IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NOS. OF 2025
(@ SPECIAL LEAVE PETITION (CIVIL) NOS. 17711-17713 OF 2019)

THE MUNICIPAL COUNCIL, REP. BY ITS COMMISSIONER NANDYAL MUNICIPALITY, KURNOOL DISTRICT, A.P. APPELLANT

VERSUS

K. JAYARAM AND OTHERS ETC. ETC. RESPONDENTS

CIVIL APPEAL ARISING OUT OF SLP(CIVIL) No. 17711/2019:

THE MUNICIPAL COUNCIL, REP. BY ITS COMMISSIONER NANDYAL MUNICIPALITY, KURNOOL DISTRICT, A.P. APPELLANT

VERSUS

K. JAYARAM AND OTHERS RESPONDENTS

R1 K. JAYARAM

R2 P. OBULESU

R3 P. M. NAGESWARA RAO

R4 P. MANOHAR

R5 S. CHITTI BABU

R6 P. MADHAVA SWAMY

R7 B. HARINATH

R8 P. ABZAL KHAN

R9 D. PRAVEEN KUMAR

R10 STATE OF A.P, REP. BY THE PRINCIPAL SECRETARY TO GOVERNMENT MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT DEPARTMENT SECRETARIAT VELAGAPUDI

R11 STATE OF A.P, REP. BY THE PRINCIPAL SECRETARY TO GOVERNMENT FINANCE AND PLANNING DEPARTMENT, SECRETARIAT VELAGAPUDI

R12 COMMISSIONER & DIRECTOR OF MUNICIPAL ADMINISTRATION, GOVERNMENT OF A.P.

R13 THE CHAIRPERSON/ SPECIAL OFFICER, MUNICIPAL COUNCIL, NANDYAL MUNICIPALITY

R14 THE DIRECTOR OF TREASURIES AND ACCOUNTS

CIVIL APPEAL ARISING OUT OF SLP(CIVIL) NO. 17712/2019:

THE MUNICIPAL COUNCIL, REP. BY ITS COMMISSIONER
NANDYAL MUNICIPALITY, KURNOOL DISTRICT, A.P. APPELLANT

VERSUS

G. VENKATESWARA SARMA AND OTHERS RESPONDENTS

R1 G. VENKATESWARA SARMA

R2 K. PRASAD

R3 P. VENKATA RAMANA

R4 O. PAVAN KUMAR

R5 B. GOPALA HARI KRISHNA

R6 D. SIDDAIAH

R7 S. KAREEMULLA

R8 M. KRISHNAIAH

R9 S. HUSSAIN BASHA

R10 B. BABU RAO

R11 S. HUSSAIN ALAM

R12 D. KULAYAPPA

R13 G. KRISHNA

R14 STATE OF A.P, REP. BY THE PRINCIPAL SECRETARY TO GOVERNMENT
MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT DEPARTMENT
SECRETARIAT VELAGAPUDI

R15 STATE OF A.P, REP. BY THE PRINCIPAL SECRETARY TO GOVERNMENT
FINANCE AND PLANNING DEPARTMENT, SECRETARIAT VELAGAPUDI

R16 COMMISSIONER & DIRECTOR OF MUNICIPAL ADMINISTRATION,
GOVERNMENT OF A.P.

R17 THE CHAIRPERSON/ SPECIAL OFFICER,
MUNICIPAL COUNCIL, NANDYAL MUNICIPALITY

R18 THE DIRECTOR OF TREASURIES AND ACCOUNTS

CIVIL APPEAL ARISING OUT OF SLP(CIVIL) No. 17713/2019:

THE MUNICIPAL COUNCIL, REP. BY ITS COMMISSIONER
NANDYAL MUNICIPALITY, KURNOOL DISTRICT, A.P. APPELLANT

VERSUS

B. BHASKARACHARI AND OTHERS RESPONDENTS

R1 B. BHASKARACHARI

R2 A. RAMAKRISHNA

R3 K. SUDHAKAR

R4 P. RAJASEKHAR

R5 G. ADAM

R6 B. KESAVULU

R7 D. MOULALI

R8 B. TULASIRAM MADHU

R9 G. RAMANA

R10 P. BASAVAIAH

R11 STATE OF A.P, REP. BY THE PRINCIPAL SECRETARY TO GOVERNMENT MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT DEPARTMENT SECRETARIAT VELAGAPUDI

R12 STATE OF A.P, REP. BY THE PRINCIPAL SECRETARY TO GOVERNMENT FINANCE AND PLANNING DEPARTMENT, SECRETARIAT VELAGAPUDI

R13 COMMISSIONER & DIRECTOR OF MUNICIPAL ADMINISTRATION, GOVERNMENT OF A.P.

