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Semi-Annual Employment Law Compendium 2025

January – June 2025

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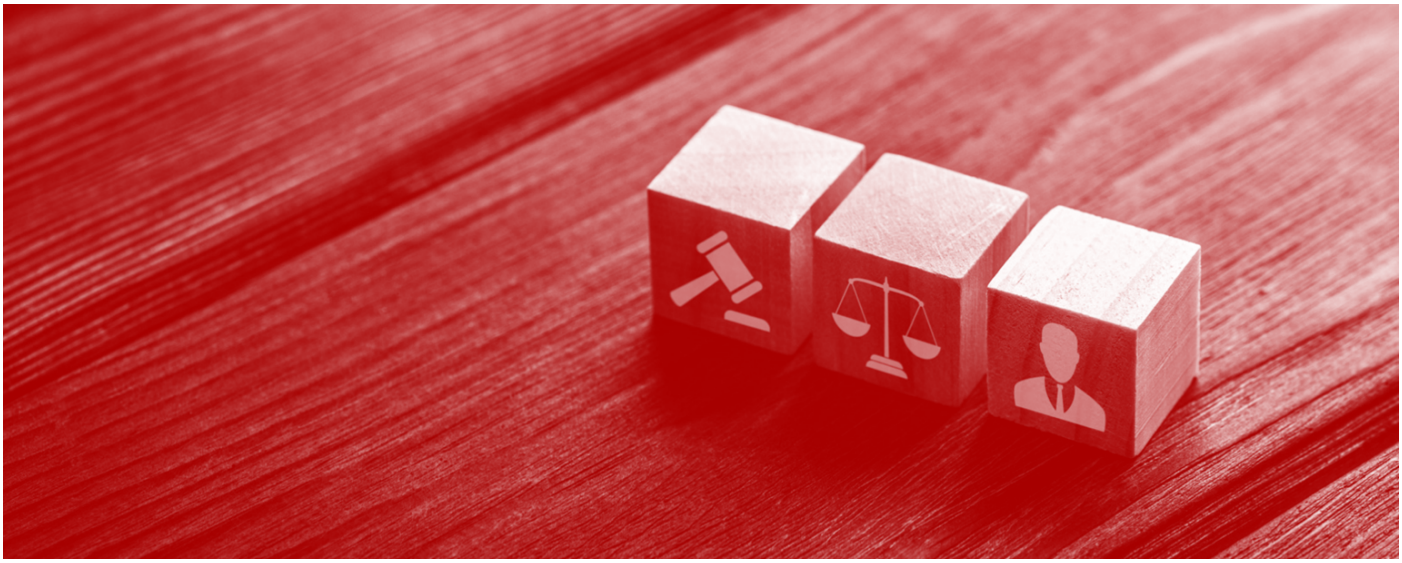


This Compendium consolidates all the key regulatory developments, notifications, orders, judicial precedents and other updates in the labour and employment space in India, which were circulated as JSA Newsletters and Prisms during the calendar period from January 2025 till June 2025.

Regulatory Updates

Government of Karnataka outlines criteria for recognition of first aid training institutes

The Government of Karnataka, *vide* notification[1] dated January 2, 2025, laid down the criteria for recognition of first aid training institutes in Karnataka under the Factories Act, 1948 ("**Factories Act**"). These guidelines aim to ensure that first aid training institutes meet necessary standards to equip workers with essential first aid skills. Institutes are required to be registered under certain identified acts and have trainers with certain identified educational and medical qualifications and experience. They must also provide adequate facilities and equipment to ensure effective training. Institutes must have a minimum of 2 (two) first aid training assistants having medical knowledge and should have an owned/rented space sufficient enough to accommodate at least 30 (thirty) trainees. Programs for training candidates should be for a minimum of 3 (three) days and successful candidates will thereafter be issued a certificate, which will be valid for 3 (three) years. Further, institutes have to register by paying registration fees of INR 10,000 (Indian Rupees ten thousand), which will have to be renewed every 2 (two) years.

Government of Karnataka increases the contribution amount under the Karnataka Labour Welfare Fund Act, 1965

The Government of Karnataka, *vide* notification[2] dated January 10, 2025, announced the implementation of the Karnataka Labour Welfare Fund (Amendment) Act, 2024. This amendment brings changes to Section 7A (*pertaining to contribution*) of the Karnataka Labour Welfare Fund Act, 1965, revising the rates of contribution comprising of employer's contribution (revised from INR 20 (Indian Rupees twenty) to INR 50

[1] Notification bearing No. LD 90 KABANI 2023

[2] DPAL 60 SHASANA 2024

(Indian Rupees fifty), employee's contribution (revised from INR 40 (Indian Rupees forty) to INR 100 (Indian Rupees one hundred) and State Government's contribution (revised from INR 20 (Indian Rupees twenty) to INR 50 (Indian Rupees fifty), payable respectively by the employer, the employee and the State Government to the Karnataka Labour Welfare Board.

Karnataka revises monthly profession tax rates effective April 1, 2025

The Government of Karnataka, *vide* notification[3] dated April 15, 2025, enacted the Karnataka Tax on Profession, Trades, Callings and Employments (Amendment) Act, 2025 ("**Amendment Act**") effective April 1, 2025, to revise the profession tax rates under the Karnataka Tax on Profession, Trades, Callings and Employments Act, 1976. As per the Amendment Act, the monthly profession tax for individuals under serial number 1 of the Schedule (i.e., salary/wage earners) which was previously INR 200 (Indian Rupees two hundred) per month for employees earning a monthly salary of INR 25,000 (Indian Rupees twenty-five thousand) and above ("**PT Employees**"), has now been revised to INR 200 (Indian Rupees two hundred) per month for PT Employees for all months except for the month of February, during which the monthly profession tax of INR 300 (Indian Rupees three hundred) is payable.

[3] DPAL 08 Shasana 2025

Government of Karnataka notifies welfare framework for platform-based gig workers under the Karnataka Platform Based Gig Workers (Social Security and Welfare) Ordinance, 2025

The Government of Karnataka, *vide* ordinance[4] promulgated on May 27, 2025, introduced a comprehensive framework aimed at securing the rights and welfare of platform-based gig workers in the state. Notably, the ordinance mandates:

1. registration of all gig workers and platforms with the Karnataka Platform Board Gig Workers Welfare Board;
2. issuance of unique identity cards to workers, applicable across platforms;
3. implementation of general and sector-specific social security schemes;
4. constitution of grievance redressal mechanism accessible through the Board and platforms;
5. transparent and fair contractual terms, including prior notice for any modification and reasonable grounds for termination;
6. safe working conditions, weekly payouts without delay, and prevention of discriminatory practices through automated systems;
7. clear disclosure obligations and provision of human points of contact for gig workers in languages such as Kannada, English or any other language;
8. establishment of the *Karnataka Gig Workers Social Security and Welfare Fund* funded through - a welfare fee between 1%–5% of gig worker payouts per transaction; contributions from gig workers and grants governments; and other sums such as grants, gifts, donations, benefactions, bequests or transfers or other sources as may be prescribed; and
9. integration of *Payment and Welfare Fee Verification System* to track payments and fee deductions of gig workers.

Benefits under this framework are in addition to any protections gig workers may enjoy under existing laws. Aggregators or platforms failing to comply with the

[4] Karnataka Platform Based Gig Workers (Social Security and Welfare) Ordinance, 2025 (Ordinance No. 04 of 2025)

provisions of the ordinance may be subjected to fine in the range in of INR 5,000 (Indian Rupees five thousand) to INR 1,00,000 (Indian Rupees one lakh).

Government of Kerala issues Kerala Factories (Amendment) Rules, 2025

The Government of Kerala, *vide* notification[5] dated January 4, 2025, issued rules to amend the Kerala Factories Rules, 1957 ("**KL Factory Rules**"). The amendments were made in Appendix I of KL Factory Rules relating to change in 'maximum number of persons to be employed in a day during the year' and Appendix III of KL Factory Rules pertaining to fees prescribed under the KL Factory Rules (other than the fees as prescribed in Appendix I) for medical examination by certifying surgeon, transfer of license, etc. These revisions are intended to align with the Government's goal to update the user charges and fees for services provided by government departments to meet the increased expenditure by Department of Factories and Boilers.

Notification regarding employment of women during night shift under Factories Act in Kerala

The Government of Kerala, *vide* notification[6] dated March 27, 2025, stated that the permissible working hours for women in certain classes of factories (such as food and beverage, garment manufacturing, electronics and healthcare-related industries) would be from 6:00 a.m. to 10:00 p.m. The permissible working hours is subject to specific conditions such as:

1. no woman should be employed between 10:00 p.m. to 5:00 a.m.;
2. separate dormitory accommodation to be provided;
3. free transport with security for those working beyond 7:00 p.m. to be provided;
4. approved work period notices to be displayed;
5. shift rotations to be planned in such a manner to ensure that the intervening weekly holidays are duly availed by the workers.

Government of National Capital Territory of Delhi mandates compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Government of National Capital Territory ("**NCT**") of Delhi, *vide* notification[7] dated January 6, 2025, issued directions stressing on the need for implementation of provisions under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("**POSH Act**"), in alignment with recommendations made by the Supreme Court of India in the case of ***Aureliano Fernandes vs. The State of Goa and Ors.***[8]. The order re-iterated the requirement of constitution of an Internal Committee ("**IC**") by every employer employing 10 (ten) or more employees and stated that non-compliance would attract penalties. Employers (both, public and private sectors) were also informed on the institution of 'She Box Portal', launched by the Ministry of Women and Child Development, for online complaint registration. The order directed the district in-charges and the Directorate of Industrial Safety and Health to sensitise employers and seek information regarding constitution of IC and also intimate employers regarding the 'She Box Portal'.

[5] G.O.(P) No. 1/2025/LBR
[6] G.O.(P)No.19/2025/LBR
[7] F. No. 15(1)/LAB/2025/5379-5381
[8] W.P. (C) No. 1224/2017

Delhi Government issues public notice directing private sector organisations to register on SHe-Box portal in compliance with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Department of Women and Child Development, Government of NCT of Delhi, *vide* a public notice, has directed all private sector organisations operating in Delhi to mandatorily register their establishment details on the SHe-Box portal (https://shebox.wcd.gov.in), an online platform developed by the Government of India to provide single-window access for women to file workplace sexual harassment complaints.

The notice reinforces the obligation of private sector employers to ensure effective implementation of the POSH Act, in line with the judgment of the Supreme Court of India in *Aureliano Fernandes vs. State of Goa and Ors.*[9]. The platform enables any woman, regardless of employment status or sector, to lodge a complaint, which is then routed to the appropriate authority (i.e. IC or District Officer) for redressal.

Notification of Chhattisgarh Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017

The Government of Chhattisgarh, *vide* notification[10] dated February 13, 2025, has given effect to the Chhattisgarh Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017 ("**Chhattisgarh S&E Act**"). The Chhattisgarh S&E Act, which was originally published in the Chhattisgarh Gazette on August 23, 2018, has now come into force from the abovementioned date of issue of this notification. It aims at regulating employment and service conditions in shops and establishments across the state that employ 10 (ten) or more workers. With the release of this notification and implementation of the Chhattisgarh S&E Act, establishments in Chhattisgarh would be required to ensure compliance with its provisions, which include regulations related to working hours, employee rights, leave policies and workplace conditions.

Government of Tripura introduces equal opportunity policy for persons with disabilities

The Government of Tripura, *vide* notification[11] dated March 3, 2025, introduced the equal opportunity policy for persons with disabilities working in factories and boilers organisations. It aims to provide persons with disabilities the necessary support and facilities for effectively performing their duties. The policy aims to enhance accessibility within workplace and in this regard requires factories and boilers organisations to ensure availability of wheelchairs, specialised furniture, wider doorways, ramps and accessible toilets. Preference in transfers, posting, allotment of residential accommodation, etc., will be given to an employee with benchmark disabilities as per guidelines issued by the Government of Tripura, from time to time. A grievance redressal officer is required to be appointed at the organisational level to address complaints related to discrimination in employment, and a liaison officer will be designated to manage the recruitment of persons with disabilities and ensure the provision of necessary facilities.

