

Commercial Contract

HIRE PURCHASE AGREEMENT



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

www.smeda.org.pk

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1. INTRODUCTION OF SMEDA

The Small and Medium Enterprise Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME development strategy. Since its inception in October 1998, SMEDA had adopted a sectoral SME development approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved overhauling of the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

After successfully qualifying in the first phase of sector development SMEDA reorganized its operations in January 2001 with the task of SME development at a broader scale and enhanced outreach in terms of SMEDA's areas of operation. Currently, SMEDA along with sectoral focus offers a range of services to SMEs including over the counter support systems, exclusive business development facilities, training and development and information dissemination through a wide range of publications. SMEDA's activities can now be classified into the three following broad areas:

1. *Creating a Conducive Environment*; includes collaboration with policy makers to devise facilitating mechanisms for SMEs by removing regulatory impediments across numerous policy areas
2. *Cluster/Sector Development*; comprises formulation and implementation of projects for SME clusters/sectors in collaboration with industry/trade associations and chambers
3. *Enhancing Access to Business Development Services*; development and provision of services to meet the business management, strategic and operational requirements of SMEs.

SMEDA has so far successfully formulated strategies for sectors, including fruits and vegetables, marble and granite, gems and jewellery, marine fisheries, leather and footwear, textiles, surgical instruments, transport and dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced reach in terms of SMEDA's areas of operation.

Along with the sectoral focus a broad spectrum of services are now being offered to the SMEs by SMEDA, which are driven by factors like enhanced interaction amongst the stakeholders, need based sectoral research, over the counter support systems, exclusive business development facilities, training and development for SMEs and information dissemination through wide range of publications.

2. ROLE OF SMEDA LEGAL SERVICES CELL

The Legal Services Cell (LSC) is a part of Business Development Division of SMEDA and plays a key role in providing an overall facilitation and support to SMEs. The LSC provides guidance based on field realities pertaining to SMEs in Pakistan and other parts of the world. LSC believes that information dissemination among the SMEs on the existing regulatory environment is of paramount importance and it can play a pivotal role in their sustainable development.

In order to facilitate SMEs at the Micro Level LSC has developed user-friendly systems, which provide them detail description of the Laws, and Regulations including the process and steps required for compliance.

The purpose of this document is to provide SMEs, Service Providers, Companies and Firms with information pertaining to requisite format and content of a business to business commercial contract. Entrepreneurs interested in enhancing their understanding about the nature and form of an Agreement for Hire Purchase can also use the document.

3. DISCLAIMER

Form of this document and the contents therein are provided only for general information purpose and on an "as is" basis without any warranties of any kind. Use of this document is at the user's sole risk. SMEDA assumes no responsibility for the accuracy or completeness of this document, its form and any of the information provided therein and shall not be liable for any damages arising from its uses.

AGREEMENT FOR HIRE-PURCHASE OF MACHINERY

THIS AGREEMENT is made at (*Give place*) this.....
(*Give date*) day of..... (*Give month*) 200(*Give year*)

Between

XYZ.....(*Give name*) a company incorporated under the Companies Ordinance,1984, and having its registered office at.....(*Give address*) (which expression shall mean and include its assigns and administrators hereinafter called "the Owner") of the FIRST PART

And

Mr.son ofresident of(*Give details of address*) (which expression shall mean and include his legal heirs and assigns hereinafter called "the Hirer") of the SECOND PART

And

Mr.son of..... resident of..... (*Give details of address*) (which expression shall mean and include his legal heirs and assigns hereinafter called "the Surety") of the THIRD PART.

WHEREAS the Hirer intends to purchase from the owner a machinery ... (*Give details*) (*hereinafter the property*) through hire.

AND WHEREAS the owner has shown its willingness to sell the property to the Hirer through hire subject to the terms and conditions set forth herein and the documents to be executed for the said purpose.

NOW IT IS AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

1. The owner shall let and the Hirer shall take on hire with effect from the.....(*Give date*) day of.....(*Give month*) the..... (**give detail of the property**) with fittings, tools, and accessories, more particularly described in the Schedule hereto.
2. On execution of this agreement, the Hirer shall pay a sum of Rs..... (*Give details of amounts*) to the owner as initial payment by way of hire and shall during the continuance of this agreement pay to the owner by way of rent for the hire of the property the monthly sum of Rs..... (*Give details*)

3. The first payment installment shall be made by the hirer on the.....
(*Give date*) day of.....(*Give month*) and the next and each subsequent
installment shall be made on the.... (*Give date*) day of each succeeding month
during the said term.

