**Agreement for Sale of Shares of a Private Limited Company**

**THIS AGREEMENT** made at \_\_\_\_\_\_\_\_\_\_ this \_\_\_\_\_ day of 200\_\_\_ BETWEEN (1) ABC (2) DEF and (3) GHI, all having their address
at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, hereinafter jointly referred to as **“THE VENDORS”** (which expression shall, unless it be repugnant to the context or meaning thereof be deemed to mean and include their respective heirs, executors and administrators) of the **FIRST PART**; XYZ Private Ltd., a Private Limited Company having its’ registered office at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ , hereinafter called **“THE COMPANY”** (which expression shall unless it be repugnant to the context or meaning thereof be deemed to mean and include its successors and Assigns) of the **SECOND PART;** AND
(1) MNO, (2) PQR and (3) STU, all of \_\_\_\_\_\_\_\_\_\_, Indian Inhabitants, having their address at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, hereinafter jointly referred to as **“THE PURCHASERS”** (which expression shall unless it be repugnant to the context or meaning thereof, be deemed to include their respective heirs, executors, administrators and Assigns) of the **THIRD PART**;

**WHEREAS:-**

(a) The Company is a private limited company incorporated and registered under the Companies Act, 1956 having it’s Registered Office at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The Company was registered and incorporated under Certificate of Incorporation No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of 1958/59 dated \_\_\_\_\_\_\_\_\_\_\_\_ 1958.

(b) The authorized, issued, subscribed and paid up capital of the Company is Rs. 23,50,000/- divided into 23,500 equity shares of the face value of Rs. 100/- each.

(c) The Vendors between themselves hold and are the registered holders and Owners of the entire issued, subscribed and paid up capital of the Company. The detailed particulars of the said issued, subscribed and paid up capital of the company which is held by the Vendors as also the particulars of the Directors of the company are as more particularly set out in the **ANNEXURE-I** hereto.

(d) The objects for which the Company was established are as set out in the Memorandum and Articles of Association of the Company and a Certified Copy of the same is furnished to the Purchasers.

(e) The Company was till recently carrying on business of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_at Mumbai, which activities are now permanently closed. The business activities of the Company have come to a standstill and the manufacturing process is also stopped. All the workers and employees of the Company are lawfully retrenched by the Company and there are no outstanding claims of employees whatever. The company has no other place of manufacturing business.

(f) The Vendors at all material times were and are presently in complete charge, control and management of the company.

(g) The certified copies of the accounts for last three years together with Income Tax Returns namely Balance Sheet, Profit & Loss Account along with Schedules and Groupings are furnished to the Purchasers.

(h) The Particulars of the Fixed Assets owned by the Company are as set out in the **Schedule I** hereto and the same are free from any encumbrances and reasonable doubts of whatsoever nature.

(i) The present liabilities of the Company as on \_\_\_\_\_\_\_\_\_\_\_\_ are as set out in the **Schedule II** hereto. The Vendors have represented to the Purchasers that save and except the said liabilities there are no other outstanding liabilities of whatsoever nature upon the Company.

(j) The Company is holding various licences issued by various authorities, a list of which is set out in the **Schedule III** hereto.

(k) The Company is holding Bank Accounts, a list of which is set out in the **Schedule IV** hereto.

(l) The Vendors and each of them as the beneficial and registered owners of the said shares in the capital of the Company have agreed with the Purchasers for the sale to them of all the said 23,500/- fully paid up equity shares of Rs. 100/- each at the price and consideration of Rs. 200/- per share aggregating to Rs. 47,00,000/- (Rupees forty seven lacs only) free from any encumbrances, pledge, charge, lien or claim whatever.

(m) The parties are desirous of reducing into writing the terms and conditions of the sale and purchase of the said shares as hereinafter appearing.

