NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH, COURT – II
CHENNAI

ATTENDANCE CUM ORDER SHEET OF THE HEARING OF NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH, HELD ON 25.08.2026 AT 10.30 A.M. THROUGH VIDEO CONFERENCING:

CORAM: SHRI. JYOTI KUMAR TRIPATHI, HON'BLE MEMBER (JUDICIAL)
SHRI. RAVICHANDRAN RAMASAMY, HON'BLE MEMBER (TECHNICAL)

APPLICATION NUMBER	**: --**
PETITION NUMBER	**: C.P. (IB)/370(CHE)2025**
NAME OF THE PETITIONER	**: Ernst & Young LLP**
NAME OF THE RESPONDENT(S)	**: MOBASE ELECTRONICS INDIA PRIVATE LIMITED**
UNDER SECTION	**: Sec 9 Rule 6 of IBC, 2016**

ORDER

Vide separate order pronounced in open court, **C.P. (IB)/370(CHE)2025** is Dismissed.

Sd/-	**Sd/-**
RAVICHANDRAN RAMASAMY	**JYOTI KUMAR TRIPATHI**
Member (Technical)	**Member (Judicial)**

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IN THE NATIONAL COMPANY LAW TRIBUNAL, DIVISION BENCH – II, CHENNAI
CP(IBC)/370(CHE)/2025

(Filed under Section 9 of the Insolvency and Bankruptcy Code, 2016, R/w, Rule 6 of the Insolvency and Bankruptcy Rules, 2016)

In the matter of ***Mobase Electronics India Private Limited***

ERNST & YOUNG LLP,
Rep. by its Partner Mr. Rajaram Ramanan
Ground Floor, Plot No. 67, Institutional Area,
Sector-44, Gurgaon Sector 45,
Gurgaon, Sector -45, Haryana, India – 122 003.
Also at: 6th & 7th Floor "A" Block,
Tidel Park No 4 Rajiv Gandhi Salai,
Taramani, Chennai – 600 113.

… Petitioner/ Operational Creditor

V/s

MOBASE ELECTRONICS INDIA PRIVATE LIMITED
Having office at: 136, Arakkonam Road, Thodukadu Village,
Thiruvallur, Tamil Nadu – 602 105.

… Respondent/ Corporate Debtor

Order pronounced on 25th August 2026

CORAM:

***SHRI.* JYOTI KUMAR TRIPATHI, MEMBER (JUDICIAL)**

***SHRI.* RAVICHANDRAN RAMASAMY, MEMBER (TECHNICAL)**

Present:
For Applicant: Aparajitha Vishwanath & Dharshan, Advocates
For Respondent: R. Sankaranarayanan & Sai Prashanth, Advocates

O R D E R

(Heard through Hybrid Mode)

This Application under Section 9 of IBC filed by **Ernst & Young LLP**, represented by its Partner Mr. Rajaram Ramanan, Petitioner/ Operational Creditor herein against **Mobase Electronics India Private**

Limited, Respondent / Corporate Debtor herein for initiating Corporate Insolvency Process (CIRP) against the Corporate Debtor.

2. SUBMISSIONS OF THE APPLICANT

2.1. Part I of the Application contains the particulars of the Applicant Ernst & Young LLP, represented by its Partner Mr. Rajaram Ramanan. Part II of the Application sets out the details of the Corporate Debtor. It was incorporated on 24.10.1994 with authorized share capital of Rs. 2,11,00,00,050/- and paid up share capital of Rs. 2,09,32,08,000/- and address at No. 191, Poonamallee High Road, Kilpauk, Chennai, Tamil Nadu – 600 010, India, Tamil Nadu, within the jurisdiction of this Tribunal. In Part III of the application, the Operational Creditor has not proposed anyone as the IRP. Part IV of the application sets out the details of the debt being Rs. 1,43,14,464/- (excluding GST and interest as on 31.10.2023 and less amount paid Rs.35,12,608/-) total amount due as on 31.10.2023 is Rs.1,08,01,856/- (Rupees one crore eight lakhs one thousand eight hundred fifty six only) along with interest @ 12% p.a. until the payment of debts, with the date of default as 01.11.2023. This application has been filed on 03.12.2025.

