

न्यायमूर्ति (सेवानिवृत्त) आर.एम. लोढा समिति
Justice (Retd.) R. M. Lodha Committee
(पीएसीएल लि. के मामले से संबंधित / in the matter of PACL Ltd.)

संदर्भ सं. जेआरएमएलसी/पीएसीएल/
Ref. No. JRMLC/PACL/

Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024

BEFORE THE RECOVERY OFFICER, SEBI
ATTACHED TO
JUSTICE (RETD.) R.M. LODHA COMMITTEE
(IN THE MATTER OF PACL LIMITED)

File No.	SEBI/PACL/OBJ/NS/00001/2024
Name of the Objector(s)	Dr. R. Kannan
MR No.	27951/16, 27960/16 & 14216/18

Background:

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") on 22.08.2014 had passed an order against PACL Limited, its promoters and directors, inter alia, holding the schemes run by PACL Ltd as Collective Investment Scheme ("CIS") and directing them to refund the amounts collected from the investors within three months from the date of the order. Vide the said order, it was also directed that PACL Ltd. and its promoters/directors shall not alienate or dispose of or sell any of the assets of PACL Ltd. except for the purpose of making refunds as directed in the order.
2. The order passed by SEBI was challenged by PACL Ltd. and four of its directors by filing appeals before the Hon'ble Securities Appellate Tribunal ("SAT"). The said appeals were dismissed by the Hon'ble SAT vide its common order dated 12.08.2015, with a direction to the appellants to refund the amounts collected from the investors within three months.



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SEBI Bhavan, BKC, Plot No. C4-A, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400051

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Aggrieved by the order dated 12.08.2015 passed by the Hon'ble SAT, PACL Ltd and its directors had filed appeals before the Hon'ble Supreme Court of India.

3. The Hon'ble Supreme Court did not grant any stay on the aforementioned impugned order dated 12.08.2015 of the Hon'ble SAT, however, PACL Ltd. and its promoters/ directors did not refund the money to the investors. Accordingly, SEBI initiated recovery proceedings under Section 28A of the SEBI Act, 1992 against PACL Ltd. and its promoters/ directors vide recovery certificate no. 832 of 2015 drawn on 11.12.2015 and as a consequence thereof, all bank/ demat accounts and folios of mutual funds of PACL Ltd. and its promoters/ directors were attached by the Recovery Officer vide attachment order dated 11.12.2015.
4. During the hearing on the aforesaid civil appeals filed by PACL Ltd. and its directors (*Civil Appeal No. 13301 of 2015 – Subrata Bhattacharya Vs. SEBI and other connected matters*), the Hon'ble Court vide its order dated 02.02.2016 directed SEBI to constitute a committee under the Chairmanship of Hon'ble Mr. Justice R.M. Lodha, the former Chief Justice of India (hereinafter referred to as "the Committee") for disposing of the land purchased by PACL Ltd. so that the sale proceeds can be paid to the investors, who have invested their funds in PACL Ltd. for purchase of the land. In the said civil appeals, the Hon'ble Supreme Court did not grant any stay on the orders passed by SEBI and the Hon'ble SAT. Therefore, directions for refund and direction regarding restraint on the PACL Ltd and its promoters and directors from disposing, alienating or selling the assets of PACL Ltd., as given in the order, continues till date.



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5. The Committee has from time to time requested the authorities for registration and revenue of different states to take necessary steps and issue necessary directions to Land Revenue Officers and Sub-registrar offices, to not effect registration/mutation/sale/transfer, etc. of properties wherein PACL Ltd. and/ or its group or its associates have, in any manner, right of interest.
6. Also, the Hon'ble Supreme Court vide its order dated 25.07.2016 restrained PACL Ltd. and/ or its Directors/Promoters/agents/employees/Group and/or associate companies from, in any manner, selling/transferring/alienating any of the properties wherein PACL Ltd. has, in any manner, a right/interest situated either within or outside India.
7. In the recovery proceedings mentioned in para 3 above, the Recovery Officer issued an attachment order dated 07.09.2016 against 640 associate companies of PACL Ltd. In the said order, *inter alia*, the registration authorities of all States and Union Territories were requested not to act upon any documents purporting to be dealing with transfer of properties by PACL Ltd. and / or the group/ associate entities of PACL Ltd. mentioned in the Annexure to the said attachment order, if presented for registration.
8. The Hon'ble Supreme Court, vide its order dated 15.11.2017, passed in Civil Appeal No. 13301/2015 and connected matters directed that all the grievances/ objections pertaining to the properties of PACL Ltd. would be taken up by Mr. R.S. Virk, Retired District Judge.
9. On 30.04.2019, in the recovery proceedings initiated against PACL Ltd. and Ors, the Recovery Officer issued a notice of attachment in respect of 25 front companies of PACL Ltd. Thereafter, on 01.03.2021, the Recovery Officer issued another notice of attachment



Page 3 of 23

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in respect of 32 associate companies of PACL Ltd., which included 25 front companies of PACL Ltd. whose accounts were attached vide order dated 30.04.2019.