R14 THE CHAIRPERSON/ SPECIAL OFFICER, MUNICIPAL COUNCIL, NANDYAL MUNICIPALITY

R15 THE DIRECTOR OF TREASURIES AND ACCOUNTS

O R D E R

Leave granted.

2. The present appeals arise out of a common order dated 23.08.2018 passed by the High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh, by which the appellant has been directed to grant minimum time scale of pay to the

respondents and also to add annual grade increments as and when they fell due from time to time.

3. The appellant had engaged the respondents not directly, but through a third-party contractor starting from the year 1994. However, upon the change of contractors also, they continued to perform their duties and work for the appellant. They approached the A.P. Administrative Tribunal, Hyderabad[1] seeking regularization and for payment of the minimum of the scale of that post which was given to the regular employees. The Tribunal ruled against them and they approached the High Court. The High Court *vide* the impugned order has reversed the order of the Tribunal and has directed the appellant in the terms as indicated above.

4. Learned counsel for the appellant submitted that the High Court has failed to consider the basic issue involved in the present case, which is that the respondents were never the direct employees of the appellant, inasmuch as, there was no such relationship created by the appellant. The only connection which the appellant had with the respondents is that the contractor who had been given the contract of providing manpower to the appellant had engaged them

1 For short 'the Tribunal'

and on that basis they were assigned various works to be performed by the appellant, for which, payment was made directly to the contractor and the contractor in turn used to pay to the respondents. It was submitted that the contract was given with sufficient safeguards regarding the basic rights of an employee, inasmuch as, it was stipulated that the payment should not be below the minimum wages prescribed by the Government from time to time and further, that statutory deductions/contributions would be made by the contractor with regard to such employees, including the respondents. Thus, it was contended that since the respondents were faceless before the appellant, any claim by such persons, i.e., the respondents, would only lie against the contractor but definitely not against the appellant. In support of her contention, learned counsel referred to and relied upon a decision of this Court in ***"Bharat Heavy Electricals Limited vs. Mahendra Prasad Jakhmola and others***[2], the relevant being at paragraphs no. 21, 22 and 24. She also relied upon a judgment of a Bench of this Court, to which, one of us (Ahsanuddin Amanullah, J.) was a party, dated 17.09.2025 in Civil Appeal No.4014 of 2025, titled ***'Joint Secretary, Central Board of Secondary Education and Another Vs. Raj Kumar Mishra and Another'***, the relevant being at paragraphs

2 (2019) 13 SCC 82

no. 6 and 9.

5. *Per contra*, learned senior counsel for the respondents submitted that the stand of the appellant is totally arbitrary and violates the basic constitutional rights of the respondents. It was submitted that besides being discriminatory, it was highly arbitrary as at the end of the day, the respondents had been directed to be paid only the minimum time scale of the pay attached to the regular post of their respective cadre. This, according to him, cannot be objected by any employer, much less an employer which is State under Article 12 of the Constitution of India. Furthermore, it was contented that similarly situated persons in other municipalities had been given the same benefit and denying the same to the respondents in the present case itself would not stand the constitutional requirement of it not being discriminatory. Learned counsel relied upon a decision of this Court in ***'State of Punjab and Others vs. Jagjit Singh and others'***[3], the relevant being at paragraphs no. 44.8, 44.9, 56, 57, 58 and 61. He also placed before the Court the judgment in ***Bharat Heavy Electricals Limited*** (supra) to distinguish the ratio of the said case by referring to paragraphs no.2 and 4 for the purposes of showing that even a contractual

3 (2017) 1 SCC 148

employee would be entitled to the benefit which has been granted by the High Court.

6. By way of rejoinder, learned counsel for the appellant submitted that in the present batch of cases, the basic foundational fact is different to the extent that such employees were directly employed on contractual basis by the concerned municipality and not by a contractor. Further, with regard to some other municipalities where such benefits have been extended, it was contended that the letter which discloses that it was pursuant to some judgment in some other case.

7. Having considered the matter, we find substance in the contention of learned counsel for the appellant. The moot point on which the issue revolves is the nature of employment/ relationship of the appellant with the respondents. It is not in dispute that the appellant had engaged the respondents and other similarly situated persons through a contractor, which also had changed periodically. However, at the same time, the respondents may have continued to work for the appellant, though through some other contractor. Further, the respondents may have also continued for long periods. Thus, at first blush the reasoning may

seem to be attractive that there was discrimination as they were also performing the duties as was being performed by other regular employees and were required to be suitably paid and, at least, the minimum time scale of the pay attached to the regular post, however, a deeper probe would reveal that the matter cannot be dealt with in such a simplistic way. The test which would actually throw light and would be relevant in the facts and circumstances of the present case is to whether the relationship, which is direct between two parties in whatever manner, can be differentiated with a relationship which had no direct connection with the two parties who are contesting, but rather the relationship is through a third-party which in the present case is the contractor.

