

FRANCHISEE OWN ACCOMMODATION

DRAFT FRANCHISE AGREEMENT

This Agreement is entered into on this _____ at Hyderabad.

BETWEEN

T.S..HANDICRAFTS DEVELOPMENT CORPORATION LTD., a Company incorporated under the Companies Act, 1956, represented by its _____, and having their Registered Office at 'Hastakalabhavan', Opp.Telephone Exchange,Musheerabad, Hyderabad-500 020 (hereinafter called "COMPANY") of the One Part;

AND

M/s _____, a company incorporated under the Companies Act, 1956, and having its office at _____, through its director Mr. _____ duly authorized vide Board Resolution (hereinafter called "FRANCHISEE").

The term 'COMPANY' and 'FRANCHISEE' shall wherever the context so requires or admits, mean and include its successors, assigns, business interest etc. as the case may be.

WHEREAS:

1. The COMPANY is, inter-alia, engaged in the trading of handicrafts and handloom items and products under the Brand name and trademark of Company.
2. The COMPANY is desirous to appoint a FRANCHISEE to operate and manage a showroom at _____, which shall exclusively display, sell Handicrafts and Handloom items and products as dealt by the COMPANY,
3. The FRANCHISEE is the owner of and in possession of a showroom having a super built up area of _____sq.ft. (_____sq.ft carpet area) in the _____ floors at _____, more particularly described and detailed in **Attachment-I**.
4. The FRANCHISEE has expressed its desire to be appointed by the COMPANY as its FRANCHISEE and has further represented that it has the necessary staff, finance, infrastructure and facilities for operating and managing the showroom in the most effective and efficient manner. The FRANCHISEE has further represented that it shall have all the necessary permissions, approvals, licenses etc. that are required for carrying on the BUSINESS at the SHOWROOM.
5. Relying upon the representation made by the FRANCHISEE, the COMPANY has agreed to appoint the FRANCHISEE on a principal to principal basis to operate and manage the showroom which shall display, sell and market the products on the terms and conditions contained in this agreement.

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

1. DEFINITIONS

In this Agreement unless the meaning or context otherwise requires, the following words and expressions shall have the meaning assigned to them below:

- Agreement:** shall mean the Agreement between the FRANCHISEE and COMPANY, the attachments, schedules and any writings referred to in the Agreement and any amendments thereof duly signed by the parties.
- Business** shall mean the operation and management of the SHOWROOM for displaying, stocking, selling and marketing the Products.
- Effective Date** shall mean the date of execution of the Agreement.
- Franchisee** shall mean M/s _____, which has been granted the specific contractual rights more particularly, described in this Agreement. The scope of functioning and the activities permissible are set out in detail in this Agreement. The Franchisee shall exercise these limited rights and exploit the brand name and goodwill of the Company under the guidance and control of the Company i.e. T.S.HANDICRAFTS DEVELOPMENT CORPORATION LTD
- Products** shall mean goods of handicrafts and handloom items and such other products, which may be introduced from time to time by the COMPANY for being displayed, sold and marketed through the SHOWROOM.
- Showroom** shall mean the premises owned by the FRANCHISEE, more particularly described in *Attachment-I*, which is operated and managed by the FRANCHISEE and from where the Business of the FRANCHISEE under this Agreement is carried on.
- Trade Marks** shall mean the brand name and trademark "_____" service marks, logos, other marks and any other intellectual property rights of which the COMPANY is the registered proprietor/user/owner and which relates to/applied to the Products sold through the SHOWROOM.

2. APPOINTMENT

- 2.1 Subject to the terms and conditions contained herein, the COMPANY hereby appoints the FRANCHISEE on a principal-to-principal, non-exclusive basis to carry on the BUSINESS and the FRANCHISEE agrees to such appointment.
- 2.2 The FRANCHISEE agrees and understands that the SHOWROOM shall be exclusive to the Handicrafts and Handlooms and other products shall be sold, displayed, marketed from it.
- 2.3 The COMPANY reserves its right to enter into similar arrangements with any other third party.

3. TENURE

- 3.1 The tenure of the agreement shall be for **a period of 3 years** i.e. from the _____ day of _____ 2017 subject to the termination of this Agreement under clause 11. The agreement may be renewed for such further periods on mutual terms and conditions.
- 3.2 It is agreed that the date of operation of the SHOWROOM shall be before _____. Date of operation shall mean the date on which the SHOWROOM shall be opened for the public.