Government of Haryana increases contribution limit under the Labour Welfare Fund Act, 1965

The Government of Haryana, *vide* notification[12] dated March 7, 2025, announced an increase in the contribution limit under Section 9A (*Contribution to fund by employers and employees*) of the Labour

[9] Civil Appeal No. 2482/2014 (Decided on May 12, 2023)
[10] No. F-10-12/2017/16/434
[11] No. F. 2(199)-FB/ESTT/99/March 3, 2025
[12] HLWB/REV/2025/1306-1530

Welfare Fund Act, 1965. Effective from January 1, 2025, employees are to contribute 0.2% of their salary or wages, capped at INR 34 (Indian Rupees thirty-four) per month (as opposed to previous cap of INR 31 (Indian Rupees thirty-one)) per month, and employers are to contribute twice the amount contributed by employees. The contribution limit is indexed annually to the consumer price index, starting from January 1 each year. This adjustment reflects the Haryana Government's effort to align contribution limits with inflation and ensure consistency with cost-of-living changes.

Haryana revises working conditions for women

On a regulatory roll aimed at modernising labour norms and championing gender inclusivity in the workplace, the Government of Haryana on May 8, 2025, released 2 (two) pivotal notifications under the Punjab Shops and Commercial Establishments Act, 1958, as applicable in Haryana ("**Haryana S&E Act**") and Factories Act. These back-to-back notifications refine the legal framework surrounding employment of women during night shifts in designated sectors. Superseding previous notifications on the subject, these comprehensive updates reflect a broader governmental push to foster safety and equitable working conditions for women, particularly in roles involving non-traditional hours.

Shops and Establishment Notification (May 8, 2025)

The Haryana S&E Act prohibits employment of women during night shifts (i.e., 8:00 PM to 6:00 AM). However, by way of amendment dated September 27, 2003, the government amended Rule 15 of the Punjab Shops and Commercial Establishments Rules, 1958 to exempt IT establishments, ITeS establishments, banking establishments, 3 (three) star or above hotels and 100% exports-oriented establishments from this requirement. Thereafter, from time to time the government of Haryana notified conditions regulating night shifts for the aforesaid sectors.

The notification issued under the Haryana S&E Act dated May 8, 2025 ("**S&E Notification**"), updates the rules for employing women during night shifts (8:00 PM to 6:00 AM) in the above-mentioned sector, now also including logistics, and warehousing. This notification supersedes all previous notifications on the subject.

To avail the exemption, an establishment must apply to the Labour Commissioner or Chief Inspector of Shops of Haryana, at least 1 (one) month prior to the date on which the exemption is applied for. The exemption granted by the relevant authority will be valid for a period of 1 (one) year.

Key conditions

1. **Declaration**: Employers must submit a declaration of having procured the consent of each woman employee to work during night shift.
2. **Anti-sexual harassment**: Employers will deter sexual harassment at the workplace and provide for resolution, besides undertaking other compliances under the PoSH Act.
3. **Lighting and security**: Employers must provide sufficient lighting both inside the premises and in the surrounding areas, including any spaces that female employees may need to access during their night shifts, along with adequate security personnel during night shifts.
4. **Transportation**: Employers must provide safe transportation for women employees to and from their homes. This may be arranged through pooled services in partnership with external transport vendors. Each vehicle must be equipped with security features such as security guards (including a female guard), trained drivers, CCTV, and GPS.

   Unlike other States, the notification explicitly allows women employees to arrange for their own transportation, provided they submit written consent. This provision reduces the employer's liability compared to jurisdictions where no such flexibility is provided, as the onus of arranging

transportation falls on the employee once consent is given.

5. **Batch size**: Women should work in groups of at least 4 (four) during night shifts. However, this requirement is waived for senior women employees in the IT/ITES sector earning over INR 1,00,000 (Indian Rupees one lakh) per month, provided they consent to night work.
6. **Medical facilities**: Employers must arrange for medical support during night shifts, either through an on-site doctor or female nurse, or via tie-ups with nearby hospitals for emergencies. Important emergency contact numbers must be prominently displayed on the premises.
7. **Boarding/lodging**: If accommodation is provided, it must be exclusively for women and managed by female wardens.
8. **Legal compliance**: Employers must continue to adhere to all applicable laws related to working hours, wages, Employees' State Insurance (ESI), and the Haryana Labour Welfare Fund (Haryana LWF), among others.

To further ease compliance for businesses while continuing to prioritise the safety and well-being of women workers, several earlier requirements have been revised or removed. These include the previous stipulation of maintaining a minimum of one-third female staff, mandatory work sheds and canteen facilities, and the requirement for a 12 (twelve) hour rest between shifts. By removing these requirements, the government has made it easier for employers to meet compliance standards, while still maintaining essential safety measures for women employees.

Factories Act Notification (May 8, 2025)

Similar to the Haryana S&E Act, the Factories Act also prohibits employment of women during night shifts, except by notification from the State Government. The notification issued under the Factories Act dated May 8, 2025 ("**Factories Notification**"), outlines similar conditions for factories seeking exemption to employ women during night shifts (7:00 PM to 6:00 AM). This exemption is valid for 1 (one) year from the date of issuance.

Key conditions

1. **Consent**: Written consent from each woman worker including security staff, supervisors, or any other women staff is mandatory to work night shifts.
2. **Legal compliance**: Factories must comply with the PoSH Act and other relevant laws.
3. **Lighting and Surveillance**: Adequate lighting and CCTV cameras must be installed inside and around the factory, covering all areas accessible to women.
4. **Batch size**: Women workers must work in groups of at least 4 (four).
5. **Transportation**: Employers must provide transportation facilities for women employees working night shifts. In addition to the transportation requirements stipulated under the S&E Notification, the Factories Notification also requires the management to ensure that the driver's biodata is collected and that a thorough pre-employment screening is conducted by the service provider, in case the driver has been engaged through outsourcing.
6. **Security**: At least 1 (one) female security guard must be present during night shifts.
7. **Medical facilities**: A doctor or female nurse must be engaged during night shifts. Ambulance services and hospital tie-ups are allowed for emergencies. Emergency contact numbers must be displayed prominently.
8. **Other labour laws**: Factories must comply with the Factories Act, and other labour laws relating to rest intervals, holidays, canteen, and restroom facilities.
9. **Incident reporting**: Any untoward incidents must be reported promptly to the Assistant Director of Industrial Safety and Health and local police authorities.
10. **Additional conditions**: The State Government reserves the right to impose further conditions as necessary.

Comparison of the S&E Notification and the Factories Notification

Sl. No.	Aspect	S&E Notification	Factories Notification
1.	Applicable Law	Haryana S&E Act	Factories Act
2.	Sectors	Specific sectors: IT, ITES, banking, 3-star+ hotels, export units, logistics, warehousing	Factories
3.	Night Shift Timings	8:00 PM to 6:00 AM	7:00 PM to 6:00 AM
4.	Consent	Consent required from women working night shifts	Mandatory written consent from all women workers including security guards, supervisors, shift in charge or any other women staff
5.	Lighting and Security	Proper lighting and sufficient security guards; no explicit mention of female security guards	Proper lighting and CCTV inside and around factory; at least 1 (one) female security guard
6.	Transportation	Similar provisions; no explicit mention of driver screening	Similar provisions including pre-employment driver screening mandatory
7.	Batch size	Minimum four women per batch; relaxed for senior IT/ITES women earning > INR 1,00,000 (Indian Rupees one lakh) /month	Minimum four women working together
8.	Medical Facilities	Doctor/female nurse on-site or *via* hospital tie-ups; emergency contacts displayed, and ambulance/medical facilities may be pooled	
9.	Additional Facilities	Earlier requirements like canteen, work sheds omitted to ease compliance	Separate canteen/rest room facilities mandated
10.	Reporting	No explicit mention of incident reporting	Incident reporting to relevant authorities mandatory
11.	Validity	No specified validity period; appears ongoing regulation	Exemption valid for 1 (one) year

Conclusion

The S&E Notification streamlines previous compliance requirements by removing obligations such as grievance meetings, detailed reporting, and in-house facility maintenance. It allows partnerships with external vendors for transportation and medical services and grants women greater flexibility-such as opting out of employer-provided transport and relaxing batch-size requirements for senior staff. This approach balances business convenience with the safety and autonomy of women employees.

By simplifying compliance (removing mandates like minimum women strength of one-third and canteen/work shed requirements), the notification promotes ease of doing business while maintaining core safety provisions including lighting, security, transportation, and medical facilities. The enhanced flexibility for senior women employees and allowance for outsourcing reflect a modern, sector-specific regulatory approach.

The Factories Notification takes a more detailed and stringent approach, emphasising factory-specific safety measures such as mandatory incident reporting and driver background checks. Both notifications share the common goal of enhancing the safety and well-being of women employees during night shifts through robust infrastructure, informed consent, and clear compliance guidelines. Together, these notifications mark a progressive step towards safer and more flexible working conditions for women during night shifts in Haryana.

Government of Punjab extends permission for shops and establishments under the Punjab Shops and Commercial Establishments Act, 1958 to remain open on all 365 (three hundred and sixty-five) days of the year

The Government of Punjab, *vide* a notification[13] dated June 17, 2025, exercised its powers under Section 28 of the Punjab Shops and Commercial Establishments Act, 1958 ("**Punjab S&E Act**"), to exempt all establishments registered under the Punjab S&E Act from the application of Sections 9 and 10(1), which govern the opening and closing hours and the weekly closing day of establishments. The permission allows all shops and establishments to remain open on all 365 (three hundred and sixty-five) days of the year and is extended for a further period of 1 (one) year, effective till May 31, 2026.

The permission is subject to compliance with specific conditions, including the following:

1. providing 1 (one) paid holiday per week and displaying in advance the list and timetable of holidays on the notice board;
2. providing a 1 (one)-hour rest period after every 5 (five) hours of continuous work and ensuring that no employee works beyond 10 (ten) hours in a day or 48 (forty-eight) hours in a week, with a maximum spread-over of 12 (twelve) hours in a day;
3. ensuring safety and security of employees and visitors in establishments operating beyond 10:00 PM and engaging additional staff for extended hours;
4. providing separate lockers, security, and restrooms for female employees and constituting an IC under the POSH Act;
5. not engaging female employees beyond 8:00 PM without their consent on record and providing adequate safety and security arrangements for them during and after work until they reach home safely;
6. implementing the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986, as amended from time to time;
7. ensuring compliance with other provisions of the Punjab S&E Act and relevant labour laws, and providing all statutory facilities under applicable labour laws; and
8. providing national and festival holidays with wages and crediting employee wages along with overtime wages (where appliable) to their savings bank accounts. Any violation of these conditions or other provisions under the Punjab S&E Act may result in cancellation of this exemption, after providing the employer an opportunity of being heard before competent authority.

Andhra Pradesh eases working conditions for the Information Technology and Information Technology-Enabled Services sector to boost operational flexibility

In 2002, the Government of Andhra Pradesh first issued a notification exempting Information Technology ("**IT**") and IT-Enabled Services ("**ITeS**") establishments from certain provisions of the Andhra Pradesh Shops and Establishments Act, 1988 ("**AP S&E Act**"), for a period of 5 (five) years, effective from May 30, 2002. This exemption has been renewed periodically to support the growth of the IT and ITeS sector within the State. Most recently, on March 25, 2025, the Andhra Pradesh Government issued a new notification ("**AP Exemption 2025**"), which further extends the exemption under the AP S&E Act for a period of 5 (five) years, effective from March 25, 2025, subject to fulfilment of certain conditions. This move underscores the State Government's continued commitment to creating a conducive environment for

[13] No. LabOPSCA/2/2024-5L/495

the IT/ITeS sectors, which remain a cornerstone of the State's economic growth.

Key features and conditions of the AP Exemption 2025

The AP Exemption 2025 offers IT/ITeS companies with greater flexibility by relaxing several operational provisions. This includes exemptions from restrictions on opening and closing hours[14], daily and weekly work hours[15], as well as the employment of young persons before 6:00 am and after 7:00 pm[16]. Additionally, the exemption, subject to certain safety and security conditions, allows for the employment of women in night shifts[17] which was already permitted under the 2018 amendment to the AP S&E Act. It also facilitates operations on national and festival holidays[18], and simplifies conditions related to employee terminations and the payment of service compensation[19].

