**THE COMPANIES ACT, 2013**

 **AND**

**APPLICABLE PROVISIONS OF COMPANIES ACT, 1956**

**UNDER PART IX A COMPANY LIMITED BY SHARES**

**ARTICLES OF ASSOCIATION OF**

**Xxx Farmers PRODUCER COMPANY LIMITED**

**1. General**

1.1 Wherever in the Act it is provided that the Company shall have any right, privilege or authority if so authorized by its Articles, then by virtue of this Article, the Company is hereby specifically authorized, empowered and entitled to have such right, privilege or authority, as have been permitted by the Act without there being any specific provision and or separate Article in that behalf herein provided.

1.2 The regulations contained in table ‘F’ in the first schedule to the Companies Act, 2013 shall not

apply to this producer company.

**2. Definitions**

2.1 In the Articles and the Memorandum of Association of the Company, unless the context otherwise requires, words or expressions shall have the meanings as provided below.

i. ‘Act’ means the Companies Act, 2013.

ii. ‘Active Member’ means a Member who fulfils the quantum and period of patronage of the Company as laid down by the Board.

iii. ‘Articles’ means Articles of Association of the Company for the time being in force.

iv. ‘Board’ or ‘Board of Directors’ means the board of directors of the Company constituted under the provisions of the Act and the Articles.

v. ‘Chairman’ means Chairman of the Board of Directors, for the time being of the Company.

vi. ‘Chief Executive’ means an individual appointed as such under the provisions of the

Act.

 vii. ‘Company’ means the **xxx PRODUCER COMPANY LIMITED**

 LIMITED, registered under Part IXA of the Act.

viii. ‘Director’ means the Director, for the time being, of the Company.

 ix ‘Financial Year’ means the financial year as defined under Companies Act 2013 &the period in respect of which any profit and loss accounts of the Company laid before it in Annual General Meeting is made up.

x. ‘Limited Return’ means the maximum dividend, as laid down in the Articles.

xi. ‘Member’ means an individual Producer or a Producer Institution admitted as a

Member of the Company satisfying the criteria specified by the company at that point of time.

xii. ‘Officer’ includes any Director or Chief Executive or Secretary or any person in accordance with whose directions or instructions part or whole of the business of the Company is carried on.

xiii. ‘Mutual Assistance Principles’ means the principles set out in Part IXA of the Act, and as provided in article 3.

xiv. ‘Patronage’ means the extent to which a Member participates in the business of the Company by quantity of products supplied and such other criteria as may be decided by the Board from time to time.

xv. ‘Patronage Bonus’ means payments made by the Company out of its surplus income to the Members in proportion to the value of their respective Patronage.

xvi. ‘Primary Produce’ means all agriculture primary produce including livestock, by- products of such produce, that would assist or promote any of the aforesaid activities or anything ancillary thereto, and any activity which is intended to increase the production or improve the quality thereto.

xvii. ‘Producer’ means any person engaged in production of any Primary Produce in which the Company is engaged.

xviii. ‘Producer Company’ means a body corporate having objects or activities specified in

the Act and registered as a Producer Company under the Act.

xix. ‘Producer Institution’ means an unincorporated or incorporated institution having only producer or producers as its Member, and agrees to make use of the services of the Company.

xx. ‘Secretary’ means an individual appointed as such under the provisions of the Act.

xxi. ‘Withheld Price’ means part of the price due and payable for products supplied by any Member to the Company; and as withheld by the Company for payment on a subsequent date in the manner specified in the articles.

**2.2 Interpretation**

In the Articles unless the context otherwise requires:

1. Words importing the masculine gender shall be taken to include feminine; and
2. The term ‘article’ refers to the specified provision(s) of the Articles hereof.

**3. Mutual Assistance Principles**

3.1 The Membership shall be voluntary and available to all eligible persons who agree to make use of the services of the Company and are willing to abide by the provisions of the Memorandum and the Articles of Association of the Company.

3.2 Each member shall have only a single vote irrespective of the share holding.

3.3 The Company shall be administered by a Board consisting of persons elected or appointed as Directors, and the Board shall be accountable to the Members.

3.4 There shall be Limited Return on share capital.

3.5 The surplus arising out of the operations of the Company shall be distributed amongst the members as Patronage Bonus, transfer to reserves, providing for development of business, education of members etc. as may be decided by the Board/General Body of shareholders.

3.6 The Company shall co-operate actively at local, national and international level with other producer companies, cooperatives, other entities and organizations.