4. RELATIONSHIP

- 4.1 This Agreement is on principal-to-principal basis and shall not be construed as creating a relationship of partnership, employer-employee, master-servant, agency, licencor-licencee or joint venture between the parties.
- 4.2 The parties shall be governed by the terms of this Agreement. Save as expressly provided in this Agreement or otherwise agreed to in writing, neither party shall enter into or have any authority to enter into any agreement and contract or make any representations or warranties or pledge the credit of or otherwise create any obligations expressed or implied on behalf of the other and each party undertakes not to do so.

5. SHOWROOM

- 5.1 The FRANCHISEE shall be solely responsible for the payment of all Government levies, taxes, cesses and any other statutory liabilities and dues charged/levied or which may be charged/levied in the future by any applicable authority with respect to the SHOWROOM.
- 5.2 The Franchisee may procure both Handicrafts and Handlooms from the Corporation on **Cash and carry system**. The Corporation will supply the products at **cost price plus 5% profit**. The Franchisee may also procure products from open market, at his will and pleasure. But the Corporation does not hold any responsibility for these transactions.
- 5.3 The Franchisee may add reasonable profit and local taxes to arrive sale price. However the sale price of any product shall be on par with the sale price of the same product at other emporia also.

- 5.4 The Franchisee must undertake the interior decoration of the showroom, publicity display of stocks and maintain, customer relations, etc. exactly on par with other emporia at his own cost.
- 5.5 The Franchisee will be permitted to use the Brand name of "**Golkonda Handicrafts emporium**" for which the Corporation shall be paid a **royalty of Rs. 1.00 lakhs for Class "A" cities and Rs.25,000/- for Class "B" Cities per annum initially for the first year.** The royalty amount shall be **increased at the rate of 10% on previous year royalty,** for the subsequent years.
- 5.6 The FRANCHISEE is permitted to display the name of the COMPANY outside the SHOWROOM and in the publicity materials. The COMPANY shall also allow the FRANCHISEE to use the trademarks of the COMPANY for the limited purposes of publicity, advertising, letterheads, Bill Books and for such other purpose to be mutually agreed upon in writing, which writing shall form an integral part of this agreement. Nothing contained in this clause shall deem to be a license to the FRANCHISEE to the use of the trademarks other than that envisaged herein.
- 5.7 The SHOWROOM shall be used only in accordance with the applicable rules and regulations of the Government and/or any other applicable authority. FRANCHISEE shall obtain such licenses, permissions, consents and approvals as may be required, on behalf of the company, in connection with the SHOWROOM and the BUSINESS after obtaining the necessary authorizations and/or documents from the COMPANY. The COMPANY shall not be liable for any consequences arising from non-compliance of this clause.
- 5.8 The SHOWROOM will be kept open for business during the specified working hours in consonance with the local Shop & Establishments Act, rules & regulations thereto.
- 5.9 The Authorized Official of the COMPANY shall be entitled to visit and inspect all parts of the SHOWROOM, books of accounts, accounting procedures etc. at any time during normal working hours to monitor that the Business is being carried on as per the norms and requirements of the COMPANY.
- 5.10 The Company will provide customized software for operating sales in the showroom and the Franchisee shall provide required infrastructure such as computers, printers, internet etc., at their cost. Any future modifications shall be at the cost of Franchisee only.
- 5.11 The Franchisee must not organize any kind of sales like exhibitions etc., except in the showroom.
- 5.12 Regarding export business a separate understanding/ Agreement shall be entered by Franchisee with the Company.
- 5.13 The Franchisee can not enter into any Institutional/Credit sale business with Govt. Departments or any other Institutions.

6. DUTIES AND RESPONSIBILITIES OF THE FRANCHISEE.

FRANCHISEE shall at all times work diligently to protect and promote the interest of the COMPANY and in particular shall:

- 6.1 use its best efforts to maintain the highest standards in all matters connected with the operation of the SHOWROOM and comply with all advice/instructions/directions/norms given to it by the COMPANY with regard to the operation of the BUSINESS
- 6.2 Employ at all times competent and adequate work force including security arrangements as mutually agreed upon in writing, to enable the SHOWROOM/its Business to operate efficiently. The staff at the SHOWROOM shall be the employees of the FRANCHISEE and the COMPANY shall not be liable or responsible for their salaries, remuneration, perquisition or other conditions of service. The FRANCHISEE shall be solely responsible to discharge all statutory obligations and liabilities if any in connection with the staff viz. ESI, PF, Bonus, Pension etc. Furthermore, COMPANY shall not be liable or responsible in any manner whatsoever for payment of compensation or other dues in the event of death/injury sustained by the staff during performance of their duties or to third parties for any omission or commission, negligence, misrepresentation etc. on the part of the FRANCHISEE and its staff during performance of their services under this Agreement.
- 6.3 The FRANCHISEE shall make such further modifications/improvements to/in the SHOWROOM including electrical requirement and provide such further furnishing/fixtures/facilities as may be requested from time to time by the COMPANY in writing, which writing shall thereafter form an integral part of this Agreement. The cost(s), expense(s) for such modifications/improvements shall be borne by the FRANCHISEE.
- 6.4 Maintain such records and submit the COMPANY as may be required/advised by it, such statements and records from time to time. The Franchisee must prepare a statement of sales made from 1st to 30th in the following proforma and submit the same to the authorized officer of the Corporation along with Bankers statement for the relevant period.
Statement of sales made during the month of _____