Under the AP Exemption 2025, IT/ITeS establishments in the State are allowed to operate round the clock and implement flexible work arrangements as needed. However, this exemption is accompanied by a clear set of conditions designed to protect the rights and welfare of employees.

The AP Exemption 2025 also makes it clear that in the event of non-compliance with any of the stipulated conditions, the exemption may be revoked without any prior notice.

The exemption granted to IT/ ITeS establishments is subject to the following conditions, to ensure the welfare of employees, while promoting ease of doing business:

1. **Working hours and overtime wages**: The AP S&E Act prescribes a standard 8 (eight) hour workday with a weekly cap of 48 (forty-eight) hours limiting the total working hours (inclusive of overtime) to 12 (twelve) hours per day and 62 (sixty-two) hours per week. It also restricts overtime work exceeding 7 (seven) consecutive days and caps overtime hours to a maximum of 50 (fifty) hours per month.
2. **Weekly hours under the AP Exemption 2025**: The weekly hours are capped at 48 (forty-eight) hours and any work done beyond such threshold would trigger the obligation to pay overtime wages. However, the AP Exemption 2025 does not limit the maximum number of overtime hours an employee can work on a daily, weekly, or monthly basis, nor does it prohibit employers from requiring employees to work overtime on consecutive days.
3. **Weekly Off:** Irrespective of the exemptions, a weekly-off day must necessarily be granted to every employee.
4. **Engaging female employees and young persons during night shifts**: An establishment is permitted to engage young persons and female employees during night shifts, that is between 8:30 pm to 6:00 am. However, unlike in the case of Telangana, where the exemption conditions applicable to IT/ITeS establishments specifically require employers to provide adequate security during the shift and transportation to both young persons and female employees, the AP Exemption 2025 casts such obligations specifically for the safety and security of female employees engaged during night shifts, which are set out below:
    a) Security and transportation: Female employees will be provided with adequate security and transportation to and from their residences.
    b) Driver screening and verification: Employers must obtain the biodata of each driver and conduct thorough pre-employment screenings to verify the antecedents of all drivers, whether employed directly or through outsourcing. Information such as the driver's driving license, photograph, address, mobile number, and other relevant details must also be retained by the employer.
    c) Pick-up and drop-off schedules: The schedule and route for pick-up and drop-off of female employees must be planned by the supervisory officer of the establishment every Monday. If Monday is a holiday, the schedule will be prepared the following working day. In cases of emergency, changes to the driver, route, or shift may be made but only with prior

[14] Section 15 of the AP S&E Act
[15] Section 16 of the AP S&E Act
[16] Section 21 of the AP S&E Act
[17] Section 23 of the AP S&E Act
[18] Section 31 of the AP S&E Act
[19] Sub section (1), (2), (3) and (4) of Section 47 of the AP S&E Act

knowledge of the supervisory officers and the employees.

d) Confidentiality of personal information: The telephone number, particularly mobile phone numbers and addresses of the female employees must not be disclosed to unauthorised persons.

e) Route Selection: Careful selection of routes must be made such that no female employee is picked up first or dropped last.

f) Security guards: While not mandatory, security guards may be deployed for female employees during cab drop-offs and pick-ups. The timings as recommended in the AP Exemption 2025 is before 6:00 am and after 8:00 pm.

g) Random vehicle checks and GPS monitoring: The designated supervisors of the establishment are required to conduct a random on the vehicle on various routes. Further, establishments are required to have a control room for GPS based vehicle movement monitoring, and to have vehicles registered under the VAHAN app besides ensuring that female employees have downloaded the security mobile app of the police department.

h) CCTV surveillance: The boarding and alighting points must be equipped with CCTV cameras, either installed by the police department or by the establishment, to monitor the safety of female employees.

While the AP Exemption 2025 introduces more robust safety-related provisions, ensuring enhanced security and safer commuting for women working in night shifts, by granting a blanket exemption from all provisions related to women working in night shifts under the AP S&E Act, the AP Exemption 2025 seems to have removed certain additional safeguards, that were previously afforded to female employees under the AP S&E Act. For example, the AP S&E Act prohibits women from working in night shifts for 16 (sixteen) weeks before and after childbirth, which was more beneficial than the restricted period set out under the Maternity Benefit Act, 1961.

5. **Identity cards**: Every employee must also be provided with identity cards and other welfare measures to which they are eligible as per the extant applicable laws.

6. **Compensatory holiday:** Employees working on a notified holiday must mandatorily be given a compensatory holiday in lieu of notified holiday worked, with wages.

7. **Statutory registers:** Employers are permitted to maintain registers under the AP S&E Act in soft copies.

8. **Online filing of returns:** Employers shall file returns of employees in accordance with directions issued by the Labour Factories Boilers and Insurance Medical Service Department on the Ease of Doing Business/Industries department websites.

Termination related exemptions

While several States like Telangana, Gujarat and Uttar Pradesh, have previously rolled out exemptions for the IT/ITeS sector, primarily addressing work hours, overtime, and employment of women during night shifts; the AP Exemption 2025 interestingly takes a distinct approach by also offering certain exemptions related to employee terminations. Accordingly, the provisions *inter alia* require employers to provide a 1 (one) month notice or payment in lieu of notice upon termination of employment (for employees who have completed 6 (six) months of employment), the requirement to pay 'service compensation' to those employees who have completed at least 1 (one) year of continuous service, the requirement to notify the inspector within a prescribed period when terminating an employee etc., have been removed. Having said that, the termination related protections as available under other applicable labour laws including the Industrial Disputes Act, 1947 will continue to apply.

Conclusion

The extension of the exemption for IT/ ITeS companies in Andhra Pradesh for an additional 5 (five) years is undoubtedly a welcome relief for employers, providing them with increased operational flexibility. By renewing the exemption, the government is ensuring that these sectors continue to thrive with significantly fewer restrictions, which is crucial for their global competitiveness. Having said that, while these exemptions are beneficial, certain conditions could

have been better aligned with the realities of today's modern workforce. For instance, the mandate to provide transportation for women working in night shifts is well-intentioned, yet many employees prefer using their personal means of transportation. This raises important questions regarding employers' obligations and liabilities in such scenarios. Likewise, installing CCTV surveillance at boarding and drop points can pose practical challenges for employers adding to their operational complexities.

These exemptions will also be essential to ensure that the broader objectives of employee welfare, fair treatment and workplace equity are not compromised in the pursuit of operational efficiency. Employers should therefore advocate for a framework that recognises the evolving preferences of the workforce while ensuring compliance with the law.

By fostering an environment that values flexibility alongside responsible employee welfare, a more productive and harmonious workplace can be created, which benefits both organisations and its employees.

Government of Tamil Nadu extends permission for 24x7 operations for shops and establishments under the Tamil Nadu Shops and Establishments Act, 1947

The Government of Tamil Nadu, *vide* a notification[20] dated May 8, 2025, extended the general permission granted under Section 7(1) of the Tamil Nadu Shops and Establishments Act, 1947 ("**TN S&E Act**"), which governs the opening and closing hours of shops and prohibits them from operating beyond the hours fixed by the State Government. The permission allows all shops and establishments employing 10 (ten) or more persons to operate on a 24x7 basis across all days of the year, and is extended for a further period of 3 (three) years, effective from June 5, 2025.

The permission is subject to compliance with specific conditions, including the following:

1. maintaining Form S, detailing weekly offs provided to the employees, and displaying the same at a conspicuous place in the establishment;
2. daily display of employee leave status at a conspicuous place in the establishment;
3. crediting wages and overtime payments directly to employee bank accounts;
4. ensuring that working hours do not exceed 8 (eight) hours per day and 48 (forty eight) hours per week, with a maximum limit of 10.5 (ten and a half) hours per day and 57 (fifty seven) hours per week (inclusive of overtime);
5. refraining from engaging employees on holidays or beyond prescribed hours without proper overtime records;
6. women employees may be engaged beyond 8:00 PM only upon obtaining their written consent and subject to adequate protection of their dignity, honour, and safety;
7. transport arrangements must be provided to women employees working in shifts, with a notice regarding such availability prominently displayed at the establishment's main entrance;
8. provision of adequate safeguards, including restrooms, safety lockers, and other essential workplace amenities; and
9. constitution of an Internal Complaints Committee in accordance with the POSH Act. Any violation of these conditions may attract penal action under the TN S&E Act and applicable rules.

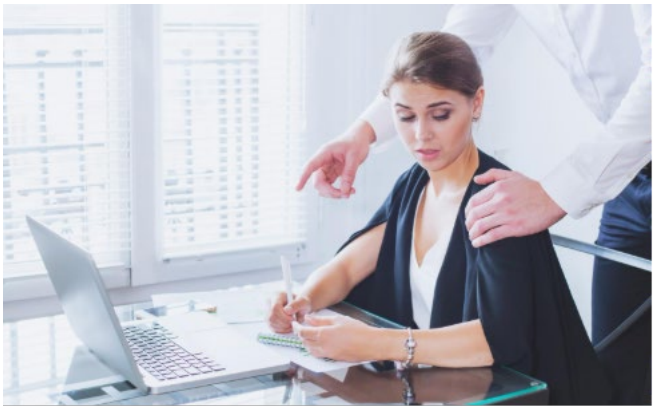
Employees' Provident Fund Organisation removes the requirement for cheque/passbook image upload and employer approval for bank account seeding

Employees' Provident Fund Organisation, *vide* circular[21] dated April 3, 2025, removed the requirement for members to upload an image of a cancelled cheque leaf or attested bank passbook while filing online claims, provided the bank account seeded with the Universal Account Number ("**UAN**") is validated by the concerned bank or National Payments Corporation of India ("**NPCI**"). The circular further

[20] No. II (2) LWSD/441(a)/2025

[21] No. WSU/Issues of BKG/E-19885/2024-25/16.

dispensed with the requirement of employer approval for bank account seeding. All pending requests for bank 'know your customer' seeding at the employer level will now be auto-approved following verification by the bank/NPCI. The move aims to streamline and expedite the online claim settlement process and reduce rejections.



Corporate governance enhanced through mandatory workplace harassment disclosures under new company law amendments

The Ministry of Corporate Affairs ("**MCA**"), Government of India, *vide* notification[22] dated May 30, 2025, has introduced the Companies (Accounts) Second Amendment Rules, 2025, ("**Amendment Rules**") amending Rule 8(5)(x) of the Companies (Accounts) Rules, 2014 ("**Company Rules**"), and mandating specific disclosures regarding compliance with *inter alia* the POSH Act. These Amendment Rules will be effective from July 14, 2025, and will mark a significant development in strengthening corporate governance, accountability as well as workplace safety.

Background and scope of the Amendment Rules

Prior to the introduction of the Amendment Rules, Rule 8(5)(x) of the Company Rules required companies to disclose in their annual board report ("**Board Report**"), only a brief statement affirming compliance with the requirement to constitute an IC under the POSH Act. Under the Amendment Rules, companies are now additionally required to disclose the following:

1. number of complaints of sexual harassment received in the year;
2. number of complaints disposed-off during the year; and
3. number of cases pending for more than 90 (ninety) days.

Further, format of the extract in the Board Report released through the Amendment Rules also requires companies to provide details of the number of female employees, male employees, and transgender employees, each, as on the closure of the financial year. Some of these additional and specific disclosures appear to be aligned with applicable disclosure and reporting norms already required under POSH Act as well as the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013 ("**POSH Rules**"). Interestingly, in addition to disclosures under the POSH Act, the Amendment Rules also mandate inclusion of a statement in the Board Report affirming company's compliance with provisions of the Maternity Benefit Act, 1961.