2.2. It is submitted that the Corporate Debtor had approached the Applicant for professional assistance in handling the orders and notices issued in GST proceedings initiated by the Tamil Nadu State Goods and Services Tax Authorities. Pursuant thereto, an Engagement Letter dated 16.12.2023 was executed between the parties. Under Clause 7 of the Statement of Work, the Corporate Debtor was required to pay Rs. 25,00,000/- upon execution of the Agreement and thereafter 1% of the total amount of relief granted upon a favourable outcome, with proportionate payment in case of partial success. The invoices were payable upon presentation, and interest was stipulated on invoices remaining unpaid beyond 28 days.

2.3. It is submitted that the Applicant duly rendered the agreed professional services and successfully secured substantial reduction in the GST demands raised against the Corporate Debtor. For FY 2019-20, against a demand of Rs. 1,50,10,25,041/-, relief of Rs. 12,71,83,650/- was obtained; for FY 2020-21, against a demand of Rs. 2,63,20,12,889/-, relief of Rs. 2,20,68,67,717/- was obtained; and for FY 2021-22, against a demand of Rs. 46,07,01,939/-, relief of Rs. 2,25,15,661/- was obtained. Thus, against the aggregate demand of Rs. 4,59,37,39,869/-, the Applicant claims to have secured relief of Rs. 2,35,65,67,028/-. Accordingly, raised its outcome-based professional fee at 1% of the proportionate relief obtained.

2.4. It is further submitted that the Applicant issued draft invoices dated 19.06.2024 and 23.08.2024, which remained unpaid. Thereafter, demand notice dated 30.09.2024 and recovery notice dated 05.12.2024 were issued calling upon the Corporate Debtor to clear the outstanding dues, but no response or payment was received.

2.5. It is submitted that subsequently, a cumulative invoice was raised dated 11.02.2025, including GST, for the professional services rendered for FY 2019-20 to FY 2021-22, and forwarded the same to the Corporate Debtor by email dated 18.02.2025.

2.6. It is submitted that although the first tranche of Rs. 25,00,000/- was paid by the Corporate Debtor, the second tranche towards the outcome-based fee remained unpaid despite repeated follow-ups. The Applicant therefore claims an operational debt of Rs. 2,78,07,136.60/- towards principal, together with Rs. 33,18,648.43/- towards interest from 11.03.2025 to 20.11.2025, aggregating to Rs. 3,11,25,785.03/-. The Applicant states that the debt fell due and the default occurred on 11.02.2025.

2.7. It is also submitted that the statutory Demand Notice in Form-3 dated 06.06.2025 was issued, which was received by the Corporate Debtor on 09.06.2025 and responded only on 02.07.2025, which was beyond the statutory period of ten days and further relies upon the engagement letter, invoices, GST authority orders, demand and recovery notices, email correspondence, ledger and NeSL intimation in support of the existence of the operational debt and default.

2.8. It is finally submitted that a crystallised operational debt is due and payable by the Corporate Debtor and that, despite repeated demands and service of the statutory Demand Notice, the Corporate Debtor has failed to discharge the outstanding amount, thereby committing default under the provisions of the IBC.

3. SUBMISSIONS OF THE RESPONDENT

3.1. The Respondent/ Corporate Debtor stated that the present Application is misconceived and liable to be dismissed, as there exists a genuine and bona fide pre-existing dispute between the parties in relation to the alleged success fee claimed by the Petitioner.

3.2. It is stated that the Respondent had engaged the Petitioner under an Engagement Agreement dated 16.12.2023 for professional services in connection with GST proceedings for FYs 2019-20, 2020-21 and 2021-22 and also contends that the agreed professional fee was a fixed amount of Rs. 25,00,000/-, which was duly invoiced and paid in full and final settlement on 19.01.2024.

3.3. It is disputed that the Petitioner's claim for an additional 1% success fee, contending that the alleged success fee provision contained in Clause 7 of Appendix-A to the Engagement Agreement was obscure, concealed in the fine print through an asterisk and footnote, and was never negotiated or agreed to by the Respondent and therefore denies any contractual liability towards the alleged success fee.

