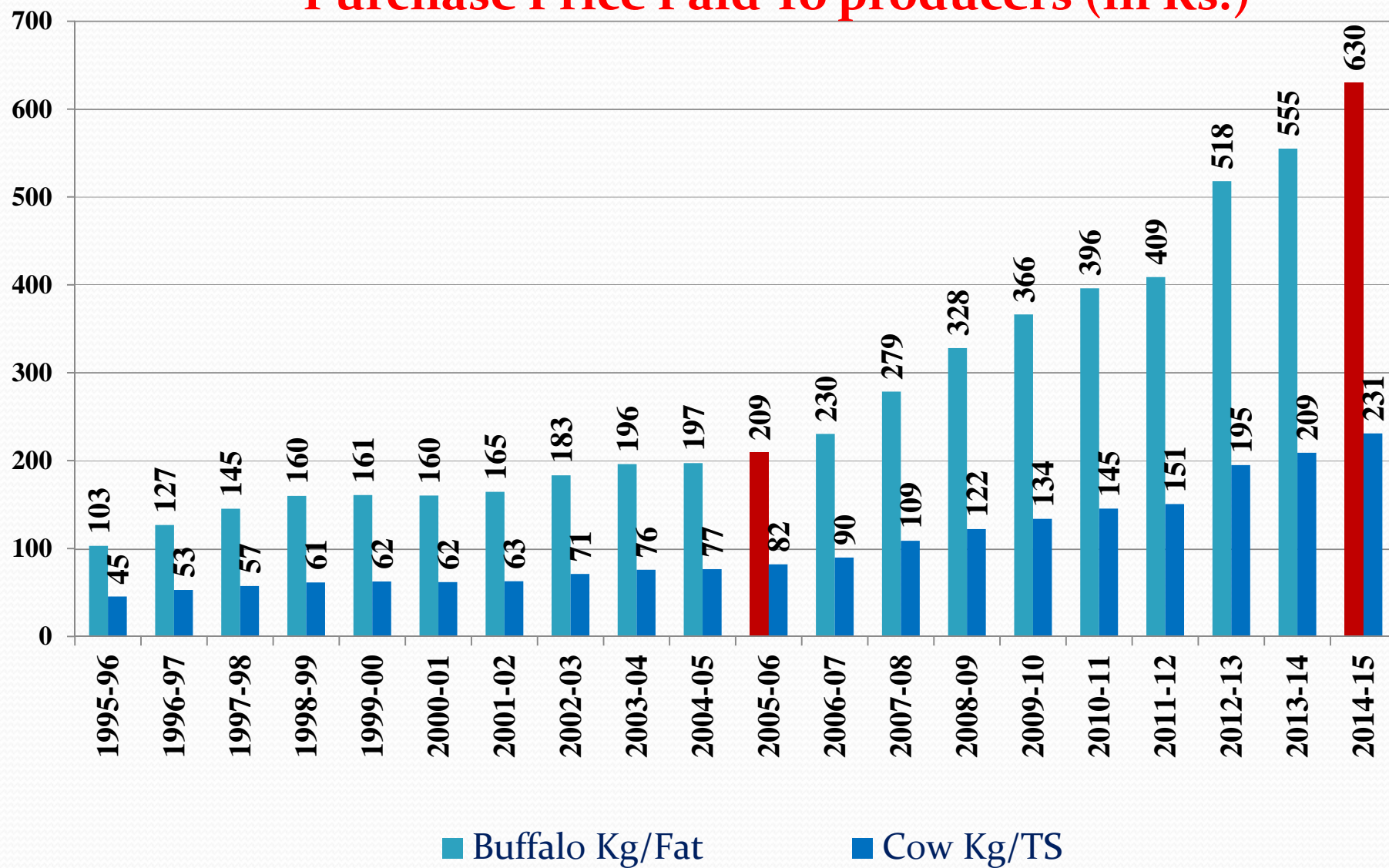


Growth in Women Membership (in Nos)