Statutory provisions relevant to reporting of sexual harassment complaints and implications for non-compliance

These Amendment Rules appear to be built on the existing statutory and broader reporting framework under Sections 21 and 22 of the POSH Act read with Rule 14 of the POSH Rules. Under Section 21 of the POSH Act, every IC constituted under the POSH Act is required to prepare and submit to the employer, an annual report capturing *inter alia* details of: (a) number of complaints of sexual harassment: (i) received during the year; and (ii) disposed-off during the year; (b) number of cases pending for more than 90 (ninety) days; (c) number of workshops or awareness programme that were carried out against sexual harassment; and (d) nature of action taken by the employer. Section 22 of the POSH Act obligates an employer to include in the company's annual report, details pertaining to number of sexual harassment cases filed and their disposal status. Where no such report is required to be prepared, the data on number of cases should be intimated to the concerned 'District Officer'.

With the latest introduction of compliance and reporting norms under the Amendment Rules, a non-

[22] G.S.R. 357(E).

compliance with prescribed disclosure requirements could now attract penal consequences under both the POSH Act as well as the Companies Act, 2013 ("**Companies Act**").

Under the POSH Act, failure to incorporate the prescribed data in the annual report of a company in accordance with applicable provisions may attract penalties in the form of fine raging between INR 50,000 (Indian Rupees fifty thousand) and INR 1,00,000 (Indian Rupees one lakh) depending on the frequency of contravention. In some cases, repeated contraventions could also lead to cancellation, withdrawal, or non-renewal of the license/registration of an establishment. Section 134(8) of the Companies Act prescribes stringent consequences for non-compliance with prescribed disclosures in the Board Report, with penalties reaching up to INR 3,00,000 (Indian Rupees three lakh) on the company and INR 50,000 (Indian Rupees fifty thousand) on each officer responsible for the default.

Conclusion

The Amendment Rules represent a significant regulatory advancement aimed at strengthening workplace compliance under the POSH Act. By shifting reporting compliance from a simple declaration to more detailed and quantifiable disclosures, the MCA has underscored the critical importance of maintaining safe and inclusive work environments. Adherence to these disclosure requirements, supported by strong internal monitoring, accurate tracking of the status of sexual harassment complaints, effective disposal of such complaints, and record-keeping, is essential for managing legal risks and maintaining good corporate governance, enhancing organizational accountability.

Shifting these disclosures from internal records to publicly available Board Reports increases transparency, allowing relevant stakeholders greater visibility into a company's compliance status in addressing matters of sexual harassment, and consequently reinforcing the need for organisations to maintain effective complaint redressal mechanisms. These measures, combined with frequent notifications from local authorities requiring companies to comply with the POSH Act and register details of their ICs on the '*SHe-box*' portal, appear to be directed at a more efficient and streamlined monitoring of compliance under the POSH Act. Disclosures pertaining to gender of employees may lead to enhanced public perception of a company's culture towards implementing a diverse workplace.

However, despite these measures, it remains to be tested whether companies will in fact, continue to adhere to such compliance measures not only as a matter of statutory form, but in spirit and substance also—be it through implementation of appropriate reporting channels, constitution of functional ICs not just on the basis of technical specifications under the POSH Act, but in a manner such that the ICs are more accessible and demonstrably independent in addressing complaints of sexual harassment at workplace, or ensuring policy revisions and leadership mandates directed towards on-ground efforts at hiring a diverse workforce.

Case Laws

Supreme Court of India affirms validity of employment bond containing restrictive clause and directs payment of penalty for premature resignation

In a recent case of ***Vijaya Bank and Anr. vs. Prashant B Narnaware***[23], a 2 (two) judge bench of the Hon'ble Supreme Court of India ("**Supreme Court**") upheld the validity of a clause which required an employee to serve a minimum tenure of 3 (three) years or pay liquidated damages of INR 2,00,000 (Indian Rupees two lakh) in case of an early exit. The Supreme Court reaffirmed that such provisions were not unconscionable, unfair or unreasonable, do not constitute a restraint of trade under Section 27 of the Indian Contract Act, 1872 ("**Contract Act**") and are not opposed to public policy under Section 23 of the Contract Act.

Brief facts

On September 28, 2007, Mr. Prashant B. Narnaware ("**Employee**") was appointed as senior manager

[23] Civil Appeal No. 11708/2016 (decided on May 14, 2025)

(MMG-III) at Vijaya Bank ("**Employer**"), a public sector Indian bank. Clause 11(k) of the Employee's appointment letter dated August 7, 2007 ("**Appointment Letter**") required him to serve a minimum tenure of 3 (three) years with the Employer from the date of joining the Employer, failing which he was liable to pay liquidated damages of INR 2,00,000 (Indian Rupees two lakh) to the Employer. The Employee also executed an indemnity bond to this effect. Notably, the same condition was also included in clause 9 (w) of the recruitment notification issued by the Employer.

Subsequently, on July 17, 2009, prior to completion of the stipulated 3 (three) year service period, the Employee resigned in order to join another bank. The resignation was accepted by the Employer and on October 16, 2009, the Employee under protest paid INR 2,00,000 (Indian Rupees two lakh) in line with clause 11(k) of his Appointment Letter.

Thereafter, the Employee filed a writ petition before the Karnataka High Court ("**Karnataka HC**") for quashing of clause 9 (w) of the recruitment notification and clause 11 (k) of the Appointment Letter on grounds that it is violative of Articles 14 and 19(1)(g) of the Constitution of India ("**Constitution**") and were unenforceable under Sections 23 and 27 of the Contract Act. The writ petition was allowed by a Single Judge, relying on its decision in K*.Y. Venkatesh Kumar vs. BEML Limited*[24]. On an appeal, the decision was subsequently upheld by the Division Bench of the Karnataka HC.

Aggrieved by the decision, the Employer filed an appeal before the Supreme Court contending that the challenged clauses reflected a reasonable condition to prevent attrition and safeguard recruitment investment, and did not restrain the Employee's right to seek alternative employment.

Issues

The Supreme Court was presented with the following issues:

1. Whether clause 11(k) of the Appointment Letter amounts to a restraint of trade under Section 27 of the Contract Act?
2. Whether clause 11(k) of the Appointment Letter was opposed to public policy under Section 23 of the Contract Act, or violative of Articles 14 and 19(1)(g) of the Constitution?
3. Whether the quantum of liquidated damages of INR 2,00,000 (Indian Rupees two lakh) is reasonable?

Observations and analysis

The Supreme Court, while examining the facts and deciding upon the matter, laid down the following key observations:

1. On the question of restraint of trade under Section 27 of the Contract Act, the Supreme Court reaffirmed the settled legal distinction between restraints during employment and those post-termination. Relying on its earlier decision in *Niranjan Shankar Golikari vs. The Century Spinning and Mfg Co. Ltd.*[25], the Supreme Court held that negative covenants operating during employment—such as exclusivity of service or minimum tenure—do not fall within the scope of 'restraint of trade' under Section 27 of the Contract Act, unless they are unconscionable or excessively harsh. In this context, clause 11(k) of the Appointment Letter was held to be a valid negative covenant operative during the term of employment, which was in furtherance of the employment contract and not to restrain the future employment. The Supreme Court held that the said clause is not violative of Section 27 of the Contract Act.
2. On the question of whether the above referred clause was opposed to public policy under Section 23 of the Contract Act, the Supreme Court acknowledged that standard-form employment contracts may warrant higher scrutiny due to the unequal bargaining position of employees. However, it clarified that this alone does not render a clause invalid. The Supreme Court also held that the onus is on the Employer to prove that the restrictive clause is not in restraint of trade or opposed to public policy.
3. In the present case, the clause served a legitimate business objective i.e., ensuring staff continuity, and did not preclude the Employee from seeking

[24] W.A. No. 2736/2009 (decided on December 9, 2009)

[25] Civil Appeal No. 2103/1966 (decided on January 16, 1967)

alternate employment; and the same cannot be said to be unconscionable, unfair or unreasonable. The Supreme Court also observed that, in the context of liberalisation, the Employer faced competition from the private sector banks. The said restrictive clause for minimum service tenure has been introduced by the Employer to reduce Employee attrition and to improve efficiency. The Supreme Court also recognised the operational burden placed on the Employer due to premature exits, especially in public sector recruitments. Accordingly, the clause was not held to be opposed to public policy.

4. While assessing reasonability of the liquidated damages amount of INR 2,00,000 (Indian Rupees two lakh), the Supreme Court held that the sum was neither excessive nor punitive. Taking into consideration the Employee's seniority, the voluntarily executed indemnity bond, and the operational disruption caused by premature exits (particularly in public sector recruitments), the Supreme Court concluded that the clause served a compensatory purpose, was legally enforceable and the liquidated damages of INR 2,00,000 (Indian Rupees two lakh) is reasonable.

5. Lastly, the Supreme Court also clarified that the Karnataka HC had erred in mechanically applying its earlier decision in *K.Y. Venkatesh Kumar vs. BEML Limited.*[26], which was factually distinguishable and did not consider the operational prejudice caused by premature resignations in a public recruitment context.

In light of the above, while rejecting the Karnataka HC's finding, the Supreme Court upheld the validity of clause 11(k) of the Appointment Letter and held that the requirement to pay INR 2,00,000 (Indian Rupees two lakh) as damages for premature resignation was legally sustainable.

Conclusion

Very often, employment bonds form part of, or are ancillary to contracts as a means to retain talent and ensure continuity in roles involving specialised training or high onboarding costs. The Supreme Court's ruling in this case provides important direction in this regard. It affirms that employment bonds when clearly drafted, supported by a legitimate objective, and backed by reasonable liquidated damages could be legally enforceable and need not constitute a restraint of trade or violate public policy.

While the decision arose in a public sector context, the Supreme Court's reasoning may hold persuasive value for private employers seeking to implement similar mechanisms to deter premature exits and safeguard recruitment investments.

The ruling adopts a distinctly employer-friendly stance, upholding the enforceability of employment bonds without fully addressing legitimate grounds for early exit such as health concerns, hostile work environments, or family obligations. While the Supreme Court reiterated that such clauses must be proportionate and non-punitive, it offered little guidance on how hardship-driven resignations should be assessed. As a result, the judgment strengthens employers' contractual footing but leaves employees exposed to legal and financial risks even in compelled separations.

This ruling affirms that the quantum of liquidated damages must have a clear nexus with the genuine loss suffered by the employer and the employee's position. This judgment reinforces that the enforceability of restrictive clauses (when voluntarily agreed upon) is contractually binding and enforceable. While this ruling strengthens the employer's ability to recover costs associated with recruitment and training provided to the Employee in the event of premature resignation, it also highlights the importance of ensuring that such provisions remain reasonable and linked to demonstrable loss. Further, from a general contractual perspective, rigid lock-in periods and significant financial penalties can also result in restricting mobility and reinforcing unequal bargaining dynamics. In practice, employees may exit for *bona fide* reasons, and therefore, the enforceability of employment bonds arguably still remains a fact-specific determination requiring a careful balance between business continuity and employee autonomy.

[26] Same as footnote 2

Supreme Court of India validates exclusive jurisdiction clauses in employment contract easing litigation for employers

In a significant development for employers navigating the complexities of a diverse workforce, the Supreme Court has recently upheld the validity of exclusive jurisdiction clauses in employment contracts.

In the case of ***Rakesh Kumar Varma vs. HDFC Bank Limited and HDFC Bank Limited vs. Deepti Bhatia***[27], the Supreme Court has clarified that when employees sign agreements with their employers specifying a particular court for dispute resolution, even if it's distant from the place of posting, such clauses can be valid.

This decision ensures that employers can confidently designate a specific jurisdiction for legal disputes, even if their workforce is geographically dispersed. For employers managing a pan-India presence, this judgment serves as a beacon of relief, eliminating the daunting prospect of litigating in multiple states merely due to the geographical distribution of their employees.

Brief facts

The matter involved 2 (two) former employees of HDFC Bank Limited ("**HDFC Bank**"), who filed suits in courts located at places of their employment, that is, Patna and Delhi respectively.

The appointment letters included an 'exclusive jurisdiction clause', specifying that only the courts in Bombay would have jurisdiction over any disputes arising from their employment. Upon termination of their services based on allegations of fraud and misconduct, aggrieved by the termination, both employees instituted a civil suit before the courts in Patna and New Delhi, respectively. In response, HDFC Bank sought rejection of the plaint, arguing that only the courts in Mumbai had jurisdiction, as per the terms of the employment contract.

