IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH – II
VC AND PHYSICAL (HYBRID) MODE
ATTENDANCE CUM ORDER SHEET OF THE HEARING HELD ON
16.07.2026 AT 10:30 A.M.

Company Petition IB/224/9/2024
U/s 9 of IBC

IN THE MATTER OF:
Shenzhen Leaser Power Technology Company Ltd
…Petitioner

Vs

PUR Energy Pvt Ltd **…Respondent**

C O R A M:-
SHRI. RAJEEV BHARDWAJ, HON'BLE MEMBER (JUDICIAL)
SHRI. SANJAY PURI, HON'BLE MEMBER (TECHNICAL

O R D E R

Orders pronounced, recorded vide separate sheets.

In the result, this petition is dismissed.

Sd/-
MEMBER (T)

Sd/-
MEMBER (J)

IN THE NATIONAL COMPANY LAW TRIBUNAL

HYDERABAD BENCH – II

(Under Section 9 of the Insolvency and Bankruptcy Code, 2016, read with Rule 6 of the Insolvency and Bankruptcy (Application to Adjudication Authority Rules, 2016)

IN THE MATTER OF M/S. PUR ENERGY PVT. LTD.

CP (IB) No.224/09/HDB/2024.

BETWEEN:

M/s. Shenzhen Leader Power Technology Company Limited
Having its office at No. 22, Burkit Road,
T. Nagar, Chennai – 600 017

...**Petitioner/Operational Creditor**

AND

M/s. PuR Energy Pvt. Ltd.
Having its Registered Office at:
H. No. 10-38/2, Survey No. 424/AA3,
Besides Arya College of Pharmacy,
Near IIT Hyderabad, Kandi Village,
Sangareddy – 502285.

.... **Respondent/Corporate Debtor**

Date of Order: 16.07.2026

CORAM:

Sri Rajeev Bhardwaj, Hon'ble Member (Judicial)

Sri Sanjay Puri, Hon'ble Member (Technical)

COUNSELS PRESENT:

For the Applicant : Mr. V. Vijay Mehta, Ld. Counsel.

For the Respondent : Mr. K. Sai Prasanth Reddy, Ld. Counsel.

1. The present Application has been filed by **M/s. Shenzhen Leader Power Technology Company Limited** (hereinafter referred to as the "**Operational Creditor**") under Section 9 of the IBC[1], seeking initiation of the CIRP[2] against **M/s. PuR Energy Pvt. Ltd.** (hereinafter referred to as the "**Corporate Debtor**") on account of the Corporate Debtor's failure to pay operational debt amounting to **Rs. 13,97,14,025/-**.

CASE OF THE APPLICANT

2. The Applicant submits that it, M/s. Shenzhen Leader Power Technology Company Limited is an Operational Creditor incorporated in 2018 and is a high-tech, green-energy enterprise engaged in the research and development (R&D), manufacturing, and sales of lithium-ion battery modules. It is stated that M/s. PuR Energy Pvt. Ltd. (Corporate Debtor), in the ordinary course of business, approached the Applicant for the supply of electrical goods and placed Purchase Order No. INPO/21-22/0684. Pursuant thereto, the Applicant supplied the electrical goods and raised the following invoices:

Sl. No.	Invoice No.	Date	Amount (In USD)
1.	RV20220325LP	25.03.2022	$522,076.12
2.	RV20220805LP	05.08.2022	$183,452.80
3.	RV20220913LP	13.09.2022	$335,836.40
4.	RV20220914LP-01	14.09.2022	$121,132.25
5.	RV20230226LP-01	14.09.2022	$95,037.50
6.	RV20221124LP	24.11.2022	$6,112.02
7.	RV20230227LP-02	27.02.2023	$15893.36
		TOTAL	**$1279411.45**

3. The Applicant submits that upon receipt of the invoices, the Corporate Debtor failed to make payment to the Applicant. It is stated that the Corporate Debtor admitted the default in payment of the outstanding amount through WhatsApp communications but failed to discharge the

[1] Insolvency and Bankruptcy Code, 2016.
[2] Corporate Insolvency Resolution Process.

same. Despite repeated efforts for recovery, the Applicant issued a Demand Notice in Form 3 dated 21.02.2024 under Section 8 of the IBC. However, the Corporate Debtor did not clear the outstanding dues. It is further submitted that the Corporate Debtor is liable to pay an operational debt of Rs. 13,97,14,025, and interest at 15% per annum from the respective due dates, the debt having become due on 15.06.2022.