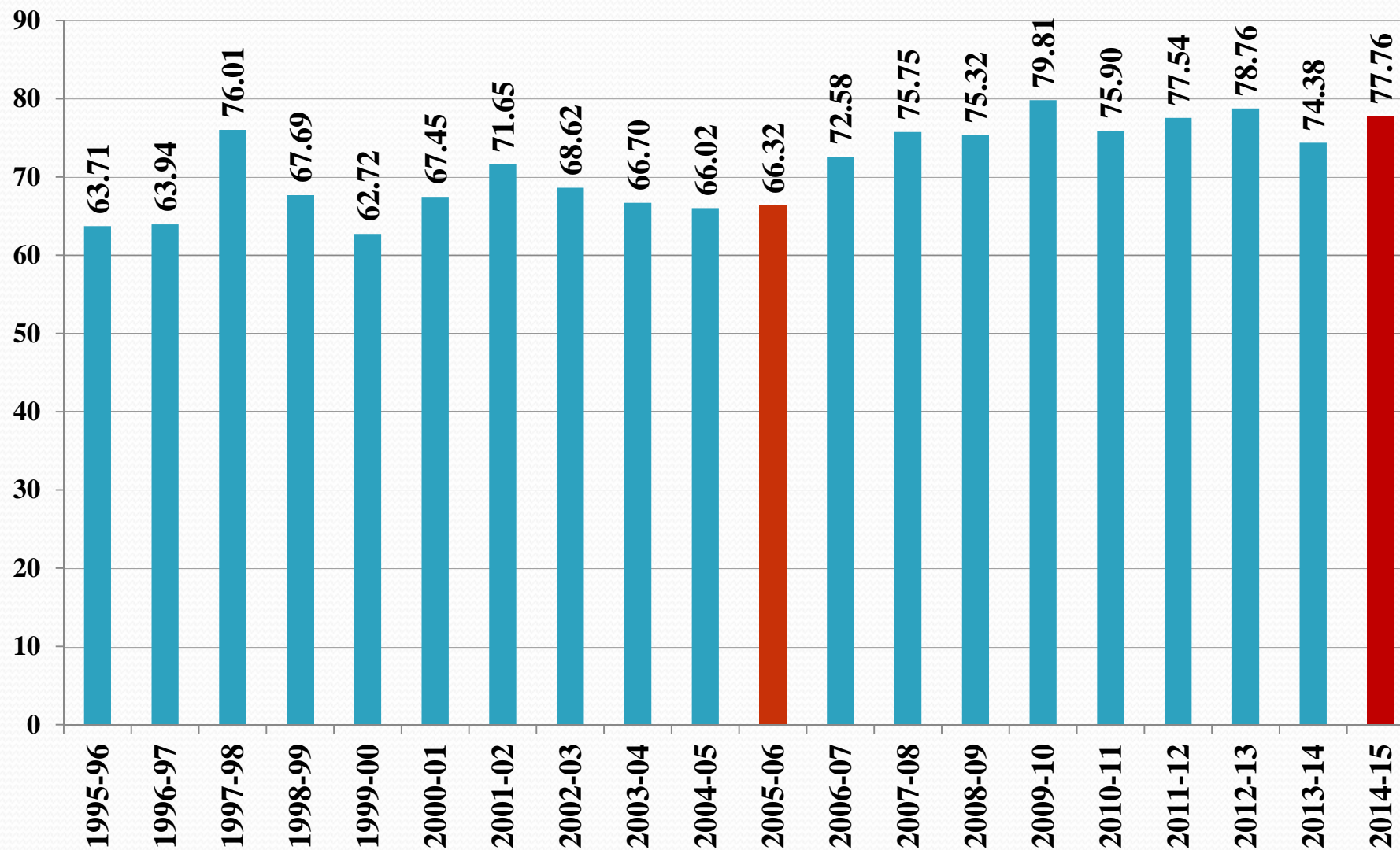


Purchase Price Paid To producers (in Rs.)