3.4. It is stated that pursuant to the GST orders dated 03.02.2024, 04.04.2024 and 21.06.2024, the Petitioner raised draft invoices dated 19.06.2024 and 23.08.2024 towards the alleged success fee. The Respondent, vide email dated 20.06.2024, expressly disputed and denied its liability towards the success fee. The Petitioner thereafter issued a Demand Notice dated 30.09.2024 and Recovery Notice dated 05.12.2024, which were also disputed by the Respondent.

3.5. It is further contended that it had challenged the GST orders before the Hon'ble Madras High Court. In particular, the order dated 04.04.2024 relating to FY 2020-21 was quashed by the Hon'ble High Court in W.P. No. 16981 of 2024 on 09.07.2024 and the matter was remanded for fresh consideration. The proceedings relating to FY 2021-22 were also challenged in W.P. No. 28151 of 2024, which was disposed of on 23.10.2025.

3.6. It is further stated that the final invoice dated 11.02.2025 for Rs. 2,78,07,136/- towards the alleged success fee was rejected by the Respondent on the GST Portal and such rejection was communicated to the Petitioner. Alos, the email dated 22.02.2025, once again expressly denied its liability. Thus, the dispute was raised contemporaneously and well before initiation of the present proceedings.

3.7. It is stated that the alleged success fee itself is legally impermissible and unenforceable, particularly in view of the statutory and ethical restrictions governing professional fees of chartered accountants and other professionals and that a fee contingent upon the outcome of professional employment is prohibited under Clause 10 of Part I of the First Schedule to the Chartered Accountants Act, 1949, as well as the applicable professional codes. Thus disputes the legality and enforceability of the alleged success fee and contends that no legally enforceable debt has crystallised.

3.8. It is further stated that the alleged success fee arrangement, being contrary to statutory provisions and public policy, is also hit by Section 23 of the Indian Contract Act, 1872 and the question of legality and enforceability of the alleged fee requires detailed adjudication and cannot be decided in the summary jurisdiction of this Tribunal under Section 9 of the Code.

3.9. It is contended that the disputes raised are contractual in nature and concern the interpretation and enforceability of the Engagement

Agreement, the alleged success fee clause and the services rendered by the Petitioner and they relied upon ***Mobilox Innovations Private Limited v. Kirusa Software Private Limited***.

3.10. It is also contented that payment of the first tranche of Rs. 25,00,000/- amounts to waiver of the dispute regarding the alleged second tranche and that the part payment does not constitute an unconditional admission of liability for the remaining amount and cannot amount to waiver of a pre-existing dispute.

3.11. It is also stated that a substantial portion of the alleged success fee is premature and not due or payable, since the GST order dated 04.04.2024 forming the basis of the Petitioner's computation for FY 2020-21 had already been quashed by the Hon'ble Madras High Court. Consequently, the alleged success fee of approximately Rs. 2,20,16,677/- referable to the said order cannot be sustained.

3.12. It is stated that the Petitioner's assertion in its Section 9(3)(b) affidavit that the dispute raised by the Respondent is an afterthought cannot override the contemporaneous emails, GST Portal rejection and other documentary evidence demonstrating the existence of a pre-existing dispute.

4. SUBMISSIONS OF THE APPLICANT IN REJOINDER

4.1. The Applicant/ Operational Creditor, through its rejoinder, reiterated and submitted that except to the extent specifically admitted, all the averments contained in the counter filed by the Respondent are denied.

4.2. It is submitted that the Respondent has admitted execution of the Engagement Letter dated 16.12.2023 and the services rendered by the Applicant. Clause 7 of Appendix A provides for an initial fee of Rs. 25,00,000/- and an outcome-linked fee of 1% proportionate to the relief obtained. The Applicant states that the 1% fee was specifically negotiated by the Respondent and incorporated in the executed Engagement Letter.