Sl. No.	Date	Cash Memo No.	Gross amount	Discount	Tax	Net amount
1	2	3	4	5	6	7

- 6.5 Promptly inform the COMPANY in the event of any dispute arising between it and a customer, in relation to the sale of the Products. The FRANCHISEE agrees not to initiate any proceedings in respect of or compromise the dispute without the COMPANY'S written consent.

7. REPRESENTATIONS, UNDERTAKINGS AND COVENANTS OF THE FRANCHISEE.

The FRANCHISEE agrees and undertakes as under:

- 7.1 The Franchisee must use packing material as per the standard specifications mutually agreed upon by Franchisee and by the Corporation from time to time.
- 7.2 To reimburse the COMPANY for any payments made by the COMPANY on its behalf under the Agreement or on account of its failure to comply with its obligations under the Agreement or in respect of payments made on behalf of the FRANCHISEE to any authority, body etc. to discharge any liability imposed upon the FRANCHISEE under applicable Acts, Rules, Regulations etc. The FRANCHISEE undertakes to pay interest @ 1.5% per month on the said amounts
- 7.3 Upon being directed by the COMPANY, to incorporate in any promotional material, advertisements, brochures etc. the fact that the SHOWROOM is being operated by the FRANCHISEE as a franchise and that the COMPANY is not liable for the acts, deeds, actions, defaults etc. of the FRANCHISEE.

8. INSURANCE

- 8.1 The Franchisee must take a comprehensive insurance policy at its own cost in respect of all Assets, Stocks, cash etc.
- 8.2 The COMPANY shall be entitled to receive the claim amount and utilize the same for settlement of the dues if any under this Agreement. Surplus, if any, shall be returned to the FRANCHISEE. FRANCHISEE shall continue to be liable for deficiencies, if any.

9. TAXATION:

- 9.1 The Franchisee must deposit an amount of Rs.25,000/- with the company towards interest free GST deposit, which will be refunded after termination agreement. The Franchisee must file periodical returns to the concerned authorities, attend and complete GST assessment in time at his cost.
- 9.2 Where sales are made by the FRANCHISEE against any GST declaration form, it shall be responsibility of the FRANCHISEE to collect the appropriate forms in respect of such sales.
- 9.3 The Franchisee must follow all rules and regulations of Income Tax Act, GST and Fringe Benefit Tax Act duly filing necessary returns and documents to concerned authorities. In respect of his Income, Expenditure, Assets and liabilities in time. The Company will not hold any responsibility for any failure in this regard.

10. INTELLECTUAL PROPERTY RIGHTS

- 10.1 The FRANCHISEE acknowledges that the Trade Marks and any other intellectual property rights on or relating to the Products or the SHOWROOM belong exclusively to the COMPANY and that it has no right or property therein other than as provided in this Agreement. All goodwill arising from the use of the Trade Marks and any other intellectual property rights by the FRANCHISEE shall accrue to the COMPANY.

11. TERMINATION:

The Agreement may be terminated

- 11.1 For any reason whatsoever by either party by giving three months written notice to the other of its intention to terminate the same. Upon expiry of the notice period, the Agreement shall stand terminated.
- 11.2 Where the COMPANY is of the opinion that the FRANCHISEE has committed breach of any of the provisions herein.
- 11.3 Where the COMPANY is of the opinion that the FRANCHISEES services, actions, deeds etc. are or likely to be injurious/ prejudicial to the interest and reputation of the COMPANY or are such as would constitute an offence under the applicable laws.