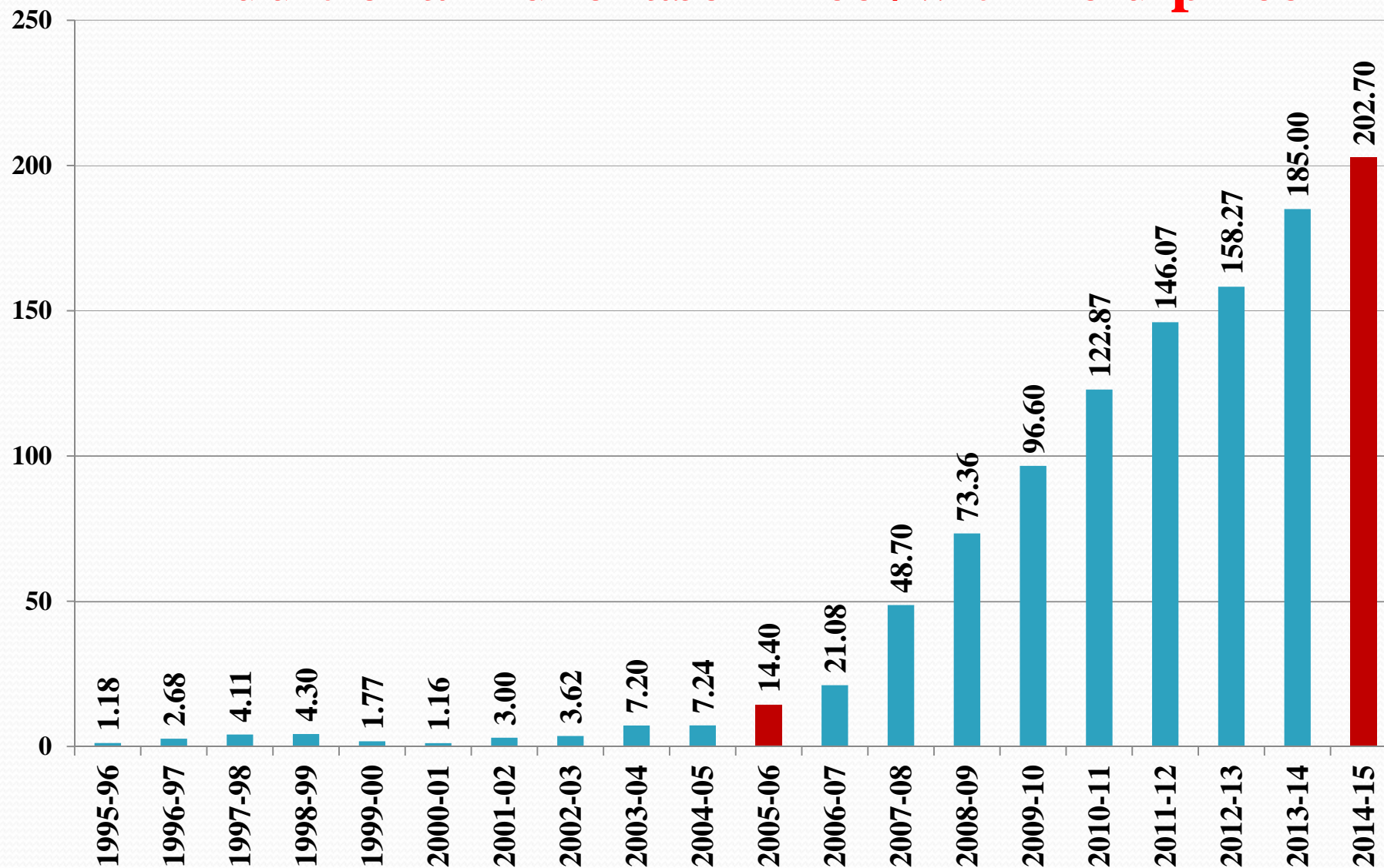


Price Paid To Farmer As % revenue earned



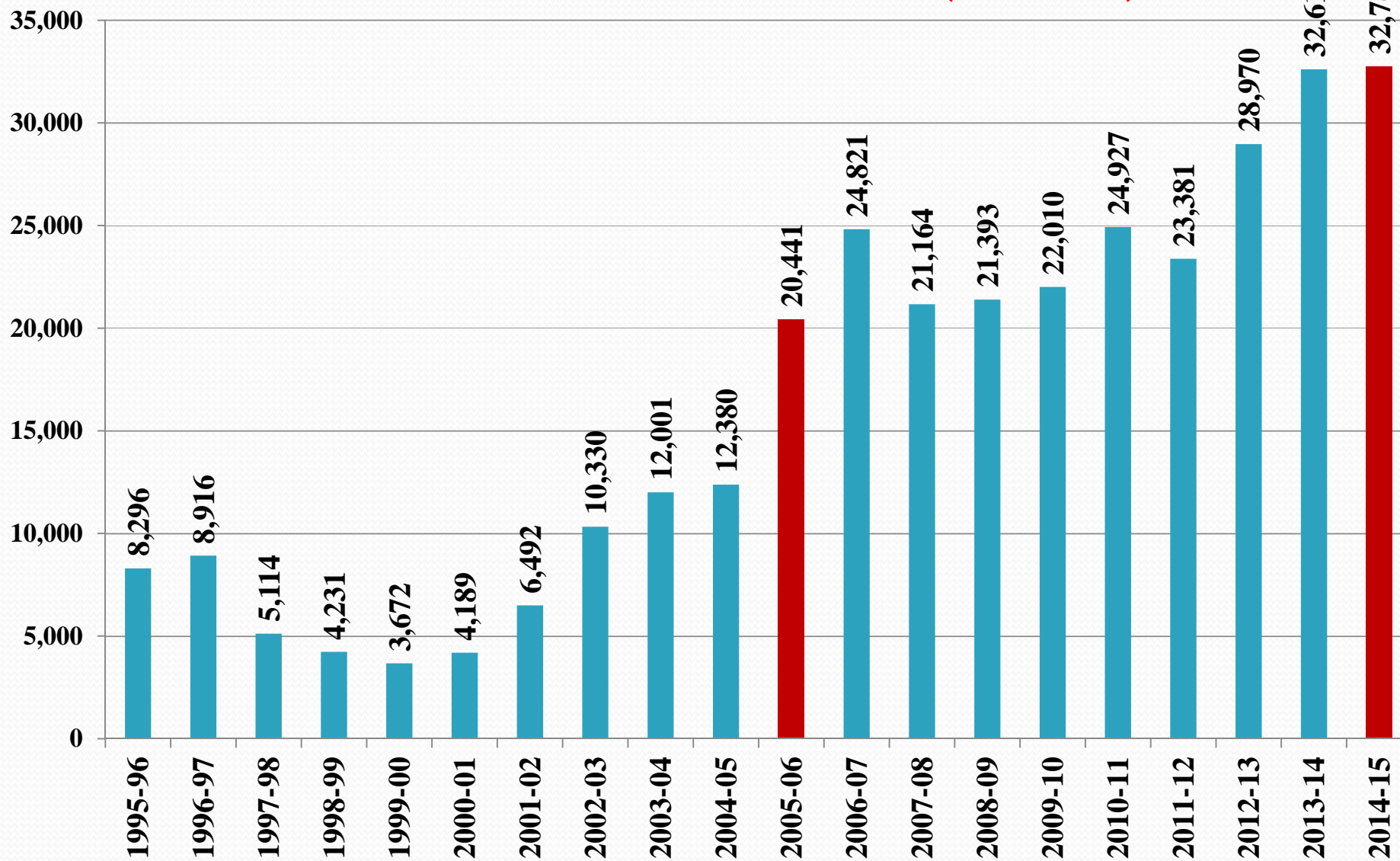


Additional Purchase Price /with held price





Cattle Feed distribution (in MT)



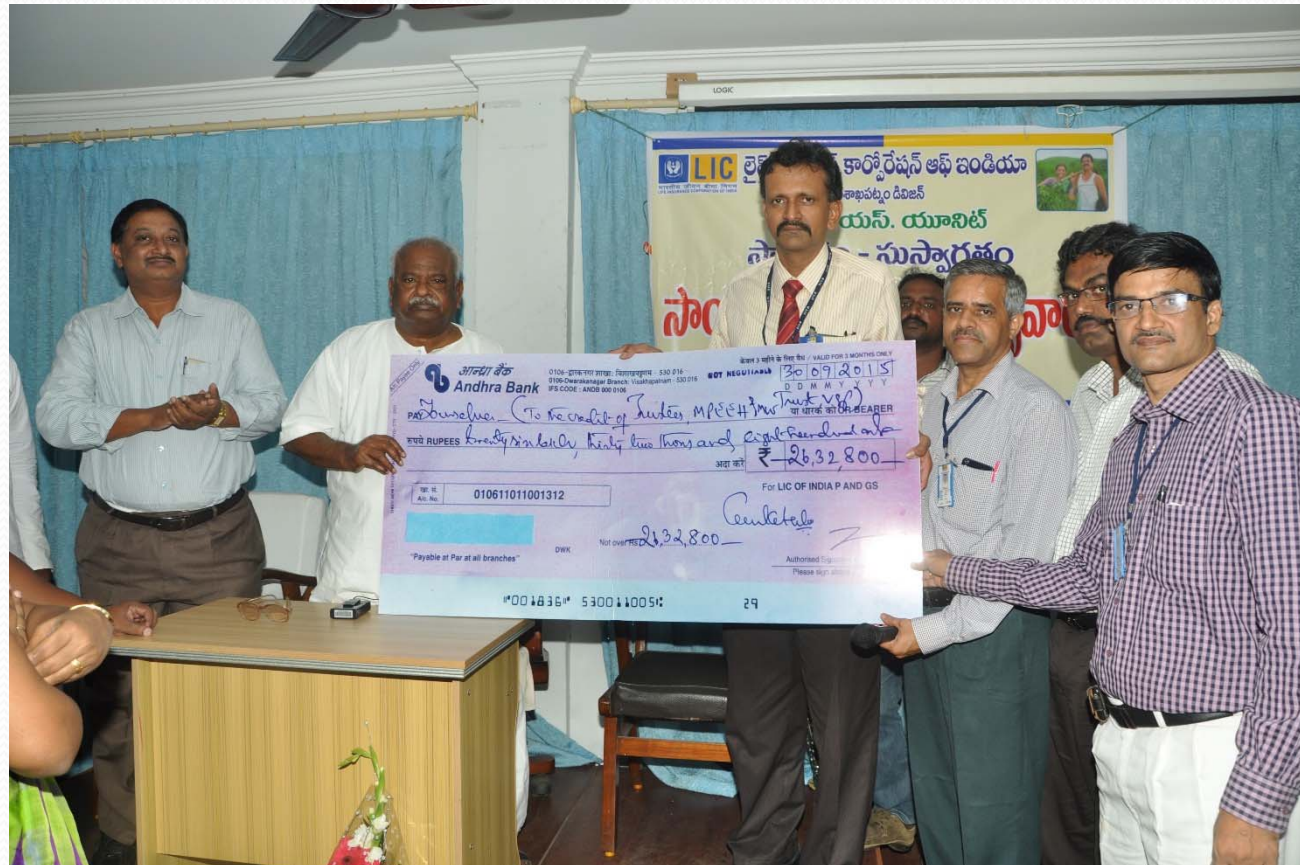


Technical Input Services

- Collecting Rs.5 per KG Fat and Rs.2.30 per TS (CM)
- Insurance to farmers and cattle (1/3:1/3:1/3)
- Artificial insemination programme thru our own Dairy Extension workers (Rs.25:25:10)
- Cross breed semen procured from NDDB Sabarmati Ashram Goshala
- Subsidy for construction of society buildings
- Seed, mineral mixture, travies, Chauff cutters
- Training to farmers, Dairy Extension Workers



➤ Milk Producers Insurance - All the milk producers are covered in this scheme, support for life as well as accidental insurance



90 producers are benefitted of Rs. 26,32,800/-, Dated : 01/10/2015



WOMEN EMPOWERMENT ACTIVITIES

- Encouragement of women member to form into women institutions.
- Representation of 3 women producers as directors in MPI
- 3 women directors on Visakha Dairy Board .
- To train women in dairying to increase the milk production from the existing milch animals, to improve the quality of milk, to upgrade existing stock for better milch animals.
- To train the women as self managers to run the Milk Producer Institutions on their own.



