AILF INSIGHTS · BUILDING A FIRM

Hourly, fixed or retainer: how Indian law firms should price their work

A practical guide to legal fee models in India, including hourly billing, fixed fees, retainers and caps, and what the professional rules prohibit.

Fees are the least discussed part of legal practice and one of the most important. A clear approach to pricing protects the relationship with the client and the health of the firm.

The main models

Hourly billing. The client pays for time recorded at agreed rates. It suits work whose scope is uncertain, such as contested litigation or investigations. Its weakness is unpredictability for the client.

Fixed fee. One price for a defined piece of work. It suits transactions, registrations, standard documents and stages of litigation. It rewards efficiency, and it requires the firm to scope work accurately.

Capped fee. Hourly billing up to a ceiling. The client gains certainty, and the firm carries the risk of overrun.

Retainer. A periodic fee for an agreed volume or category of advice. It gives the firm steady income and the client ready access.

Per-appearance fees. Common in litigation, particularly for counsel.

What clients are spending

Pricing matters more as budgets grow. Nifty 500 companies reported legal expenses of ₹62,146 crore in FY2025, about 0.39 per cent of their combined revenue, and ₹68,210 crore in FY2026, on data compiled by The Economic Times. Information technology companies reported ₹9,901 crore and pharmaceutical companies ₹9,496 crore in FY2024. Clients spending at this level measure every matter against a budget, which is why fixed and capped fees are gaining ground.

What the rules prohibit

Indian professional rules do not allow an advocate to stipulate a fee contingent on the result of litigation, or to agree to share in the proceeds. "No win, no fee" arrangements for court work are therefore not permitted, whatever is done in other countries.

How to choose

Ask three questions. How well can the work be defined? Who is better placed to carry the risk of overrun? What does this client value most: certainty, speed or flexibility? Many matters are best priced in stages, with a fixed fee for each stage.

Good practice

- Put fees in an engagement letter before work begins.
- State what is included and what is not.
- Agree how expenses, taxes and counsel's fees will be handled.
- Report regularly, so that no invoice is a surprise.
- Raise changes in scope immediately.
- Invoice promptly and follow up politely.

Knowing your costs

A firm cannot price well unless it knows what an hour of each lawyer's time costs, including salary, rent, technology and unbilled time. Even firms that never bill by the hour should record time for this reason.

The junior lawyer question

Pricing and pay are linked. Firms that price properly can pay associates properly. A profession that under-charges will always under-pay.

A note on trust

Clients do not resent fair fees. They resent surprises. Clarity at the start, and honesty when circumstances change, are worth more than any discount.

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