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RELAXED APPLICATION OF EMPLOYEES' COMPENSATION ACT IN ASSESSING DISABILITY

The Supreme Court (SC), in the *Kamal Dev Prasad* case,¹ held on April 29, 2025, that the determining authority can deviate from strict compliance of the Employees' Compensation Act, 1923 (EC Act) and take a broader approach when determining disability compensation due to loss of earning capacity.

Brief Facts

Kamal Dev Prasad was employed by Mahesh Forge (MF) in operation of forging machine from 2002 for a monthly salary of Rs. 2,500. In 2004, while operating the machine, Kamal injured his hands and was hospitalised. He underwent surgery and lost significant number of phalanges of his fingers (Loss). This Loss amounted to loss of earning capacity as per the EC Act. The Commissioner allowed 100% disability and awarded Rs. 3 lac as total compensation along with 12% interest from the date of accident and 50% penalty of Rs. 1.6 lac since MF did not pay the compensation within one month of the accident. MF appealed before the Bombay High Court (HC) against the Commissioner's order. HC determined the disability only to the extent of 34%. Following this, Kamal filed a special leave petition before the SC challenging the HC's reduced disability determination.

Kamal's Contentions

The disability should not be strictly determined as set out under the EC Act. Court must take a wider view without restricting to the limits set out under the EC Act when determining his disability compensation. As the Loss is significant, it heavily impacted his earning capacity having permanently lost the ability to work as a forging machine operator due to the accident. Considering the impact of the earning loss he had suffered, he was entitled to 100% of disability compensation as rightly determined by the Commissioner.

¹ *Kamal Dev Prasad v. Mahesh Forge*, 2025 INSC 591.

MF's Contentions

Contended that the EC Act, at Part II, Schedule I, adequately sets out the injuries and the percentage loss of earning capacity. Kamal's injury should be strictly determined as per the EC Act, by which he is entitled to only 34% of the disability compensation. Even the HC had accepted the same and had rightly determined that Kamal was only entitled for 34% compensation.

SC's Judgement & Reasoning

The SC:

- Referred the case of *Oriental Insurance* case² where it was held that statutes such as the EC Act and the Motor Vehicles Act, 1988 were beneficial legislations aimed at providing expeditious reliefs to accident victims and should be liberally interpreted.
- While determining the amount of loss of earning capacity, the authority should record reasons behind their conclusion. It can take a broader view beyond statutory mandates while determining functional disability.³
- Reevaluated Kamal's earning loss per the EC Act as Explanation I to Section 4(1)(c)⁴ provided the scope to aggregate the compensation payable when more than one injury is caused in the same accident.
- Took into account Kamal's loss of earning capacity as a forging machine operator and the weakened grip that his right hand would have post the accident and determined his loss to the extent of 50%.⁵

This *Counselence Connect* contains information in a nutshell on a recent change in law.

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² *Oriental Insurance Co. Ltd. v. Mohd. Nasir*, (2009) 6 SCC 280.

³ Paragraph 7 of the Judgement.

⁴ Explanation I of Section 4(1)(c) of the EC Act states that in the event more than one injury is caused by the same accident, the compensation payable maybe aggregated but the compensation shall not exceed the amount paid in the event of total disablement.

⁵ Paragraph 10 of the Judgement.