WOMEN EMPOWERMENT ACTIVITIES

- Every day we are organizing women producers training program on animal husbandry activities. Simultaneously we are training educated women on Veterinary first aid also.
- The additional purchase price or bonus we are distributing to women /wives of the milk producers, in addition to that they are being provided with Pongal gifts, sarees and household items also.





Welfare Activities to the Producer Members

Digging of Bore wells for water resources in rural area for fodder production and irrigation.



2300 Irrigation Bore wells are dug and being used for cattle and irrigation



1900 Drinking water bore wells were dug



Artificial Insemination

- Artificial Inseminations were done in 2,04,555 through 442 AI Centers in 2014-15.
- Total AI done upto date 6,60,000 with success rate is 48%
- Cross breed cow semen HF Sahiwal, HF Gir, Jersey Gir, BF: Mehsana, Bunny, Murrah semen was procured from NDDB Sabarmati Ashram Goshala
- Animal Health camps were organized in 2500 villages and 15430 milch cattle were treated for various disorders including reproductive disorders.



Animal Health

- 110 Para- vet team attending to animal healthcare on scheduled basis and for emergency purpose
- 38 homeo medicines for different diseases are being distributed
- 12 ayurvedic medicines – anti biotic for mastitis, repeat breeding
- Regular vaccination to animals and control of disease outbreak
- All medicines are being supplied to producers with 50 % subsidy price
- Disease diagnostic lab has been established
- CFTU(Cattle Fertility Treatment Unit) to correct the reproductive disorders



Technical Input Services

- Calf starter
 - to calves born under breed development program
- Mini-Dairies
 - The rural youth are encouraged to form mini-dairy units (5 animals) by financial and veterinary support in selection of animals from Karnataka & Tamilnadu
- Cattle loans
 - For purchase of both calves and animals at interest free on guarantee from producer institution – Rs.10 crores every year



Training Centre

- DEW training / Veterinary Training 160 members
- AI training given to 520 members and being continued
- IGNOU: Diploma in Dairy Technology 2 batches of 30 each, Certificate course : Awareness programme in Dairy Farming 4th batch running
- Fodder Seeds: BNH10 – 1250 acres, CO4, Sampurna, Gajanana, Gunnea, para grass
- Farmers are being trained and till now covered >500 villages, 25000 farmers; clean milk, animal health care, nutrition



Direct Benefit to producer members

- Health services: >1.7 lakh Producers are covered under SUKHIBHAVA scheme and provided with 400 bed super specialty hospital organized By Milk Producers & Employees Education, Health and Medical Welfare Trust (MP&EEH&MW TRUST) – 10 Acres of land and spent Rs.50 crores
- Construction of old age home in 3 acres of land by Trust
- Organizing health camps, Eye camps and Blood donation camps regularly covering most of the operational areas.
- Education: Primary and Secondary school with hostel facility is functioning since last 20 years for benefit of farmers children.
- Financial support for merit students Engg, Medicine, PG etc
- 90% of the employees who are working in the dairy are producers children.



Visakha Dairy Trust Hospital (350 Bed)



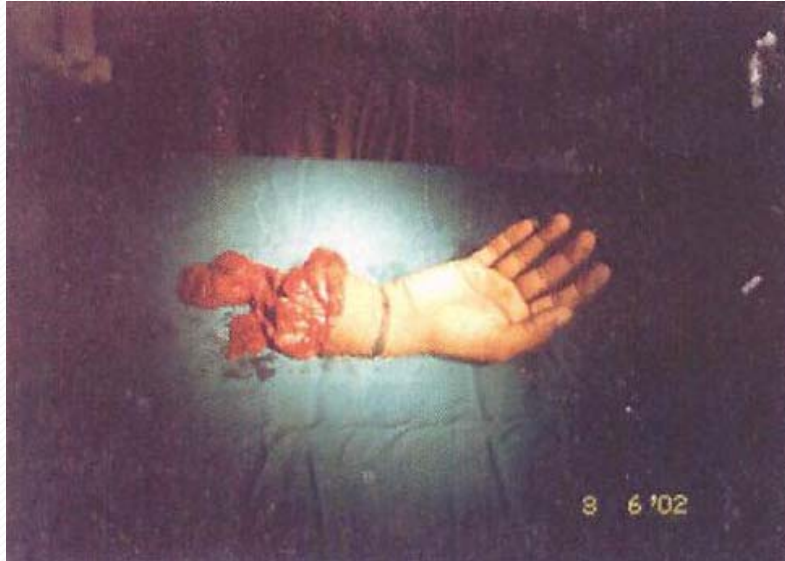


Trust Hospital with latest equipment





Major Surgeries



*Traumatic amputation (fully separated hand)
re-implantation (joined) done by Visakha Dairy Hospital*



Health Services



Club foot correction surgery



Poor Family assisted for psychological disorders



Health Services



Grahanam morri lip correction surgery



Health Services



Blood and Medical Camps



Visakha Dairy Trust - Educational Services



School



College



Class Rooms



Hostel

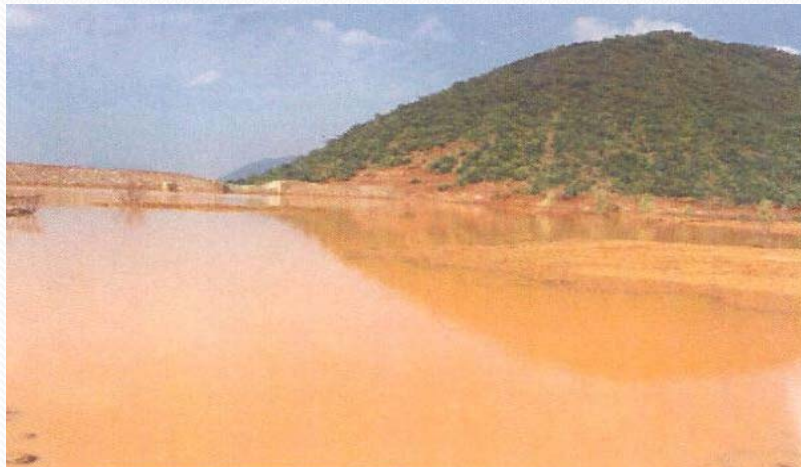
Rural Development Activities

- ❑ 2300 Irrigation, 1900 drinking bore wells were dug & under use for irrigation, cattle, human drinking purpose
- ❑ Bridges and culverts constructed connecting villages
- ❑ Construction of School Buildings and Kalayana Mandapams (Function Halls)
- ❑ ponds are dredged & using for irrigation
- ❑ Constructed Karaka Reservoirs – Visakhapatnam District)
- ❑ Charakam Reservoir (Visakhapatnam District)
- ❑ Both reservoirs supporting irrigation 3000 acres covering 23 villages resulting in two crops and labour migration stopped.



