

PARTNERSHIP AGREEMENT BETWEEN A PARTNERSHIP FIRM AND A HINDU
JOINT FAMILY

THIS DEED OF PARTNERSHIP made at ... on this ... day of... between M/s A B & Co. a partnership firm, consisting of and represented by its partners (1)... (2)... (3) hereinafter referred to as the 'Party of the First Part. and Mr. B residing at ... and in his capacity as the Karta or Manager of his joint and undivided Hindu family hereinafter referred to as the Party of the Second Part'.

WHEREAS the Party of the First Part is carrying on business of..... in partnership.

AND WHEREAS the Party of the Second Part is carrying on similar business of ... and which is his ancestral business.

AND WHEREAS the adult male members of the said Joint Hindu Family are in ... number and have consented to the said Karta of their family to enter into a partnership agreement with the Party of the First Part with a view to expand the said business and to carry it on a large scale as to avoid competition between them.

AND WHEREAS the parties of the First and Second Part have. therefore, proposed to combine their respective businesses and to carry on the same in partnership on the terms and conditions hereinafter mentioned.

NOW IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES HERETO AS FOLLOWS:

- (1) The Parties shall as from the ... day of ... combine their respective businesses together with all the assets and agree to carry on the said business In partnership between the Party of the First Part on the one hand and the Party o f the Second Part on the other hand.
- (2) The Partnership shall be deemed to have commenced from the said date and will continue at the will of the parties hereto.
- (3) The assets Including goodwill of the business of the Party of the First Part are valued at Rs... and the assets including the goodwill of the business of the Party

of the Second Part are valued at Rs... The respective assets of the Party of the First Part and Second Part will be deemed to be their respective contributions to the capital of the said firm. If any capital gains tax is required to be paid by any party hereto on the valuation of his capital contribution as aforesaid, the same will be paid by that Party separately and such Party will indemnify and keep indemnified the other Party against such liability. If any further capital or finance is required, the same will be contributed by the Party of the First & Party of the Second Part in the same proportion and will carry interest at the rate of 18% per annum or at such other rate as may be allowed by the Income Tax Act.

- (4) The Party of the First Part will be represented by one of the partners of that Party and he will be authorised by the other partners of the Party of the First Part to represent that Party. Such authorised partner may be changed from time to time. The other partners may help in carrying on the business of the firm. Similarly the Party of the Second Part will be represented by the Karta of the Joint Hindu Family for the time being. The other members of the said family will not be considered as separate partners so far as the Firm is considered and though they may render help in carrying on the business of the firm.
- (5) The business of the partnership shall be carried on in the name of M/s... (hereinafter referred to as the 'Firm') and the business shall consist of ... and of such other incidental business as the partner may from time to time decide.
- (6) The office of the partnership shall be at ... The parties may open branches at such other places as they may agree upon.
- (7) If any Party shall contribute more amount than his share in the capital. It will be treated as a loan by him to the Firm carrying interest at the rate of 18% per cent per annum.
- (8) The net profits and losses of the Firm will be shared by the parties hereto in proportion to their shares in the capital of the Firm that is to say the Party of the First Part will be entitled to ... share and Party of the Second Part will be entitled to ... share. The partners of the Party of the First Part between themselves will be entitled to their said share in the proportion in terms of their partnership agreement. The share of the Party of the Second Part will be the property of his family. Net profit will mean gross profit earned in such year less the expenses of

the management of the business including the rent of the premises of the Firm including outgoings In respect of the salaries and wages of the staff. commission paid to others. and all other expenses Incurred In connection with the business of the firm.

- (9) The accounting year of the Firm will be from 1st April to 31st March of each Christian calendar year.
- (10) At the end of each accounting year an account of the business carried on in that year "I be made and a statement of accounts namely a Balance Sheet and Profit and loss Account will be prepared and signed by the partners. If necessary or required by law the accounts will be got audited by a Chartered Accountant.
- (11) The books of account and all other record of the Firm will be always kept at the office of the Firm and will be open for inspection by any of the partners hereto at any time.
- (12) All the working staff such as clerks, peons. accountants, cashier, -salesmen and others will be approved by the joint consent of the authorised partner of the Party of the First Part and the Karta representing the Party of the Second Part and their wages and salaries and other emoluments will be fixed by mutual consent of the said persons.
- (13) Each of the party hereto shall -
 - (i) participate and attend to the business of the Firm through their aforesaid representatives to the greatest common advantage of the Firm.
 - (ii) be just and faithful to each other.
 - (iii) render true accounts and full Information of all moneys affecting the Firm to the other.
 - (iv) Indemnify the Firm for any loss caused to it by wilful negligence or fraud in the conduct of the business.
 - (v) not carry on any business similar to the business of the Firm or any other business anywhere without the consent of the other party.
 - (vi) attend to the business of she Firm diligently and actively.