4.3. It is further submitted that the Respondent's correspondence does not disclose any genuine dispute regarding the liability or quantum. The contractual entitlement to the outcome-linked fee crystallised upon the relief being granted at the GST adjudication stage. The subsequent proceedings before the Hon'ble High Court relate only to residual demands and do not extinguish the Applicant's accrued contractual entitlement.

4.4. It is denied that the rejection of the invoices on the GST Portal or the emails dated 20.06.2024 and 22.02.2025 constitute a pre-existing dispute, as these merely evidences that the Respondent's refusal to make payment and do not raise any genuine dispute regarding the contractual entitlement.

4.5. It is further denied that the fee arrangement is illegal or unenforceable, as the provisions relied upon by the Respondent under the Chartered Accountants Act and Advocates Act have no application to the present engagement. The agreed fee is a quantified commercial outcome-linked fee and, in the absence of any competent forum declaring the clause illegal, the Respondent cannot rely upon such objections to avoid payment.

4.6. It is contended that the Respondent has failed to establish a real, genuine and pre-existing dispute as required under Section 9 of the IBC. The initial payment of Rs. 25,00,000/- and the admitted contract, services rendered and relief obtained demonstrate acceptance of the contractual arrangement, while the objections were raised only after the liability had crystallised.

4.7. It is submitted that its entitlement became due upon the GST adjudication order dated 04.04.2024, and the subsequent challenge before the Hon'ble High Court does not retrospectively extinguish the accrued contractual right. The decision in ***Umesh Saraf v. Tech India Engineers Pvt. Ltd., 2020 SCC OnLine NCLAT 677***, relied upon by the Respondent, is stated to be distinguishable.

5. WRITTEN SUBMISSIONS OF THE APPLICANT

5.1. The Applicant has reiterated all the contentions made in the main petition and rejoinder.

5.2. The Applicant relies upon ***Jayaswal Ashoka Infrastructure Pvt. Ltd. v. Pansare Lawad Sallagar, 2019 SCC OnLine Bom 578***, to contend that an outcome-based fee arrangement entered into by a person who is not acting as a legal practitioner is not rendered void under Section 23 of the Contract Act, 1872.

5.3. It is further submitted that on the issue of pre-existing dispute, the emails dated 20.06.2024 and 22.02.2025 merely reflect the Corporate Debtor's refusal to make payment and do not disclose any genuine dispute regarding liability or quantum. The Engagement Letter does not make payment conditional upon the GST orders attaining finality; once the demand was reduced and the invoice raised, the amount became due and payable.

5.4. It is further submitted that the Corporate Debtor, being a commercially sophisticated entity, had negotiated and acted upon the fee arrangement and had never disputed the relief secured by the Applicant. The alleged disputes were raised only subsequently and are therefore afterthoughts and moonshine disputes.

6. WRITTEN SUBMISSIONS OF THE RESPONDENT

6.1. The Respondent has reiterated all the averments in the reply filed and once again stated that the petition is liable to be dismissed as there exists a genuine and bona fide pre-existing dispute regarding the Petitioner's entitlement to the alleged success fee and, in any event, the success fee clause is unenforceable under Section 23 of the Indian Contract Act, 1872.

6.2. It is stated that the Respondent disputed its liability well before the statutory Demand Notice through emails dated 23.04.2024, 24.04.2024, 20.06.2024 and 22.02.2025, disputed the interpretation of "success" under the Engagement Agreement and rejected the invoices through the GST Portal. Further, the GST order for FY 2020-21, forming the basis of the claim, was set aside by the Hon'ble Madras High Court on 09.07.2024.

6.3. Relying upon ***Mobilox Innovations Private Limited v. Kirusa Software Private Limited***, the Respondent submits that the aforesaid contemporaneous correspondence and proceedings establish a genuine pre-existing dispute which cannot be adjudicated in a Section 9 proceeding.

6.4. It is further stated that without prejudice, the success fee clause is void and opposed to public policy, as the Engagement Agreement contemplated professional services and representation before GST authorities, which could be undertaken only by recognised professionals under Section 116 of the CGST Act, 2017. Such professionals are prohibited under their respective regulatory enactments from charging result-based fees.