While the Patna High Court ("**Patna HC**") ruled in favour of HDFC Bank and upheld the validity of the exclusive jurisdiction clause, with respect to the second employee, both the trial court as well as the Delhi High Court ("**Delhi HC**") held that the exclusive jurisdiction clause in favour of courts in Bombay did not completely oust the jurisdiction of the Delhi courts and accordingly dismissed HDFC Bank's argument.

The Patna HC relied primarily on the Supreme Court's ruling in *Swastik Gases (P) Limited vs. Indian Oil Corporation*[28], to uphold the validity of the exclusive jurisdiction clause. The Supreme Court observed that although, as per general principles under the Code of Civil Procedure, 1908 ("**CPC**"), a suit can be instituted at any place where a substantial part of the cause of action arises, this right can be contractually limited by the parties. When parties have expressly agreed to confer exclusive jurisdiction upon a particular court, in this case, the courts in Bombay, such a clause must be respected, provided the chosen court has jurisdiction under the law in the first place.

In contrast, the Delhi HC dismissed HDFC Bank's jurisdictional objection. The Delhi HC emphasised that the employee was residing and employed in Delhi, and that her termination letter was served upon her in Delhi. On these grounds, the Delhi HC held that part of the cause of action did arise within its territorial jurisdiction. Relying on the precedent in *Vishal Gupta vs. L&T Finance*, the Delhi HC held that the exclusive jurisdiction clause in the employment agreement did not fully oust the jurisdiction of courts in Delhi, especially when significant parts of the cause of action occurred within that jurisdiction.

Issue

Whether the civil suits filed by the employees before the courts in Patna and Delhi respectively, are maintainable in light of the exclusive jurisdiction clause contained in their appointment letters/employment agreements, which expressly conferred jurisdiction upon the courts in Mumbai for the resolution of disputes arising out of their employment with HDFC Bank?

Analysis and key observations

1. **Applicable provisions of law**: Before delving into an appreciation of the competing claims, let us first examine the relevant statutory provisions governing the matter:

[27] Civil Appeal Nos. 2282/2025 and 2286/2025

[28] (2013) 9 SCC 32

a) Section 28 (*Agreements in restrain of legal proceedings, void*) of the Contract Act renders void any agreement that seeks to impose an absolute restriction on a party's right to enforce their contractual claims through the ordinary tribunal. It also invalidates clauses that either limit the timeframe within which such rights can be enforced or extinguish legal rights altogether after a specified period; and

b) Section 20 of the CPC sets out the rules for determining the appropriate jurisdiction for filing a civil suit. It provides that a suit may be instituted in a court within whose jurisdiction the defendant resides, carries on business, or where the cause of action, wholly or in part, arises. The explanation to the provision also provides that in cases involving corporations, the law deems them to carry on business either at their principal office or at a subordinate office if the cause of action arises at that place.

2. **Judicial Precedents**: The Supreme Court referred to the landmark judgment in *Hakam Singh vs. Gammon (India) Limited*.[29], wherein the Supreme Court held that while parties cannot confer jurisdiction on a court that does not have it under the CPC, they may agree to have disputes adjudicated in one of the multiple courts that do have jurisdiction. Such an agreement is neither opposed to public policy nor does it violate Section 28 of the Contract Act. Similarly, in *Globe Transport Corporation vs. Triveni Engineering Works*[30], the Supreme Court re-affirmed that contracting parties may lawfully agree to exclude the jurisdiction of all courts except one, as long as the chosen court has jurisdiction under the law. Subsequently, in *Swastik Gases (P) Ltd. vs. Indian Oil Corporation*[31], the Supreme Court clarified that the use of words such as 'only', 'alone', or 'exclusive' in a jurisdiction clause, is also not strictly necessary to infer that the parties' intend to restrict jurisdiction to a specific court. The Supreme Court accordingly pointed out that when a contract contains a jurisdiction clause specifying a particular court or forum, this clause will generally be interpreted as an intent to exclude the jurisdiction of all other courts.

3. **Legal test for validity of exclusive jurisdiction clauses**: Drawing reference to the various judicial precedents, the Supreme Court emphasised that for an exclusive jurisdiction clause to be legally valid, it must satisfy the following 3 (three) conditions:

a) **The provision should not be violative of Section 28 of the Contract Act**: Section 28 of the Contract Act does not prohibit exclusive jurisdiction clauses. What this section specifically bars is any agreement that imposes an absolute restriction on a party's right to access a legal forum. In other words, while parties cannot be entirely denied the right to pursue legal action, they can agree contractually to limit the forums available to them. In the present case, the jurisdiction clause in the employees' employment contracts does not strip them of their right to seek legal redress. Rather, it confines their choice of forum to the courts in Mumbai alone, for the resolution of disputes arising from their employment.

b) **The chosen court should have jurisdiction in the first place**: It is essential that the court specified in the exclusive jurisdiction clause must, at the outset, have jurisdiction to adjudicate the dispute. A contract cannot bestow jurisdiction upon a court that does not already possess it under the statutory framework. In this case, the Supreme Court applied the explanation to Section 20 of the CPC and found that:

i) the decision to appoint and terminate both the employees was taken in Mumbai;

ii) the appointment and termination letters were issued and dispatched from Mumbai; and

iii) HDFC Bank's principal office is located in Mumbai.

Thus, the courts in Mumbai are found to have jurisdiction over the dispute, as both the cause of action and the administrative processes that led to the termination took place in Mumbai.

[29] (1971) 1 SCC 286
[30] (1983) 4 SCC 707
[31] (2013) 9 SCC 32

c) Clear intention of exclusivity: Finally, the language of the jurisdiction clause in both contracts is clear and unambiguous in designating Mumbai as the sole jurisdiction for resolving disputes. By using the term 'exclusive' the clause explicitly bars the jurisdiction of other courts.

The Supreme Court also acknowledged the growing reality that private sector employers operate on a pan-India scale, employing individuals across the country to provide services that reach people in the last mile. In this context, the Supreme Court recognised the practical challenge faced by employers when they are required to contest legal suits in jurisdictions far from their registered offices. This challenge, the Supreme Court noted, is one of the key reasons behind the inclusion of exclusion clauses in employment contracts and is justified.

Further, the Supreme Court addressed the issue of the imbalance of power between the contracting parties. It rejected the idea of differentiating employment contracts from other types of contracts on the basis of an exaggerated analogy, where the employer is likened to a 'mighty lion' and the employee to a 'timid rabbit'. Such a distinction, the Supreme Court highlighted, would undermine the principle of equality, as rights and obligations should not depend on the parties' relative status, power, or influence. The Supreme Court emphasised that unequal bargaining power is not unique to personal service contracts; it is a broader issue that affects all contracts and noted that the "*law treats all contracts with equal respect and unless a contract is proved to suffer from any of the vitiating factors, the terms and conditions have to be enforced regardless of the relative strengths and weakness of the parties.*"

The Supreme Court ultimately upheld HDFC Bank's contention that, in view of the valid and enforceable exclusive jurisdiction clauses in the respective employment contracts, the suits instituted by the employees ought to have been filed before the appropriate courts in Mumbai.

Conclusion

As workplaces evolve and businesses expand, this decision offers crucial clarity and relief for employers managing a geographically diverse workforce. By affirming the enforceability of exclusive jurisdiction clauses, the Supreme Court has clarified that such clauses are not inherently void or oppressive, provided they satisfy the conditions for a valid exclusion clause.

This ruling is especially pertinent in today's increasingly remote/hybrid and pan India work environment. As employees continue to work from home or from locations geographically distant from their employer's principal place of business, this decision effectively empowers employers to anchor legal disputes to the jurisdiction of their choice. In practice, this means that even if an employee is working from a different city, or a different state, the employer can validly require all employment-related disputes to be adjudicated only in the courts at the employer's chosen location in the employment contract, provided such court has jurisdiction under law to adjudicate the matter.

By allowing parties to designate a specific jurisdiction for disputes, the Supreme Court has not only streamlined the litigation process but also mitigated the complexities of navigating multiple legal frameworks in different states. Employers can now approach disputes with greater confidence, knowing that they can rely on a pre-determined legal framework, ultimately fostering a more stable and predictable business environment. In this way, the Supreme Court's decision not only upholds contractual autonomy but also supports the broader goal of facilitating efficient and effective business operations across India.

Gratuity forfeiture permissible without criminal conviction for misconduct involving moral turpitude

In a recent case that signals a shift in the judicial interpretation, the Supreme Court in the case of ***Western Coal Fields Ltd vs. Manohar Govinda***

Fulzele[32] has ruled that a criminal conviction would not be necessary to forfeit an employee's gratuity, if the employee's services are terminated for an offence involving moral turpitude, which has been established through a disciplinary inquiry conducted by the employer.

This ruling diverges from the traditional stance which typically required a court conviction prior to imposing punitive measures such as forfeiture of gratuity. This ruling underscores the need to uphold ethical standards within the workplace, pointing towards the fact that actions reflecting moral failing can carry serious repercussions, regardless of criminal proceedings.

The law on forfeiture of gratuity

Under the Payment of Gratuity Act, 1972 ("**Gratuity Act**"), gratuity (a monetary benefit paid to separating employees who have completed at least 5 (five) years of service, payable at the time of separation), can be partially or fully forfeited by an employer in certain limited circumstances amounting to misconduct. Among other circumstances, Section 4(6)(b)(ii) of the Gratuity Act permits an employer to forfeit an employee's gratuity, if their services are terminated for committing an offence involving moral turpitude, provided such offence occurred during the course of employment.

Brief facts

In the instant case, an employee who had served for nearly 22 (twenty-two) years with a public sector undertaking ("**PSU**") faced disciplinary action for misconduct related to submitting a fraudulent date of birth certificate during their initial appointment to secure employment with the PSU. The disciplinary inquiry revealed that the employee was actually born in 1953, whereas the submitted date of birth at the time of appointment indicated the year of birth as 1960, thereby substantiating the charges of misconduct. Consequently, under Section 4(6)(b)(ii) of the Gratuity Act, the employee's gratuity was forfeited when his services were terminated for committing an offence involving moral turpitude.

The present case was clubbed with similar appeals involving other employees of the Maharashtra State Road Transport Corporation ("**MSRTC**"), where conductors in MSRTC-operated stage carriages were found guilty of misappropriating fares collected from passengers.

The employees contested the forfeiture of their gratuity, based on the ruling in the case of *Union Bank of India vs. C.G. Ajay Babu*[33] ("**Ajay Babu Case**") wherein the Supreme Court had held that a criminal conviction would be necessary for forfeiture of gratuity, if the employee's services are terminated due to an offence involving moral turpitude. The employees' counsel also argued that the employee had served for 22 (twenty-two) years in the PSU, and that the gratuity amount was the result of their dedicated service. They emphasised that the employee's record with the PSU had been flawless, and that gratuity was a statutory right that cannot be denied upon termination of employment.

In response, the PSU contended that, irrespective of the employee's otherwise unblemished tenure, the employee would not have been employed with the PSU had the true date of birth been disclosed at the time of appointment. The PSUs' counsel relied on judicial precedents that suggested that the suppression of material facts during the hiring process constitutes an offence involving moral turpitude and accordingly argued that the employee's conduct in withholding such critical information constituted an act of moral turpitude, which was substantiated through a disciplinary inquiry.

Issues

The Supreme Court examined the following issues:

1. Whether or not gratuity can be forfeited in the event of termination of service on the grounds of misconduct, in case such act of misconduct is categorised as 'an act constituting an offence involving moral turpitude', without there being any conviction in a criminal case or even a criminal proceeding being initiated?
2. Whether forfeiture of gratuity of such terminated employee should be in part or whole?

[32] 2025 SCC OnLine SC 345

[33] (2018) 9 SCC 529

Analysis and key observations

The Supreme Court emphasised that the interpretation adopted in the Ajay Babu Case did not arise from the language of the statutory provision (that is, Section 4(6)(b)(ii) of the Gratuity Act). Specifically, the requirement for misconduct to be 'duly established by a court of law' was not part of the statutory text and therefore cannot be read into it. Moreover, the text of the law prescribes that an employee should have been 'terminated for any act which constitutes an offence involving moral turpitude'. The Supreme Court drew reference to the definition of 'offence' under the General Clauses Act, 1897, which is defined as '*any act or omission made punishable by any law for the time being*'. A reading of this provision suggests that there is no requirement for a court 'conviction'.

