

Specimen Agreement of Service as a Managing Director of a Company

THIS AGREEMENT is made on the..... day of..... 2007 between..... Ltd., a company incorporated under the Companies Act, 1956 and having its Registered Office at..... (hereinafter called "Company" of the one part and Mr..... son of Mr..... resident of..... (hereinafter called "the Managing Director" of the other part).

It is hereby agreed as follows:

1. The company hereby appoints subject to the approval of the Government of India under Section 269 of the Companies Act, 1956, Mr..... as Managing Director of the company for period of five years with effect from..... and the Managing Director hereby agrees to serve the company in such capacity for a period of five years with effect from.....

2. The Managing Director shall exercise and perform such powers and duties as the Board of directors of the company (hereinafter called "the Board") shall, from time to time, determine, and subject to any directions and restrictions, from time to time, given and imposed by the Board and subject to the restrictions contained hereinafter, he shall have the general control, management and superintendence of the business of the company with power to appoint and dismiss employees (other than officers of the company drawing a basic pay of Rs. 3000/- and above per month) and to enter into contracts on behalf of the company in the ordinary course of business and to do and perform all other acts and things, which in the ordinary course of business he may consider necessary or proper or in the interest of the company.

3. Without prejudice to the generality of the powers vested in the Managing Director under the preceding clause hereof, the Managing Director shall be entitled to exercise the following powers—

- (a) With Board's approval singly or together with other authorised officer(s) of the company, to open and operate on any banking or other account and to draw, make, accept, execute, endorse, discount, negotiate, retire, pay, satisfy and assign cheques, drafts, bills of exchange, promissory notes, hundis, interest and dividend warrants and other negotiable or transferable instruments or securities;
- (b) Together with other authorised officer(s) of the company to borrow moneys with or without security, but not exceeding Rs. five lakhs at a time from one party;
- (c) To incur capital expenditure up to a sum of Rs. five lakhs during any financial year;
- (d) Together with other authorised officer(s) of the company, to invest funds of the company in approved securities (other than in shares of other companies) and on fixed deposit with the company's bankers provided that such investments in any one financial year shall not exceed Rs. twenty lakhs;
- (e) To engage employees and other servants for the company at a basic salary not exceeding Rs. 3000/- per month within the budget sanctioned by the Board;
- (f) To increase the salary or the remuneration of any employee or servant of the company whose basic salary does not exceed Rs. 2,000/- per month. General increments must be with the Board's approval;
- (g) Together with other authorised officer(s) of the company, to enter into contracts for the purchase of goods and hiring of services for the company which contracts do not extend over a period of one year or exceed in value the sum of Rs. ten lakhs;
- (h) To institute, prosecute, defend, oppose, appear or appeal, to compromise, refer to arbitration, abandon subject to judgment, proceed to judgment and execution or become non-suited in any legal proceedings relating to customs or excise duties, tax on income, profits and capital and taxation generally or otherwise.

4. The Managing Director shall, throughout the said term, devote the whole of his time, attention and abilities to the business of the company, and shall obey the orders, from time to time, of the Board and in all respects conform to and comply with the directions and regulations made by the Board, and shall faithfully serve the company and use his utmost endeavour to promote the interest thereof.

5. The company shall pay to the Managing Director during the continuance of this agreement in

consideration of the performance of his duties –

- (a) a salary at the rate of Rs..... per month;
- (b) the actual travelling expenses incurred by the Managing Director in or about the business of the company;
- (c) the actual entertainment expenses and approved club membership fees reasonably incurred by the Managing Director in or about the business of the company;
- (d) the actual hospital and medical expenses which have been incurred by the Managing Director for himself, his wife, dependent parents and his minor children, provided that such expenses during the three consecutive financial years shall not exceed Rs.....
- (e) The Managing Director shall be entitled to use the company's car, all the expenses for maintenance and running of the same including salary of the driver to be borne by the company;
- (f) The company shall provide the Managing Director with rent free furnished accommodation and will pay electricity and water charges;
- (g) He shall also be entitled to use the company's telephone at his residence, the charges whereof shall be borne by the company;
- (h) The Managing Director shall be entitled to participate in any provident fund and gratuity fund or scheme for the employees which the company may establish;
- (i) The Managing Director shall be entitled to such increments from time to time as the Board may in the discretion determine;
- (j) The Managing Director shall be entitled to privilege annual leave on full salary for a period of one month, such leave to be taken at such time to be previously approved by the Board; Provided that the Board shall be entitled, at its sole and uncontrolled discretion, to permit the Managing Director to accumulate such leave for not more than three months; provided further that any leave not availed of by the Managing Director shall be encashable.

