**Formation Agreement to Convert a Partnership into a Limited Company**

 AGREEMENT is made at\_\_\_\_\_\_\_\_on this\_\_\_\_\_ day of\_\_\_\_\_\_\_\_\_\_\_\_ between Mr.\_\_\_\_\_\_\_\_\_\_ s/o\_\_\_\_\_\_\_residing at \_\_\_\_\_\_\_\_\_\_\_\_\_\_of the FIRST PART

AND

 Mr.\_\_\_\_\_\_\_\_\_\_\_\_ s/o\_\_\_\_\_\_\_\_\_residing at\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the SECOND PART

AND

Mrs.\_\_\_\_\_\_\_\_\_\_\_\_ d/o\_\_\_\_\_\_\_\_\_\_\_ residing at\_\_\_\_\_\_\_\_\_\_ Of the THIRD PART as follows:

The Parties are carrying on a partnership business of dealing in electronic goods under the terms of the partnership deed\_\_\_\_\_\_\_\_\_\_\_\_\_\_ entered into by and between them in the name of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and the parties now intend to transform the said relationship into a public company limited by shares under the Companies Act 1956 or the Companies Act, 2013, on the following mutually agreed-upon terms.

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

1. The Parties agree to create and register a public company limited by shares in order to carry on the aforementioned business.
2. The company's name will be\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_subject to approval by the Registrar of Companies, or any other name as authorised by the parties hereto and the Registrar of Companies.
3. The Memorandum of Association and Articles of Association will be written by the counsel, who will be appointed by the parties and accepted by them. The proposed company's main purpose would be to deal with electronic products by manufacturing, selling, and purchasing them, or serving as agents for the sale of such goods for some other company or concern.
4. The company's nominal or approved capital will be Rs.\_\_\_\_\_\_\_\_\_\_, which will be split into equity shares of Rs.100/-each and preference shares of Rs.100/-each.
5. The valuation of the said partnership's company, including its assets, stock-in-trade, and goodwill, but excluding liabilities, will be obtained from the said partnership firm's Chartered Accountants, and the sum of such valuation will be paid to the parties hereto by allotting equity and preference shares of the face value of such valuation as fully paid up. The assets and reputation of the said partnership company will be valued and displayed separately.
6. The parties will subscribe to the Memorandum and Articles of Association, one share each to be paid in cash, and they will also secure at least four additional people to subscribe to the Memorandum and Articles by agreeing to each take one share.
7. On the registration of the firm, the parties agree to pass the business of their said partnership, including all assets and liabilities, as well as its goodwill and the benefit of existing contracts entered into by the partnership, by performing a Deed of Assignment of the business as a going concern in accordance with the draft that will be prepared by the parties' legal adviser.
8. The parties will contribute equal shares to the initial expenditures required for company registration, which will be reimbursed to them by the company after the company is registered.
9. This agreement is only provisional and shall not be binding on the company until the date on which the company is entitled to start business under Section 149 of the Companies Act, at which point it shall become binding on the company formally accepting it. If the occurrence does not occur, this agreement will be deemed null and void.
10. When the company is registered and is authorized to conduct business, the Board of Directors, as described above, will accept this agreement as binding on the company. For the purposes of implementing and verifying this agreement, the business and the parties will enter into a formal agreement.
11. The parties accept that although they are directors and shareholders of the company, none of them would start a similar business or be directly or indirectly involved in a similar business as the company.
12. The parties' obligation to pay capital gains tax on the transfer of the said corporation will be proportionate to their partnership shares, and the parties will indemnify the company against any liability.
13. 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.

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

Signed and delivered by

Within named partners

Mr.\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Mr.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Mrs.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

IN the presence of\_\_\_\_\_\_\_\_\_

Witnesses

1.\_\_\_\_\_\_\_\_\_\_\_\_\_

2.\_\_\_\_\_\_\_\_\_\_\_\_\_

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