8. From the facts discussed above, it is clear that the appellant had no direct connection with the actual persons who were employed by the contractor, i.e., the respondents. The obligation and responsibility of the appellant was to pay to the contractor the amount which had been contracted and agreed to between the appellant and the contractor, and the responsibility then was that of the contractor to ensure payment of wages and other emoluments as per the terms of the contract to the persons who were actually sent by the

contractor to the appellant for performing various types of job.

9. The Court would pause here to indicate that it is not anybody's case that the mode of employment through a contractor itself was illegal or there was any illegality in the terms and conditions of the contract so as to make it *ultra vires* any constitutional provision or to make it discriminatory, and further there has been no challenge to such contract or any of the terms stipulated in the contract. Another issue on facts, which has been addressed by learned counsel for the respondents is that the respondents could not have been exploited by the parties and the fact that they were the same persons being sent, though through different contractors itself shows that the relationship was direct and only a sham camouflage was created; that of a contractor being the intermediary. To this, in our considered view, the answer may not be in clear black and white terms and is still a grey area for the reason that even if the respondents were the same persons who actually worked for the appellant, there can be instances where the new contractor, to maintain continuity and to ensure that there is no complaint from the employer, the appellant in the present case, continues with the same persons who were

already employed and were working with the appellant. Thus, there is argument for and against such stand, which we will not dwell on any further. Another issue which has been flagged by learned senior counsel for the respondents is that the respondents being in the position they are, and the relief given being the minimum of the time scale of the pay attached to the regular post cannot be termed as giving them something which was not due or something excessive, for ultimately they also have a family to support and they are also performing the job which is performed by people on the regular establishment. We have absolutely no doubt in our mind that such issue raised by learned senior counsel is of relevance, but the Court feels that the mode of contractual employment, that too, by a contractor and not directly by the employer will have to be seen in a different light in the eyes of law. If all such distinctions between a regular employee and such contractual employees is not made, then the basic concept of hiring through various modes and in different capacity would lose its purpose and sanctity and ultimately everybody would be getting exactly the same benefit. This cannot be permitted in law for the reason that employment under a State entity is a public asset and every citizen of the country has a right to apply for it. In a regular employment, directly made by the said State entity, there are safeguards to

ensure that the system of employment/engagement is transparent and fulfills a minimum criteria and is open to all eligible persons and a mode/procedure is adopted for ultimately choosing the right person. When employees/workmen are taken through a contractor, it is the absolute discretion of the contractor as to whom and through which mode he would choose such persons to be sent to the principal. This is where the difference lies, which is a very valid distinction in law. The reason why there are safeguards in regular appointment is that there should not be any favoritism or other extraneous consideration where persons, only on merit, are recruited through a fully transparent procedure known in law. If the persons who are employed through a contractor, and have come to work, are given equal benefit and status as a regular employee, it would amount to giving premium and sanction to a process which is totally arbitrary as there is no mode prescribed in any contract as to how the contractor would employ or choose the persons who are to be sent, except for the basic qualification, i.e., knowledge in the field for which they are required. The judgment/ order relied upon by learned counsel for the appellant aptly covers the field in the present case. The judgment cited by learned senior counsel for the respondents is basically different on facts for the reason that there the contractual employment was

directly by the principal and in that background contractual workers have been regularized.

10. In view of the discussions made hereinabove and for the reasons aforesaid, the appeals are allowed. The impugned order dated 23.08.2018 passed by the High Court is set aside and the orders of the Tribunal stand restored.

11. Having passed the order, we feel that sometimes justice is required to be tempered with mercy as human factors cannot be totally lost sight of. In such view of the matter, we would require the appellant to look into whether the jobs which were being done by the respondents, in the background that they have not been disengaged or returned to the contractor on the ground of being unsatisfactory, having uninterrupted service under the appellant for decades can be regularized on posts, which *prima facie* appears to be perpetual in nature. We make it clear that this direction is limited for the purposes of the present case only as it has been passed in the special facts and circumstances of the present case and shall not be treated as a precedent in any other case. We expect the appellant to take a compassionate and sympathetic view in the matter.