CASE OF THE RESPONDENT

4. The Corporate Debtor submits that it entered into a contractual relationship with the Operational Creditor in 2021. It is submitted that although the Supply Agreement was not formally executed, a draft Agreement for Supply and Delivery of Products was forwarded on 22.02.2022, forming the basis of the supplier relationship. The parties have been engaged in business since 08.11.2018, involving the supply of lithium-ion cells, Battery Management Systems (BMS), machinery, equipment, spare parts, and related products.

5. The Corporate Debtor submits that the consignment supplied by the Operational Creditor suffered from poor manufacturing and did not meet the basic standard of quality. It is further submitted that complaints were received from authorised dealers and customers regarding complete failure of the lithium-ion cells and Battery Management Systems within 3 to 6 months.

6. The Corporate Debtor submits that, apart from supplying goods itself, the Operational Creditor had also engaged M/s. Shenzhen Styler Electric Co. Ltd. (hereinafter referred to as **"Styler"**) to supply a lithium battery and a double-sided automatic spot-welding machine to the Corporate Debtor. It is submitted that Styler induced the Corporate Debtor to download a software update patch on the representation that it would improve efficiency and security, but fraudulently gained access to the Corporate Debtor's online systems and blocked access to the welding machine. Consequently, the production process came to a halt, resulting in failure to meet commitments towards dealers and customers and causing huge

financial losses. It is further submitted that the Corporate Debtor came to know about the alleged hacking only at a later stage.

7. The Corporate Debtor further submits that, after coming to know about the alleged hacking, it initiated legal action by filing a complaint before the Directorate General of Foreign Trade, which was subsequently forwarded to the Indian Embassy in Guangzhou, China, against Styler. It is submitted that full payment had been made for the machine, which was thereafter hacked and locked. The Corporate Debtor further submits that, by e-mail dated 04.11.2023, the Operational Creditor admitted to locking the machinery to coerce the Corporate Debtor to pay the amounts while continuing to make allegations of non-payment by the Corporate Debtor.

8. The Corporate Debtor submits that its reputation for high-performance products and after-sales services in the EV two-wheeler segment suffered due to poor-grade cells supplied by the defaulting foreign supplier and the illegal and mala fide blocking of its online systems by Styler. It is further submitted that its after-sales service expenditure increased significantly due to repeated product malfunctions and its goodwill was adversely affected. The Corporate Debtor submits that, having accepted substantial orders from customers and retailers, it had no option but to rely on the Operational Creditor and continued placing orders based on its representations and warranties despite the alleged defects and resulting damages.

9. The Corporate Debtor submits that the Operational Creditor continued to delay the resolution of the issues. It is submitted that, owing to the mounting pressure to bear the losses allegedly caused by the illegal and malafide acts of the Operational Creditor in supplying deficient products, the Corporate Debtor issued a legal notice dated 01.12.2022 seeking compensation in respect of the purchase orders raised with the Operational Creditor. It is further submitted that the Operational Creditor did not comply with the said notice. The Corporate Debtor further submits that it had called upon the Operational Creditor to honour its assurances

and to continue the business relationship, due to the absence of a readily available alternative. Despite the notice, the Operational Creditor allegedly continued supplying defective products while assuring that the defects would be cured.

10. The Corporate Debtor further submits that the reply of the Operational Creditor to the legal notice dated 01.12.2022 demonstrates that it was aware of the problems faced by the Corporate Debtor and that communication regarding the same was already underway. It is submitted that the Corporate Debtor regularly raised the issue of batch-wise data failure, which was acknowledged by the Operational Creditor. Despite persistent follow-ups, the Operational Creditor only stated that it would visit the Corporate Debtor's premises to negotiate the damages. Owing to the lack of resolution, the Corporate Debtor issued another legal notice dated 01.08.2023. By e-mail dated 03.08.2023, the Operational Creditor cited lack of visa clearance for the delay in visiting the premises. Thereafter, by communication dated 10.08.2023, the Corporate Debtor reiterated that its production had come to a halt and put the Operational Creditor on notice of legal action.