Rural Development Activities

- Reservoirs constructed for irrigation



**Karaka Village,
Golugonda Mandal
Visakhapatnam District**



**Charakam Reservoir
Charakam Village,
Kasimkota Mandal
Visakhapatnam District**

Both reservoirs are irrigating 3000 acres in 23 villages. Now village get two crops and the labour migration was stopped completely



Rural Development Activities

- Dredging of irrigation canals, construction of check dams, desilting of canals



Check Dams



Irrigation Canals



Desilting of Canals



Rural Development Activities



Semunapalli Village, Chodavaram Mandal,
Visakhapatnam District



Rural Development Activities



*Two Vented Culvert, Gorikivani Gedda,
Uppavaram Village, Munagapaka Mandal, Visakhapatnam District*



Rural Development Activities



Kaligotla Village, Devarapalle Mandal, Visakhapatnam District



Rural Development Activities



Veterinary hospital, Thimmaraju Peta Village,
Munagapaka Manadal, Visakhapatnam District



Rural Development Activities



Culvert - Bhogapuram Village, Chodavaram Mandal, Visakhapatnam District



Rural Development Activities



Community Hall , Cheedikada Village and Mandal, Visakhapatnam District

Rural Development Activities



Four Vented Bridge, Avakaluva–Thotada Village,
Munagapaka Mandal, Visakhapatnam District



Rural Development Activities



Ravikamatham Village and Mandal, Visakhapatnam District



Rural Development Activities



Footpath Bridge, Mulapeta Village, Munagapaka Mandal, Visakhapatnam District



Advantages after Conversion

- Less or no political interference
- Independent and faster decision making
- More transparent, regular board meetings
- Powers, functions, vacation, liabilities of Board, holding of meetings of AGM clearly defined
- Books of accounts and accountability, responsibility clearly defined
- Internal Audit by Chartered Accountant
- Induction of professionalism (MD/CEO) with substantial powers and functions clearly defined
- Duties of Statutory Auditors and audit reports clearly defined

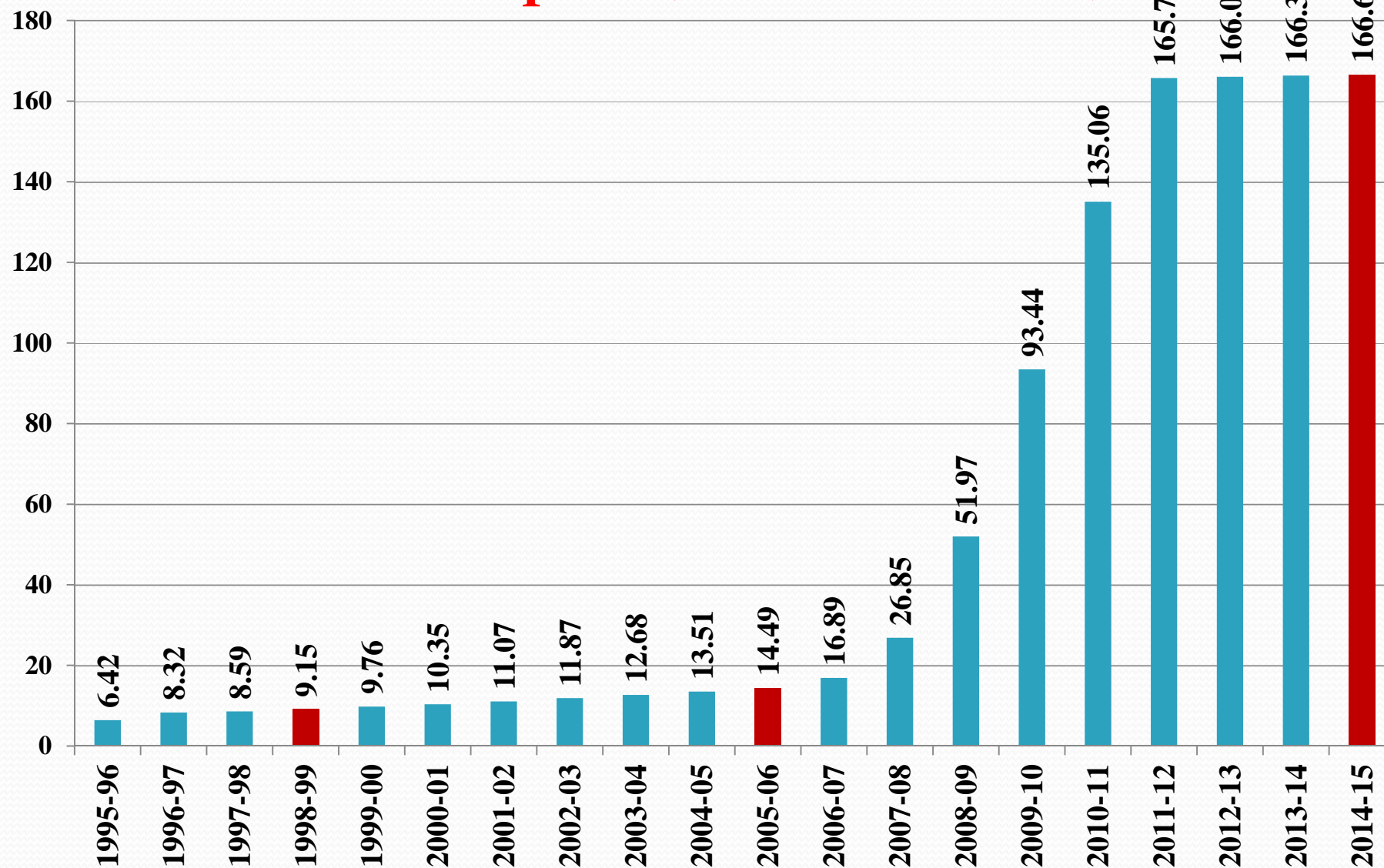


Advantages after Conversion

- No deputations from Govt., Power to recruit and attract talent, professionals
- Financial stability – Net worth increased from Rs.34.06 cr to Rs.192.75 crores
- Bank borrowings minimized, earned interest income of Rs.82.45 crores
- Almost all the producer institutions are running in profits with own buildings, kalyana mandapams etc
- Except new institutions all are having surplus in bank deposits aggregating Rs.200 crores in total