 NOW THESE PRESENTS WITNESSETH and it is recorded by and between the parties hereto as hereunder:-

1. Each of the Vendors as the beneficial and registered owners hereby sell and the Purchasers hereby purchase the said 23,500/- equity shares (being the entire authorised, issued, subscribed and paid up capital of the company) as more particularly set out in the **Annexture I** hereto as fully paid up shares, free from all encumbrances and reasonable doubts whatever, at the price and consideration of Rs. 200/- per each share aggregating to Rs. 47,00,000/- (Rupees forty seven lacs only). The aforesaid consideration shall be paid by the Purchasers to the Vendors as under:-

(a) Rs. 9,40,000/- (Rupees nine lacs forty thousand only) on or before execution hereof (the receipt whereof the Vendors do and each of them doth hereby acknowledge and confirm); and

(b) Rs. 37,60,000/- (Rupees thirty seven lacs sixty thousand only) being balance payable in ten monthly installments as per the statement annexed as **Annexture No. II** hereto.

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 Rs. 47,00,000/- Total

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 (Rupees forty seven lacs only)

2. The Vendors shall as between them be entitled to receive the consideration in proportion to their respective shareholding.

3. It shall be the sole and exclusive responsibility/obligation of Vendors to pay, clear, settle and discharge the liabilities of the company as set out in the **Schedule II** hereto. The said liabilities are as on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. It shall be the sole, exclusive and absolute responsibility and obligation of the Vendors to obtain complete discharge from the said liabilities within a period of six months from the date hereof. If the Vendors fail to pay, settle and discharge the said liabilities as aforesaid within the agreed period, in that event the Purchasers shall be fully entitled to pay and settle the same as may be deemed fit by them out of the amounts of installments payable to the Vendors.

4. The Vendors do and each of them for themselves as also on behalf of the Company, hereby declare, confirm, represent and assure to the Purchasers as under:—

(a) The Company is the sole and absolute owner of the immovable property admeasuring about \_\_\_\_\_\_\_ sq.yds. and bearing Cadestral Survey Nos. \_\_\_\_\_\_\_\_ situated at \_\_\_\_\_\_\_\_\_ together with structures standing thereon and more particularly described in the **SCHEDULE V** hereunder written (hereinafter referred as “**the said property**”) and has the absolute and sole right to hold, use, occupy and possess the same.

(b) That the said property is free from all claims, encumbrances and reasonable doubts of any nature whatsoever and the same are not attached either before or after judgement or at the instance of any taxation authority or any other authorities and neither the Vendors nor the company has given any undertakings to the taxation authorities or any authorities so as not to deal with or dispose of the right, title and interest in the said property.

(c) Save and except the Company no other person has or had any claim, share, right, title or interest in the same.

(d) That neither the Vendors nor the company have created any mortgage, charge, lien, tenancy, licence or any encumbrances or liability in respect of the said property and that they have not done any act whereby the rights in respect of the said property have been prejudiced or jeopardised in any manner whatsoever.

(e) There are no proceedings pending in any court as on the date concerning touching or affecting the said property.

(f) There is no attachment or prohibitory Order issued by the competent authority or any Court or Tax Authorities or by any other authority prohibiting the company from dealing with the said property.

(g) Neither the Vendors nor the company has entered into any arrangement, agreement or commitment in respect of the said property nor created any third party rights in respect of the same or any part thereof; and

(h) Neither the Company nor the Vendors have at any time received any notice and/or communication from the Municipal Corporation of Greater Bombay and/or from any authorities directly and/or indirectly raising any dispute and/or challenging the legality of the construction.

5. The Vendors state that there are no outstanding charge/s in respect of any liability of the company registered with the Registrar of Companies. If it is ascertained that in respect of any charge so registered and satisfied but for which no charge satisfaction certificate is filed with the Registrar of Companies, in that event the Vendors shall, after following due process of law, procure such charge satisfaction certificate from the Registrar of Companies in respect of every charge registered with him. The same shall be so obtained by the Vendors at their own cost, expenses and efforts for and on behalf of the Company within a period of six months from the date hereof, time being of the essence.