11. The Corporate Debtor submits that it lodged an online complaint on 31.08.2023 before the Directorate General of Foreign Trade bearing Complaint File No. IMAQCTDFICOM00000813AM24, regarding the defaulted goods and lack of after-sales service provided by the Operational Creditor, involving faulty goods valued at Rs. 10,99,59,960/- (USD 1,328,821). It is further submitted that, pursuant to the DGFT's direction to take legal action, the Corporate Debtor, on 01.09.2023, addressed an e-mail to the Embassy of India, Beijing, which informed that the dispute fell within the jurisdiction of the Consulate General of India, Guangzhou.

12. The Corporate Debtor further submits that, despite being aware of the pending trade dispute before the DGFT and the Consulate General of India, the Operational Creditor issued a notice under Rule 5 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules,

2016, and further notices dated 13.01.2024 and 22.04.2024, allegedly to intimidate and coerce the Corporate Debtor, contrary to its previous representations and warranties, and to build a false case for filing the present petition. It is further submitted that the Corporate Debtor filed W.P. No. 11290 of 2024, wherein, by order dated 26.04.2024, the Telangana High Court directed the DGFT and the Consulate General of India, Beijing, to process the complaint within two weeks. Subsequently, by letter dated 04.06.2024, the DGFT advised the Corporate Debtor to avail legal channels.

13. The Corporate Debtor further submits that, during the pendency of the complaint, the Operational Creditor undertook alleged arm-twisting and coercive actions by addressing communications to third parties concerning the Corporate Debtor. It is submitted that the Operational Creditor threatened to disseminate false facts among its suppliers and customers and, by e-mail dated 22.04.2024, made false and baseless allegations against the Corporate Debtor while marking various third parties.

14. The Corporate Debtor submits that, aggrieved by the alleged illegal blocking of system access and defamatory actions of the Operational Creditor, it lodged FIR No. 404 of 2024 dated 26.07.2024 before the Sangareddy Rural Police Station under the provisions of the Indian Penal Code and the Information Technology Act. It is further submitted that the Corporate Debtor filed O.S. No. 871 of 2024 seeking perpetual and mandatory injunctions and, in I.A. No. 615 of 2024, obtained an ad-interim ex parte injunction by order dated 30.10.2024 restraining the Operational Creditor from publishing further defamatory content.

15. The Corporate Debtor submits that, by e-mail dated 14.08.2024, the Operational Creditor admitted that it had blocked system access to the components supplied by it and assured that it would release access to all components. It is further submitted that such admission demonstrates that the Operational Creditor continued making representations and

warranties to cure its alleged mala fides of supplying defective products. The Corporate Debtor further submits that, after filing of the present proceedings, the Operational Creditor initiated mediation proceedings before the Shenzhen Mediation Center of China Council for the Promotion of International Trade for USD 13,00,374.15.

16. The Corporate Debtor submits that the Operational Creditor continued threatening and defaming it by sending e-mails and messages to stakeholders. It is further submitted that, by e-mails dated 17.10.2024 and 22.10.2024, the Operational Creditor addressed communications to the Indian Institute of Technology, Hyderabad, and also sent defamatory e-mails to the employees of the Corporate Debtor using information allegedly obtained by hacking its database.

17. The Corporate Debtor further submits that it approached the Ministry of External Affairs by e-mail dated 12.11.2024 regarding the pending criminal and civil proceedings and refers to the Operational Creditor's e-mail dated 26.11.2024. It is further submitted that recovery agents appointed by the Operational Creditor attempted to forcibly enter the Corporate Debtor's premises but failed to produce any authorization despite being called upon to do so. The Corporate Debtor further submits that the present petition is liable to be dismissed on account of pre-existing disputes and suppression of material facts.