4. Covenants by the Hirer

During the existence of this agreement, the hirer shall-

- a. Use the property in a careful and appropriate manner and keep the same at his own expense in good and tenable condition;
- b. Not sell or offer for sale, assign, mortgage, pledge, let or otherwise deal with the property or any part or parts thereof or create any interest therein.
- c. Keep the property in his exclusive possession and protect the same from any distress, execution or seizure;
- d. Not remove or cause to be removed the property or any part or parts thereof from the place where such property is for the time being situated without the previous consent in writing of the owner;
- e. Not allow any lien to be created upon the property in any manner whatsoever;
- f. Pay regularly and in time all rents, taxes, rates, charges and levies in respect of the premises wherein the property shall for the time being be situated and produce all receipts for such payment to the owner on demand;
- g. Keep insured the property during the existence of this agreement against any loss or damage by hire or otherwise in the sum of Rs..... (*Give sum*) with an insurance company in the name of the owner and punctually pay all premiums necessary for keeping the said insurance effective throughout the period of this agreement.

Provided that in case of failure of the hirer at any time to keep effect the said policy by making default in any payment of premium, the owner shall be entitled to effect such insurance and pay the premium to the said insurance company and the hirer shall forthwith pay to the owner all the premiums and other sums paid by the owner;

- h. Not engage or involve in the commission or omission of any act which may result in harm to the property including the seizure and/or confiscation thereof by the government or a local authority under any law for the time being in force.

5. Claim in case of Damage

In case the property is destroyed or damaged by fire or otherwise, all moneys received or receivable in respect of insurance of the property as aforesaid shall forthwith be receivable by the owner who shall as the case may be, apply such

money either in making good the damage done or in replacing the property by other articles of similar description and value and such substituted articles shall become subject to the provisions of this agreement in the same manner as the articles for which they shall have been substituted.

6. Termination

- a. This agreement may be terminated by the Hirer at any time by giving..... (*Give no.*) days notice in writing to the owner at his address for the time being and by returning the property at the hirer's own risk and expense. In case of termination as aforesaid the Hirer shall forthwith pay to the owner all hire charges up to the date of such termination and other sums due under this agreement.
- b. In the event of failure of the Hirer to pay the sums due under this agreement in accordance with payment schedule agreed hereunder for the hire of the property or if he commits breach of any of the terms and conditions of this agreement to be observed and performed by him or if the hirer shall do or cause to be done or permit or suffer any act or thing whereby the owner's rights in the property may be prejudiced or put in jeopardy, the owner may without notice terminate the agreement. Upon such termination it shall be lawful for the owner to take possession of the property and for that purpose to enter into or upon any premises where the same may be kept. If the agreement is terminated before the property passes to the hirer, the hirer shall forthwith return to the owner, policies and other documents relating to the property, if any.

7. Transfer of title to the Hirer

In case the Hirer fulfils all the required terms and conditions in this agreement and the covenants on his part and shall punctually pay to the owner the sums specified in clause 2 hereof amounting (together with the said sum of Rs..... (*Give details*) so paid on the signing of this agreement as aforesaid) to the sum of Rs..... (*Give details*) then the hiring shall stand completed and the owner will assign and make over all his rights, title and interest in the property to the Hirer but until such payments have been made, the property shall remain with the owner.

8. Covenants by Surety

The surety hereby guarantees unto the owner the due payment of the said rents and all other sums of money becoming due and or payable under this agreement and the performance and observance of the said agreement and conditions thereof by the hirer. This guarantee shall not be prejudiced by the owner neglecting or forbearing to enforce this agreement against the hirer or giving time for the payment of the said rents when due or delaying to take any steps to enforce the performance or observance of the said agreements or conditions or granting any indulgence to the hirer.

9. Interpretation

This agreement and each clause thereof constitute the full and final reflection of understanding between the parties. In case of question as to the meaning and import of a particular provision of the agreement, every clause thereof shall be read in conjunction with each other and agreement shall be read as a whole.

10. Dispute Resolution

In case of any dispute between the parties to this agreement regarding matters pertaining to this agreement the same shall first be settled amicable. In case of failure of the parties to settle the dispute amicably the same shall be referred to the arbitrators for arbitration in accordance with the provisions of the Arbitration Act, 1940.

IN WITNESS WHEREOF, the parties have executed this agreement on the day and the year first hereinabove written.

1. _____

The Hirer

2. _____

The Owner

3. _____

The Surety

Witnesses

1. _____

2. _____