The Supreme Court further distinguished between the evidentiary standards in criminal proceedings and disciplinary inquiries and observed that while a criminal case requires proof 'beyond a reasonable doubt', a disciplinary inquiry operates under the lower standard of 'preponderance of probabilities'. Drawing parallels, the Supreme Court clarified that the forfeiture of gratuity provision does not spell out the need for conviction in a criminal proceeding as a pre-requisite to forfeit gratuity. Instead, forfeiture can be triggered if the charges of misconduct for an offence involving moral turpitude are substantiated through a disciplinary inquiry, even in the absence of a criminal conviction. In this respect, the Supreme Court further opined that in order to forfeit gratuity, an employer will need to necessarily issue a notice to the terminated employee, allowing the employee to represent both on the question of the nature of the misconduct, that is, whether it constitutes an offence involving moral turpitude, and the extent to which such forfeiture can be made.

Regarding whether gratuity should be fully or partially forfeited, the Supreme Court ruled that the gravity/severity of the misconduct should dictate the extent of forfeiture. In this context, with reference to the PSU where the appointment of the employee was illegal, the Supreme Court opined that the employee must in no manner seek the fruits of his employment by receiving gratuity as he would not have been employed in the first place had his accurate date of birth been disclosed. As a result, the Supreme Court upheld the decision to forfeit the employees' gratuity in entirety. Contrastingly, in cases involving minimal misconduct, such as small-scale misappropriation by conductors in the MSRTC, the Supreme Court adopted a more lenient stance and directed the appointing authority to limit the forfeiture to 25% of the gratuity payable.

Conclusion

With the Supreme Court affirming that gratuity can be forfeited even in the absence of a criminal conviction for misconduct involving moral turpitude, the Supreme Court has empowered employers to take decisive action against ethical breaches that can undermine workplace integrity. In other words, employers can now implement stricter disciplinary measures without the fear of lengthy legal battles over gratuity claims when dealing with cases involving moral turpitude.

Additionally, this ruling encourages businesses to take proactive measures to ensure that their workplace environment upholds ethical behavior and integrity. In this respect, implementing regular training sessions that emphasise upon the importance of ethical behavior and the consequences of violations can foster a culture of accountability and awareness among employees. At the end of the day, this ruling encourages both employers and employees to uphold high ethical standards, ultimately enhancing the overall workplace culture and contributing to a healthier organisational ecosystem.

In a recent ruling involving sexual harassment, the Delhi HC[34] had held that an employee's gratuity cannot be forfeited even if the IC, established under the Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013, finds the employee guilty of sexual harassment. In contrast, the current judgment sends a strong message about the importance of moral integrity in professional settings, making it a significant and welcome judgment in the realm of employment laws. Further, the employers should consider implementing clear policies outlining what constitutes 'moral turpitude' besides maintaining meticulous documentation to support any forfeiture decisions.

[34] *Punjab National Bank vs. Sh. Niraj Gupta and Anr*, (LPA 907/2024 and CAV 443/2024, CM APPL. 52155-52157/2024)

Judicial position on enforceability and computation of damages for breach of employment bonds in the private sector

Similar to public sector, employment bonds have been generally used in the private sector, with an aim to retain key personnel and protect investments in employee training and onboarding. While Indian courts have recognised their validity, it is emphasised that enforceability and compensation for breach must be evaluated on a case-by-case basis. Against this backdrop, some key aspects emerge:

1. **Employment bonds in the private sector particularly those stipulating minimum service periods or lock-in periods are legally enforceable when they operate during the course of employment and are not excessively restrictive**

   In *Lily Packers Private Limited vs. Vaishnavi Vijay Umak and Ors.*[35], the Delhi HC affirmed the enforceability of a 3 (three) year lock-in period applicable to executive employees, observing that such covenants do not infringe upon constitutional rights under Articles 19 or 21 of the Constitution, especially where they are voluntarily agreed to. Furthermore, the Delhi HC emphasised that lock-in periods are essential for maintaining employer stability, particularly at senior levels, and play a key role in reducing employee attrition.

   In doing so, the Delhi HC placed reliance on foundational rulings in *Brahmaputra Tea Co. Ltd. vs. E. Scarth*[36] and *Niranjan Shankar Golikari vs. Century Spinning and Mfg. Co.*[37], which affirm that exclusive service obligations during employment are lawful and do not fall foul of Section 27 of the Contract Act.

2. **Employers may *only* recover reasonable compensation, where an employee exits prematurely after receiving specific benefits**

   In *Toshniwal Brothers (Pvt.) Ltd. vs. E. Eswarprasad*[38], the Madras High Court ("**Madras HC**") upheld the employer's right to recover compensation where the employee, having received employer-funded training abroad, resigned after 14 (fourteen) months, despite a contractual lock-in of 3 (three) years. The Madras HC held that separate proof of actual loss was not required; the breach itself amounted to a legal injury once it was established that the employee had benefited from a special favour involving financial outlay. The stipulated payback amount of INR 25,000 (Indian Rupees twenty-five thousand) was considered a reasonable and enforceable estimate of the employer's loss.

Further, in the case of M/S. *Sicpa India Ltd. vs. Shri Manas Pratim Deb*[39], the Delhi HC held that enforcement of employment bond obligations must be based on the actual loss suffered by the employer, rather than the full amount stipulated in the bond. In this case, the employee had signed 2 (two) separate bonds, each requiring a payment of INR 2,00,000 (Indian Rupees two lakh) in the event of premature exit. Since the employer incurred INR 67,596 (Indian Rupees sixty-seven thousand five hundred ninety-six) for an overseas trip linked to 1 (one) bond, and the employee had served 2 (two) out of 3 (three) committed years, the Delhi HC allowed proportionate recovery of INR 22,532 (Indian Rupees twenty-two thousand five hundred thirty-two). However, this was adjusted against INR 44,330 (Indian Rupees forty-four thousand three hundred thirty) payable to the employee, resulting in no net recovery.

Recovery of excess payments from retired employees arising out of incorrect interpretation of a rule/order by the employer is not tenable

In ***Jogeswar Sahoo and Ors. vs. The District Judge, Cuttack and Ors.***[40], the Supreme Court held that the recovery of excess amounts paid to employees after their retirement is unjustified when such payments were not received through any misrepresentation, fraud, or fault on the part of the employees. In this case, employees were granted financial benefits due to an administrative interpretation, which was later found to

[35] Arbitration Petition 1210/2023 (decided on July 11, 2024)
[36] (1885) ILR 11 CAL545 (Calcutta High Court)
[37] Civil Appeal No. 2103/1966 (decided on January 17, 1967)
[38] 1997 LLR 500 (Madras HC)
[39] RFA No. 596/2002
[40] 2025 SCC OnLine SC 724

be erroneous. However, these benefits were extended while the appellants were in service, and the recovery orders were issued subsequent to their retirement, without affording them an opportunity to be heard. Emphasising the principle of fairness and highlighting that the recovery in such cases would result in disproportionate hardship, the SC concluded that retired employees, particularly those in ministerial or non-gazetted posts, should not be burdened with repayments arising from errors committed by the employer. The recovery orders were accordingly set aside.

Gujarat High Court holds denial of earned leave encashment to be a violation of an employee's constitutional right

In the recent case of ***Ahmedabad Municipal Corporation vs. Sadgunbhai Semulbhai Solanki***[41], a single judge bench of the Gujarat High Court ("**Gujarat HC**") held that earned leave encashment cannot be denied by an employer and that depriving an employee of the same is a violation of his/her constitutional rights.

Brief facts

Sadgunbhai Semulbhai Solanki ("**Respondent**" or "**Employee**") started his employment with the Ahmedabad Municipal Corporation (the "**Petitioner**") in the year 1975. Throughout the Respondent's career, he worked in various roles, including the role of helper, turner and junior clerk. Due to the Respondent's inability to clear departmental examinations in the years 1986 and 1993, the Respondent was reverted multiple times to lower posts. The Respondent filed civil suit[42], before the Civil Court of Ahmedabad against the reversion order and *vide* interim relief, his employment continued at the post of junior clerk until 1993. The suit was finally disposed of by the Civil Court on September 28, 2012, with directions to the Petitioner to consider the Respondent's case. The Petitioner thereafter decided to provide the Respondent one final chance to appear in the departmental exam in November 2012. However, the Respondent voluntarily declined the opportunity and was eventually reverted to the position of helper.

Subsequently, on March 6, 2013, the Respondent tendered his voluntary resignation without depositing the required 1 (one) month notice pay and proposed to be retired with effect from March 7, 2013, and stopped reporting to duty. However, the Respondent's resignation remained unaccepted by the Petitioner and eventually on April 30, 2014, the Respondent attained the age of superannuation.

Upon retirement, the Respondent filed an application seeking leave encashment for a period of 10 (ten) months amounting to INR 2,83,703 (Indian Rupees two lakh eighty-three thousand seven hundred and three), which the Petitioner denied stating that the Respondent remained absent without authorisation for the period between March 6, 2013, to April 30, 2014. Aggrieved by the same, the Respondent filed Recovery Application[43] under Section 33C(2)[44] of the Industrial Disputes Act, 1947 ("**ID Act**") before the Labour Court, Ahmedabad. The Labour Court ruled in the favour of the Respondent, acknowledging his entitlement to encash earned leave and directed the Petitioner to pay INR 1,63,620 (Indian Rupees one lakh sixty-three thousand six hundred and twenty) as leave encashment dues to the Respondent. Aggrieved and dissatisfied with the order of the Labour Court, the Petitioner filed a fresh petition before the Gujarat HC challenging the Labour Court's decision.

Issues

1. Whether the Respondent was entitled to leave encashment despite his alleged unauthorised absence?

[41] C/SCA/12834/2018 – High Court of Gujarat
[42] SCA No, 771 of 1993
[43] RA No. 558 of 2013
[44] Recovery of money due from an employer.

2. Whether the Respondent's claim is maintainable under Section 33C(2) of the ID Act?
3. Whether the Petitioner's refusal to pay leave encashment violated the Respondent's constitutional rights?

Observations and analysis

Some of the critical observations of the Gujarat HC are as follows:

1. it was argued by the Petitioner that the Respondent's resignation was not accepted due to non-payment of the required notice pay, and the Respondent did not work or resume duty from March 6, 2013, to April 30, 2014. In response, the Respondent claimed that he was deemed retired after 90 (ninety) days of submitting the voluntary resignation application as per Gujarat Civil Service Rules, 2002 ("**GCSR**"), making notice pay irrelevant. The Respondent further stated that he had 299 (two hundred and ninety-nine) accrued leave credits as per records and had a pre-existing right to claim leave encashment. The counsel for the Respondent further argued that benefits such as gratuity were already paid to the Respondent and hence, he is eligible to receive the leave encashment benefits as well;
2. the Gujarat HC after reviewing the submissions from both parties and having perused the order of the Labour Court, noted that the Petitioner failed to communicate acceptance or rejection of the Respondent's resignation within the stipulated 90 (ninety) day period and only responded on October 19, 2013, i.e., 7 (seven) months later and again on November 8, 2013, asking the Respondent to deposit a 1 (one) month notice pay of INR 9,090 (Indian Rupees nine thousand and ninety) for his resignation to be accepted. The Gujarat HC further observed that, in accordance with Rules 49(1) and 49(2) of the GCSR, if no response is received within 3 (three) months of such a voluntary retirement application, the employee is deemed to have retired. Moreover, the Respondent had cited physical inability and social responsibilities as reasons for his resignation and stated his readiness to pay the required notice period;
3. regarding the Petitioner's claim of non-maintainability under Section 33C(2) of the ID Act, the Gujarat HC, relying on the employment certificate dated June 27, 2012, submitted by the Respondent, concluded that the Respondent has a pre-existing right. Given that the Petitioner has recognised the certificate and has not disputed the same, the Gujarat HC held that the application under Section 33(c)(2) is deemed maintainable;
4. further, regarding the Petitioner's claim that the Respondent was absent without authorisation from March 6, 2013, to April 30, 2014, the Gujarat HC noted that the Petitioner did not initiate any departmental proceedings to address the Respondent's alleged unauthorised absence. Additionally, the Gujarat HC observed that no intimation was sent to the Respondent to resume duty immediately since the Respondent failed to deposit 1 (one) month notice pay. Such inaction by the Petitioner undermines its stance against the Respondent's leave encashment claim;
5. the Gujarat HC relied on Rules 22 and 63 of the GCSR to clarify that leave encashment is a right of the employee unless explicitly forfeited by statutory provisions. It went on to further note that leave encashment is akin to salary which is property and depriving a person of his property without valid statutory provision is violation of the provisions of the Constitution of India; and
6. the present petition was dismissed for lack of merit, and the Labour Court's order dated January 23, 2018, in Recovery Application[45] was confirmed.