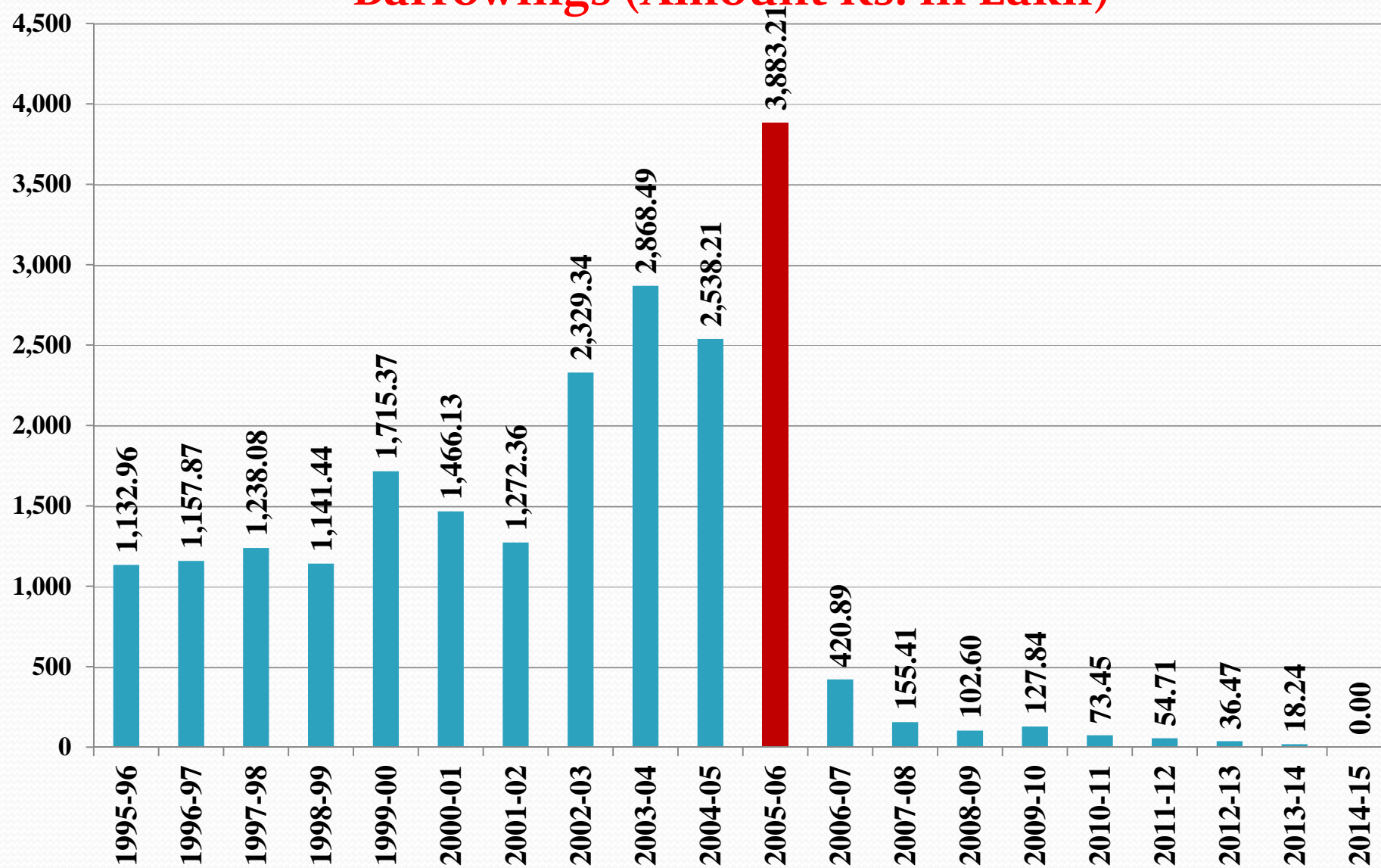


Share Capital (Amount in Rs. Crores)



