



Corpbiz

The Supreme Court held that the ESI Act is to be Deemed Applicable to a Factory or Establishment Irrespective of the Number of Persons Employed

In the recent landmark judgement passed by the Supreme Court, in the matter of ESIC Vs. M/s Radhika Theatre, it is henceforth stated that Section 1(16) of the Employees' State Insurance (ESI) Act is to be deemed applicable irrespective of the number of persons employed at any time that falls below the limit specified by or under the Act.

"Sub-section (6) of Section 1...shall be applicable even with respect to those establishments established prior to 31.03.1989/20.10.1989, and the ESI Act shall be applicable irrespective of the number of persons employed or notwithstanding that the number of persons employed at any time falls below the limit specified by or under the ESI Act."

As per the analysis of the Hon'ble Supreme Court has considered the object, purpose and preamble of the ESI Act and stated that the preamble envisages the benefits to the employees in case of sickness, maternity and employment injury along with making the provisions for certain other matters in relation thereto. In consideration of the fact that the Employees State Insurance Corporation (ESIC) is a Social Welfare Legislation, the Court has noted that the ESI Act is needed to be given a literal interpretation, one which leans in favour of the beneficiary. The Supreme Court has further stated that they observed that the High Court of Telangana had erred to the extent that it had quashed the demand notices even for the period after 20.10.1989. Therefore, the order passed by the High Court was set aside, along with the demand notice for the period post-20.10.1989 was restored.



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