Conclusion

The Gujarat HC's dismissal of the petition reinforces employees' right to leave encashment, an employer's obligation to adhere to procedural requirements, and recognises leave encashment as an integral part of an employee's compensation. The present judgment protects earned benefits (like gratuity and leave encashment) from being withheld due to procedural lapses or arbitrary decisions by employers. By emphasising that salary (and by extension, leave encashment) is 'property', the court underscores the fundamental protection granted under Article 300A of

[45] Review Application No. 558 of 2013

the Constitution of India, which prohibits deprivation of property without legal authority.

Karnataka HC to examine validity of compulsory gratuity insurance rules

In the ongoing case of ***Bruhat Bangalore Hotels Association and Ors. vs. The Principal Secretary***[46], a single judge bench of the Karnataka HC, while examining the constitutional validity of the Karnataka Compulsory Gratuity Insurance Rules, 2024 ("**Insurance Rules**") has, *vide* an interim order dated April 28, 2025, restrained the Government of Karnataka from taking coercive action against the petitioners for non-payment of gratuity insurance premiums for employees who have not completed 5 (five) years of continuous service, subject to the petitioners continuing to pay insurance premiums for employees who have completed 5 (five) years of continuous service.

Brief facts

On January 10, 2024, the Government of Karnataka notified[47] the Insurance Rules pursuant to Section 4A of the Payment of Gratuity Act, 1972 ("**Gratuity Act**"), requiring all eligible employers in Karnataka to obtain compulsory gratuity insurance from Life Insurance Corporation of India or other approved insurers, for their liability towards payment of gratuity to all eligible employees under the Gratuity Act. Existing establishments were required to comply with these directions within 6 (six) months of the notification (extended from the initial 60 (sixty) days), while new establishments are expected to comply within 30 (thirty) days of commencement of their operations.

On March 19, 2024, the Bruhat Bangalore Hotels Association and other industry bodies filed writ petitions before the Karnataka HC, challenging the constitutional validity of the Insurance Rules in its entirety and seeking:

1. a declaration that the notification dated January 10, 2024 (i.e., the Insurance Rules) is unconstitutional and violative of Article 14 of the Constitution of India; and
2. an interim stay on the operation of the Insurance Rules pending final adjudication.

Grounds for challenge

The challenge is primarily premised on the following[48]:

1. pursuant to requirements under the Insurance Rules, employers are bound to pay insurance premiums even for those employees who have not completed 5 (five) years of continuous service as prescribed under the Gratuity Act — despite gratuity becoming payable only upon completion of such period under the Gratuity Act; and
2. the Insurance Rules apply uniformly to all employers, without accounting for differences in the size or financial capacity of the establishment — potentially impacting the profitability of small-scale businesses.

Preliminary observations and interim order

While passing the interim order that no coercive steps should be taken against the petitioners for not paying premiums for employees who have not completed 5 (five) years of continuous service so long as premiums are paid for eligible employees. The Karnataka HC made the following observations:

1. as the pleadings in the matter are yet to be completed, it would not be appropriate to stay the operation of the Insurance Rules entirely at this stage, as such a direction could prevent employers in a position to pay the insurance premium, from continuing to do so; and
2. continuing with coercive enforcement measures during pendency of the proceedings could result in undue hardship—particularly in respect of employers who are unable to pay premiums for

[46] W.P. Nos. 9358/2024, 12931/2025 and other connected petitions (Interim order passed on April 28, 2025)
[47] Notification No. LD 397 LET 2023
[48] As per Karnataka High Court Daily Order dated April 28, 2025

employees who have not completed 5 (five) years of continuous service, and therefore, are not yet eligible for gratuity under the Gratuity Act.

Potential outcome and impact

The ongoing proceedings before the Karnataka HC assume particular significance as they mark the first constitutional challenge to the Insurance Rules. Notably, several employers across key sectors such as hospitality, manufacturing, retail have already commenced compliance efforts—ranging from procuring group gratuity insurance policies, to undertaking internal documentation and registration requirements as compliance measures under the Insurance Rules and Gratuity Act.

Against this backdrop, the outcome of the present case is likely to set a precedent with broad-based implications. Should the Karnataka HC uphold the validity of the Insurance Rules—particularly the obligation to insure employees who have not yet completed 5 (five) years of continuous service—employers will be required to front-load insurance costs regardless of whether gratuity has legally accrued. This would effectively result in continued concerns around cost efficiency, disproportionate burden on smaller enterprises, and inconsistency with the broader statutory construct under the Gratuity Act. Conversely, a favourable ruling for the petitioners could potentially offer significant relief to financially constrained businesses and may prompt a reconsideration of the manner in which gratuity insurance obligations are framed and enforced.

Karnataka HC directs regularisation of long-term daily wage workers

In ***Indiramma vs. State of Karnataka***[49], the Karnataka HC overturned the labour court's ruling and ordered regularisation of workers who had served as cooks, helpers, and watchmen in Morarji Desai Residential School Hostels (run by the Karnataka State Government) for over 20 (twenty) years. Petitioners had sought for regularisation arguing that they had been working continuously for decades in essential roles. The labour court rejected their claim citing *State of Karnataka vs. Umadevi*[50] ("**Umadevi Judgement**"), which restricted regularisation of employees appointed without proper recruitment procedures. Karnataka HC overruled this decision holding that since the workers rendered services for over 20 (twenty) years and continued to discharge duties, their employment should be regularised; and the Karnataka State Government's practice of hiring long-term workers as daily wage employees and then outsourcing their roles is exploitative and contrary to constitutional principles.

Industrial Disputes Act, 1947 cannot be made applicable on an employee in a supervisory role

In ***K. Hanumantha Rao vs. Industrial Tribunal cum Labour Court and Ors.***[51], the Andhra Pradesh High Court ("**AP HC**") held that the ID Act cannot be applied to an employee in the role of a 'supervisor'. In this case, petitioner had joined the respondent company as a 'Trainee Professional Service Representative' and was subsequently promoted as a 'Field Sales Officer'. Petitioner was transferred frequently to several locations such as Imphal, Tirupati, *etc*., and with a view that such transfer was unlawful, petitioner had refused report to his posting in Mumbai. Owing to such refusal in reporting, petitioner's employment was subsequently terminated by the respondent company in accordance with the terms of employee's appointment (which provided for employer's right to terminate in case of unauthorised absence for more than 3 (three) days). Petitioner challenged the termination by claiming himself to be a 'workman', which was subsequently dismissed by the labour court on the grounds that the service did not fall within the scope of a 'workman' under the ID Act. Petitioner then filed a writ petition with the AP HC seeking his reinstatement and argued that Section 6 of Sales Promotion Employees (Conditions of Service) Act, 1976 ("**SPECS Act**") provided for ID Act to be applicable on 'Sales Promotion Employees', and

[49] 2025: KHC-K:1533 (decided on March 7, 2025)
[50] (2006) 4 SCC 1
[51] 2024 SCC OnLine AP 5735 (decided on December 30, 2024)

considering that the petitioner fell within the ambit of a 'Sales Promotion Employee' under Section 2(d) of SPECS Act, the provisions of ID Act would be applicable on petitioner as well. AP HC while upholding the dismissal, held that given that the petitioner served in a 'supervisory role', the same would not fall within the definition of 'Sales Promotion Employee' of SPECS Act, and accordingly, ID Act would not be applicable.

Appeal filed beyond period of limitation is not maintainable

In ***Employees Provident Fund Organization vs. Presiding Officer, Employees Provident Fund Appellate Tribunal and Anr.***[52], the Madras HC held that that an appeal filed beyond the limitation period of 120 (one hundred twenty) days (comprising of 60 (sixty) days for filing of an appeal and an additional 60 (sixty) days of relaxation of limitation period at the tribunal's discretion) under Rule 7(2) (time for filing appeal) of Employees' Provident Fund Appellate Tribunal (Procedure) Rules, 1997, cannot be entertained as the same is time barred and the appellate tribunal does not have jurisdiction to entertain such an appeal. In this case, the appeal was filed by respondent challenging an order passed by Regional Provident Fund Commissioner under Section 14B of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 ("**EPF Act**") imposing damages on delayed remittance of provident fund dues and initiated proceedings under EPF Act. The tribunal, while allowing the appeal, noted that the authority who conducted the proceedings failed to take note of critical aspects surrounding the delay in remittance by employer, and that such delay was not deliberate. Petitioner, *vide* this writ petition, contended that the appeal before the tribunal was filed beyond the permissible period of limitation as prescribed under Rule 7(2) (time for filing appeal) of Employees' Provident Fund Appellate Tribunal (Procedure) Rules, 1997. The Madras HC, supporting the petitioner's argument and allowing the writ petition, held that such exercise of undue jurisdiction and issuance of order by the tribunal over a matter which was barred by limitation should be quashed.

Tribunal or labour court can interfere with the quantum of punishment only if found disproportionate

In ***Delhi Transport Corporation vs. Mahender Singh***[53], the Delhi HC has held that in the absence of a finding that the punishment is disproportionate to the gravity of charge established, the tribunal or labour court should not interfere with such punishment. Respondent's services were terminated following disciplinary proceedings for continued unauthorised absence, which absence was on account ailments suffered by the respondent's wife and not the respondent. Challenging the termination, respondent appealed to the labour court, which upheld the termination as justified but modified the punishment to a deemed retirement and awarded retiral benefits. Labour court also found the termination to be disproportionate to respondent's misconduct. Petitioner had challenged the labour court's modification in punishment, and the Delhi HC ruled that such unauthorised absence could not be justified, as it was not due to compelling circumstances but was wilful. Therefore, the compulsory retirement order as passed by labour court was set aside. The Delhi HC also clarified that the power under Section 11-A of the ID Act (power to reduce the quantum of punishment) is required to be exercised judiciously, allowing interference only when employer's decision is shockingly disproportionate to the workman's guilt.

[52] 2025 SCC OnLine Mad 16 (decided on January 2, 2025)

[53] 2025 SCC OnLine Del 36 (decided on January 7, 2025)

Non-compete clause unenforceable post-employment; held, restraint on joining client violates Section 27 of the Contract Act

In ***Varun Tyagi vs. Daffodil Software Private Limited***[54], the Delhi HC set aside an injunction restraining an ex-employee from joining a client of his former employer, holding that post-termination non-compete restrictions are void under Section 27 of the Contract Act.

The case involved a former employee of Daffodil Software Private Limited who joined another company which was a business associate and client of the former company, shortly after his resignation. The employment agreement contained a non-compete and non-solicitation clause prohibiting employees from working with any business associate of the company for 3 (three) years post-employment. Therefore, former company filed a suit seeking to enforce this clause and obtained an interim injunction from the trial court restraining the employee from joining the competitor company.

In further appeal to this injunction, the Delhi HC held that under Section 27 of the Contract Act, any restraint on trade, whether partial or complete, is void unless it falls within the statutory exception. The Delhi HC rejected the argument that the restriction was limited and reasonable, noting that Indian laws do not recognise partial restraints on trade. Since the apprehension of disclosure of confidential information was also unfounded, the Delhi HC emphasised that an employee's right to seek better employment cannot be curtailed under the guise of protecting confidential information, citing settled jurisprudence that negative covenants extending beyond the term of employment are unenforceable restraints on trade. Accordingly, the Delhi HC quashed the injunction, allowing the employee to continue his employment with the new company.

