**REVISED FORMAT FOR FIELD VISIT REPORT – EQUITY GRANT**

|  |  |
| --- | --- |
| **NAME OF FARMER PRODUCER COMPANY (FPC)** |  |
| **ADDRESS** |  |
| **KEY PERSON** |  |
| **CONTACT NO.** |  |
| **DATE OF VISIT** |  |
| **NAME OF THE VISITING CONSULTANT** |  |

1. **List of books & registers maintained by the FPC:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sl. No.** | **Name of book/register** | **Purpose of Book/Register** | **Remarks** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

1. **Details of various committees formed by the FPC:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sl. No.** | **Name of the Committee** | **Purpose of constitution of Committee** | **Remarks** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**Signature**

**(Name of the Consultant)**

**Membership No.**

1. **Check list of important documents:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sl. No.** | **Name of document** | **Checked** | **Remarks, if any** |
| **1.** | **Incorporation Certificate of FPC in original** |  |  |
| **2.** | **Memorandum of Association & Article of Association of FPC** |  |  |
| **3.** | **Share holders list and allotment pattern of shares to be verified (as per Annexure – I)** |  |  |
| **4.** | **Audited balance sheet and profit & loss account of previous year of FPC** |  |  |
| **5.** | **Bank account reconciled with FPC books of accounts** |  |  |
| **6.** | **Resolution of the FPC Board/Governing Council to seek Equity Grant for members in original** (**As per Annexure – II & III)** |  |  |
| **7.** | **Business Plan of FPC and budget for next 18 months** |  |  |
| **8.** | **Authorization letter of BoD of FPC for executing and signing all documents with SFAC in original** |  |  |
| **9.** | **Minutes of BoD for appointing the CEO of the FPC in original** |  |  |
| **10** | **KYC documents of Representative Directors authorized by the Board for executing and signing all documents under the scheme** |  |  |

**Signature**

**(Name of the Consultant)**

**Membership No**

1. **Institutional due diligence**

|  |  |  |
| --- | --- | --- |
| **Sl. No.** | **Particulars** | **Remarks** |
| **a)** | **Governance**  *Remarks should be based on Annexure-IV covering the following:*   1. **Selection/election of BOD of the FPC.** 2. **Authority and functioning of CEO under BOD** 3. **Random verification of contribution by members** |  |
| **b)** | **Business and Business Plan Viability**  *Remarks should be based on Annexure-IV covering the following:*   1. **Size of the business plan viz-a-viz the resources mobilized/ to be mobilized.** 2. **Year-wise percentage of members contributing to the business of FPC over next three years.** 3. **Volume of proposed business viz-a-viz the total production of individual farmers.** 4. **Break even in ……. Years as per assumption.** |  |
| **c)** | **Management Capability**  *Remarks should be based on Annexure-IV covering the following:*   1. **Qualification/Experience of BOD of FPC.** 2. **Expertise of CEO in overall management functioning of FPC.** |  |

**Signature**

**(Name of the Consultant)**

**Membership No**

|  |  |  |
| --- | --- | --- |
| **Sl. No.** | **Particulars** | **Remarks** |
| **d)** | **Financials**  *Remarks should be based on Annexure-IV covering the following:*   1. **Existing/proposed equity base of FPC as per business plan.** 2. **Net worth of the company** 3. **Term Loan/Working capital requirements as per business plan.** 4. **Position of stock holding.** 5. **Age wise classification of debtors and creditors of FPC.** 6. **Reconciliation of bank statement for the purpose of share capital allotment.** 7. **Profits / loses during last 1/3 years.** |  |
| **e)** | **Any other important point:**  **(Consultant may also resolve technical issues/deficiency of FPC)**   1. **(Consultant may:** |  |

1. **Overall recommendation of consultant after field visit**

|  |
| --- |
|  |

1. **Twelve site photographs need to be enclosed:**

**Signature**

**Date & Place : (Name of the Consultant)**

MembershipNo. **ANNEXURE – I**

**TABLE**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Shareholders | Number of members | Number of shares allotted per member (Categorywise)\* | Face value per share allotted | Total amount allotted | Proposed  Computation of allotment of shares out of Equity Grant \*\* | Eligible amount of grant. |
| Individual |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| SHG/FIG/JLG |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Institutional FPC |  |  |  |  |  |  |

\*Grouping of share holders according to number of shares allotted.

