

**1ST NATIONAL CONTRACT DRAFTING COMPETITION & WORKSHOP, 2023 IN
ASSOCIATION WITH NISHITH DESAI ASSOCIATES (NDA)**

PROPOSITION

Bhavesh Patel, age 31 years, began to take interest in the industry of regional sweet and savoury snacks and namkeens at a very young age. His father, Jignesh Patel, used to have a local shop in the bustling city centre of Surat, Gujarat which sold such snacks to customers for over 25 years and thus had a long-standing reputation for quality, hygienic Indian snacks. His father Jignesh Patel had two sons – with Bhavesh being the eldest and his younger brother Harsh Patel. Over the years, the popularity of Jignesh’s shop grew by bounds in the late 2000s and he expanded across certain locations in Gujarat, whilst also setting up a manufacturing unit in Jamnagar under the name of his company ‘Patel Snacks and Beverages Private Limited’. Incorporated in 2007, “Patel Snacks and Beverages” (also called Patel’s) became one of the first regional snack companies in Gujarat and was able to capture approximately 40% of the snacks market in Gujarat in the next ten years.

Bhavesh, after completing his Masters’ in Business Administration from IIM Ahmedabad, realized the potential of the Indian snacks market along with his interest in the business of Patel Snacks and Beverages. Bhavesh proposed to his father Raghuvir that it was time for Patel Snacks and Beverages to go pan-India and cater to regional snacks of different states. His younger brother Harsh was also interested in the venture, however Bhavesh and Harsh, due to personal animosity, were not willing to work together. Upon consultation with different family members, Jignesh came up with a solution which allowed for further expansion of Patel Snacks and Beverages while also ensuring that both Bhavesh and Harsh get an equal chance to grow the legacy of Patel Snacks and Beverages.

Jignesh proposed that Patel Snacks and Beverages Private Limited (‘Parent Company’), which would be held by Jignesh would set up two subsidiaries, Patel North Private Limited (‘North Sub’) and Patel South Private Limited

(‘South Sub’). The Parent Company will hold 49% each in North Sub and South Sub, with the remaining 51% in North Sub being held by Bhavesh and 51% of the South Sub held by Harsh. The control of operations of the North Sub would be with Bhavesh and the control of South Sub would

be with Harsh. Bhavesh (through North Sub) would have the exclusive right to operate (*i.e., exclusive right to manufacture, sell (both through company owned retail shops and in wholesale to other retailers) and market regional snacks under the brand name of Patel*) in the Northern and Western states of India. These would include the states of Maharashtra, Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan and Delhi. Harsh (through South Sub) would have the exclusive right to operate (*i.e., exclusive right to manufacture, sell (both through company owned retail shops and in wholesale to other retailers) and market regional snacks under the brand name of Patel*) in the Southern states of India. These would include states of Andhra Pradesh, Telangana, Tamil Nadu, Kerala and Karnataka. Both the North Sub and South Sub would be allowed to operate in Gujarat and undertake exports outside India.

The traditional recipes of snacks curated by Jignesh (currently being sold at Patel's outlets across Gujarat) could be utilized by both the South Sub and North Sub within their menus / operations. Over and above these recipes and snacks, both the companies would be allowed to curate new recipes / snacks and offer it to / sell it within their respective states, however, it shall be the responsibility of each subsidiary to respectively ensure appropriate legal protection of their newly curated recipes. The exclusive rights to operate in their respective geography shall be applicable for a reasonable period such that the same does not constitute a restraint of trade under the applicable Indian laws.

Both North Sub and South Sub will individually pay a royalty of 5% of their individual total yearly revenue to the Parent Company as royalty fee for licensing the intellectual property of 'Patel's' held by the Parent Company to the subsidiaries.

Parent Company has engaged you as a lawyer to draft a "Framework Agreement", documenting the aforementioned arrangement and ensuring that the document equally distributes all rights and obligations between both the subsidiaries.

- *Details of the parties are provided in Annexure A*
- *Key terms for the Framework Agreement are provided in Annexure B*

ANNEXURE A

DETAILS OF THE PARTIES

S. No	Heading	Details
1.	Party 1	<p>Patel Snacks and Beverages Private Limited</p> <p><u>Address:</u> 9/2003-4; Rama Priya Chowk; Main Road; Surat – 395 003</p> <p><u>CIN:</u> U34130GJ2007NPX1291000</p> <p><u>Shareholding Pattern:</u> Mr. Jignesh Patel– 99.0% Other – 1.0%</p>
2.	Party 2	<p>Patel North Private Limited</p> <p><u>Address:</u> Aryan Compound, Near Polaris, Punagam, Surat – 395 010</p> <p><u>CIN:</u> U22130GJ2023NPJ1241888</p> <p><u>Shareholding Pattern:</u> Mr. Bhavesh Patel– 51.0% Mr. Jignesh Patel– 49.0%</p>