12. The present appeals are de-tagged from the batch matters.

13. Pending application(s), if any, shall also stand disposed of.

.....J.
(AHSANUDDIN AMANULLAH)

.....J.
(VIPUL M. PANCHOLI)

NEW DELHI
16th DECEMBER, 2025

ITEM NO.302 COURT NO.13 SECTION XII-A

S U P R E M E C O U R T O F I N D I A
RECORD OF PROCEEDINGS

PETITION FOR SPECIAL LEAVE TO APPEAL (C) NO. 26345/2018

[Arising out of impugned final judgment and order dated 25-06-2018 in WP No. 14705/2018 passed by the High Court of Judicature at Hyderabad for The State of Telangana and The State of Andhra Pradesh]

THE ADONI MUNICIPALITY ADONI PETITIONER(S)

VERSUS

K. HAZRATH VALI & ORS. RESPONDENT(S)

[TO BE TAKEN UP AT 3:00 P.M.]

(IA No. 139440/2018 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT, IA No. 126779/2020 - PERMISSION TO FILE ADDITIONAL DOCUMENTS/FACTS/ANNEXURES, IA No. 89711/2020 - STAY APPLICATION)

WITH

SLP(C) NO. 27620/2018 (XII-A)

SLP(C) NO. 27619/2018 (XII-A)
IA No. 14986/2019 - APPLICATION FOR SUBSTITUTION
IA No. 14990/2019 - CONDONATION OF DELAY IN FILING SUBSTITUTION APPLN.

SLP(C) NO. 27624/2018 (XII-A)
IA No. 132728/2018 - PERMISSION TO FILE ADDITIONAL DOCUMENTS/FACTS/ANNEXURES

SLP(C) NO. 27623/2018 (XII-A)
IA No. 131656/2018 - PERMISSION TO FILE ADDITIONAL DOCUMENTS/FACTS/ANNEXURES

SLP(C) NO. 27906/2018 (XII-A)
IA No. 140694/2018 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT

SLP(C) NO. 31569-31570/2018 (XII-A)
IA No. 151522/2018 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT

DIARY NO. 38532/2018 (XII-A)
IA No. 160207/2018 - CONDONATION OF DELAY IN FILING
IA No. 160208/2018 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT

IA No. 175481/2018 - PERMISSION TO APPEAR AND ARGUE IN PERSON
IA No. 134339/2019 - PERMISSION TO FILE ADDITIONAL DOCUMENTS/FACTS/ANNEXURES
IA No. 117559/2020 - STAY APPLICATION

SLP(C) NO. 17711-17713/2019 (XII-A)
IA No.93389/2019-EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT
IA No. 93389/2019 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT

DIARY NO. 26646/2020 (XII-A)
IA No. 127933/2020 - CONDONATION OF DELAY IN FILING
IA No. 127935/2020 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT
IA No. 127936/2020 - PERMISSION TO FILE ADDITIONAL DOCUMENTS/FACTS/ANNEXURES

Date : 16-12-2025 These matters were called for hearing today.

CORAM :
HON'BLE MR. JUSTICE AHSANUDDIN AMANULLAH
HON'BLE MR. JUSTICE VIPUL M. PANCHOLI

For Petitioner(s) :
Mr. Y. Raja Gopala Rao, AOR
Mr. Dhuli Gopi Krishna, Adv.
Mr. Akshay Singh, Adv.
Ms. Sanjana Jain, Adv.

Mr. N. Rajaraman, AOR

Ms. Prerna Singh, Adv.
Mr. Guntur Pramod Kumar, AOR
Mr. Keshav Singh, Adv.

For Respondent(s) : Caveator-in-person, AOR

Mr. L. Narasimha Reddy, Sr. Adv.
Mr. P. Raghavender Reddy, Adv.
Mr. C. Raghavendren, Adv.
Mr. Ch. Leela Sarveswar, Adv.
Mrs. C. Rubavathi, Adv.
Mr. Nandi Kiran Kumar, Adv.
Mr. Saurabh Gupta,, Adv.
Mr. M. A. Chinnasamy, AOR

Mr. DVSS Somayajulu, Sr. Adv.
Mr. Goli Rama Krishna, Adv.
Ms. Vandana Sharma, AOR
Mr. Koppula Gopal, Adv.

Mr. N. Rajaraman, AOR
Mr. Guntur Pramod Kumar, AOR

O R D E R

SPECIAL LEAVE PETITION (CIVIL) NOS. 17711-17713 OF 2019:

Leave granted.

2. The appeals are allowed in terms of the signed order.

3. The present appeals are de-tagged from the batch matters.

REST OF THE MATTERS:

Hearing in the remaining matters remain inconclusive.

2. List on 20.01.2026 at 2.00 p.m. as part heard.

(DEEPAK SINGH)	(POOJA SHARMA)	(ANJALI PANWAR)
ASTT. REGISTRAR-cum-PS	AR-CUM-PS	ASSISTANT REGISTRAR

(Signed order in Civil Appeals @ SLP(Civil) Nos. 17711-17713/2019 is placed on the file.)