Employee is entitled to full back wages if illegally terminated except to the extent he was gainfully employed

In ***Arpookara Service Co-Operative Bank Limited vs. T.M. George and Anr.***[55], the Kerala High Court ("**Kerala HC**") held that a workman whose service has been illegally terminated is generally entitled to full back wages, except for the period during which the workman was gainfully employed. The burden of proving this rests with the employer. In this case, the respondent was suspended due to allegations of misconduct, including financial mismanagement, which was proven under the inquiry set up in this regard. Respondent's appeal with the petitioner's board of directors ("**ASC BOD**") was dismissed by ASC BOD. Against such dismissal, respondent filed a petition before the Joint Registrar of Co-Operative Societies, which remanded the appeal to ASC BOD. An Administrator (who had taken charge of ASC BOD) ("**Administrator**") heard and allowed the appeal and directed the respondent to be reinstated. The ASC BOD, on their return to office, challenged the Administrator's decision and initiated fresh disciplinary proceedings. Co-operative arbitration court heard the matter and held that respondent's suspension and dismissal were illegal and ordered full back wages and benefits. This decision was subsequently challenged by petitioner/company before the Kerala HC.

While deciding on the entitlement of back wages during suspension, the Kerala HC held that an employee who was illegally terminated is entitled to full back wages, unless the employer can prove that the employee was gainfully employed during the period of absence. The duty to plead and prove such employment during the period of absence lies solely

[54] FAO 167/2025 & CM APPL. 36613/2025 (decided on June 25, 2025)

[55] 2025 SCC OnLine Ker 62 (decided on January 7, 2025)

with the employer. Therefore, Kerala HC dismissed the petitioner's appeal and confirmed that the respondent was entitled to full back wages and monetary benefits for the period of his suspension and dismissal, as the petitioner/company failed to prove that the respondent was gainfully employed during the dismissal period.

Non-inclusion of Sundays and paid holidays in assessing 240 (two hundred and forty) days of service vitiates award; matter remanded for fresh consideration

In ***Lal Chand Jindal vs. Regional Manager, Bank of Baroda***[56], the Rajasthan High Court ("**Rajasthan HC**") held that the Central Industrial Tribunal erred in rejecting the workman's claim on the ground that he had not completed 240 (two hundred and forty) days of service in the preceding calendar year. The Central Industrial Tribunal had determined that the petitioner had worked only 227 (two hundred and twenty-seven) days, based on a service certificate, but failed to consider Sundays and other paid holidays in calculating continuous service. Relying on Section 25-B(2) (*Definition of continuous service*) of the Industrial Disputes Act, 1947, and the SC's decision in *Workmen of American Express International Banking Corporation vs. Management (AIR 1986 SC 458)*, the Rajasthan HC reiterated that paid weekly offs and holidays must be included while determining continuous service. It also found that the Tribunal's omission to apply this legal principle rendered the award unsustainable. Accordingly, the impugned award was quashed and the matter remanded to the Tribunal for fresh adjudication.

Termination on grounds of misconduct, without conducting disciplinary inquiry held unsustainable

In ***Sharvan Choudhary vs. State of Rajasthan and Ors***.[57], the Rajasthan HC held that the termination of a substantively appointed physical training instructor on grounds of misconduct, without initiating a disciplinary inquiry under the Rajasthan Civil Services (Classification, Control and Appeal) Rules, 1958, was legally unsustainable. In this case, the employee was selected through a regular recruitment process and was later terminated on grounds of alleged discrepancies in his qualification documents. Although the employee was issued a show-cause notice and submitted a detailed reply, the employer being dissatisfied with the explanation, proceeded to terminate his services without framing charges or conducting a formal disciplinary inquiry.

The Rajasthan HC held that the employer had bypassed mandatory procedural safeguards by terminating the employee without conducting a formal inquiry to establish misconduct. Emphasising that termination in service law is akin to capital punishment, the Rajasthan HC highlighted that such action must be preceded by a proper disciplinary inquiry to avoid punishing an innocent person. Accordingly, the termination order was quashed, and the employee was directed to be reinstated, without prejudice to the employer's right to initiate disciplinary proceedings in accordance with law, if the appointment was obtained by submitting incorrect, forged, or manipulated documents.

Termination due to prolonged absence from employment will not amount to retrenchment

In ***Rashtrasant Tukdoji Maharaj Technical and Education Society vs. Smt. Indira Madhukar Muraskar and Ors***.[58], The Bombay High Court ("**Bombay HC**") held that the act of striking off employees from the muster rolls due to their prolonged unauthorised absence following an illegal strike did not constitute 'retrenchment' under the Industrial Disputes Act, 1947, but rather amounted to abandonment of service, arising from the employees' own voluntary and unilateral conduct. The Bombay HC observed that the employer had issued repeated notices asking the employees to rejoin duty, which

[56] S.B. Civil Writ Petition No. 1334/2015
[57] Civil Writ Petition No. 4298/2025 (decided on May 8, 2025)
[58] 2025 SCC Online Bom 2055 (decided on May 9, 2025)

went unanswered. It further clarified that abandonment of service results from the voluntary and unilateral act of employees themselves, and thus, no disciplinary inquiry was necessary before removing them from muster rolls. Consequently, the Bombay HC set aside the orders of lower courts which had directed reinstatement and payment of back wages.

Bombay High Court directs compensation as appropriate relief for illegal termination; held, reinstatement cannot be granted after retirement age

In the recent case of ***M/s J Fibre Corporation vs. Maruti Harishchandra Amrute and Ors.***[59], a single judge bench of the Bombay HC reaffirmed the settled legal position that reinstatement would not be an appropriate remedy where a workman has already attained the age of retirement, even if the termination is held to be illegal. It further held that monetary compensation would be the appropriate relief.

Brief facts

On May 17, 2018, M/s J Fibre Corporation ("**Employer**") terminated the services of Mr. Maruti Harishchandra Amrute ("**Employee**"), who was predominantly involved in technical work, citing cost-cutting measures. The Employer also stated that, out of the 3 (three) employees performing similar functions, the Employee was the most junior and was therefore considered for termination. A termination letter and a cheque for 1 (one) months' notice pay were also issued on the same day. While the Employee initially declined to accept the termination letter, he acknowledged the letter 2 (two) days later but returned the cheque.

Subsequently, the Employee raised a demand for reinstatement and initiated conciliation proceedings. Upon failure of conciliation, the matter was referred to the 3rd Labour Court, Thane ("**Labour Court**"), which, by an award dated November 2, 2022, directed reinstatement with full back wages and continuity of service ("**Award**").

Aggrieved by this, the Employer filed a writ petition before the Bombay HC, contending that the direction for reinstatement was not sustainable as the Employee had already reached the age of retirement by the time of Award, and that termination had been carried out in accordance with due process.

Issues

The Bombay HC was presented with 2 (two) keys issues:

1. Whether the Labour Court was justified in directing reinstatement, given that the Employee had reached the age of retirement by the time Award was passed?
2. Whether the termination was legally valid, and if not, what would be the appropriate relief?

Observations and analysis

The Bombay HC, while examining the facts and deciding upon the matter, laid down the following observations:

1. The Employee's permanent account number (PAN) card reflected his date of birth as June 24, 1961. Based on this, the Bombay HC noted that the Employee had attained 60 (sixty) years of age by June 24, 2021. As the Labour Court's Award was passed in November 2022 i.e. after the Employee had reached the retirement age, the Bombay HC held that reinstatement was not a legally tenable remedy in such circumstances.
2. On the legality of termination, the Bombay HC found that the Employer had failed to comply with the conditions under Section 25F of the ID Act. Specifically: (a) retrenchment compensation was not paid at the time of termination but was deposited into the Employee's bank account nearly 6 (six) months later; and (b) the Employer failed to

[59] W.P. No. 10454/2024 (Decided on March 5, 2025)

produce any seniority list to substantiate its claim that the Employee was the most junior among the 3 (three) employees in same category/group.

In light of the above, while upholding the Labour Court's finding that the termination was procedurally defective, the Bombay HC modified the relief granted and directed payment of monetary compensation in lieu of reinstatement. The amount was quantified at INR 3,58,073 (Indian Rupees three lakh fifty-eight thousand and seventy-three).

Conclusion

Very often, employers tend to contemplate the need to adhere to procedural compliance requirements under the ID Act when it concerns workforce redundancy and restructuring exercises. The Bombay HC's ruling provides important direction for employers in this regard. It reinforces that compliance with procedural safeguards under the ID Act, such as timely payment of retrenchment compensation and a demonstrable, objective basis for selecting employees for termination (i.e. retrenchment' of workmen employees under the ID Act) is essential, regardless of the business rationale or the size of workforce reduction contemplated. A failure to meet these requirements can result in the termination being declared invalid.

Notably, while the Bombay HC found the termination procedurally flawed, it declined to order reinstatement since the employee had already reached retirement age. Instead, it awarded lump-sum compensation.

The judgment reiterates a balanced approach, emphasising the need to adhere to legal process while also recognising practical limitations on reinstatement in long-pending disputes involving retired employees. For employers, it is a timely reminder that process is key, and that lapses, however minor they may seem, can have significant legal and financial consequences.

Other instances where compensation was granted in lieu of reinstatement

While reinstatement with back wages has traditionally been the default remedy in cases of unlawful termination of workmen employees, Indian courts have repeatedly affirmed that it is not an *automatic outcome*. Depending on the facts and circumstances of each case, including the nature of employment, alternative relief—such as monetary compensation in lieu of reinstatement may be more appropriate. For instance:

1. In *Deputy Executive Engineer vs. Kuberbhai Kanjibhai*[60], the Supreme Court while declaring the termination invalid owing to procedural lapses, affirmed that reinstatement was not a suitable remedy where the employee was a daily wager with no right to regularisation. Interestingly, the Supreme Court explained that reinstating such a worker would serve no practical purpose, as the employer could simply retrench the employee again by following due process. In such cases, awarding monetary compensation was considered a more effective and equitable remedy.
2. In *Divisional Controller, KSRTC vs. M.G. Vittal Rao*[61], the Supreme Court held that where an employer has genuinely lost confidence in the employee, especially in roles involving trust and integrity, reinstatement is not appropriate, even if the termination is held to be invalid. The Supreme Court directed payment of compensation in such circumstances, recognising that continuation of employment relationship was no longer viable.

[60] Civil Appeal No. 5810/2009 (Decided on January 7, 2019)

[61] Civil Appeal No. 9933/2011 (Decided on November 18, 2011)

Employment Practice

JSA has a team of experienced employment law specialists who work with clients from a wide range of sectors, to tackle local and cross-border, contentious and non-contentious employment law issues. Our key areas of advice include (a) advising on boardroom disputes including issues with directors, both executive and non-executive; (b) providing support for business restructuring and turnaround transactions, addressing employment and labour aspects of a deal, to minimize associated risks and ensure legal compliance; (c) providing transaction support with reference to employment law aspects of all corporate finance transactions, including the transfer of undertakings, transfer of accumulated employee benefits of outgoing employees to a new employer, redundancies, and dismissals; (d) advising on compliance and investigations, including creating compliance programs and policy, compliance evaluation assessment, procedure development and providing support for conducting internal investigations into alleged wrongful conduct; (e) designing, documenting, reviewing, and operating all types of employee benefit plans and arrangements, including incentive, bonus and severance programs; and (f) advising on international employment issues, including immigration, residency, social security benefits, taxation issues, Indian laws applicable to spouses and children of expatriates, and other legal requirements that arise when sending employees to India and recruiting from India, including body shopping situations.

JSA also has significant experience in assisting employers to ensure that they provide focused and proactive counselling to comply with the obligations placed on employees under the prevention of sexual harassment regime in India. We advise and assist clients in cases involving sexual harassment at the workplace, intra-office consensual relationships, including drafting of prevention of sexual harassment (POSH) policies, participating in POSH proceedings, conducting training for employees as well as Internal Complaints Committee members, and acting as external members of POSH Committees.

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