6. All the liabilities of the company whatever, disclosed or undisclosed accrued prior to the date hereof or the cause of action which has commenced prior to the date hereof are to be borne and paid by the Vendors, the price of shares agreed to herein having been arrived at on the said footing. The Purchasers shall be entitled to pay and clear the same out of the monthly instalments payable by them to the Vendors. Notwithstanding the completion of the sale and purchase effected by this agreement the obligations, indemnities, warranties and undertakings contained and referred in this agreement shall continue to subsist so long as may be necessary for the purpose of giving effect to each and every one of them.

7. Each of the Vendors hereby waive their respective right of pre-emption in respect of the entire issued, subscribed and paid up share capital of the company and they hereby give their specific and irrevocable consent and no objection for transferring by the other the share holders in favour of the Purchasers.

8. The Vendor No. 2 has on execution hereof agreed to retire as the Director of the Company and has handed over his resignation as Director of the Company to the Purchasers herein and he shall retire as the Director of the Company in the method and manner set out hereinafter.

9. (A) On execution hereof the Vendors shall:—

(i) deliver to the Purchasers all the relevant Share Certificates in respect of 4700 equity shares, together with Share transfer forms duly filled in, executed and attested.

(ii) hold a Board meeting of the company at which it shall be Resolved that:—

(a) “the transfers of the shares in respect of 4700 shares sold under this Agreement is approved for transfer and registration in favour of the Purchasers or their nominee’s subject only to their being duly stamped.”

(b) “that the Purchasers Nos. 1 and 2 herein be appointed as Directors of the company.”

(c) “that the letters of resignation of Vendor No. 2 resigning as Director of the company is duly accepted.”

(iii) shall do all acts and things to completely and properly effect the transfer of the said 4700 equity shares in favour of the Purchasers and also to put the Purchasers in control and management of the company in all respects along with the Vendors.

(iv) shall handover the original Share Certificates in respect of remaining 18,800 equity shares together with duly executed transfer forms duly attested to Shri \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in escrow (hereinafter referred to as the **“Escrow Agent”**), for the purpose of time to time handing over the same to the Purchasers in the manner and method recorded herein.

 (B) The Vendors shall also *inter alia* carry out the necessary acts, things and the procedure for the following:—

(i) get the Purchaser Nos. 1 and 2 adopted and appointed as Directors on the Board of the Company within a period of one week from the date hereof as also execute and sign all the necessary Forms in that behalf and file the same with the Registrar of Companies;

(ii) get the transfer of the said 4700 equity shares approved by the Board of Directors in favour of the Purchasers within a period of one week from the date hereof and also get the same transferred in favour of the Purchasers by that date and deliver the same to the Purchasers.

(iii) The Vendor No.2 shall retire as Director of the company within a period of one week from the date hereof.

 (C) Against payment of each installment as provided in
Clause 1(b) above, the Vendors shall get 1880 equity shares transferred in favour of the Purchasers and cause the same to be delivered to the Purchasers through the said Escrow Agent holding them in Escrow as mentioned above. At the time of payment of the last installment or the balance payment, the Vendors shall get all the said equity shares transferred in favour of the Purchasers. While transferring the said shares as aforesaid the Vendors shall comply with the due process of law and the procedure as set out in sub-clause (B) above. The original documents in respect of immoveable properties of the company shall be also kept deposited in escrow with the said Escrow Agent and upon payment of the entire consideration, the Purchasers shall be entitled to receive the same from the said Escrow Agent.

10. The Company’s Bank Account with Canara Bank, Opera House Branch, Mumbai will be henceforth jointly operated by the Vendors Nos. 1 and 2 and the Purchasers Nos. 1 and 2 for a period of two months from the date hereof. The Vendors’ shall close the company’s Bank Account with Canara Bank, Santacruz (West) Branch, with immediate effect. After a period of two months from the date hereof, the Purchasers shall be entitled to open a Bank account in the name of the company to be operated exclusively by them. The Vendors shall on or before \_\_\_\_\_\_\_\_\_\_\_\_\_ get the requisite resolutions passed by the Board of Directors of the company to give proper effect to the aforesaid.