6. The Managing Director shall not during the period of his employment, and without the previous consent in writing of the Board, engage or interest himself either directly or indirectly in the business or affairs of any other person, firm, company, body corporate or concern or in any undertaking or business of a nature similar to or competing with the company's business and further shall not, in any manner, whether directly or indirectly, use, apply or utilise his knowledge or experience for or in the interest of any such person, firm, company, body corporate or concern as aforesaid or any such competing undertaking or business as aforesaid.

7. The Managing Director shall not, during the continuance of his employment or any time thereafter, divulge or disclose to any person, firm, company, body corporate or concern, whatsoever or make any use whatever for his own or for whatever purpose of any confidential information or knowledge obtained by him during his employment of the business or affairs of the company or of any trade secrets or secret processes of the company and the Managing Director shall, during the continuance of his employment hereunder, also use his best endeavours to prevent any other person, firm, company, body corporate or concern from doing so.

8. Any property of the company or relating to the business of the company, including memoranda, notes, records, reports, plates, sketches, plans, or other documents which may be in the possession or under the control of the Managing Director or to which the Managing Director has at any time access, shall at the time of the termination of his employment be delivered by the Managing Director to the company or as it shall direct and the Managing Director shall not be entitled to the copyright in any such document which he hereby acknowledge to be vested in the company or its. assigns and binds himself not to retain copies of any of them.

The Managing Director shall, from time to time, during his employment hereunder, fully disclose to the company the progress of his investigation and any discoveries he may make himself or in conjunction with others and if at any time hereafter he shall make himself or in conjunction with others any

improvement, invention or discovery arising out of or in connection with the said employment he shall forthwith disclose to the Company or any patent agent appointed by it a full and complete description of the nature of the said improvement, invention or discovery and the mode of performing the same.

9. The whole interest of the Managing Director in the said improvement, invention or discovery and in all future improvements thereon at any time discovered or invented by the Managing Director alone or in conjunction as aforesaid, shall be the sole and absolute property of the Company and the Managing Director, if and whenever required by the Company during the period of employment or after the termination thereof shall at the expense of the Company, join with the Company in applying for letters patent, design registration or other forms of protection in India and in such other countries as the Company may direct for the said improvement, invention or discovery or any such improvement thereon and shall, on the request by, and at the expense of the Company, execute, sign and do all applications, assignments, instruments and things necessary to vest the whole of his interest in the said improvements, invention or discovery or improvement thereon and any letters patent or other protection that may be obtained in respect thereof, in the Company or person or persons appointed by it.

10. If the Managing Director shall at any time be prevented by ill-health or accident from performing his duties hereunder, he shall inform the Company and if he shall be unable by reason of ill-health or accident for a period of sixty days in any period of twelve consecutive calendar months to perform his duties hereunder, the Company may terminate his employment.

11. The Company shall be entitled to terminate this agreement in the event of the Managing Director being guilty of misconduct or such inattention to or negligence in the discharge of his duties or in the conduct of the Company's business or of any other act of omission or commission inconsistent with his duties as the Managing Director or any breach of his agreement.

12. If before the expiration of this agreement the tenure of office of the Managing Director shall be determined by reason of a reconstruction or amalgamation whether by the winding up of the Company or otherwise, the Managing Director shall have no claim against the Company for damages.

13. The Company shall be at liberty from time to time to appoint a person or persons to be Managing Director(s) jointly with the Managing Director.

The Managing Director hereby agrees that he will not, at any time, after the termination of this agreement, represent himself as being in any way connected with or interested in the business of the company.

IN WITNESS WHEREOF the parties hereto have set their hands the day, month and the year first above written.

Witnesses:

for and on behalf of the company

1.

2.

Managing Director