3.	Party 3	<p>Patel South Private Limited</p> <p><u>Address:</u> New Industrial Estate "M" Road, Road No. 12, Udhyanagar Udhna, Surat – 394 210</p> <p><u>CIN:</u> U21230GJ2023NJM1741111</p> <p><u>Shareholding Pattern:</u></p> <p>Mr. Harsh Patel– 51.0%</p> <p>Mr. Jignesh Patel– 49.0%</p>
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ANNEXURE B
KEY TERMS OF THE FRAMEWORK AGREEMENT

S. No	Term	Details
1.	Meaning of “Operations”	<p>Reference to exclusive operation of a subsidiary in their respective geographical location shall mean the right of such subsidiary to undertake the following activities in their respective geographical locations:</p> <ol style="list-style-type: none"> 1. <i>Right to set up manufacturing units for production;</i> 2. <i>Right to set up wholesale and retail shops operated by the subsidiary;</i> 3. <i>Right to enter into contracts with dealers and retailers registered and operating in the concerned geographical location;</i> 4. <i>Right to physically market their products exclusively in the concerned geographical locations.</i>
2.	Exclusive rights of North Sub	The North Sub shall have the exclusive right to undertake the Operations as mentioned above in the following states - Maharashtra, Uttar Pradesh, Bihar, Madhya Pradesh, Rajasthan and Delhi (“Exclusive North States”).
3.	Exclusive rights of South Sub	The South Sub shall have the exclusive right to undertake the Operations as mentioned above in the following states - Andhra Pradesh, Telangana, Tamil Nadu, Kerala and Karnataka (“Exclusive South States”).

		<i>Exclusive South States and Exclusive North States, together referred to as 'Exclusive States'.</i>
4.	Common right of both the Subsidiaries	Both North Sub and South Sub shall be eligible to undertake new operations in the state of Gujarat. The existing assets, stores, and customers in the state of Gujarat shall be equally divided between South Sub and North Sub.
5.	Other Covenants	<p>Both the North Sub and South Sub shall not, for a period of 1 (one) year from the date of the agreement expand Operations in any state other than their respective Exclusive North States or Exclusive South States. Post 1 (one) year, both North Sub and South Sub shall be free to expand in any other states which do not form a part of either Exclusive North States or Exclusive South States.</p> <p><i>Illustration: For a period of 1 (one) year, North Sub shall not open any new Operations in any state which is not an Exclusive North State. Post 1 (one) year, the North Sub shall be free to open new Operations in any other state in India except in Exclusive South States.</i></p> <p><i>The same also applies vice versa to South Sub.</i></p>
6.	Exclusive Period	The right of Exclusive Operations of North Sub in Exclusive

		North States and the right of Exclusive Operations of the
		South Sub in Exclusive South States shall be for a period of 3 (three) years from the date of the Agreement (“Exclusive Period”). Post the Exclusive Period, both the subsidiaries shall be allowed to Operate in any state in India.
7.	Non-Compete	During the Exclusive Period, neither of the subsidiaries or its Key Managerial Person shall engage in a similar business, directly or indirectly, in the Exclusive States of the other subsidiary.
8.	Non-Solicitation	During the Exclusive Period, neither of the subsidiaries or its Key Managerial Person shall solicit any employee, supplier or customer, directly or indirectly, in the Exclusive States of the other Subsidiary.
9.	Royalty payment to Parent Company	Both North Sub and South Sub shall, individually pay a royalty fee of 5% of their annual revenue to the Parent Company as a consideration for the licensing of the intellectual property held by Parent Company to the Subsidiaries.
10.	Intellectual Property	The trademark ‘Patel’s’ shall continue to be held by the Parent Company and shall be licensed to the subsidiaries. North Sub shall always use ‘Patel’s’ along with the suffix ‘North’ and South Sub shall always use ‘Patel’s’ along with the suffix ‘South’. Respective suffix shall always be clearly mentioned on all advertisements, packaging and other materials.

11.	Representations and Warranties	Parties shall provide standard representations and warranties regarding their ability to enter into this agreement.
12.	Breach of Covenants	Any breach of the covenants of the obligations shall be remedied by damages or specific performance of obligations.
13.	Applicable Laws	The applicable law governing the agreement shall be laws of India.
14.	Dispute Resolution	Any dispute between the parties shall be resolved by a sole arbitrator appointed by as per the rules of Mumbai Centre for International Arbitration. The courts of Gujarat shall have exclusive jurisdiction over disputes of this agreement.
15.	Confidentiality	The terms of this agreement along with all the intellectual property including trade secrets of the recipes shall be kept confidential by all parties.
16.	Term of the Agreement	The term of the agreement shall be 3 years.