10. Vide order dated 08.08.2024 passed in *Civil Appeal No. 13301 of 2015 - Subrata Bhattacharya Vs. SEBI and other connected matters*, the Hon'ble Supreme Court has directed as under:

".....10. Since, we had directed in our order dated 25.07.2024, that no fresh applications or objections shall be filed before or entertained by Shri R.S. Virk, District Judge (Retd.) and that the same shall be filed before the Committee, the Committee may deal with such applications/ objections, if filed before it, and dispose them of as per the provisions contained under Section-28(A) of the SEBI Act....."

11. In compliance with the aforesaid order dated 08.08.2024 passed by the Hon'ble Supreme Court, all objections with respect to properties of PACL Ltd, which were pending before Shri R.S. Virk, Retired District Judge and all new objections, are now to be dealt by the Recovery Officer attached to the Committee.

Present Objection:

12. The instant objection has been filed by Dr. R. Kannan s/o Mr. Ramachandran residing at Door No. 8/68A – Solaiseri Village, Sankaran Koil Taluk, Thirunelveli District (hereinafter referred to as the "**Objector**") through Mr. V. Alagirisamy, Advocate (hereinafter referred to as "**Authorised Representative**" or "**AR**"), objecting the attachment of the following properties classified into the three schedules (hereinafter referred as the "**impugned properties**"), due to attachment of the property covered in MR Nos. 27960/16, 14216/18 & 27951/16, which stands attached by the Committee:



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Table 1

Schedule	Survey No.	Admeasuring	MR No
First Schedule Properties Situating at Tirunelveli District, Gangaikodan Register District, Akkanayakkanpatti Village	197/8	0.05.5 Hectares	
Second Schedule Properties Situating at Thoothukudi District, Kovilpatti Taluk Puliyanakulam Village	115/2	0.16.0 Hectares	27960/16
	115/3	02.07.0 Hectares	
	51/7	0.53.5 Hectares	
	48/2	0.43.5 Hectares	
	129/1	0.18.5 Hectares	
	11/3	0.19.0 Hectares	
	6/4	0.33.5 Hectares	
	28/2	0.99.0 Hectares	
	8/2	0.35.0 Hectares	
	29/6	0.62.5 Hectares	
Third Schedule Properties Situating in Puliyanakulam Village, Kovilpatti Taluk (formerly Sankaran Koil Taluk)	8/1	0.30.5 Hectares	14216/18 & 27951/16
	10/1	0.28.0 Hectares	
	10/3	0.43.5 Hectares	
	11/4	0.73.5 Hectares	
	11/6	0.76.5 Hectares	
	12/5	0.81.5 Hectares	
	12/7	0.83.0 Hectares	
	12/8	0.72.5 Hectares	
	14/1B	0.42.0 Hectares	
	14/2	0.58.0 Hectares	
	15/2A	0.59.5 Hectares	
	15/4	0.59.5 Hectares	
	15/5	0.59.5 Hectares	
	16/4	0.98.5 Hectares	
	20/3	0.44.0 Hectares	
25/2A	1.56.0 Hectares		
27/3	0.66.5 Hectares		



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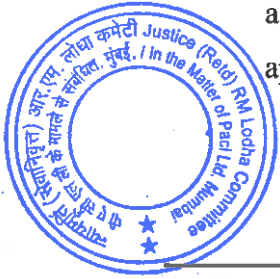
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	29/2	0.85.0 Hectares	
	29/3	0.36.5 Hectares	
	29/4	0.40.0 Hectares	
Total		18.87.00 Hectares	-

13. The Objector in his objection petition has submitted that with the intention of engaging in farming activities/developing the property, he had purchased the impugned properties out of his own and borrowed funds by way of executing an absolute sale deed dated 20.04.2015 with three individuals viz. (i) Mr. Sandeep Patiya s/o K. L. Patiya, (ii) Mr. Swapan Madari s/o Mr. Kartik and (iii) Mr. Sushanta Behera s/o Mr. Benudhara Behera, represented by their Power Agent viz. Mr. Sundaram s/o Mr. Shanmugam Pillai, after following proper due diligence as per law. It is stated that the sale deed was duly stamped and registered without any objections by the concerned registration authorities, which was further verified by the Revenue Authorities and Patta was granted to him for the impugned properties. The Objector further submits that he has ever since been in absolute physical possession and enjoyment of the impugned properties by paying all the relevant taxes and that the Revenue Records are also mutated in his name. Given these facts, the Objector asserts that he is a *bonafide* and innocent purchaser, having legally acquired the impugned properties through valid sale deed, fully compliant with law.

14. The Objector stated that as interest on the loan taken for purchase of the impugned properties piled up, he decided to sell a portion of the impugned properties to clear the said loan and also to develop the property. The Objector subsequently received substantial advance payment for the sale of a portion of the impugned properties. However, when he approached the Sub-Registrar, Kovilpatti during the last week of January 2023 with a draft



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sale deed for intended sale, the registration was denied on grounds that the impugned properties were connected with PACL Ltd.