- (vii) Not withdraw any amount for its own profit benefit or use as remuneration or otherwise without the consent of the other.
 - (viii) be entitled to be indemnified by the Firm In respect of payment made and liabilities Incurred by him (i) in the order and proper course of business of the Firm, and (ii) in doing any act for protecting the Firm from loss in emergency.
- (14) All the tangible and intangible assets of the Firm including the goodwill. stock-in-trade. benefit of business licenses and permits, benefits of contracts entered etc. will belong to the parties In the same shares as aforesaid and the property of the Firm shall be used by the Parties exclusively for the business of the Firm.
- (15) Every Party shall account for the profit earned from any transaction of the Firm or from the use of the property in any business transaction of the Firm.
- (16) If any partner of the Party of the First Part other than the authorised representative or any member of the family of the Party of the Second Part is appointed to do full time work of the Firm, he will be paid separately as remuneration such amount as may be agreed upon allowable under the Income Tax Act as deduction and such remuneration will be treated as the expenses of the Firm.
- (17) The Party of the First Part and Party of the Second Part may draw every month. such amounts for their own expenses as may be agreed upon from time to time and the same will be taken into account while ascertaining the share In the net profits of each party In the Firm.
- (18) Any party hereto shall not. without the consent of the other -
 - (a) submit any dispute with any other person to arbitration or compromise or relinquish the claim.
 - (b) withdraw any suit or legal proceedings filed by the Firm,
 - (c) admit any liability of the Firm.
 - (d) acquire or dispose of any immovable or moveable property, except the stock In trade in the ordinary course of business.

- (e) enter into partnership or other business unilaterally with any other person,
 - (f) assign or transfer his share or any interest in the Firm, (g) admit any person as a partner In the Firm.
 - (g) borrow any moneys for or in the name of the Firm. or create any security or charge on the assets of the Firm,
 - (h) enter into any contracts except contracts in the regular course of business of the Firm,
 - (i) stand as a guarantor or surety for any person In the name of the Firm or for and on behalf of the Firm.
- (19) The Parties shall open in the name of the Firm one or more accounts either current, saving or overdraft or cash credit with one or more banks as may be agreed upon by the partners and the account or accounts will be operated by the authorised partner of the Party of the First Part and the Karta representing the Party of the Second Part jointly.
- (20) If any Party hereto desires to dissolve the Firm he shall give to the other at least three months previous notice to that effect and on the expiration of the notice period the Firm shall stand dissolved.
- (21) If the Party of the First Part Is Itself dissolved or is adjudged insolvent or if all the male adult members of the Party of the Second Part are adjudged insolvent, or there is full partition among the members of that Party, this partnership shall also stand dissolved.
- (22) On dissolution of the Firm, an account will be made of all the assets and liabilities of the Firm, and the assets will be sold either to any of the parties hereto to any other outsider and after payment of the debts and liabilities, the net sale proceeds will be distributed among the Parties of the First Part and Second Part In proportion to their respective In the capital of the Firm as aforementioned.
- (23) If any dispute or difference shall arise between the Parties hereto touching the business of the Firm or interpretation of any provision hereof or otherwise, howsoever, relating to the Firm and its business. the same shall be referred to arbitration of a common arbitrator If agreed upon, failing which to two arbitrators

one to be appointed by each Party to the arbitration and the arbitration shall be governed by the Arbitration & Conciliation Act, 1996.

(24) The parties shall, as early as possible but In any event within the prescribed period get the Firm registered under the Partnership Act. 1932. as well as under the Income Tax Act, 1961, and the application or a certified copy of this deed will be signed by all the partners of the Party of the First Part and by the Karta of the Party of the Second Part.

(25) This Deed is executed in duplicate and one copy will remain with the party of the First Part and the other will remain with the Party of the second Part.

IN WITNESS WHEREOF the Parties have put their respective hands the day and year first hereinabove written.

Signed and delivered for
and on behalf of M/s ... by its partners (1) ... (2) ... (3) ... in the presence of

Signed and delivered by the
withinnamed Mr. B as the Karta of his Hindu Undivided Family in the presence of ...