

CONVERT A PARTNERSHIP INTO A LIMITED COMPANY

This Agreement is made at [**Name of city**] on this [**Date, month and year**] between [**Name of First partner**] S/o_____ residing at [Postal address.....] of the FIRST PART and [**Name of second Partner**] S/o_____ residing at [Postal address] of the SECOND PART and [**Name of Third partner**] S/o_____ residing at [Postal address] Of the THIRD PART as follows:

The Parties are carrying on business of dealing in [**Nature of Business**] in partnership in terms of the deed of partnership _____ entered by and between them in the name of M/s. [**Name of Company**] and the parties now propose to convert the said partnership into a public company limited by shares under the Companies Act 1956 on the following terms agreed upon between them.

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

1. The Parties agree that they will form and register a public company limited by shares with a view to carry on the business carried on by them in partnership as aforesaid.
2. The name of the company will be ABC & Co. Ltd., subject to approval by the Registrar of Companies or such other name as will be approved by the parties hereto and by the said Registrar of Companies.
3. The Memorandum of Association and Articles of Association will be got prepared by the lawyer to be appointed by the parties hereto and to be approved by the parties hereto.
4. The nominal or authorized capital of the company will be Rs. _____ to be divided into equity shares of Rs.100/- each and _____ preference shares of Rs.100/- each.
5. The valuation of the business of the said partnership together with its assets, stock-in-trade and goodwill including book debts but subject to liabilities will be obtained from the Chartered Accountants of the said partnership firm and the amount of such valuation will be taken as paid to the parties hereto by allotting equity shares and preference shares of the face value of such valuation as fully paid up to each of the parties hereto. The valuation of the assets and the goodwill of the said partnership business will be made and shown separately. The equity and preference shares in the capital of the company will be allotted to the parties hereto in the ratio or in proportion in which shares of the parties in the capital and property of the said partnership firm are held.
6. The parties shall subscribe to the Memorandum and Articles of Association, one share each to be paid in cash and they will also secure additional at least four persons to subscribe to the Memorandum and Articles by agreeing to take one share each.
7. Besides, the minimum subscription to shares required to commence business will also be contributed by the parties hereto in cash in the same proportion as aforesaid.

8. The initial expenses required for registration of the company will be contributed by the parties in equal shares and the same will be reimbursed to them by the company after registration of the company.
9. The parties hereto will be the first Directors of the Company and the Board of Director will be constituted after the registration of the company in terms of the Articles of Association. The total number of Directors shall not be more than five.
10. On the registration of the company the parties agree to transfer the business of their said partnership together with all assets and liabilities and together with its goodwill and the benefit of subsisting contracts entered into by the partnership, by executing a Deed of Assignment of the business as a going concern in terms of the draft that will be prepared by the legal adviser of the parties.
11. No invitation to the public to apply for allotment of shares of the issued capital to be fixed by the Director will be made until the shares to be allotted to the parties in cash as well as fully paid are allotted to the parties hereto and other subscribers to the Memorandum of Association.
12. This agreement is provisional only and shall not be binding on the company until the date on which company is entitled to commence business under S. 149 of the Companies Act and on that date, it shall become binding on the company formally adopting the same. In case that event shall not happen, this agreement will be treated as canceled.
13. On the registration of the company and the company becoming entitled to commence business, the Board of Director to be constituted as aforesaid will adopt this agreement so as to be binding on the company. A formal agreement will be entered into between the company and the parties for adopting and confirming this agreement.
14. After the business of the said partnership is assigned to the company as aforesaid, the said partnership will be treated as dissolved and no party will be liable to pay any amount to the other in respect of such partnership. It is, however agreed that if any of the creditors does not accept the company as debtor for the amount, due to him on any account, the amount due to such creditor or creditors will be payable and paid by the parties hereto in proportion of their respective shares in the partnership and the valuation of the said business will be increased to that extent. The consent of the creditors to the transfer of the liability of the partnership to the company will be obtained before the transfer of the business to the company. A formal Deed of Dissolution will be executed by the parties and intimation of dissolution will be filed with the Registrar of Firms and advertised as required by law.
15. The parties agree that so long as they will be directors and shareholders of the company, none of them will start a similar business or be directly or indirectly interested in a similar business as that of the company.
16. The parties agree that none of them will exercise any vote for removal of any of them as director.
17. The costs of and incidental to the execution of the Deed of Assignment of the business by the parties hereto will be borne by the company.

18. The liability to pay capital gains tax on transfer of the said business will be that of the parties in proportion to their shares in the partnership and the parties will indemnify the company against such liability.

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

Signed and delivered by

[Name of first partner]

[Name of second partner]

[Name of third partner]

IN the presence of-

Witnesses

1. _____

2. _____