18. The Corporate Debtor submits that the petition is not maintainable and has been filed to arm-twist it into paying disputed amounts. It is further submitted that the alleged pre-existing disputes relate to the supply of substandard materials, deficient after-sales service, illegal blocking of access to components, and the pending proceedings between the parties. In support of its contentions, the Corporate Debtor relies upon ***Mobilox Innovations Private Limited v. Kirusa Software Private Limited,*** **2017 SCC OnLine SC 1154**; ***Transmission Corporation of Andhra Pradesh Limited v. Equipment Conductors and Cables Limited,*** **(2019) 12 SCC 697**; and ***Raghu Rama Krishna Raju v. Gandhar Oil***

***Refinery (India) Ltd.*, Company Appeal (AT) (Insolvency) Nos. 552 and 553 of 2018.**

19. The Corporate Debtor submits that the present petition is vexatious and has been filed with malicious intent to coerce it into paying unwarranted amounts. It is further submitted that, during the pendency of the proceedings, the Operational Creditor continued approaching stakeholders to induce adverse action against the Corporate Debtor and affect its proposed IPO and, through communications exchanged during November 2024, allegedly admitted its intention to blackmail the Corporate Debtor into making payments.

20. The Corporate Debtor further submits that the Operational Creditor failed to produce Invoice Nos. RV20230226LP-01 and RV20221124LP, warranting an adverse inference, and denies having admitted any default through WhatsApp messages. It is further submitted that the payments under the said invoices are subject to resolution of the disputes between the parties and that reconciliation of accounts remains pending, as acknowledged by the Operational Creditor itself. The Corporate Debtor also alleges that the Operational Creditor relied upon the e-mail dated 08.08.2022 while suppressing the subsequent e-mail dated 22.11.2022, which highlighted operational failures of the supplied equipment, thereby creating a false narrative by selectively producing communications between the parties.

REJOINDER

21. The Applicant submits that, since 2018, it supplied lithium-ion cells, Battery Management Systems (BMS), and battery manufacturing machines by procuring them from original Chinese manufacturers, including Anhui Teamsky, Shenzhen Styler, Dongguan Daly Electronics, and NTEK, upon the Corporate Debtor's instructions, and supplied them on a CIF basis after obtaining Material Test Certificates. It is stated that the Applicant acted only as a middleman/supplier on a nominal margin,

without providing any additional warranty beyond the original manufacturers' one-year warranty. The Applicant further submits that it availed bank credit by pledging its business to extend 30-day credit facilities, which the Corporate Debtor failed to honour, alleging that the credit request was a tactic to cheat the Applicant.

22. The Applicant categorically denies the existence of any draft Supply and Delivery of Products Agreement dated 22.02.2022 or that such alleged unsigned agreement formed the basis of the relationship between the parties. It is submitted that the document is unsigned, incomplete, does not mention the Applicant, contains empty blanks, and is unnecessary and irrelevant to the present case. The Applicant further submits that the averments are only a deviation from the outstanding liability under the Purchase Order and the subject invoices.

23. The Applicant submits that the Corporate Debtor defaulted in payment under duly raised invoices issued after a 30-day grace period from delivery of the goods. Despite repeated follow-ups through emails, phone calls, and WhatsApp communications, the Corporate Debtor allegedly evaded payment by forwarding self-generated and unverified battery failure reports. It is submitted that, despite repeated requests, the Corporate Debtor failed to furnish any raw material testing certificates, quality analysis reports, or other authentic technical evidence, and instead relied only on a self-prepared Excel spreadsheet lacking independent validation. The Applicant further submits that the alleged complaints were raised only after expiry of the one-year warranty period and that the Corporate Debtor failed to establish any defect or deficiency in the goods supplied.

24. The Applicant denies supplying poor-quality cells or acting with any mala fide intent and submits that the allegations are false, fabricated, and unsupported by evidence. It is stated that the Corporate Debtor continued purchasing the same goods even after issuing failure reports and legal notices, neither returned the goods nor initiated any action during the warranty period, thereby demonstrating that the alleged quality concerns

were merely an afterthought to evade payment. It is further submitted that the allegations regarding "series failure" and "BMS failure" relate to post-manufacturing battery issues arising from overcharging or improper manufacture of battery packs by the Corporate Debtor, whereas the Applicant had supplied only one raw material. The Applicant submits that the lithium-ion cells underwent two rounds of quality testing, first at the manufacturer's end and subsequently at the application stage prior to integration into electric vehicles, and the corresponding test reports have been placed on record.