**4. Membership**

4.1 The Company may have individual Producers or Producer Institutions or a combination of both as its Members as decided by the Board.

4.2 Qualifications and procedure for obtaining Membership

i. An individual Producer or a Producer Institution engaged in production of all agriculture primary produce including livestock would be eligible for applying for membership of the Company.

ii. An individual Producer or a Producer Institution desirous of becoming a Member of the Company shall apply in prescribed application form to the Company and undertake in writing to abide by the provisions of the Memorandum and the Articles of Association of the Company.

In addition, she/it will pay an admission fee, subscribe to equity shares of the Company and satisfy other conditions laid down by the Board from time to time.

iii. Such an individual Producer or a Producer Institution shall become a Member after the Board of Directors passes a resolution accepting her/its admission as a Member.

4.3 Conditions for continuation and cancellation of Membership

1. Membership shall continue as long as a Member does not fail to meet the criteria as may be prescribed by the Board from time to time or his name is not removed because of transfer, transmission or surrender of his shares and consequent removal of his/her name from the register.

ii. Any Member who is not eligible to continue as a Member shall be served a written notice by the Company for removal as Member. The Member would need to reply to the notice within the stipulated period as specified in the notice. Such notice shall be sent by Registered Post to the Member at her last known address and be deemed to be served 15 days after posting. Thereafter, the Board shall take a decision in the matter.

4.4 Voting Rights of Member

i. In a case where the membership consists solely of individual producers, the voting rights shall be based on a single vote for every Member.

ii. In a case where the membership consists of producer institutions only, the voting rights shall be determined on the basis of patronage i.e. their participation in the business of the Company in the previous year.

Provided that during the first year of registration of the Company, the voting right shall be determined on the basis of the shareholding by such producer institutions.

iii In a case where the membership consists of both individual Producers and Producer Institutions, the voting rights shall be computed on the basis of a single vote for every Member.

4.5 Price to be paid to the Members

i. The members shall be paid price for the products supplied as per the guidelines framed by the Board.

ii. The Company may pay a differential price to its Members for the procurement of products based on prevailing price in that area and any other criteria as may be decided from time to time. The Company may pay a lower price to its Non-members.

iii. Every Member may initially receive part of the price payable and due as may be decided from time to time and the balance Withheld Price may be disbursed later in cash or in kind or by allotment of equity shares in proportion to the products supplied to the Company subject to such conditions as may be decided by the Board.

4.6 Information to Member

The Members may obtain information relating to the general business of the Company.

4.7 Active Member

The Board, if so desires, lay down the criteria with respect to quantum and period of Patronage for an Active Member.

**5. Funds**

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

**6. Share Capital**

6.1 The authorized share capital of the Company shall be as stated in clause 5 of the Memorandum of Association of the Company.

6.2 The share capital of the Company shall consist of fully paid-up equity shares only.

6.3 The shares held by the Member in the Company, shall as far as may be, be in proportion to her or its patronage.

6.4 The share capital of the Company shall be under the control of the Board who may allot or otherwise dispose of the same to such members in proportion to the Patronage, as far as may be, and on such terms and conditions against payment in cash or kind or in lieu of the whole or part of the sale proceeds of produce or products supplied by the Members, and at such times and for such consideration as the Board may decide.

6.5 The Company may, by Ordinary Resolution:

i. increase the share capital;

ii. consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

iii. sub-divide its existing shares or any of them, into shares of smaller amount than is fixed by the Memorandum of Association, subject, nevertheless, to the provisions of the Act; and

iv. cancel any shares which have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

6.6 The Company may reduce in any manner in accordance with the provisions of the Act, (i) its share capital, (ii) balance in the securities premium account, (iii) capital reserves, and (iv) reserves arising out of amalgamation, merger, division, reorganization, reconstruction or in any other manner.

6.7 The Board may at any time decide to issue equity shares in a dematerialized form, and also compulsorily convert the existing equity shares in a dematerialized form.

6.8 The Company may purchase its own equity shares in accordance with the provisions made under the Act.

**7. Transfer of Equity Shares**

A Member may transfer the whole or part of her/its shares to a Member after obtaining the prior approval of the Board.

**8. Surrender of Equity Shares**

8.1 Where the Board is satisfied that any Member has failed to retain the qualifications as a Member, the Board shall direct the Member to surrender her/its shares to the Company at par value. Such Member shall be served a written notice by the Company for surrender of the equity shares. The Member would need to reply to the notice within the stipulated period as specified in the notice. Such notice shall be sent by Registered Post to the Member at his last known address and be deemed to be served fifteen days after posting. Thereafter, the Board shall a take decision in the matter.