6.5. Reliance is placed upon ***G, A Senior Advocate of the Supreme Court, In Re; B. Sunitha v. State of Telangana; R.B. Basu v. P.K. Mukherjee; O. Muthu v. P. Ashok; and Shree Pathology Laboratory v. Bigdream Ventures Pvt. Ltd.***, to contend that such success fee arrangements are unenforceable and also submits that the Petitioner's status as a separate legal entity cannot be used to circumvent statutory professional prohibitions.

6.6. The Respondent distinguishes ***Jayaswal Ashoka Infrastructures Pvt. Ltd. v. Pansare Lawad Sallagar***, relied upon by the Petitioner, submitting that the said decision did not concern services governed by a statutory professional framework such as Section 116 of the CGST Act.

7. FINDINGS OF THE TRIBUNAL

7.1. We have heard the Learned Counsels for both the parties and perused the documents placed on record.

7.2. The Applicant has filed the present Petition under Section 9 of the Insolvency and Bankruptcy Code, 2016, claiming an operational debt of Rs. 3,11,25,785.03/-, comprising principal and interest, towards an alleged outcome-based professional fee under the Engagement Letter dated 16.12.2023.

7.3. It is not in dispute that the parties had entered into the aforesaid Engagement Letter and that the Applicant was engaged in connection with the GST proceedings of the Corporate Debtor. The Applicant relies upon Clause 7 of Appendix-A to contend that, apart from the initial fee of Rs. 25,00,000/-, it became entitled to a further fee equivalent to 1% of the relief obtained in the GST proceedings.

7.4. The first issue which arises for consideration is whether the alleged operational debt had crystallised and whether there existed a pre-existing dispute prior to the issuance of the statutory Demand Notice. From the correspondence placed on record, it is evident that the Corporate Debtor had disputed the Applicant's entitlement to the alleged success fee much prior to the issuance of the Demand Notice. The Respondent had questioned the interpretation of the expression "success", the applicability of the success-fee clause and the effect of the pending appellate proceedings. The invoices raised by the Applicant were also disputed.

7.5. We also take note of the fact that the GST proceedings forming the basis of the Applicant's claim had not attained finality. In respect of FY 2020-21, the GST order relied upon by the Applicant was subsequently set aside by the Hon'ble Madras High Court by order dated 09.07.2024. The Respondent has also placed on record the pendency of proceedings in respect of the other assessment years. Thus, the Applicant's contention that the mere reduction of the GST demand constituted a final "success" giving rise to an unconditional entitlement to the alleged fee cannot be accepted without further adjudication.

7.6. There is another aspect which assumes significance. The Engagement Letter describes the services as professional services in connection with GST proceedings, including preparation of replies, representation before the authorities, personal hearings and appellate proceedings. The Respondent has specifically relied upon Section 116 of the CGST Act, 2017, which prescribes the categories of persons who may appear as authorised representatives before GST authorities. However, the Applicant has not placed sufficient material before this Tribunal to clearly establish the legal capacity in which the persons representing the Corporate Debtor before the GST authorities actually acted, particularly when the Applicant disputes being a firm governed by the regulatory framework applicable to Chartered Accountants.

7.7. The above aspect becomes relevant because the alleged consideration is not a conventional fixed professional fee but a success fee calculated as a percentage of the relief obtained in statutory proceedings. The Respondent has raised a specific objection that such an arrangement, insofar as it relates to services which could be rendered only through regulated professionals, is contrary to the statutory and professional restrictions governing such professions and is consequently opposed to public policy under Section 23 of the Indian Contract Act, 1872.

7.8. The Respondent has relied upon the decisions in ***G, A Senior Advocate of the Supreme Court, In Re, (1954) 2 SCC 171; B. Sunitha v.***

State of Telangana, (2018) 1 SCC 638; R.B. Basu v. P.K. Mukherjee; O. Muthu v. P. Ashok; and Shree Pathology Laboratory v. Bigdream Ventures Pvt. Ltd., in support of its contention that result-based professional fees, where prohibited by the governing regulatory framework, cannot be enforced. The Applicant, on the other hand, relies upon ***Jayaswal Ashoka Infrastructures Pvt. Ltd. v. Pansare Lawad Sallagar, 2019 SCC OnLine Bom 578***, to contend that an outcome-linked consultancy fee is not per se unenforceable.