15. The Objector submits that he had purchased the impugned properties only from individuals and not from PACL Ltd. or any other companies related to PACL Ltd. or its directors or officials in any manner whatsoever. Also, he had exercised due diligence by verifying all parent documents, guideline values with the Registration Department and lawfully completed the registration process by paying the relevant duty and fees establishing him to be *bonafide* and innocent purchaser with no fault on his side. The Objector therefore, has filed the present petition seeking No Objection Certificate in respect of the impugned property and to release the said properties from the attachment.

16. The Objector was granted an opportunity of hearing on 12.02.2025. On the said date, the AR appeared on behalf of the Objector and reiterated the submissions made in the objection petition. The AR, while referring to the sale deed dated 20.04.2015, submitted that the Objector had purchased the wetlands in the impugned properties admeasuring to 46 Acres for a consideration of Rs. 2,00,000/- in the year 2015. Further, as the translated copy of the EC records submitted by the Objector was found to be incomplete i.e., some pages were missing, the AR was advised to provide complete translated copy of the EC records along with the original EC record in regional language, Patta for the claimed properties and documentary evidence of the payments made for the purchase of the impugned properties before the next date of hearing scheduled on a mutually convenient date and time i.e. 07.03.2025.



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SEBI/PACL/OBJ/NS/00001/2024*

17. Accordingly, vide email dated 21.02.2025 and letter dated 12.03.2025 (*received on 17.03.2025*), the Objector submitted both original as well as translated copy of EC records along with copy of Patta for the impugned properties.
18. Thereafter, on the scheduled date of hearing i.e., on 07.03.2025, the AR appeared on behalf of the Objector and once again reiterated the submissions made in the objection petition. The AR, while referring to the sale deed dated 20.04.2015, submitted that the entry at Sl. No. 45 in the EC records of S.R.O Kovilpatti corresponds to the sale deed executed for the impugned properties.
19. In order to further ascertain the genuineness of the transactions, the documents seized in the MR Nos. from the possession of PACL Ltd. and thereafter, attached by the Committee were perused. Upon perusal, the following documents were found to be in possession of PACL Ltd.:
- (i) Registered Sale Agreement dated 19.03.2013 bearing no. 3003/13 executed in favor of an associate entity of PACL Ltd. viz., Nupur Promoters Private Limited through its Authorized Representative viz. Mr. Jitender Kumar Yadav by certain vendors including Mr. Swapan Madari alias Madari Swapan (*one of the vendors in the sale deed executed on 20.04.2015 with the Objector*) for properties including the impugned properties at survey numbers mentioned in the Second Schedule of Properties in Table 1 at para 12 above.
- (ii) Registered Sale deed dated 19.03.2013 bearing no. 3004/13 executed in favor of an associate entity of PACL Ltd. viz., Nupur Colonisers Private Limited through its Authorized Representative viz. Mr. Jitender Kumar Yadav by certain vendors including



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Mr. Sushant Behera (*one of the vendors in the sale deed executed on 20.04.2015 with the Objector*) for properties including the impugned properties at survey numbers mentioned in the Third Schedule of Properties in Table 1 at para 12 above.

(iii)GPA dated 27.10.2004 bearing no. 874/04 executed by Mr. S. Jacob Rajamani s/o Mr. P. Soundra Pandian in favor of Mr. Gurjant Singh s/o Mr. Sohan Singh for impugned properties at survey numbers mentioned in the Third Schedule of Properties in Table 1 at para 12 above. It is noted that the parent document i.e., Sale deed dated 09.04.2007 bearing no. 2597 of 2007 executed between Mr. S. Jacob Rajamani and Mr. Sushanta Behra (*one of the vendors in the sale deed dated 20.04.2015*) has been executed pursuant to the said GPA.

20. On the basis of the sale deeds dated 19.03.2013 executed by the vendors in favour of associate companies of PACL Ltd. viz. Nupur Promoters Private Limited and Nupur Colonisers Private Limited, reference can also be made to the order dated 22.08.2014 passed by SEBI wherein it has been observed as under:

“.....At this stage, I note from the details submitted during the course of investigation that PACL had mobilized funds from its customers to the tune of ₹ 44,736 crores till March 31, 2012. Further by its own admission, it has collected ₹ 4364,78,08,345 from 39,97,357 customers during the period of February 26, 2013 to June 15, 2014. The total amount mobilized comes to a whopping 49,100 crore. This figure could have been even more if PACL would have provided the details of the funds mobilized during the period of April 01, 2012 to February 25, 2013. The collection of such huge funds suggests that PACL has many more customers than the stated 1.22 crore. In this regard, I also refer to the proposal of PACL and its directors as forwarded to SEBI through their advocates and note that it has 4,63,13,342 customers to whom the land has not yet been allotted. Thus, a quick calculation of the total number of the customer of PACL comes to around 5.85 crore which