8.2 The Member also, if so desires, apply to the Company to surrender his/its equity shares. After the receipt of application from the Member, the Board may take a decision in the matter. The Board shall prescribe the procedure for surrender of equity shares.

8.3 A surrendered equity share shall be deemed to be the property of the Company and may be sold to members or otherwise cancelled as the Board thinks fit.

**Management of Producer Company**

**9. Board of Directors**

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

9.2 The Board of the Company shall have at least five and not more than fifteen Directors. The Board may co-opt one or more Expert Directors not exceeding one-fifth of the total number of Directors for such period as the Board may deem fit.

9.3 The subscribers who have signed the Memorandum and the Articles of Association have designated the following Five Directors as First Directors :

:

1. xx

2. xx

3. xx

4. xx

5. xx

 who shall govern the affairs of the Company until the directors are elected .The election of Directors shall be conducted within a period of ninety days of the registration of the Company.

9.4 The Board shall from time to time with the approval of the General Body of shareholders decide-

 i.the criteria for categorizing members into different classes based on patronage, or defining constituencies based on geographical boundaries in which the Company operates and

ii.the number of positions on the Board representing each class/constituency of members,

9.5 Directors representing a particular class of members/constituency as provided under article 9.4 shall be elected /appointed from amongst and by the respective class of members/constituency.

9.6 Every person shall hold office of a director for a period not less than one year but not exceeding five years. Vacant positions shall be filled up ensuring the representation as stipulated under article 9.4.

i. Every Director, who retires in accordance with the articles, shall be eligible for re-appointment as Director.

9.7 i The Board may co-opt an Additional Director and the Director so appointed shall hold office till the next Annual General Meeting of the Company.

ii The Board may appoint a Director to fill a casual vacancy. Such a Director shall hold office only up to the date upon which the Director in whose place he is appointed would have held office if it had not been vacated.

9.8 The Directors at its meeting shall elect a Chairman from amongst the Directors. Expert Directors shall not have the right to vote in the election of the Chairman but shall be eligible to be elected as Chairman.

9.9 The Chairman shall preside over the meetings of the Board. In her/his absence, the Directors present shall elect one of the elected Directors to preside over the meeting.

9.10 A meeting of the Board shall be held not less than once in every three months and at least four such meetings shall be held every year.

9.11 Notice of every meeting of the Board of Directors shall be given in writing to every Director for the time being in India, and at his usual address in India to every other Director.

The Chief Executive or such other person authorized by the Board shall give notice as aforesaid of not less than seven days prior to the date of the meeting of the Board.

Provided that a meeting of the Board may be called at shorter notice and the reasons thereof shall be recorded in writing by the Board.

9.13 The quorum for a meeting of the Board shall be one-third of the total strength of directors, subject to a minimum of Three.

9.14 All the decisions of the Board shall be decided by a majority vote. Each Board Member shall have one vote. In the case of equality of votes, the Chairman or the person presiding shall have a casting vote.

9.15 No Director shall participate on any matter in which he has personal interest.

9.16 A Member shall not be eligible for appointment as a Director on the Board or the office of the director shall become vacant if:

i. he/she is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;

ii. the Producer Company, in which he/she is a director, has made a default in repayment of any advances or loans taken from any company or institution or any other person and such default continues for ninety days;

iii. he/she has made a default in repayment of any advances or loans taken from the Producer Company in which he/she is a director;

iv. the Producer Company, in which he/she is a director:

a. has not filed the annual accounts and annual return for any continuous three financial years commencing on or after the 1st day of April, 2002; or

b. has failed to, repay its deposit or withheld price or patronage bonus or interest thereon on due date, or pay dividend and such failure continues for one year or more;

v. default is made in holding election for the office of director, in the Producer Company in which he/she is a director, in accordance with the provisions of the Act and articles;

vi. The annual General meeting or extraordinary General meeting of the Producer Company, in which he/she is a director, is not called in accordance with the provisions of this Act except due to natural calamity or such other reason;

vii. he/she has political back ground

viii. he/she attend age of more than 70 years

9.17 The Directors may be entitled to such fees and allowances including travelling and hotel expenses for attendance at the meetings of the Board and its Committees, if any constituted by the Board in terms of provisions of section 581U of the Act, as may be decided by the Board.

