Office of the Registrar, Cooperative Societies, Punjab, Chandigarh
(Milk Supply Branch)

1. Weavco was registered in the year 1969 as an apex cooperative society. The main objective of this society was to coordinate and facilitate the working of the affiliated Cooperative Weaver Societies and to assist them in the matter of Procurement of yarn, sale of their finished products and the development & promotion of Handloom Industry and Weavers interests on cooperative basis. At its peak, there were nearly 932 active societies were members of Weavco. These societies mainly used to make khaddar-khes, bed sheets, shawls, blankets (shoddy, Marrino), Honey comb towels, foot mats, durries, etc. Some of them also made carpets. A large share of their products was sold through the show rooms of Weavco at various places in Punjab and other states. In addition to marketing the products of the societies, Weavco also used to assist the societies by way of supply of low cost yarn. However, since the last two decades, the weaver societies which used to make these hand made products now have to face competition from the machine made products, which are not only cheaper but also offer better finish and variety. As a result, large number of weaver societies have become defunct and are unable to supplying products to Weavco for sale. This is borne out from the fact that in the year 2012-13 from Primary Weaver Societies, Weavco purchased products worth Rs. 59.12 lac only whereas it purchased products worth Rs. 157.52 lac from private parties during this period. Thereafter, in the year 2013-14, the value of the products purchased from the Primary Weaver Societies went down to Rs. 18.43 lac against Rs. 138.81 lac purchased from open market. Due to the reduced supply of quality products from weaver societies, since the last several years, Weavco has been purchasing handloom products from Panipat and Ambala in Haryana. Thus, instead of fulfilling its objective of helping the weaver societies of Punjab, it has become a more of a trading entity. However, inspite of all efforts, Weavco has been running in losses since last more than a decade.

2 Keeping in view the worsening financial health of Weavco, an inquiry under section 50 of the Punjab Cooperative Societies Act, 1961 was conducted by Joint Registrar (Planning), Cooperative Societies, Punjab into the working and financial condition of Weavco. As per the inquiry report dated 25.7.2011it has been found that Weavco is not giving the requisite facilities to its member weaver societies and most of these have stopped working due to the proliferation of powerloom and other modern machinery. The Inquiry Officer has also reported that though 1285 weaver societies are registered with Weavco but according to a survey of 2005, only 89 of these were functional at that time. Currently only 15 to 20 societies are conducting business with Weavco.

3. Though Weavco has been in losses since long, recently, its financial position has become quite abysmal. In 2011-12, it had loss of Rs. 87.29 lacs, which increased to Rs. 126.14 lacs in 2012-13 and further to Rs. 150 lacs in 2013-14. In 2006, it sold six properties worth Rs.375.76 lac Instead of utilizing this money in its business, it deposited the money in the banks and has been using this money for meeting the salaries and establishment costs. This fund has now been exhausted and Weavco cannot even pay salaries to its staff.

4. Keeping in view the mounting losses, the failure of Weavco to meet its objective in the last more than a decade and the decreasing number of functional weaver societies and other factors enumerated above, a notice under section 13(9) of the Punjab Cooperative Societies Act was issued on 13.9.2013 for amalgamating Weavco with Markfed. Objections were sought from all the stakeholders by issuing a notice on 13.9.2013 regarding merger of Weavco with Markfed. Nineteen (19) objections had been received in response to the notice dated 13.9.2013 within the given time regarding Weavco's merger with Markfed.

5. All the persons who had filed the objections in time were invited for personal hearing on 20.12.2013. List of these is at annexure 'A'. Instead of dealing with each objector's objections separately, it is felt appropriate to deal with them together, as the

objections raised by them are quite similar. The gist of these objections and reasons for rejecting or accepting the objections are as under:-