Page 9 of 23

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includes the customers who said to have been allotted land and who are yet to be allotted the land....." (at pp. 71-72)

".....From the above, it is noted that PACL has very limited stock of lands in its name and that most of the lands are held through General Power of Attorney/through Agreement to Sale/through associate companies. PACL in its reply has informed that the said associate companies are controlled by its friends and nears and dears of the management of PACL. I observe that PACL enters into an MoU with the associate companies for the purchase of land. The MoU inter-alia, states that as PACL is unable to purchase the land in its own name beyond certain limits due to the land laws and other applicable laws of the land in different States of the country, PACL has nominated the associate company to purchase the land for PACL and get the sale deed executed in the name of associate company....." (at p. 80)

21. Thus, the aforesaid properties, like so many other properties owned by PACL Ltd., were purchased by PACL Ltd. out of the funds collected from its investors. In the present case, the impugned properties having survey numbers as mentioned in the Second and Third Schedule of Properties in Table 1 at para 12 above situated at Puliyankulam Village, Kovilpatti Taluk covered in respective MR Nos. 27951/16, 27960/16 & 14216/18, as per the title records, is shown to be in favor of associate entities of PACL Ltd. viz., M/s Nupur Promoters Private Limited and M/s Nupur Colonisers Private Limited, seized by CBI from the possession of PACL Ltd. Thus, transferees i.e. M/s Nupur Promoters Private Limited and M/s Nupur Colonisers Private Limited are owners of the properties for namesake and the real beneficial owner of the said properties was PACL Ltd. and the impugned properties were purchased by PACL Ltd. out of the funds collected from its investors. Thus, the impugned properties mentioned in Second and Third Schedule of properties at Table 1 in para 12 above belongs to PACL Ltd. who in turn was holding the said property in trust for its investors.



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SEBI/PACL/OBJ/NS/00001/2024*

22. Here, it is pertinent to note that the Hon'ble Supreme Court vide its orders dated 02.02.2016 and 25.07.2016 in the case of *Subrata Bhattacharya Vs. SEBI and other connected matters* had restrained PACL Ltd. and/ or its Directors/Promoters/agents/employees/Group and/or associate companies from, in any manner, selling/transferring/alienating any of the properties wherein PACL Ltd. has, in any manner, a right/interest situated either within or outside India.
23. The Objection along with the documents produced in support of the claim made therein have been perused. On perusal of the sale deed dated 20.04.2015 bearing document no. 1019 of 2015, it is observed that the sale deed was executed between the Objector and one Mr. S. Sundaram s/o Mr. Shanmugam Pillai resident of Thirunelveli District Tamil Nadu acting as the power agent of three individuals namely (i) Mr. Sandeep Patiya s/o K. L. Patiya resident of Rohini New Delhi, (ii) Mr. Swapan Madari s/o Mr. Kartik resident of Howrah West Bengal and (iii) Mr. Sushanta Behera s/o Mr. Benudhara Behera resident of Mayurabhnja District Orissa. As mentioned in the objection petition, Mr. S. Sundaram s/o Mr. Shanmugam Pillai i.e. the power agent was granted the rights of a power agent by Mr. Swapan Madari s/o Mr. Kartik, Mr. Sushanta Behera s/o Mr. Benudhara Behera and Mr. Sandeep Patiya s/o K. L. Patiya vide documents - No. 502/2006 (Book no. 4) of Sub Registrar's Office, Thiruparankundram dated 25.10.2006, No. 211/2007 (Book no. 4) of Sub Registrar's Office, Thiruparankundram dated 16.03.2007 and No. 8/2008 (Book no. 4) of Sub Registrar's Office, Chekkanoorani dated 04.01.2008, respectively. Further, it is noted that in the sale deed, the market value of the impugned properties is mentioned as Rs. 10,63,000/-. However, the Objector has claimed to have purchased the impugned properties for a consideration of Rs. 2,00,000/- only.



[Signature]

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संदर्भ सं. जेआरएमएलसी/पीएसीएल/
Ref. No. JRMLC/PACL/

Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024

24. Since the Objector has claimed to have purchased the impugned properties from three individuals through a power agent by way of executing a sale deed dated 20.04.2015 and has claimed to have done due diligence by verifying all the parent documents at the time of purchase, it was felt appropriate to peruse the parent documents and GPAs as submitted by the Objector.

25. Upon perusal of the GPAs referenced in the objection and the sale deed dated 20.04.2015, and annexed to the objection, the following is observed:

(i) GPA dated 25.10.2006 bearing document no. 502 of 2006 registered at Office of the Sub Registrar of Thirupparankundram is a document executed between one of the sellers who has been stated to have sold the impugned properties to the Objector i.e., Mr. Swapan Madari s/o Mr. Kartik, in favor of ten individuals to be the power agents, including Mr. Sundaram s/o Mr. Shanmugam Pillai. It is noted that the said GPA does not consist of any schedule of properties mentioning the particulars of properties for which the agency was created.