11. As and when the Purchasers become entitled to 70% of the total shareholding of the company, the Board of Directors of the company will consist of three Directors from the Purchasers group and two Directors from the Vendors group. As and when the Purchasers become entitled to 100% shareholding of the company, the Board of Directors of the company will consist of all the Directors from the Purchasers group only and at that point of time the Directors representing Vendors group shall forthwith resign as Directors of the company. The Vendors, at the appropriate time, will get the requisite resolutions passed by the Board of Directors as also by the General Body to give proper effect to the aforesaid arrangement.

12. All the records of the company shall be kept at the registered office of the company, including the following:—

(i) The Certificates of Incorporation, Common Seal and statutory and other Registers of the Company; and

(ii) all the statutory, non-statutory books and the records of the company including cheque books etc.;

13. The Vendors declare, state, represent, agree, covenant and assure unto the Purchasers as under:—

(a) That the Vendors are the sole and absolute owners of the said shares of the company and that they have full right, power and authority to sell and transfer the same to the Purchasers.

(b) That the entire issued, subscribed and paid up capital of the company are held and owned by and between them alone.

(c) That the said shares are free from all encumbrances, charges and liens.

(d) That the Vendors shall keep the said shares free from all encumbrances of whatsoever nature and will not be entitled to create any mortgage, charge, lien or any encumbrance or liability thereon and shall not directly and/or indirectly make any efforts and/or attempts to obtain duplicates thereof.

(e) That the Vendors shall not enter into any arrangement, agreement or commitment or create any third party rights in respect of the said shares.

(f) That the present Directors of the company are as set out in **Annexture “I”** hereto and save and except the said persons there are no other Directors of the Company.

(g) That there are no winding up proceedings pending against the company anywhere in any court nor any of its’ Creditors have issued any statutory notice of demand under provisions of sections 433 and 434 of the Companies Act, 1956 nor there are any legal proceedings pending against the Company or its Directors in any Court of law.

(h) That they have neither agreed to sell nor entered into any arrangement to sale or dispose of their shareholding or any of the assets of the company nor the Vendors or the company has agreed to allot or issue any new shares to any person or party in any manner whatsoever.

(i) That neither the Vendors nor the company has agreed to sell or entered into any arrangements to dispose of any of the assets of the company.

(j) That the auditors of the company shall, without any cost to the company, resign their office stating that there are no circumstances connected with their resignation required to be brought to the attention of the members.

(k) The new auditors of the company with effect from \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ shall be appointed as may be decided by the Purchasers.

(l) The company has not given any guarantee/s or surety in respect of any one’s liabilities.

(m) All the licences/approvals as set out in Schedule “III” hereto are valid licences/approvals and they shall give their full co-operation and efforts to obtain renewals thereof.

(n) Henceforth, the Purchasers shall be the absolute owners of the said 4700 shares and shall be in joint control and management of the company along with the Vendors.

14. It is further and expressly agreed, confirmed and recorded as under:—

(a) Save and except the liabilities of the company mentioned in the Schedule “II” hereto, all the past liabilities of the Company shall be borne and paid by the Vendors personally. Henceforth, the Vendors shall not directly or indirectly create any liabilities of whatsoever upon the company.

(b) All the liabilities and/or claims against the Company and not disclosed in the books of accounts of the company as on \_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_ 200\_\_ including the liabilities of unknown or known nature, contingent or non-contingent, ascertained or unascertained, whether contractual or of tort, pursuant to any act against environmental, accident, industrial accident, act of omission or commission, tax or revenue liabilities (including any liability under income tax, sales tax or excise or customs law) or any claim on account of sales return goods, destruction, margin differences, demands from trade, quality of products or any other act of commission or omission, prior to the date hereof, in any manner relating and/or pertaining to the Company shall remain the sole and exclusive personal liability of the Vendors and the Vendors shall personally pay and discharge the same and the Vendors shall indemnify and hold the Purchasers harmless against all such liabilities and consequential losses.