25. The Applicant further denies any delay in resolving the issues and submits that it repeatedly sought test reports and technical evidence regarding the alleged defective cells but received no response. It is submitted that the legal notice dated 01.12.2022 contains vague and unsupported assertions and does not dispute the invoices forming the subject matter of the present proceedings. The Applicant further submits that the batch-wise failure data was furnished only after expiry of the warranty period, that the Corporate Debtor continued assuring payment without honouring its commitments, and that the legal notice dated 10.08.2023 was addressed to a third-party manufacturer and not to the Applicant.

26. The Applicant submits that, in accordance with overseas shipping transactions, any defective goods ought to have been returned, whereas the Corporate Debtor continued placing orders and retained the supplied goods. It is further submitted that the DGFT complaint dated 31.08.2023 related only to the locking of machines by the third-party manufacturer due to the Corporate Debtor's payment default. The Applicant denies any responsibility for such locking and submits that it merely persuaded the supplier to unlock the machines. The Applicant also denies causing any damage to the reputation or goodwill of the Corporate Debtor.

27. The Applicant denies that it engaged Shenzhen Styler Electric Co. Ltd., submitting that the Corporate Debtor itself approached the Applicant to purchase the double-sided automatic spot-welding machine from

Shenzhen Styler and that the Applicant merely acted as a middleman. It is submitted that the machine was purchased in July 2021, the entire purchase price was paid by the Corporate Debtor, and the machine was not non-functional, nor was any software update or hacking carried out by the Applicant. The Applicant further submits that the Corporate Debtor continued manufacturing and selling EV vehicles while defaulting in payment of invoices.

28. It is further submitted that, due to mounting pressure from bankers in China and suppliers, the machines were locked only after the Corporate Debtor's payment default as a protective measure and were subsequently unlocked, yet the Corporate Debtor failed to clear the outstanding dues. The Applicant further submits that the DGFT complaints dated 31.08.2023 and 05.09.2023 related to the locking of machines by Shenzhen Styler Electric Co. Ltd. and not against the Applicant, and denies all contrary averments as false and misleading.

29. The Applicant submits that the DGFT complaint dated 31.08.2023 pertained only to the locking of a spot-welding machine supplied by Shenzhen Styler Electric Co. Ltd., was restricted to Bill No. 721210069181 involving a disputed amount of USD 180,231, and was unrelated to the present application for non-payment of raw material invoices. It is submitted that the said bill was unknown to the Applicant, the DGFT disposed of the complaint, no legal action was thereafter initiated by the Corporate Debtor, and the subsequent claim of USD 1,328,821 towards alleged faulty goods is denied as false, self-serving, and concocted.

30. The Applicant submits that the FIR dated 26.07.2024 is vexatious, irrelevant to the present proceedings, and was lodged after issuance of the demand notice. It is submitted that the FIR pertains to the blocking of software and the spot-welding machine procured from Shenzhen Styler Electric Co. Ltd., which is unrelated to the unpaid HVVEA lithium-ion cell invoices forming the subject matter of the present application and does not constitute a pre-existing dispute under the IBC. The Applicant denies

any coercive or mala fide conduct and contends that the Corporate Debtor has raised these issues only to confuse the Tribunal.

31. The Applicant submits that the defamation suit in O.S. No. 871 of 2024, filed in October 2024, nearly 11 months after the demand notice, is wholly irrelevant to the present proceedings. It is submitted that the suit is based on the Corporate Debtor's assumption that the anonymous email ID 1492495605@qq.com belongs to the Applicant, without any proof or evidence, and relates only to alleged defamation, the cause of action being entirely different from the unpaid operational debt forming the subject matter of the present application. The Applicant further submits that it became aware of the suit only upon filing of the Reply, denies any connection with the email ID, and contends that the suit is frivolous, architected to evade the IBC proceedings, and does not constitute a pre-existing dispute.