(ii) GPA dated 19.02.2007 bearing document no. 211 of 2007, registered at Office of the Sub Registrar of Thirupparankundram is a GPA executed between one Ms. Anusha w/o Sri. P. G. Venkatachalam and one Mr. P.V. Raghunathan s/o Sri. N. Venkatanarayana Iyer (POA holder), wherein again no schedule of properties is mentioned specifying the properties for which the agency has been created.

Further, it is observed that neither Ms. Anusha (Donor in the GPA) nor Mr. P.V. Raghunathan (Donee in the GPA) are parties to the transaction related to the impugned properties in the present objection which are claimed to have been purchased by the



न्यायमूर्ति (सेवानिवृत्त) आर.एम. लोढा समिति
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Ref. No. JRMLC/PACL/

*Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024*

Objector by way of executing sale deed dated 20.04.2015. Also, on examining the sale deed dated 20.04.2015, it is noted that the date of the said GPA is mentioned as 16.03.2007 even though the GPA provided along with the objection is dated 19.02.2007. However, the GPA document number mentioned in the sale deed dated 20.04.2015 and the one attached with objection is the same.

(iii)GPA dated 04.01.2008 bearing document no. 8 of 2008 registered at Office of the Sub Registrar of Chekkanoorani is executed between one Mr. Amit Sharma s/o Mr. Mangat Ram Sharma r/o House No. RZ 26, Nihal Vihar, New Delhi – 110041 in favor of ten individuals including Mr. Sundaram s/o Mr. Shanmugam Pillai for land parcels other than the impugned properties i.e. Survey Nos. 191/1, 80/4, 80/5, 115/3 and 188/2 which have been stated to have been purchased by the executant through registered sale deed bearing document no. 532/2004 Book 1 dated 05.08.2004 in SRO, Kadambur. It is also observed that Mr. Amit Sharma is not a party to the transaction related to the impugned properties which have been purchased by the Objector in the present Objection mentioned in the sale deed dated 20.04.2015.

26. In addition to the above, the parent sale documents furnished by the Objector along with the objection have also been perused and the following is noted:

- (i) Sale deed dated 02.01.2007 bearing no. 12 of 2007 in the file of SRO Kovilpatti is executed by Mr. Kandhasamy in favor of Mr. Swapan Madari Alias Madari Swapan (vendor in the sale deed dated 20.04.2015) represented by his power agent Mr. Gurunathan S/o Mr. Perumalsamy for the impugned properties in the survey numbers mentioned in the Second Schedule of Properties in Table 1 at Para 12 above for sale consideration of Rs. 77,470/-.



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Ref. No. JRMLC/PACL/

*Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024*

- (ii) Sale deed dated 09.04.2007 bearing no. 2597 of 2007 in the file of SRO Kovilpatti is executed by Mr. S. Jacob Rajamani represented by power agent Mr. L. Thangavel who was appointed by way of a GPA executed by Mr. Gurjant Singh S/o Mr. Sohan Singh under authority vested in him by the GPA executed by the vendors in the said sale deed vide GPA dated 27.10.2004 registered at SRO Kovilpatti vide document no. 874/2004 (Book 4) in favor of Mr. Sushanta Behra for the impugned properties in survey numbers mentioned in the Third Schedule of Properties in Table 1 at Para 12 above for a sale consideration of Rs. 1,59,700/-.
- (iii) With regard to the sale deed bearing no. 794 of 2004, it may be noted that vide letter dated 13.01.2025, the objector was advised to produce a legible copy of the said documents. However, the objector has not produced / furnished a legible copy of the said sale deed till date and therefore, the same cannot be considered, the same being illegible.

27. Based on the aforesaid observations it is seen that the vendors in the sale deed dated 20.04.2015 viz. (i) Mr. Sandeep Patiya s/o K. L. Patiya resident of Rohini New Delhi, (ii) Mr. Swapan Madari s/o Mr. Kartik resident of Howrah West Bengal and (iii) Mr. Sushanta Behera s/o Mr. Benudhara Behera resident of Mayurabhnja District Orissa are all from diverse regions in the country and are not even related / connected to each other which raises a suspicion on the *bonafides* of the said entities to have joined hands to sell the impugned properties which are located in another state i.e. Tamil Nadu. Further, as has been stated above, the said vendors have sold the impugned properties to the Objector for a mere value of Rs. 2,00,000/- (*including the properties mentioned in the first schedule of*



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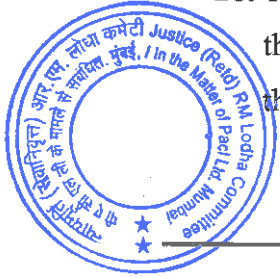
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Ref. No. JRMLC/PACL/

*Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024*

*properties at table 1 in para 12 above), the market value of which has been stated to be Rs. 10,36,000/-. From the previous sale deeds dated 02.01.2007 and 09.04.2007, vide which two of the vendors have purchased the impugned properties mentioned in the second and third schedule of properties mentioned in table 1 at para 12 above, it is clearly seen that the said impugned properties were purchased by them in the year 2007 for a consideration of Rs. 2,37,170/- (which is the consideration paid including properties at first schedule mentioned in table 1 at para 12 above). Thus, the purchase of the impugned properties at a meager sale consideration of Rs. 2,00,000/- in the year 2015 by the Objector i.e. after almost 8 years from the last transaction does not appear to be a *bonafide* transaction. Furthermore, from the examination of the GPAs provided by the Objector along with his objection it is seen that the power agent through whom the sale has been executed by the vendors, vide the purported sale deed dated 20.04.2015, was not even authorized to transact in the impugned properties by two of the vendors viz. Mr. Sandeep Patiya and Mr. Sushanta Behera. Also, the GPA executed in favour of Mr. Sundaram by Mr. Swapan Madari does not even mention any schedule of properties for which the said power agent was authorized / appointed. Therefore, the authority of the power agent i.e. Mr. Sundaram to execute the sale deed dated 20.04.2015 on behalf of the vendors named therein is questionable. The fact that the vendors, while they purchased the impugned properties and sold them, have executed the transactions through power agents also cannot be ignored and the same raises a suspicion as to the *bonafides* of such transactions.*

28. The Objector has, however, based his claim on a registered sale deed executed by him with the vendors and has contended that he had done proper due diligence before entering into the transaction by verifying the title documents and other parent documents pertaining to



Page 15 of 23

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Ref. No. JRMLC/PACL/

Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024

the said properties. Regarding registered documents, the Hon'ble Supreme Court has held in the case of *Prem Singh & Ors. Vs. Birbal & Ors¹* that there is a presumption that a registered document is validly executed. A registered document, therefore, *prima facie*, would be valid in law. The onus of proof or rebutting, thus, would be on the person who leads evidence to rebut the presumption. Thus, registration of document, which is required by law to be registered, is *prima facie* evidence of its valid execution, however, whether such document satisfies other requirements of law or not, can always be tested. In this regard, reference may also be made to Section 4 of the Transfer of Property Act, 1882 (TPA) which provides as under:

“4. Enactments relating to contracts to be taken as part of Contract Act and supplemental to the Registration Act. —

The chapters and sections of this Act which relate to contracts shall be taken as part of the Indian Contract Act, 1872 (9 of 1872).

And sections 54, paragraphs 2 and 3, 59, 107 and 123 shall be read as supplemental to the Indian Registration Act, 1908 (16 of 1908).”

29. In view of Section 4 of the TPA, any sale deed of immovable property, being a contract for sale of immovable property, is also required to comply with the requirements of Section 10 of Indian Contract Act, 1872 (ICA) which provides as under:

“10. What agreements are contracts. —All agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void.

(2006) 15 SCC 353



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Ref. No. JRMLC/PACL/

*Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024*

Nothing herein contained shall affect any law in force in India and not hereby expressly repealed by which any contract is required to be made in writing or in the presence of witnesses, or any law relating to the registration of documents."

30. Section 10 of ICA, provides as to when an agreement becomes contract and consequently, an agreement enforceable by law [as per Section 2(h) of ICA]. As per Part I of Section 10 of ICA, free consent of parties, competency of parties, lawful consideration, lawful object and not expressly declared void by the Contract Act, are the requirements which makes an agreement a contract. Para II of Section 10 of ICA provides that the requirements under other laws regarding a contract to be in writing or in the presence of witnesses or any law relating to registration of documents, are not affected by the requirements laid down in the Section. On a combined reading of Part I and II of Section 10 of ICA, it is clear that an agreement becomes a contract on fulfillment of requirements laid down in Part I, however, as per Part II, requirement if any provided under any other law, is also to be satisfied separately, by virtue of the provision of that other law. Para 2 of Section 54 of TPA provides that transfer of tangible immovable property of the value of one hundred rupees and upwards can be made only by a registered instrument. Thus, for an agreement for sale to be enforceable by law, as per Part II of the Section 10 of ICA, such agreement for sale must be in compliance with Para 2 of Section 54 of TPA. Registration of sale deed in terms of provisions of Registration Act, 1908, is only one of the requirement of a sale agreement which is flowing from Para 2 of Section 54 of TPA. Compliance with this requirement only satisfies the requirement of Part II of the Section 10 of the ICA, however, it does not mean that all other requirements provided under Part I of Section 10 also stands complied once a document is registered, though there is presumption of compliance with such requirements in case of registered sale deed.