7.9. We are conscious that this Tribunal, while exercising jurisdiction under Section 9 of the Code, is not required to finally adjudicate upon the legality of the contractual arrangement where a genuine dispute requiring further investigation is already established. Nevertheless, the nature of the contractual arrangement and the statutory framework governing the services cannot be completely ignored while examining whether the defence raised by the Corporate Debtor is a mere moonshine dispute.

7.10. In the present case, the dispute is not confined merely to the quantum of the amount claimed. There is a substantive dispute regarding the very entitlement to the success fee, the meaning and occurrence of the contractual "success", the legal effect of the pending GST proceedings, the nature and capacity of the services rendered, and the enforceability of a fee calculated with reference to the relief obtained in statutory proceedings. These are matters which require examination beyond the limited jurisdiction contemplated under Section 9 of the Code.

7.11. The Applicant has contended that the Respondent's objections were raised only with a view to avoid payment. However, the contemporaneous correspondence placed before us demonstrates that the Respondent had questioned the Applicant's entitlement to the success fee even prior to the statutory Demand Notice. The dispute, therefore, cannot be characterised as one raised for the first time after commencement of the insolvency proceedings.

7.12. In this regard, the law laid down by the Hon'ble Supreme Court in ***Mobilox Innovations Private Limited v. Kirusa Software Private Limited, (2018) 1 SCC 353***, is apposite. Where the Corporate Debtor demonstrates a plausible contention requiring further investigation and the defence is not patently feeble, the Adjudicating Authority is required to reject the Section 9 application. In the present case, the dispute is supported by contemporaneous correspondence, rejection of invoices and the subsequent developments in the GST proceedings.

7.13. We also observe that the issue concerning the professional nature of the engagement and the charging of an outcome-based fee deserves appropriate examination by the competent professional/regulatory authority. The Applicant has taken the stand that it is not itself a firm of Chartered Accountants; nevertheless, the Engagement Letter and the scope of work placed before us indicate that the engagement involved services relating to GST proceedings and representation before statutory authorities. The question as to the capacity in which such services were rendered, and whether the arrangement complied with the applicable professional standards and regulations, is therefore a matter which may appropriately be examined by the Institute of Chartered Accountants of

India (ICAI), in accordance with law, if the services were rendered through persons governed by its regulatory framework.

7.14. We make it clear that the aforesaid observation is not a finding of professional misconduct against the Applicant or any individual professional. We merely consider it appropriate that the competent regulatory authority, having regard to the nature of the engagement and the outcome-based fee arrangement reflected in the documents, may examine the matter independently and take such action, if any, as may be warranted under the applicable statutory and professional framework.

7.15. In view of the foregoing discussion, we are satisfied that the Corporate Debtor has established a genuine and bona fide pre-existing dispute concerning the alleged operational debt. The dispute involves issues relating not only to the computation of the amount but also to the crystallisation, enforceability and legal permissibility of the alleged success fee arrangement.

7.16. Consequently, the ingredients for admission of the Petition under Section 9 of the Insolvency and Bankruptcy Code, 2016 are not satisfied. The present Company Petition is therefore dismissed.

7.17. A copy of this order may be forwarded to the Institute of Chartered Accountants of India (ICAI) for such examination, if considered appropriate, in accordance with law, particularly with regard to the nature of the professional services rendered and the permissibility of the outcome-based fee arrangement. This observation shall not be construed as expressing any final opinion on the professional conduct of the Applicant or any person associated with it.

7.18. Accordingly, the present Company Petition **CP(IBC)370/(CHE)2025** is **dismissed**. This dismissal shall not preclude the Applicant from pursuing such other remedies as may be available to it in law for adjudication of its contractual claim.

-Sd-
RAVICHANDRAN RAMASAMY
MEMBER (TECHNICAL)

-Sd-
JYOTI KUMAR TRIPATHI
MEMBER (JUDICIAL)