Deed of partnership converting proprietary firm into partnership

This partnership deed is made on this….. day of……in the year……amongst:

1. [First Partner’s Name], [Son/Daughter] of [Mr. Father’s Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN…………….. hereinafter referred to as FIRST PARTNER. (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the “First Part”);
2. [Second Partner’s Name], [Son/Daughter] of [Mr. Father’s Name], residing at [Address Line 1, Address Line 2, City, State, Pin Code] having PAN…………….. hereinafter referred to as SECOND PARTNER (which expression shall, unless it be repugnant to the subject or context thereof, include his/her legal heirs, successors, nominees and permitted assignees and hereinafter called the Party of the “Second Part”);

Whereas the first partner has been carrying on business dealing in. ……….,

**AND WHEREAS** the first partner felt need of one more hand to strengthen the efficiency in the business supervision and to add more capital to the firm and was looking out for some suitable person to join him.

**AND WHEREAS** the second partner was also willing to carry on some business in partnership and he expressed his desire to join the first partner to form a partnership firm and carry on the business of ……………..

**AND WHEREAS** the partners also decided to reduce in writing the terms, conditions and stipulations of the partnership defining the rights, relations and obligations of parties inter se;

Now this deed of partnership executed by the parties hereto witnesses as under :—

1. That the first partner and the second partner have joined each other today and have formed a partnership firm to carry on business.
2. That the partnership business shall be carried on in the name and style of .........
3. That the first partner was carrying on business of …….. The partnership firm has taken over the proprietary business of the first partner along with all the assets and liabilities thereof. The assets and liabilities thereof have been valued at by a chartered accountant and valuation done by the said chartered accountant is accepted by the partners. The net asset value of the proprietary firm as on today works out at Rs......which shall be treated as contribution of the first partner towards capital of the partnership firm.
4. That the shop, godowns and office of the erstwhile proprietary firm in owned by the first partner. The partnership firm shall carry on business from the same places. However, it has been specifically agreed that the second partner shall in no way acquire any right title or interest in the said business premises owned by the first partner whatsoever.
5. That the partnership firm shall carry business of……….. . The partners have agreed to divide the area of operation of the partnership firm in two divisions and each division shall be put in the charge of each partner who shall be responsible for allowing respective operation at his sole discretion and collection of dues of the firm outstanding against them.
6. That the principal place of the business shall be at as described in clause 4 hereof. The partnership firm may open branch or branches according to the need of the business with mutual consent of each other.
7. That the capital of the partnership firm shall be formed by contribution from the partners. The assets of the erstwhile proprietary firm of the first partner have been valued at ..... and takeover by the partnership firm. This sum of Rs....... has been taken as contribution by the first partner towards capital of the firm. The second partner shall contribute equal amount soon after execution of this deed. The capital of the firm may be increased with the mutual consent of the parties hereto and by contribution from them or borrowings from the market.
8. That interest at the rate of 12% per annum or as may be prescribed under section 40(b)(iv) of the Income-tax Act, 1961 or any other applicable provisions as may be in force in the income-tax assessment of the partnership firm for the relevant accounting period or at a lower rate as may be agreed to by and between the parties from time to time shall be paid to the partners or credited to the partners on the amount standing to the credit of the account of the partners.
9. The firm shall regularly maintain, in the ordinary course of business, a true and correct account of all its incoming and outgoing transactions, as well as all its assets and liabilities, in proper books of accounts which shall ordinarily be kept at the firm's place of business. The accounting year shall be the financial year from 1st April onwards, and the balance sheet shall be properly audited and signed by all the Partners.
10. That the partners shall not carry on any other business or profession and devote their full time towards the business of the partnership firm.
11. That each partner shall draw salary from the firm at the rate of ....... per month, which may be increased in future from time to time with the mutual consent of each partner.
12. The firm shall open a current account in the name of [Partnership Firm Name] at any bank, and such account shall be operated by [First Partner] and [Second Partner] jointly as declared from time to time to the Banks.
13. That accounting year of the partnership firm shall be from first day of April to thirty first day of March every year and at the end of such accounting year accounts shall be closed, trading account, profit and loss account and balance sheet shall be drawn.
14. The profit or loss of the firm shall be shared as follows:
    * FIRST PARTY: [Profit Sharing Ratio]%
    * SECOND PARTY: [Profit Sharing Ratio]%
15. That the firm shall stand dissolved on the death or retirement of any of the two partner hereof and the assets and liabilities of the partnership firm shall be dealt with in accordance with the provisions of the Indian Partnership Act, 1932.
16. That any disputes or differences arising out between the partners or their representatives with regard to construction meaning and effect of this deed or any part thereof or rights and liabilities of the partners under this deed or the accounts of the partnership business or any other matter relating to the firm shall be referred to arbitration of ... S/o residing at.... and the award given by said arbitration shall be final and binding on the parties subject to the provisions of the Arbitration and Conciliation Act, 1996.
17. That for all other matters not specifically mentioned in this deed, the provisions of the Indian Partnership Act, 1932 shall apply.

In witness whereof the parties hereto have signed this deed in presence of the witnesses under named on the date aforementioned at .....

Signed, Sealed and delivered by ....... the first , party, in presence of : Signature

……………….

……………….

Signed, Sealed and delivered by …… the second party, in presence of : Signature