

Unlocking operational flexibility for technology companies in Telangana: Key highlights of the latest exemption

In 2013, the government of Telangana had first issued a notification exempting the Information Technology (“IT”) and IT-enabled services (“ITeS”) sector in Telangana from select provisions of the Telangana Shops and Establishments Act, 1988 (“Telangana S&E Act”) for a period of 5 (five) years. This exemption was thereafter repeatedly renewed from time to time. Accordingly, the exemption made effective on May 30, 2023, expired on May 29, 2024.

The government of Telangana has now extended the afore-said exemption for a further period of 4 (four) years, that is, up to May 29, 2028, subject to fulfilment of certain conditions which are similar to what were provided within the previous exemptions¹ (“Telangana Exemption 2024”).

The Telangana Exemption 2024 relaxes regulations surrounding opening and closing hours², daily and weekly working hours³, hiring of young people⁴ and women⁵ for night shifts, and working on national and festival holidays⁶ as provided under the Telangana S&E Act.

By virtue of the Telangana Exemption 2024, IT/ITeS employers in the state may continue to operate 24 (twenty-four) by 7 (seven) and adopt flexible work arrangements as may be required. However, the exemption is not a blank check for employers. While providing leeway on specific operational aspects, the relaxation comes with a set of pre-defined conditions aimed at safeguarding the interests and well-being of employees.

Conditions under the Telangana Exemption 2024

- Weekly working hours and overtime:** While the Telangana S&E Act prescribes an 8 (eight) hour work day and 48 (forty-eight) hours work-week,⁷ with an additional 6 (six) hours of overtime work per week⁸, under the Telangana Exemption 2024, the 8 (eight) hour limit per day and the cap on overtime hours of 6 (six) hours a week has been relaxed, subject to the condition that any time clocked by an employee beyond 48 (forty-eight) hours a week is remunerated with overtime wages, calculated at the rate of twice the ordinary rate of wages.
- Weekly rest day:** A weekly day off must be granted to every employee, which is already provided for under Section 19(1) of the Telangana S&E Act.

¹ Notification dated June 7, 2024, accessible [here](#)

² Section 15 of the Telangana S&E Act

³ Section 16 of the Telangana S&E Act

⁴ Section 21 of the Telangana S&E Act

⁵ Section 23 of the Telangana S&E Act

⁶ Section 31 of the Telangana S&E Act

⁷ Section 16 (1) of the Telangana S&E Act

⁸ Section 16 (2) of the Telangana S&E Act

3. **Compensatory off:** If an employee is required to work on a notified national/festival holiday, such employee must be given a paid compensatory holiday, in lieu of such national/festival holiday.
4. **Employment of young persons and women:** Employers are permitted to engage young persons and women during night hours,⁹ provided that adequate security during such shift is provided along with to and fro transportation from their residences. The prescribed safety and security measures include:
 - a) **Screening of drivers:** Whether a driver is hired directly or is contracted through a third-party, before engaging a driver to pick-up and drop off employees who are working during the night shift, the company is required to obtain the driver's biodata and other relevant information (*i.e., driving license, photographs, address, contact number etc.*) and perform pre-employment screening on such individuals.
 - b) **Transport scheduling:** Every Monday, a supervising officer is responsible for determining the pick-up and drop-off times and routes. Change of drivers/routes/shifts will be allowed only with the prior knowledge of supervisory officers/employees and in case of exigencies.
 - c) **Confidentiality of information:** The contact details, particularly the telephone number and addresses of the female employees must not be disclosed to un-authorized persons.
 - d) **Security guards:** Security guards must be deployed for women employees during cab drop-offs and pick-ups. The timings as recommended in the Telangana Exemption 2024 is before 6 am and after 8 pm.
 - e) **Selection of routes:** Careful selection of routes should be made to ensure that female employees are not picked up first or dropped off last.
 - f) **Vehicle oversight:** Supervisors as designated must randomly check vehicles on various routes. Companies must also maintain a control room or travel desk to monitor vehicle movements.
5. **Other Conditions:** Every employee must be provided with an identity card and employers shall strictly ensure to welfare measures prescribed under applicable laws.
6. **Electronic maintenance of records and integrated returns:** The Telangana Exemption 2024 enables covered employers to maintain applicable statutory registers as soft copies. The notification further requires employers to submit integrated returns in accordance with a Government Order (“GO”) dated March 24, 2016. However, this GO seems to have been superseded by another GO dated March 2, 2019.¹⁰

The Telangana Exemption 2024 further emphasises that non-adherence of the above conditions will lead to revocation of the said exemptions. Therefore, companies found to be non-compliant stand the risk of having the relaxations provided within the Telangana Exemption 2024 being revoked for them.

Conclusion

Recognizing the unique needs of the technology sector, the Telangana Exemption 2024 aims at facilitating a conducive environment for the functioning of IT/ITeS establishments within the state. Telangana being one of the prominent IT hubs in the country, is poised to significantly benefit from this development, attracting more technology companies and fostering innovation and growth in the region.

The state government’s move to implement the Telangana Exemption 2024 also underscores the government’s commitment in supporting the growth of the IT/ITeS sector in the country, which has been a major contributor to India’s economic growth. Drawing a parallel to the recent move by the Karnataka state government to exempt technology companies and some others from the applicability of the Industrial Employment (Standing Orders) Act, 1946, it is evident that state governments are increasingly recognizing the need to provide regulatory flexibility to foster a conducive business environment for the technology sector.

⁹ Section 21 of the Telangana S&E Act specifies night to be before 6 am and after 7 pm for young persons and Section 23 of the Telangana S&E Act specifies night to be before 6 am and after 8:30 pm for women.

¹⁰<https://ipass.telangana.gov.in/viewpdf.aspx?enc=olSBrXl6rl1gh1ZI/gAtClkxOo/1mEK3ZEGdedYO3dbgHlf+VSWFL6LVs+mm8Rg6nTRHe7ixLA1Uzvt6vtEOdxSleHCP+5I8U15hi8PdUxHLv421Ss0MNMxSI3JQIpsm9KYPhTkuzY8M7JjQkmUuYdwMHymhliaWr4p/v7BSou=>

Hopefully, the steps taken by the Telangana and Karnataka state governments will set a positive example for other Indian states in supporting businesses while upholding the minimum labour standards.

Undoubtedly, while these relaxations provide the much-needed flexibility for companies in the technology sector, it is crucial that employers recognize their responsibility of prioritising employee well-being. By striking a balance between business interests and employee welfare, companies can harness the full potential of these relaxations while contributing to a sustainable and thriving tech ecosystem in India.

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