Above table has been prepared ensuring the following :

**Eligibility Amount for sanction of Equity Grant :**

The criteria for calculation of Equity Grant (rounded off to the Share Unit Value (subject to point (iii)) to each shareholder member of the FPC (as per authenticated copy of the Shareholders Register maintained by the Producers Company as per the applicable provisions of the relevant Act) is as follows:

*a). Allocation of shares shall be on matching/pro-rata basis of the shareholders’ current shareholding, subject to the maximum specified above and ensuring that each shareholder member receives minimum one equity share.*

*b). If the Grant sanctioned to the FPC is not sufficient to ensure a minimum one share to all its shareholder members, allocation of grant shall be based on the shareholders’ current and holding, starting with shareholder with the least land holding / the smallest producer in case of allied activities/ or by transparent draw of lots where such identification is not possible.*

*a). Individual Shareholder - Rs 1000.00*

*b). Group of Individual Shareholders (e.g. SHG, Farmer Interest Group, Joint Liability roups of Farmers) –Number of Members multiplied by Rs. 1,000.00, subject to a maximum of Rs.20,000.00*

*c). Institutional Shareholders (Farmer Producer*

*Companies) – Rs. 1, 00,000.00*

*2. No repetitive share holder has been included.*

***Chief Executive Officer Chartered Accountant* \*\* Example of computation of allotment of shares out of Equity Grant :**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. Of Share holder members categorywise | Number of shares allotted per member (Categorywise)\* | Face value per share | Total amount allotted | Proposed  Computation of allotment of shares out of Equity Grant | Eligible amount of grant. |
| 3107 | 10 | 10 | 310700 | 10 | 310700 |
| 400 | 100 | 10 | 400000 | 96 | 384000 |
| 308 | 300 | 10 | 924000 | 96 | 295680 |
| 10 | 1000 | 10 | 100000 | 96 | 9600 |
| **Total 3825** |  |  | **1734700** |  | **999980** |
|  |  |  |  |  |  |

**ANNEXURE - II**

**Draft Resolution of Board of Directors of FPC**

**to seek Equity Grant for Shareholders**

**(Certified True Copy)**

a) Place of meeting….....................................................................................

b) Date of meeting...........................................................................................

**Agenda of Meeting : To avail Equity Grant support from SFAC.**

Whereas the FPC has been formed under \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (legal registration status of FPC) and on the basis of the decision of the AGM/EoGM (held on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (mention the date) to avail Equity Grant support under the EGCGF Scheme.

We, the Board of Directors of the FPC unanimously resolve that:

1. The grant shall be utilised for business enhancement of the FPC.
2. The basis of allocation of the said fund shall be the individual share money contribution by members and in accordance with the criteria laid down at Section 6 of the Scheme.
3. The accounts of the said grant shall be maintained in a proper manner.
4. The benefit of the said support shall be extended shareholder member wise and shall be available to an individual till s/he is the member of the FPC.
5. If a shareholder member quits the FPC at any point, the shares issued in lieu of the grant shall be retained by the FPC and shall not be paid to the member but shall be allocated to a new/additional existing member (as per section 6 vi. of EGS guidelines). This has been discussed in the Special AGM held for this purpose on---------- and the Shareholders are fully cognizant of the Terms and Conditions of the Scheme & have agreed to abide by the same.

We further resolve that to execute the documents pertaining to this support, the President / in his stead any one of the following Directors of the FPC for any reason due to non availability of the President and the Chief Executive of FPC, whose signatures are given below and certified by the Bank are authorised to sign all documents and forms jointly. Further resolved that this Resolution be communicated to SFAC and shall remain in force until further notice in writing.

This resolution will be ratified by shareholders in next AGM.