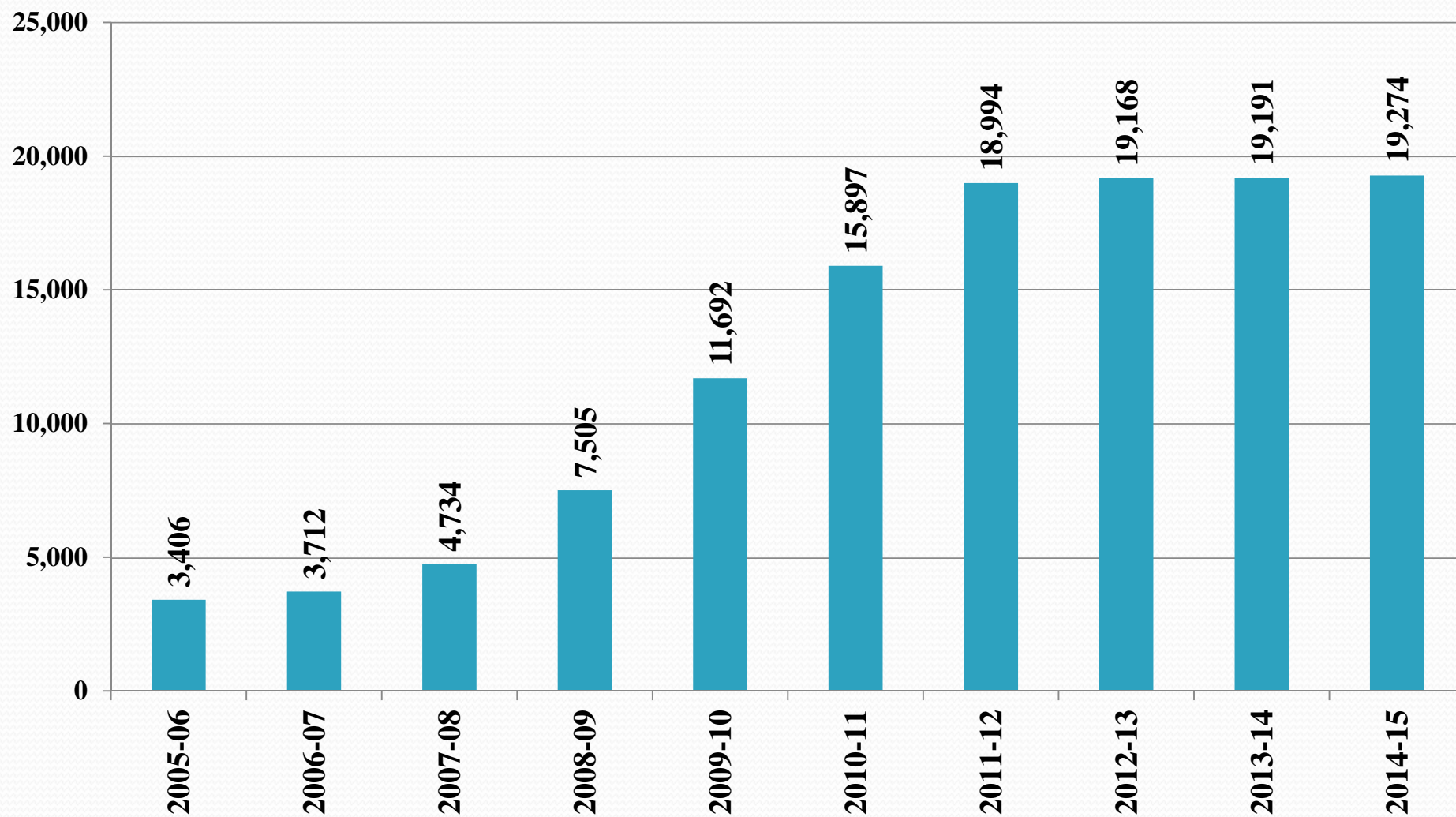


Barrowings (Amount Rs. in Lakh)



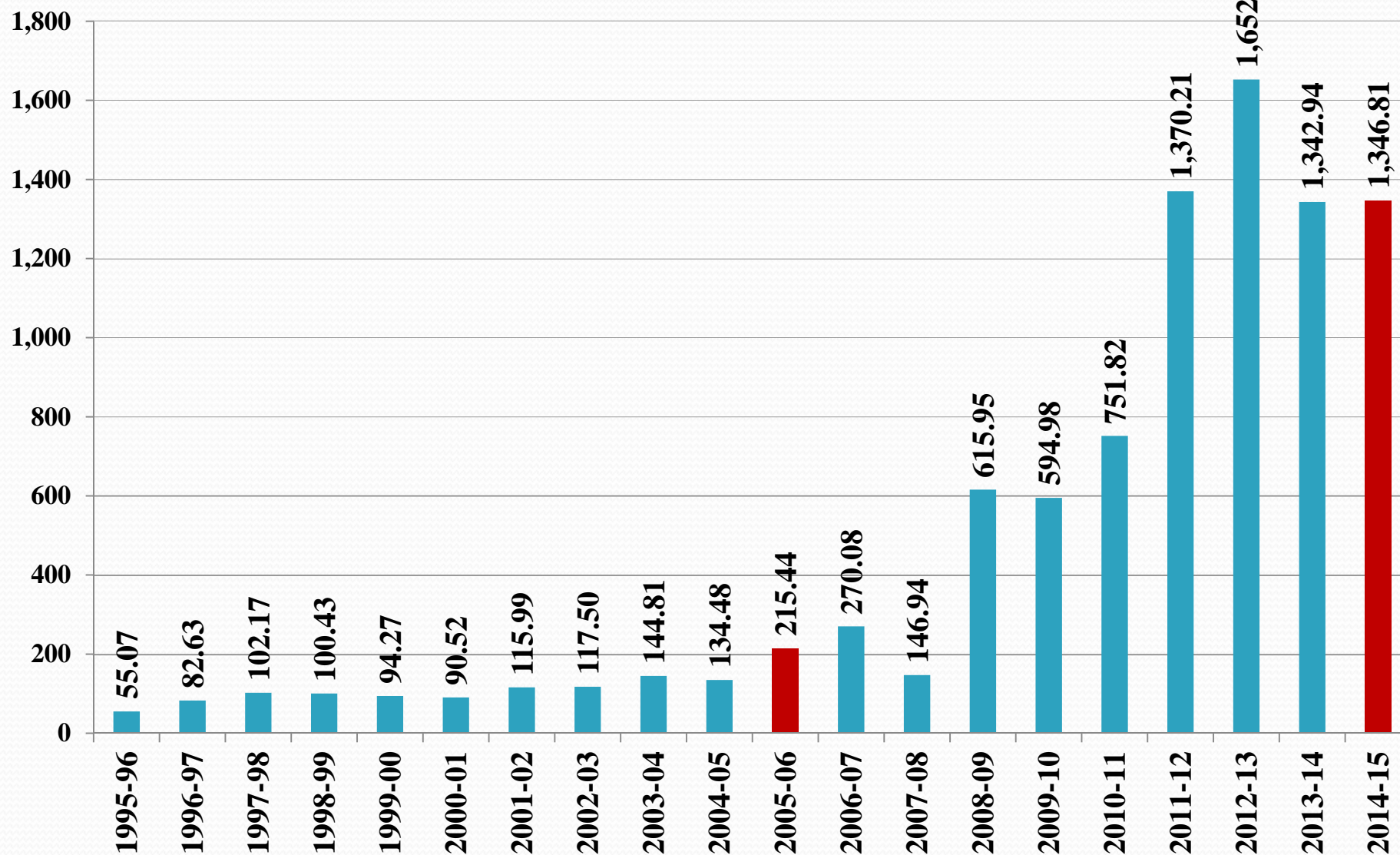


Net Worth (Amount Rs. in Lakh)





Interest income (Amount Rs. in Lakh)