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Ref. No. JRMLC/PACL/

Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024

31. Regarding compliance with Section 10 of the ICA, in case of sale deed relied upon by the Objector, it is noted that no details of payment made by the Objector have been captured, nor any such details have been provided along with the objection petition, in the form of bank statements, receipts of payment, etc. The sale deed relied upon by the Objector, merely, mention that consideration has been paid by the Objector to the vendors/transferees. The details of consideration paid by him have not been mentioned. During the hearing granted to the objector before me, the AR was specifically advised to produce documentary evidence showing payment of Rs. 2,00,000/- being made for the purchase of the impugned properties by the Objector to the vendors. However, despite granting sufficient time, the Objector has, till date, not provided any proof of payment of consideration to the vendors for the purchase of the impugned properties. The same gives rise to an inference that no such consideration was at all paid by the Objector and the statement about payment of consideration is just mentioned as a formality to extend legitimacy to such a sale deed. In terms of Section 25 of ICA, an agreement without consideration is expressly declared as void. Therefore, such sale deed is not in conformity with Section 10, as being expressly declared to be void by Section 25. Further, the sale deed, on the basis of which title to the impugned properties is claimed by the Objector, has been entered into after the date of passing of SEBI order on 22.08.2014 which prohibited PACL Ltd. from disposing of its assets. Thus, the vendors/transferees with whom Objector has entered into such a sale deed, being implied agents of PACL Ltd., were disqualified to enter into any such sale deed relating to properties of PACL Ltd., after passing of order dated 22.08.2014 by SEBI which was passed *inter alia* under the provisions of Securities and Exchange Board of India Act, 1992 which is an Act of the Parliament of India. In terms



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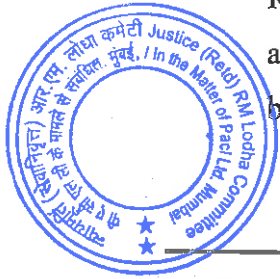
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Ref. No. JRMLC/PACL/

*Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024*

of Section 11 of ICA, such disqualified persons are not competent to contract, as required under Section 10 of ICA, for creating an enforceable agreement.

32. If an agreement is not in conformity with Section 10 of ICA, it does not become contract and is thus not enforceable by law. Accordingly, sale deed relied upon by the Objector, although registered, which is one of the requirement (read with Section 54 of TPA) for making an agreement as contract, due to non-fulfilment of other requirements viz. presence of consideration and competence of parties, remains an agreement, not enforceable by law. Therefore, such sale deed cannot sustain the claim made by the Objector, the same being a void agreement and thus, is liable to fail.

33. In addition, certain glaring facts appearing in the EC records are worth a mention. Upon perusal of the EC records of S.R.O Kovilpatti covering only the Second and Third Schedule of Properties mentioned in Table 1 in para 12 above, it is observed that entry at Sl. No. 45 does record details of the sale deed dated 20.04.2015 bearing document no. 1019 of 2015 i.e., the purported sale of the impugned properties in favor of the Objector. However, it is noted from the said records that the date of execution and presentation of the said sale deed is mentioned as 20.04.2014 i.e., one whole year earlier than the date on which the sale deed was executed i.e. on 20.04.2015. Further, it is noteworthy to state that the EC record at Sl. No. 45 specifically mentions the market value as well as the sale consideration for the impugned properties (*only properties in second and third schedules*) to be Rs. 10,63,000/-. However, the aggregate sale consideration mentioned in the sale deed for all the impugned properties i.e., first, second and third schedule of properties, is stated to be Rs. 2,00,000/- and the market value appearing in the said document is Rs. 10,63,000/-.



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Ref. No. JRMLC/PACL/

Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024

The same furthermore raises doubt as to the genuineness and fairness in the transactions executed by the Objector.

34. Viewed from another angle, Section 41 of the TPA provides as under:

41. Transfer by ostensible owner.- Where with the consent, express or implied, of the persons interested in immovable property, a person is the ostensible owner of such property and transfers the same for consideration, the transfer shall not be violable on the ground that the transferor was not authorized to make it:

Provided that the transferee, after taking reasonable care to ascertain that the transferor had power to make the transfer, has acted in good faith."

35. It can be argued that by virtue of the aforesaid provision, PACL Ltd. as well as the Committee cannot question the transfer made in favour of the Objector. In terms of the order dated 02.02.2016 passed by the Hon'ble Supreme Court, the Committee has been authorised for selling the properties of PACL Ltd. and for making refund to its investors. Thus, the prohibition created by Section 41 of the TPA on questioning the authority of ostensible owner by the real owner, does not apply to the Committee and the Committee in discharge of its mandate given to it by the Hon'ble Supreme Court, can always question the authority of the ostensible owner in making the transfer and *bonafides* of the transferee, without being bound by or without any reference to Section 41 of TPA.

36. Assuming without admitting that the transfer made by the vendors/ transferors in favour of the Objector attracts Section 41 of the TPA and thus prohibits even the Committee, even then, under the said provisions itself a transfer made by an ostensible owner, in order to attract Section 41 of the TPA, has to satisfy the tests of "reasonable care" and "good



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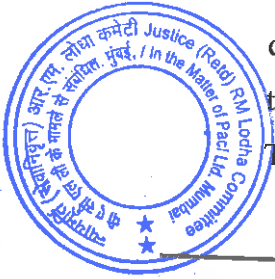
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Ref. No. JRMLC/PACL/

Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024

faith” of the transferee as stated in the proviso to Section 41. In terms of the proviso, the transferee should have acted in good faith and taken reasonable care to ascertain that the transferor had the power to make the transfer, in order to take benefit of Section 41. To demonstrate that the Objector had acted in good faith and taken reasonable care to ascertain authority of the transferors to make the transfer, the Objector has submitted that he had verified the land records and all the parent documents which showed that the vendors/transferors had title of the impugned properties and thus, were having authority to transfer the said properties.