12. CONSEQUENCES OF TERMINATION

Upon termination of the Agreement as aforesaid:

- 12.1. The SHOWROOM shall cease to be used by the FRANCHISEE for displaying, selling and marketing of the Products of the COMPANY.
- 12.2 FRANCHISEE shall forthwith hand over all the Confidential Information to the COMPANY forthwith including any software programmes, data basis, unused stationery etc.
- 12.3. In the event of termination, otherwise than by mutual consent, the FRANCHISEE, its Directors and their relatives, associate companies/ firms/ association of the FRANCHISEE or its Directors/relatives shall not on its/their own or in partnership/joint venture etc. carry on same or similar business from/in the SHOWROOM for a period of at least 5 years from the date of termination.
- 12.4 Termination by the COMPANY shall in no way adversely affect its rights to bring appropriate action to recover damages/dues or to set off any claims or any amount owing by the COMPANY to the FRANCHISEE.

13. INDEMNITY

- 13.1 FRANCHISEE undertakes to indemnify and keep the COMPANY indemnified against any loss(s), damage(s), or liability (ies), suit(s), action(s), proceeding(s), expense(s), cost(s) etc. incurred/suffered/instituted as a result of any act of omission or commission or negligence on FRANCHISEE'S part and/or on the part of its servant or agents, or as a consequence of third party claims or legal dues of any nature or non-compliance with the undertakings and representation made herein or infringement of Trade Marks/Intellectual Property Rights of the COMPANY or conduct of BUSINESS in a manner prejudicial to the interest/reputation of the COMPANY

14. NOTICES

- 14.1 Any directions/instructions/requirements under this Agreement to be given by the COMPANY to the FRANCHISEE shall be deemed to have been validly given, if signed by the Managing Director, any other officer duly authorised by the Managing Director of the COMPANY, or such other person as mutually agreed to between the parties in writing, which writing shall form integral part of this agreement.
- 14.2 Any communication/notice/letter(s)/document(s) sent by one party to the other shall be in English and delivered at the address stated hereunder or at such other address notified in writing to the other party. The communication/notices etc. may be sent by mail, personal delivery and where sent by fax or e-mail or any other electronic mode, it must be backed with Registered A/D communication/courier receipt for valid service.
- 14.3 Any change in the address shall be duly notified in writing to the other party within 7 days of such change.
- 14.4 Any communication, document etc. made or delivered by the FRANCHISEE to the COMPANY shall be effective only when received by the COMPANY.

The addresses for communication are as under:

Company: For the attention of:

Address:

Tel

Fax

E-mail

Franchisee: For the attention of:

Address: _____.

Tel _____

15. ASSIGNMENT

15.1 This Agreement cannot be assigned/transferred by the FRANCHISEE nor can the FRANCHISEE grant any sub-licence and/or the right to operate the SHOWROOM and/or delegate any duties or obligations arising under this Agreement to third parties without the prior written permission of the COMPANY. However, the COMPANY is fully authorised to sell, transfer and assign etc. or any of its rights and benefits under this Agreement and its business or its business entity. The purchaser/transferee/ assignee would ipso facto step into the shoes of the COMPANY and FRANCHISEE shall continue with its obligations under this Agreement to the new purchaser/transferee/assign.

16. SEVERABILITY AND PARTIAL INVALIDITY:

16.1 The parties shall endeavor to replace any provisions severed from this Agreement with a legal, valid and enforceable provision that closely matches the intent of the original provision.

17. DISPUTE SETTLEMENT - ARBITRATION

17.1 Any dispute, controversy, contest or claim arising out of or relating to this Agreement, or the breach, termination or validity thereof shall be resolved amicably in the first instance.

17.2 Unresolved disputes if any shall be referred to Arbitration to the Managing Director of the COMPANY or any other person nominated by him.

17.3 The proceedings shall be conducted in accordance with the provisions of the Arbitration and Conciliation Act, 1996, Rules there under and/or subsequent enactments, modifications in respect thereof. The venue of Arbitration shall be Hyderabad. The arbitration proceedings shall be in English language.

18. JURISDICTION OF COURTS

18.1 The Courts situated in Hyderabad shall have exclusive jurisdiction to try and adjudicate all or any dispute under this Agreement to the exclusion of all other Courts.

19. GENERAL

19.1 The Franchisee shall bear the cost and expenses incurred in connection with this Agreement.

19.2 The parties hereby declare that they have read the terms and conditions contained in this Agreement completely and they fully understand the contents thereof and unconditionally agree to abide by all the clauses contained under this Agreement.

**IN WITNESS WHEREOF THE PARTIES HERETO HAVE TO SET THEIR HANDS
ON THE DAY AND MONTH AND YEAR ABOVE WRITTEN.**

For and on behalf of

For and on behalf of