**(Chief Executive Officer of FPC)**

**ANNEXURE - III**

**Draft Resolution to be resolved in AGM ratifying the Resolution of the Board of Directors**

**(Certified True Copy)**

Whereas the FPC\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(name of FPC) sought an Equity Grant of Rs.\_\_\_\_\_\_\_\_\_\_\_\_\_ (Rs.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_) from SFAC vide resolution dated\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (copy enclosed), we, shareholders of the Company ratify the resolution dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and agree to the same in particular each shareholder hereby agree that the entire amount of Equity Grant sanctioned by SFAC on our behalf be directly transferred to our FPC’s Account towards the consideration of additional shares to be issued to us of equivalent amount in the FPC.

On receipt of the amount, the FPC shall immediately, issue additional shares to respective shareholders of the equivalent amount sanctioned to each shareholder by the SFAC. We also agree that should any shareholder at any point cease to be a Member of the FPC for any reason whatsoever, the additional shares against the Equity Grant that stand in his/her name shall be retained by the FPC to be allocated to another member as specified under the Scheme and that in such a case, he shall not receive the value of the share.

**(Chief Executive Officer of FPC)**

**Annexure-IV**

**Guiding points for appraisal of Equity Grant Fund**

Appraisal of an application for Equity Grant should ideally not be connected one-on-one to the business plan. Why? Because Equity Grant is a resource that serves long term purposes and therefore what needs appraisal is the overall governance structure of the FPO. The ability of the FPO to conduct business viably is an important component of the overall governance and management capacity. Given that it is public money and the rather poor track record of deploying such funds responsibly in our country, our concern should be to rule out two of the major causes for such delinquency --- incompetency and mala fide intent of a few office bearers.

Therefore, while appraising their application for Equity Grant, first the following aspect of the governance structure may be checked:

1. Is the BOD selection/election democratic (or is it dominated or actually manipulated by one or two individuals. The latter is a good indication that the Equity grant could be misappropriated by the individuals).
2. Does the CEO report to the BOD and does the BOD have supervisory role.
3. Has the share capital actually come from members or was it paid by a few on behalf of others.
4. How many members have actually paid the share fees (should be at least 50% of the total potential members).
5. The consultant should alert the FPO and ask for meeting at least 50% of the BOD members and talk to them (not necessarily as a meeting. Even one-to-one is OK). Gauge the involvement by asking how much of the FPO financial he/she know about.
6. What is the mechanism for BOD members and ordinary members to know about FPO finances and services offered? i.e. (again to check if it is limited to a handful of members)

Then comes the appraisal of the business plan. The actual parameters of appraisal depend on the product and the specifics of production cycle. The generic parameters are:

1. What is the size of the annual plan for the three years? Does it resonate with the funds they have or can mobilize? Are they over reaching?
2. How many members are expected to contribute to the business of FPO and what percentage it is of the total membership? (Should be at least 25% in the first year and increasing over the years. Otherwise the business might be patronized by well to do non-members thereby putting public money for non-intended beneficiaries).
3. Does the total business volume proposed match with the production figures of individual farmers[[1]](#footnote-1)?
4. Checks how realistic are the assumption made for working out business plan. (Refer Assumption sheet)
5. Review operational profitability. Minimum for one year old. For older FPOs check three year profit.
6. Analysis of cost benefit of each segment.
7. Analysis of Cash flow (Realistic? Have they accounted for delays in payment and receipts?).
8. Analysis of Working Capital (adequacy and security)
9. Scrutiny of stock position.
10. Ageing analysis of Sundry receivable and payable
11. Check bank Statement of FPO for share capital allotment

We should also do some ratio analysis:

1. Gross Profit Ratios

x 100



1. Net Profit Ratios

x 100



1. Return on Equity Shareholders’ funds

**x 100**



1. Break Even Ratio



Hence under break even situation contribution equals total fixed costs since there is no profit under this situation.

Break Even Analysis refers to ascertainment of level of operations where total revenue equals total costs. It is an analysis used to determine the probable profit or loss at any level of operations. Break Even analysis is a method of studying the relationship among sales revenue, variable cost and fixed cost to determine the level of operation at which all the costs are equal to its sales revenue and it is a no profit no loss situation

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1. Often average surplus production of individual members do not add up to the expected business volume. Secondly, members need not necessarily patronize FPO due to their obligations towards creditors, suppliers, family ties etc. [↑](#footnote-ref-1)