32. The Applicant submits that, due to the Corporate Debtor's unresponsive conduct and persistent default in payment of USD 1.3 million for over two years, it approached the Shenzhen Mediation Center of the China Council for Promotion of International Trade (SMCC) on 12.10.2024, after the demand notice, to initiate dialogue and attempt mediation. It is submitted that the Corporate Debtor did not respond to the mediation request, no mediation proceedings commenced or were registered, and the matter was closed due to non-acceptance. The Applicant denies all allegations of defamation, recovery agents, and coercion, and submits that the Corporate Debtor's contention regarding pending SMCC proceedings is false, frivolous, misleading, and intended to mislead the Tribunal.

33. The Applicant denies the existence of any pre-existing dispute and submits that there is no dispute regarding the pending payments or invoices forming the subject matter of the present proceedings. It is submitted that no suit or legal proceedings challenging the subject invoices existed prior to the demand notice dated 21.02.2024, or even thereafter, and the unpaid invoices for HVVEA lithium-ion cells amounting

to USD 1,279,411.45 remain undisputed, the goods having neither been paid for nor returned. The Applicant further submits that the FIR, defamation suit, and SMCC proceedings are unrelated, arose only after the demand notice, are frivolous and misleading, and were initiated solely to create an apparent dispute and evade the present insolvency proceedings.

APPLICANT'S WRITTEN SUBMISSIONS

34. The Applicant states that on the defence of poor-quality cells, the Corporate Debtor failed to furnish contemporaneous test reports within the one-year warranty period, and that only self-created spreadsheets were shared much later, lacking credibility, whereas the Applicant has placed on record original manufacturer test certificates attesting to conformity of the goods. The Applicant further states that the defence of recycling of poor-quality cells is raised for the first time in these proceedings, that no such recycling was ever communicated to the Applicant, and that despite calling for proof of defect, none was furnished, the document being produced now only to escape the consequences of the present proceedings.

FINDINGS & DECISION

35. We have heard the Learned Counsel for the Operational Creditor and the Learned Counsel for the Corporate Debtor at length and have carefully perused the pleadings and material placed on record.

36. Upon perusal of the material on record, it is observed that the Operational Creditor is M/s. Shenzhen Leader Power Technology Company Limited, a company incorporated in 2018. It is a high-tech green energy enterprise engaged in the research and development, manufacturing, and sales of lithium-ion battery modules. The Corporate Debtor is M/s. PuR Energy Pvt. Ltd.

37. The Corporate Debtor, in the ordinary course of its business, approached the Operational Creditor for supply of electrical goods. The parties have

been engaged in business involving substantial commercial transactions. The Corporate Debtor placed Purchase Order No. INPO/21-22/0684 dated 25.03.2022, pursuant to which the Operational Creditor supplied the electrical goods and raised the corresponding invoices. The extract of the invoices according to the Applicant is placed below for reference:

Default Amount to be paid by the PuR Energy

Sl. No.	Invoice No.	Date	Amount (In USD)	Amount INR
1	RV20220325LP	25.03.2022	$522,076.12	4,40,50,172.63
2	RV20220805LP	05.08.2022	$183,452.80	1,54,78,830.00
3	RV20220913LP	13.09.2022	$335,836.40	2,83,36,196.25
4	RV20220914LP-01	14.09.2022	$121,132.25	1,02,20,533.59
5	RV20230226LP-01	14.09.2022	$95,037.50	80,18,789.06
6	RV20221124LP	24.11.2022	$6,112.02	5,15,701.69
7	RV20230227LP-02	27.02.2023	$15893.36	13,41,002.25
		TOTAL	$1279411.45	10,79,50,341.09
Interest @15% p.a from 15.06.2022 to 30.05.2024			$3,76,458.48	3,17,63,684.25
Total Amount Payable			**$16,55,869.93**	13,97,14,025.34

38. It is the case of the Operational Creditor that, upon the alleged failure of the Corporate Debtor to discharge the outstanding dues, it issued a Demand Notice in Form-3 under Section 8 of the IBC on 21.02.2024, claiming an operational debt of Rs. 13,97,14,025/-, together with interest at 15% per annum, and called upon the Corporate Debtor to make payment within the prescribed period.

39. The primary defence of the Corporate Debtor is that disputes concerning the quality of the goods supplied by the Operational Creditor had arisen before the issuance of the Demand Notice under Section 8 of the IBC and, therefore, the present Application under Section 9 of the Code is liable to be rejected on account of the existence of a pre-existing dispute.