9.18 Powers and Functions of the Board

i. Subject to the provisions of the Act and the Articles, the Board shall exercise all such powers and to do all such acts and things, as that the Company is authorised so to do.

ii In particular and without prejudice to the generality of the foregoing powers, such powers may include the following matters, namely:

a. determination of the dividend payable;

b. determination of the quantum of withheld price;

c. recommend patronage to be approved at general meeting;

d. admission of new Members;

e. pursue and formulate the organizational policy, objectives, establish specific long- term and annual objectives, and approve corporate strategies and financial plans;

f. appointment of a Chief Executive and such other officers of the Company as may be required for smooth administration of the Company;

g. exercise superintendence, direction and control over Chief Executive and other officers appointed by it;

h. cause proper books of accounts 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;

i. approval of organization structure of the Company;

j. acquisition or disposal of property of the Company in its ordinary course of business;

k. investment of the funds of the Company in the ordinary course of its business;

l. sanction any loan or advance, in connection with the business activities of the Company to any Member, not being a Director or his relative;

m. to recommend Members for the position of Directors at the general meeting of Members; and

n. take such other measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.

iii. All the powers specified hereinabove in (i) and (ii) shall be exercised by the Board, by means of resolution passed at its meeting on behalf of the Company.

9.19 Liability of Directors

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

ii. The Company shall have the right to recover from its Directors:

a. Where such Director has made any profit as a result of the contravention specified in the Act, an amount equal to the profit so made.

b. Where a company incurred a loss or damage as a result of the contravention specified in the Act, an amount equal to that loss or damage.

iii. The liability imposed under article 9.19 (ii) shall be in addition to and not in derogation of a liability imposed on a Director under any other provision of the Act or any other law for the time being in force.

9.20 Removal of Director

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

**10. Chief Executive and his Functions**

10.1 The Company shall have a full time Chief Executive, by whatever name called, who shall be appointed by the Board from amongst persons other than Members;

10.2 The Chief Executive shall be Ex officio Director of the Board.

10.3 The qualifications, experience and the terms and conditions of service of the Chief Executive, including the remuneration payable to Chief Executive, shall be such as may be determined by the Board.

10.4 The Chief Executive shall be entrusted with substantial powers of management as the Board may determine. Without prejudice to the generality of the foregoing, he shall also exercise powers and discharge the functions laid down in Section 581W(5) of the Act.

10.5 The Chief Executive shall manage the affairs of the Company under the general superintendence, direction and control of the Board and be accountable for the performance of the Company.

**11. General Meetings**

11.1 The Company shall in each year, hold, in addition to any other meetings, a general meeting, as its Annual General Meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next.

11.2 Every General Meeting shall be called, for a time during business hours, on a day that is not

a public holiday and shall be held at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situated.

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

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

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

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

11.6 i. a. Attendance of one-fourth of the total number of members of the Company shall be the quorum for its General Meeting.

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

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

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

ii. If there is no quorum within half an hour from the scheduled time of meeting, the meeting shall stands adjourned to reassemble on the same day at the same place after three hours from the appointed time. If at the reassembled meeting, the quorum is not present within half an hour, the Members present, not being less than one-fourth of the total number of the member of the Company, shall constitute the quorum and may transact the business for which the meeting was called.

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

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

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

11.10 The notice calling the Annual General Meeting shall be accompanied by the following documents, as approved by the Board namely:

i. the agenda of the annual general meeting;

ii. the minutes of the previous annual general meeting or the extra-ordinary general meeting;

iii. the names of candidates for election, if any, to the office of director including a statement of qualifications in respect of each candidate;

iv. the audited balance sheet and profit and loss accounts of the Company and its subsidiary, if any, together with a report of the Board of Directors of such Company with respect to:

a. the state of affairs of the Company

b. the amount proposed to be carried to reserve;

c. the amount to be paid as Limited Return on share capital;

d. the amount proposed to be disbursed as Patronage Bonus;

e. the material changes and commitments, if any, affecting the financial position of the Company and its Subsidiary, which have occurred in between the date of the annual accounts of the Company to which the balance-sheet relates and the date of the report of the Board;

f. any other matter of importance relating to energy conservation, environmental protection, expenditure or earnings in foreign exchanges;

g. any other matter which is required to be, or may be, specified by the Board;

v. the text of the draft resolution for appointment of auditors; and

vi. the text of any draft resolution proposing amendment to the memorandum or articles to be considered at the general meeting, along with the recommendations of the Board.