37. Considering that the sale deeds dated 19.03.2013 mentioned at preceding para no. 19 were seized from the possession of PACL Ltd., the EC records of S.R.O Kovilpatti with respect to the impugned properties as submitted by the Objector were once again perused. On perusal of the EC records covering the properties mentioned in the Second and Third Schedule as mentioned in Table 1 at para 12 above, it is noted that at Sl. Nos. 43 and 44 in the said records, entries having details of both the abovementioned sale deeds dated 19.03.2013 bearing nos. 3003/13 and 3004/13 in favor of Nupur Promoters Private Limited and Nupur Colonisers Private Limited, respectively, through their Authorized Representative Mr. Jitender Kumar Yadav have been mentioned by the S.R.O. Kovilpatti. Thus, it clearly shows that the fact that the impugned properties were sold to the said entities (which are associate companies of PACL Ltd.) by the vendors viz. Mr. Swapan Madari alias Madari Swapan and Mr. Shushant Behera was appearing in the EC records at entries at Sl. Nos. 43 and 44. The entry at Sl. No. 45 recording details of the purported sale deed dated 25.04.2015 vide which the impugned properties have been claimed to have been transferred in favor of the Objector is an entry after the entries at Sl. Nos. 43 and 44. Therefore, the claim of the Objector that he had verified all the parent documents along



न्यायमूर्ति (सेवानिवृत्त) आर.एम. लोढा समिति
Justice (Retd.) R. M. Lodha Committee
(पीएसीएल लि. के मामले से संबंधित / in the matter of PACL Ltd.)

संदर्भ सं. जेआरएमएलसी/पीएसीएल/
Ref. No. JRMLC/PACL/

Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024

with the title records is not tenable and thus, lacks merit. Further, the said fact also leads to establish that the vendors viz. Mr. Swapan Madari alias Madari Swapan and Mr. Shushant Behera had ceased to be in possession of the title to such properties once they executed the sale deeds dated 19.03.2013 and transferred the title to the associate companies of PACL Ltd. so as to further transfer the impugned properties to the Objector.

38. It may be noted that verifying the land records is one of the ways in order to ascertain the title of the properties and the authority of the transferor. However, if the circumstances demand, then the transferee is required to show that he made further inquiries to demonstrate reasonable care and good faith as required under Section 41 of the TPA. As is evident in the aforesaid paragraphs, the vendors/ transferors from whom the Objector had purchased the impugned properties had signed the sale deed through their power agent and also from the recitals of the sale deeds via which the vendors/ transferors had acquired the said impugned properties show that the purchases were also made by the vendors through power agents only. Further, the power agent who signed the sale deed dated 20.04.2015 was not even authorized by all the vendors / transferors who sold the said properties to the Objector. Further, the GPA vide which Mr. Sundaram was authorized as the power agent has name of many other persons who were also authorised as the power agents in the same instrument which is very unusual. Further, the fact that the vendors/ transferors had executed sale deeds with certain other entities, who were the associate companies of PACL Ltd. in the year 2013, was clearly appearing in the EC records. However, the Objector has not brought on record any measures which he undertook to ascertain the transfer of properties in favor of such entities just before the same set of vendors were transferring the same set of properties to him. In the light of the fact that the Objector has failed to produce



Page 22 of 23

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Order on the objection filed by Dr. R. Kannan
SEBI/PACL/OBJ/NS/00001/2024

anything to show further inquiry shows that the Objector was aware that the vendors/transferors did not have title of the said properties and were holding the impugned properties on behalf of PACL Ltd. These facts cannot be ignored which raise serious suspicion regarding the presence of good faith and exercise of reasonable care as is required in terms of the proviso to Section 41 of the TPA. All the aforesaid facts lead to suggest that the transfer of the impugned property by sale deed dated 20.04.2015 was not in normal course and not genuine.

39. Thus, considering that the sale deed produced by the objector is *void ab initio* in the light of the findings in the aforesaid paragraphs and the impugned properties were in the name of the associate companies of PACL Ltd. even before the execution of the purported sale deed dated 20.04.2015, the objector's claim on the said properties is liable to be rejected.

ORDER:

40. Given the above facts, the objection raised by the Objector is liable to be rejected and is accordingly, disposed of as disallowed.

Place: Mumbai

Date: May 02, 2025




MS. RESHMA GOEL
RECOVERY OFFICER

रेश्मा गोयल / RESHMA GOEL
उप महासंबंधक एवं वसूली अधिकारी
Deputy General Manager & Recovery Officer
न्यायमूर्ति (सेवानिवृत्त) आर.एम. लोढा समिति
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