40. The principal issue that arises for consideration before us is whether there existed a pre-existing dispute between the parties before the issuance of

the Demand Notice under Section 8 of the IBC.

41. Upon perusal of the e-mail correspondence placed on record, it is seen that a series of communications[3] commencing on 16.08.2022 and continuing through 12.08.2023, with further forwarding thereafter, were exchanged between representatives of the Corporate Debtor and Ms. Linda Wang on behalf of the Operational Creditor. The correspondence pertains to recurring "series failure" issues stated to have been observed in the lithium-ion batteries supplied, wherein the Corporate Debtor shared batch-wise failure data reflecting an escalating failure percentage and called upon the Operational Creditor to investigate the recurring defects.

42. The e-mail correspondence further reveals that, by e-mail[4] dated 19.08.2022, the Operational Creditor, through its representative Ms. Linda Wang, acknowledged having checked the list and stated that it looked "almost a series failure issue," and enquired whether the Corporate Debtor's team had checked clearly for the series failure issue, further stating that she would talk with the engineer and think about how to deal with the issue. It is further noted that the Operational Creditor observed that almost one year of the warranty period had passed, and called upon the Corporate Debtor's team to inform it in time whenever such issue was found.

43. The aforesaid correspondence was followed by a legal notice[5] dated 01.12.2022 issued by the Corporate Debtor to the Operational Creditor, seeking compensation for the alleged supply of defective lithium-ion cells and Battery Management Systems. The said notice alleges that batteries manufactured using the supplied products developed "series failure" and BMS failure issues within 3 to 6 months of sale, and refers to the batch-wise failure data shared vide e-mails dated 16.08.2022 and 27.10.2022, the Operational Creditor's assurance vide e-mail dated 19.08.2022 to

[3] Page nos. 89-90 of the Counter.
[4] Page no. 90 of the Counter.
[5] Page no. 85-88 of the Counter.

examine the issue with its engineers, and the alleged failure thereafter to provide any solution or warranty compensation. The Corporate Debtor called upon the Operational Creditor to compensate it for the losses alleged to have been suffered on account of the defective products.

44. Subsequently, by email[6] dated 04.11.2023, Ms. Linda Wang of Shenzhen Leader Power Technology Co Ltd. addressed a communication to the Commercial Section of the Consulate General of India, Guangzhou, with a copy to the Corporate Debtor. In the said email, it was stated that the Corporate Debtor had outstanding dues exceeding USD 1.3 million towards battery pack machines and lithium battery raw materials supplied since 2018. It was further stated that, owing to the continued non-payment of the said amount, the machine had been retained as security for the outstanding dues, while expressing willingness to release the machine upon resolution of the payment issues and to continue the business relationship.

45. From the aforesaid documents and contemporaneous correspondence placed on record, it is evident that disputes relating to the quality of the goods supplied, recurring battery failures, warranty obligations and the consequential claims had arisen between the parties much before the issuance of the Demand Notice dated 21.02.2024 under Section 8 of the IBC. Accordingly, we are satisfied that there existed a pre-existing dispute between the parties.

46. The Hon'ble Supreme Court in ***Mobilox Innovations Private Limited v. Kirusa Software Private Limited***[7] has held that where a plausible dispute exists which is not spurious, hypothetical or illusory, the Adjudicating Authority must reject an application under Section 9 of the Insolvency and Bankruptcy Code, 2016. In the present case, the contemporaneous correspondence and other material placed on record establish the existence of a bona fide pre-existing dispute between the

[6] Page no. 76-84 of the Counter.
[7] (2018) 1 scc 353.

parties regarding the quality of the goods supplied and the consequential claims, which had arisen before the issuance of the Demand Notice dated 21.02.2024 under Section 8 of the Code. It is well settled that the IBC is not intended to serve as a substitute for a recovery mechanism or for adjudication of disputed claims. Accordingly, the present Application under Section 9, being founded on a pre-existing disputed operational debt, is not maintainable and is liable to be rejected.

47. Consequently, the application is **dismissed.**

Sd/-	Sd/-
SANJAY PURI	**RAJEEV BHARDWAJ**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**