Sr. No.	Objection	Reasons for rejecting the objection
a	The decision to merge Weavco with Markfed should be taken by the elected Board of Weavco instead of the Registrar.	This objection has no merit as the Registrar is competent to decide regarding merger of cooperative societies and no approval from the Board of the Society is required. Section 13(8) of the Punjab Cooperative Societies Act, 1961 empowers the Registrar to amalgamate a cooperative society with any other cooperative society if he is satisfied that it is necessary in the interest of the Cooperative Society or Cooperative Societies to do so. I am satisfied that it is necessary in the interest of Weavco to merge it in Markfed.
b	Markfed is running in losses and therefore, it will not be appropriate to merge Weavco with Markfed.	There is no merit in this objection as there is no legal requirement that the entities must be in profit before merger can take place. Markfed is a huge organization and it was regularly making profits till the year 2010-11. It is only in the recent past that it has gone into losses. These losses have mainly been due to interest and other costs of food grain procurement, which have not been paid by GoI and regarding which the matter is still pending with the GoI. Moreover, Markfed is doing quite well in its other businesses like production and marketing of agri-inputs, cattle feed and food products etc. It has consistently made profits in these segments. Furthermore, the fact that Markfed is currently in losses does not mean that it will continue to remain in the red. Also, compared to the overall business of Markfed, the business of Weavco is very small and the merger of the two entities will not in any way adversely affect them. Furthermore, Markfed has passed a resolution dated 19.11.2013 for allowing merger of Weavco in Markfed.
c	After the merger, Markfed will not be able to represent the interest of weavers effectively at the national level as was being done by Weavco.	This objection is meaningless because since last ten years, Weavco has not done any thing at all to protect / project the interests of weavers at the national level. The Department of Industries is already taking care of Central Government schemes for weavers. Furthermore, as and when required, the Department of Cooperation can also take up the matters relating to cooperative weavers societies with the GoI.
d	The properties of Weavco have been made with the funds of the Central Government and therefore, Markfed should not be given these properties after merger.	There is no merit in this argument as the properties now belong to Weavco and not GoI. Under the Punjab Cooperative Societies Act, 1961, when amalgamation is done, all assets and liabilities of the cooperative societies are also liable to be transferred.
e	The poor financial position of Weavco is due to mis-management and poor performance by the employees and therefore, the merger will amount to unfairly rewarding these employees.	There are many reasons for the poor financial position of Weavco. One of the important reasons is that most of the products which the weavers of Punjab used to make such as blankets, khes and durries etc. are now being made by machines and there is not much market for these products made by the weavers. Therefore, many good weavers have given up this traditional work and

		the supply of quality hand made products from weaver societies to Weavco has reduced considerably. No doubt, the staff as well as the management of Weavco are also partially responsible for the poor financial position of Weavco. However, this cannot be a reason for not merging Weavco with Markfed. Currently, Weavco is not even in the position to pay salaries to its staff. If these entities are merged, then the staff will be able to get its pay and will also be gainfully utilized. Furthermore, this objection has no relevance with the issue of merger.
f	Weavers have suffered in the last ten years because Weavco had stopped providing raw material at concessional rates to them. The subsidies which used to be given to the weavers many years back should be revived and they should also be given tax concessions as this is the only way they can compete in the present market where machine made articles are available at cheaper rates.	This objection has no relation to the issue of merger. It is correct that weavers have not been provided raw material at concessional rates by Weavco since last more than a decade. Earlier it was doing so because of funding through Central Schemes for this purpose. Now, there are not many schemes of this nature and moreover, Weavco itself cannot give subsidy out of its own funds to the societies because of its very poor financial health.
g	Weavco has taken many shops on rent. These will have to be given back to the landlords if Weavco is merged with Markfed. This will cause huge loss to the persons who are now selling their products through these shops.	There are only a handful of genuine cooperative weaver societies who are selling their products through Weavco. A large portion of the products being sold through Weavco show rooms are bought from Panipat, Karnal and other places and not from the weavers. Since last many years, Weavco has practically stopped helping the weaver societies in selling their products, which was its main objective. Moreover, the merger does not mean that the existing show rooms will automatically be given up to the landlords as is being anticipated. Markfed will step into the shoes of Weavco as far as these properties are concerned.
h	The show rooms of Weavco in Handloom complexes, outside Punjab should not be given to Markfed.	This objection is irrelevant and without merit.
i	Markfed should be bound to return the shares of weaver societies who do not want to be a part of Markfed.	It is already a condition of the merger that Markfed may return the shares of such members who do not want to be shareholders of the Markfed.
j	The liabilities of Weavco must be borne by Markfed if these two are merged.	This is already a condition of the merger that the liabilities of the Weavco would be borne by Markfed.
k	Some grants were received by Weavco from GoI but these have not been disbursed to the weavers. It must be ensured that Markfed does	MD, Weavco who was present during the hearing, informed that no grants are pending with Weavco for disbursal.