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

i. approval of budget and adoption of annual accounts of the Company;

ii. approval of Patronage Bonus;

iii. issue of Bonus Shares;

iv. declaration of Limited Return and decision on the distribution of Patronage;

v. specify the conditions and limits of loans that may be given by the

Board to any Director;

vi. approval of the criteria for categorising members into different classes/constituencies and the number of positions on the Board representing each class of members based on patronage /constituencies; and

vii. approval of any transaction of the nature as is to be reserved in the Articles for approval by the Members.

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

i. By the Board; or by the Board on the requisition made in writing, duly signed and setting out the matters for the consideration, made by one-third of the Members entitled to vote in any General Meeting, proceed to call an Extra-Ordinary General Meeting in accordance with the provisions contained in the Act.

ii. If the meeting is called upon requisition by Members and there is no quorum within half an hour from the appointed time of the meeting, the meeting shall stand dissolved.

**12. Investments out of the General Reserves**

Investments out of the General reserves shall be made in accordance with the provisions of Act and Rules framed there under from time to time.

**13. Bonus Shares**

The Company may, upon recommendation of the Board and passing of resolution in the General Meeting, issue bonus shares by capitalization of amounts from General reserves in proportion to the shares held by the Members on the date of the issue of such shares.

**14. Amalgamation, Merger and Division**

14.1The 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 as its General Meeting.

b. Divide itself into two or more new Producer Companies.

14.2 Any member or any creditor not consenting to the resolution for amalgamation, merger or division 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 there by ceasing to continue as a member of the company or

b. In the case of a creditor to withdraw his deposit, loan or advance as the case may be.

c. Any member or creditor who does not exercise his option within the period of one month shall be deemed to have consented to the resolution.

14.3 A resolution under clause 61 shall not take effect until the expiry of one month or until the assent there to of all the member and creditors has been obtained, which ever is earlier.

**15. Loans etc. to the Members and to any Director or his Relative**

15.1 Subject to the provisions Section 581ZK of the Act, the Board may provide financial assistance to the Members by way of -

1. Credit facility, to any Member, in connection with the business of the Company, for a period not exceeding six months;

(b) Loans and advances, against security as may be determined by the Board, 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.

15.2 Any loan or advance to any Director of the Company or his relative shall be granted only after the approval by the Members in general meeting.

**16. Investment in other Companies, Formation of Subsidiaries, etc.**

Subject to the provisions of Section 581ZL of the Act, the Company by previous approval of Members in its general meeting, may make investments and dispose of any such investments in other companies, enter into partnership, agreement or arrangement with any person or body corporate whether by way of formation of subsidiary company, joint venture, partnership, or in any other manner, and to promote any other company or companies including Producer Company or Companies, for the purpose of promoting and consistent with the objects of the Company.

**17. Internal Audit**

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

**18. Books of Account**

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

**19. Common Seal**

19.1 The Board shall provide for the safe custody of the Seal and subject to the provisions contained in the Companies (Issue of Share Certificates) Rules, 1960, the Seal shall not be affixed to any instrument except by the authority previously given by the Board or a Committee of the Board authorised by the Board in that behalf; the Board may designate such person(s) who shall sign every instrument to which the Seal is affixed in his or their presence.

19.2 All deeds, agreements, instruments, letters, bonds, affidavits, declaration, indemnities, power of attorney and other documents of any nature whatsoever entered into by the Company shall be executed by such person(s) duly authorized by the Board or the Committee thereof.

**20. Secrecy Clause**

20.1 Every Director, Chief Executive, officer, manager, secretary, trustee, Member of a committee, servant, agent, accountant or any other person employed in the business of the Company shall observe strict secrecy respecting all transactions of the Company except when required so to do by a court of law and except so far as may be necessary in order to comply with any of the provisions contained in the Articles.

20.2 No Member shall be entitled to inspect the Company’s books of accounts or will be given any confidential information relating to the business of the Company without the permission of the Board of Directors of the Company. However, they shall be entitled to inspect the minute book meetings of the company.

**21. Resolution of Disputes**

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

We the following persons whose names and addresses are subscribed are desirous of being formed into a company in pursuance of these Articles of Association

|  |  |  |  |
| --- | --- | --- | --- |
| Sl. | Names, address, photograph and occupation of the subscriber | Signature of subscriber | Signature, name, address, and occupation of the witness |
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