(c) The Balance Sheet as on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of the company as also the provisional Balance Sheet of the company as on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ truly and fairly state the financial affairs of the company as on that date.

(d) The Vendors state that since the date of day
of \_\_\_\_\_\_\_\_\_ 200\_\_:—

(i) No material change has taken place in the value of the assets and liabilities of the company in its fixed and current assets, stocks, inventories, sundry debtors, sundry creditors and other liabilities other than immaterial changes which may have occurred since then in the ordinary course of the business;

(ii) The affairs of the company have been conducted only in the ordinary course of the business;

(iii) There has been no material change in the condition (financial or otherwise) of the assets, liabilities, earnings, business, operations, affairs or prospects of the company other than changes in the ordinary course of business; and

(iv) There has been no damage, destruction, loss or other occurrence or development (whether or not insured against), which either singly or in the aggregate materially or adversely affects the assets, liabilities, earnings, business, operations, affairs or prospects of the company.

(v) Except in the ordinary course of its business, the Vendors have not created or incurred any liability, commitment or obligation (absolute or contingent) of whatsoever nature, except as shown in the Accounts, and except unsecured current liabilities incurred in the ordinary course of business.

(e) The Vendors state that all the employees, workmen and staff of the company have either retired, retrenched and/or their services terminated in accordance with law. The Vendors state that all the liabilities of the said employees, workmen staff etc. is duly paid and discharged by the company in full and no liability or any dispute of whatsoever nature with them under the provisions of Industrial Disputes Act or any other law is pending. If any liability in that account arises the same shall be the exclusive personal responsibility of the Vendors to pay and discharge the same.

(f) There are no legal proceedings of whatsoever nature pending and/or threatened which may affect the company or its business and/or its assets.

(g) The Vendors have, in respect of the company, properly and accurately prepared and filed all Central, State, territorial, local and other tax returns and reports required to be filed under all applicable Statutes, law regulations (including without limitation under the Income Tax Act of 1961 and Companies Act, 1956). The Company has paid, or made adequate provision in their books of account for all Central, State, territorial, local and other taxes including all interest, penalties and assessments, which shall be due and payable and all such taxes due and payable have been or shall be fully discharged by the Vendors. As on the date hereof the company has no liability for any income or wealth taxes, or any sales, purchase or other turnover taxes, or any excise duty, octroi or any other taxes or imposts whatsoever attributable to the company for any period.

15. Until all the said shares, being the entire issued, paid up and subscribed capital of the company is transferred in favour of the Purchasers and all the Vendors have retired and/or the Purchasers have been co-opted as Directors and the complete control and management of the company is handed over to the Purchasers, the Vendors shall:—

 (i) carry on the business of the company in the ordinary course with the mutual concurrence of the Purchasers;

 (ii) not enter into any contracts, arrangements or commitments;

 (iii) not incur any liability or obligation;

 (iv) not make any payments except payments of a routine nature and in discharge of liabilities disclosed in
Schedule II hereto;

 (v) maintain all existing licences, insurances and not do anything which will affect its’ validity;

 (vi) not issue any shares;

 (vii) not change the share capital of the company;

 (viii) not declare, make or pay any dividend or other distribution;

 (ix) not make any payment to or for the benefit (direct or indirect) of the Vendors; and

 (x) not pass any resolutions of the Board or of the members of the company save and except as agreed herein.

16. The Vendors personally guarantee the performance of this agreement by the Company and of the obligations on the part of the Company and agree to keep indemnified and hereby indemnifies the Purchasers against any loss arising on account of non-performance thereof.

17. The Vendors and each of them do hereby jointly and severally further agree to indemnify and hereby indemnifies the Purchasers and their successor as also the Company and hold them harmless from against the full amount of any loss, claim, damage, liability or expense resulting to the Purchasers or the Company either directly or indirectly from:

 (i) any undisclosed litigations pending against, by or affecting the business of the company or its assets/properties.