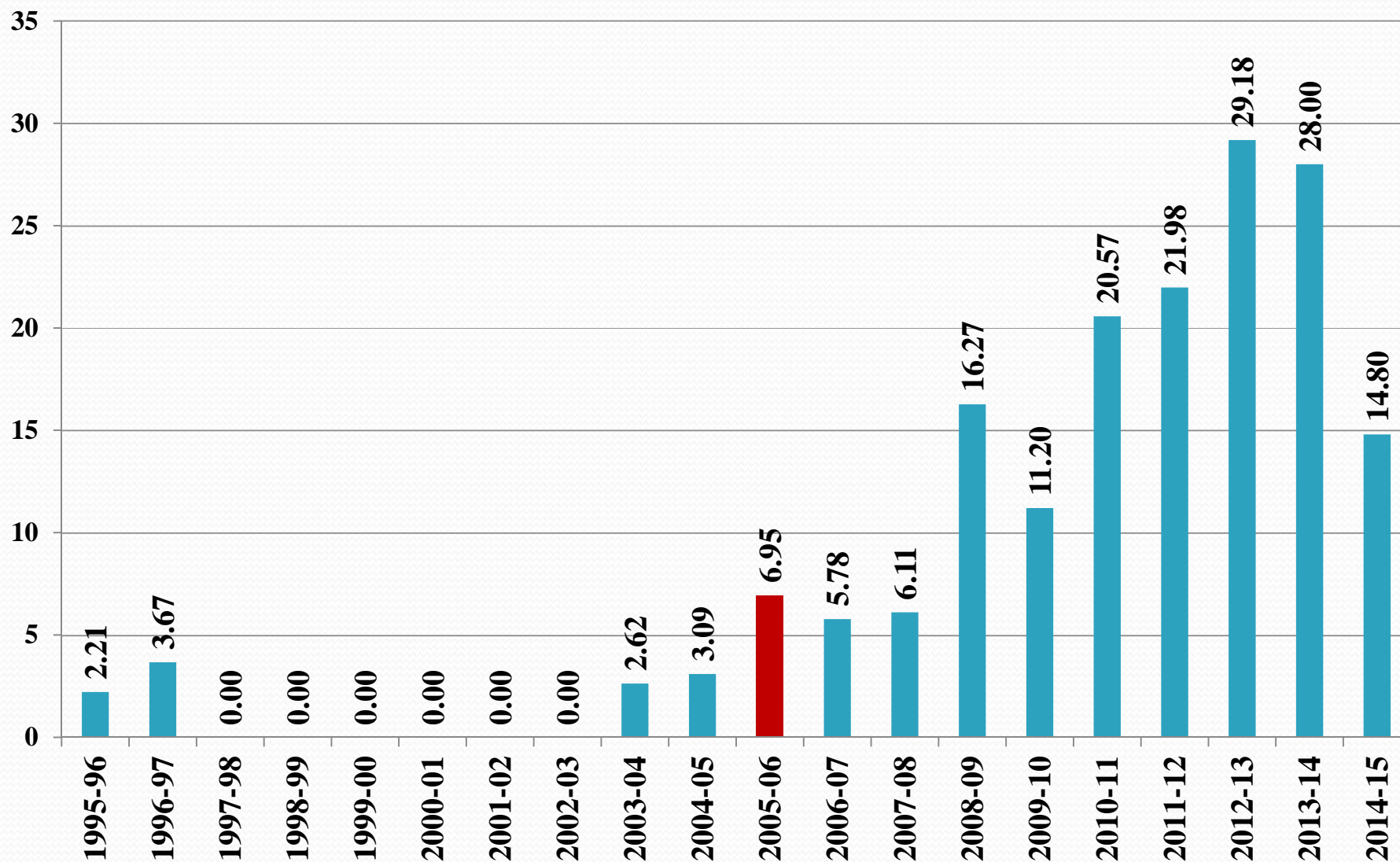




- New projects : Ascepting Packing Station, Elecster Machinery, Bulk Cooling Centres, Solar power plant, Green Field Project in East Godavari Dist.,Rs.150 crores in 9 years
- NDDDB sanctioned various soft term loans supported by Grants, Interest Free, concessional rates etc
- SIDBI sanctioned term loans with subsidy and concessional interest rates
- Conducting AI programme and veterinary services own funds



Capital Expansion (in Crores)





MAJOR PROJECTS

- 1998- Commissioning of 13MT/day MPF
- 2001 – Asceptic Packing Section
- 2008 – APS expansion
- 2010 – 15 Commissioned 5 lines of Elecster Plants
- 2013 – Commissioned 2.00 LPD dairy at a cost of Rs.35 crores in near Rajahmundry
- 2013 – Commissioned 1.15MW solar plant at a cost of Rs.7.65 cr for captive consumption
- 2015 – Expanding APS with Rs.30 crores for packing cream, flavoured milk, brick 1000ml. 500ml, 200ml etc
- 2015 – Setting up 1.65 MW solar plant at a cost of Rs.12.2 cr at Vizianagaram

RANGAMPETA PLANT



SOLAR POWER PLANT



Installed 1.15 MW Solar Plant , which is the first Solar Plant in

EXTENDED SHELF LIFE PROJECT



ASEPTIC PACKING STATION EXPANSION



VALUE ADDED PRODUCTS





MANAGEMENT

- Regular Board Meetings at least once in quarter and 4 meetings in a year to review performance of the company and to take faster, informed decisions.
- Monthly P&L, periodic information to appraise operations and functions – no last minute surprises
- Helps review of milk purchase price, withheld price, and product pricing in competitive market situations
- Effective utilization of funds, capital structure



ADVANTAGES OF PRODUCER COMPANY

- No political donations. Only for benefit of producers or general public allowed upto max 3% of net profits of the company
- Fiscal, other concessions, licenses, benefits, privileges, exemptions granted to erstwhile co-operation before conversion shall continue after conversion also
- Loans and advances can be granted to producers
- All benefits to members shall be in proportion to the produce supplied



ISSUES NEED ATTENTION

- Legal status of societies at village level (MPI or AOP) w.r.t elections, management, operations, bank operations is not defined anywhere in the Act
- All the benefits privileges and arrangements before conversion are not been continued-grants, subsidies, govt sponsored schemes
- ROC charges on Authorised Share Capital shall be exempted upon conversion
- Political interferences coming in the way of conversions



ISSUES NEED ATTENTION

- With held price-is not being considered as expenditure by IT authorities
- Limited return is being treated as dividend and post tax expenditure – to be treated as interest/expenditure
- MAT is made applicable treating producer company as Private Limited Company.
- Subsidies to farmers by Govt only to cooperatives
- Option to main statutory registers, records, board subjects, resolutions in vernacular language of state
- Early enactment of new producer companies act after



NEW PROVISIONS UNDER COMPANIES Act 2013

- Establishment of vigil mechanism – borrowings exceed Rs.50 crores
- Certification of annual return by PCS if paid up capital more than Rs.10 cr or turnover >Rs.50 cr
- Maximum no. of directors 15 and can be enhanced with special resolution passed by members
- Rights issue of shares – sec 62 (issue of prospectus)
- Acceptance of deposits from members – sec 73



THANK YOU