 (ii) any undisclosed claims relating to the affairs, business and properties of the Company.

 (iii) any material inaccuracy on any representation or warranty or any breach of any covenant or agreement by the Vendors whether made herein or to any third parties affecting the affairs, business and properties of the Company; and

 (iv) any and all undisclosed claims, charges or assessments made by any governmental body upon the company arising from acts or omissions by its existing or former employee or agents or those of its or their properties.

18. Towards security for payment of the balance consideration amount payable by the Purchasers to the Vendors, and till such time the said amounts are paid in full, it is specifically agreed and recorded by and between the parties as under:—

 (a) The Vendors shall have paramount charge and lien on the said shares.

 (b) The Purchasers shall keep the said shares free from all encumbrances of whatsoever nature and will not be entitled to create any mortgage, charge, lien or any encumbrance or liability thereon and shall not directly and/or indirectly make any efforts and/or attempts to obtain duplicates thereof.

(c) The Purchasers shall not enter into any arrangement, agreement or commitment or create any third party rights in respect of the said shares.

(d) The Purchasers being in the control and management of the company from the date hereof, shall not create any sale, mortgage, charge, lien, lease, licence, liability or any kind of encumbrances of whatsoever nature on the assets of the company including its’ immoveable properties or enter into any arrangement, agreement or commitment or create any third party rights in respect of the same.

(e) If any defaults in excess of permitted defaults are committed by the Purchasers in payment of the said amount to the Vendors, in that event the Vendors shall be fully entitled to restrain the Purchasers (i) from acting as shareholders and/or Directors of the Company and/or (ii) from directly and/or indirectly using the assets/properties of the company, till such time the defaulted amount is paid and/or cleared.

 Relying on the aforesaid statements, representations and assurances of the Purchasers, the Vendors have agreed to complete the sale of the said shares in favour of the Purchasers upon the terms and conditions recorded herein.

19. The parties hereto shall comply with all the provisions of the Company Law and other applicable laws to the transaction.

20. This agreement is subject to jurisdiction of the Courts at \_\_\_\_\_\_\_\_\_ only.

21. All disputes, differences and questions whatsoever which shall arise either during the continuance of this Agreement or afterwards between the parties hereto or touching these presents or the construction or application thereof or as to any act, deed or omission of any of the parties hereto in any way relating to these presents or in implementation thereof shall be referred to a sole arbitrator in case the parties to the dispute agree upon one or otherwise to two arbitrators and to an umpire to be appointed by such arbitrators before entering upon the reference and such arbitration shall be held in accordance with the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof for the time being in force. The entire Arbitration proceedings shall be held, conducted and proceeded in the City of \_\_\_\_\_\_\_\_\_ only.

SCHEDULE I

Particulars of the Fixed Assets/properties of the company

SCHEDULE II

List of Liabilities of the company as on \_\_\_\_\_\_ day
of \_\_\_\_\_\_\_\_\_\_\_ 2002.

SCHEDULE III

List of Licences held by the Company:-

SCHEDULE IV

Particulars of the Bank accounts of the company:

 IN WITNESS WHEREOF the Parties hereto have affixed their respective hands and seal and executed these presents on the date first hereinabove mentioned.

SIGNED AND DELIVERED )

By the within named (1) ABC (2) DEF and )

(3) GHI the Vendors in the presence of ……. )

THE COMMON SEAL of the within named )

XYZ LIMITED, the Company was hereunto )

affixed, pursuant to the Resolution )

of its Board of Directors, )

passed in that behalf, on the )

\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_ 200\_\_\_ in the )

presence of (1) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, )

Managing Director and (2)\_\_\_\_\_\_\_\_\_\_\_\_ )

Director in the presence of \_\_\_\_\_\_\_\_\_ )

SIGNED SEALED AND DELIVERED by the )

Within named (1) MNO (2) PQR and (3) STU, )

the Purchasers in the presence of …….. )