

**BEFORE THE PANEL OF RECOVERY OFFICERS APPOINTED UNDER
SECTION 28A OF THE SEBI ACT, 1992 DISCHARGING FUNCTIONS IN
TERMS OF THE ORDERS OF THE HON'BLE SUPREME COURT DATED
08.08.2024 AND 19.02.2026 IN C.A. NO. 13301 OF 2015 IN THE MATTER
OF PACL LTD.**

IA Nos.	157285 of 2021, 157281 of 2021, and 131293 of 2022
Name of the Objector(s)/Applicant	S. Satish
MR No.	9975-15

Background:

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") on 22.08.2014 passed an order against the PACL Ltd., 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. By 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 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. Aggrieved by the order dated 12.08.2015 passed by Hon'ble



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SAT, PACL Ltd. and its directors filed appeals before the Hon'ble Supreme Court of India.

3. The Hon'ble Supreme Court did not grant any stay on the aforesaid impugned order dated 12.08.2015 of Hon'ble SAT, however, PACL Ltd. and its promoters/directors did not refund the money to its investors. Accordingly, SEBI initiated recovery proceedings under Section 28A of 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 hearing on the aforesaid civil appeals filed by the PACL Ltd. and its directors (i.e. Civil Appeal No. 13301 of 2015 – Subrata Bhattacharya vs. SEBI and other connected matters), the Hon'ble Supreme Court vide its order dated 02.02.2016, directed SEBI to constitute a committee under the Chairmanship of Hon'ble 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, direction for refund and direction regarding restraint on the PACL Ltd. and its promoters and directors from disposing, alienating or selling the assets of the PACL Ltd., as given in the order continue 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. Further, 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 4 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 document 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 C. A. No. 13301/2015 and connected matters directed that all the grievances/objections pertaining to properties of PACL Ltd. would be taken up by Mr. R. S. Virk, District Judge (Retired).
9. On 30.04.2019, in the recovery proceedings initiated against PACL Ltd. & Ors., the Recovery Officer issued a notice of attachment in respect of 25 front companies of



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PACL Ltd. Thereafter, on 01.03.2021, the Recovery Officer issued another notice of attachment 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. The Hon'ble Supreme Court vide order dated 08.08.2024, in Civil Appeal No. 13301 of 2015 – Subrata Bhattacharya Vs. SEBI and other connected matters, 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 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, District Judge (Retired) and all new objections, are now to be dealt by the Recovery Officers attached to the Committee.
12. Subsequently, the Hon'ble Supreme Court passed the order dated 19.02.2026 in the matter of Subrata Bhattacharya vs. SEBI (Civil Appeal No. 13301 of 2015) directing, *inter alia*, that all interlocutory applications/Transferred Case falling under Category B, i.e. 106 sets of applications including the instant application, challenging the



recommendations of Shri R.S. Virk (Retd.), be placed before the Recovery Officers appointed under Section 28A of the SEBI Act, 1992. Accordingly, all such applications, including the instant application, are now to be dealt by the Recovery Officers appointed under Section 28A of the SEBI Act, 1992 in the matter of PACL Ltd. for discharging functions in terms of the Orders of the Hon'ble Supreme Court dated 08.08.2024 and 19.02.2026 in C.A. No. 13301 of 2015.

Proceedings before Shri R.S. Virk, District Judge (Retd.)

13. An objection was filed by Shri S. Satish s/o Shri Subbegowda, residing at Seethapura Village, Pandavapura Taluk, Mandya District, Karnataka ("applicant"), *inter alia* objecting to the attachment of land ad-measuring 2 acres and 19 guntas under Survey No. 167/1 situated at Village Sanne Amanikere, Kasaba Hobli, Devanahalli Taluk, Mandya District, Karnataka ("impugned property"). The impugned property has been attached by the Committee as properties covered in MR Nos. 9975-15. Shri R.S. Virk, District Judge (Retd.), dismissed the Objection Petition vide Order dated 23.12.2020 ("impugned order"), *inter alia*, on the grounds that the applicant failed to show proof of payment of consideration and consequently failed to prove that he was a bona fide purchaser.

The IA filed before the Hon'ble Supreme Court

14. The applicant, therefore, has filed the IA Nos. 157285 of 2021, 157281 of 2021, and 131293 of 2022 before the Hon'ble Supreme Court in the matter of Subrata Bhattacharya vs. SEBI (*Supra*).



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15. In compliance with the directions of the Hon'ble Supreme Court vide order dated 19.02.2026, the applicant was granted an opportunity of hearing on 08.04.2026. During the hearing, the applicant was represented by an authorised representative ('AR') who made submissions on the lines of averments made in the IA and submitted as under:

- a) The applicant is the owner of the impugned property by virtue of a registered Sale Deed No. 6076 dated 06.11.2014, executed by the then owner C. Munichowdappa through his power agent K. Muniraju for a consideration of Rs. 75,00,000/-. The AR has submitted that the aforementioned previous owner died on 23.03.2015.
- b) AR placed reliance on title documents and revenue records in support of the title and possession of the Objector/applicant in the impugned property. The applicant is in possession of the impugned property since 2014. Further, the AR placed reliance upon the affidavit dated 10.03.2021 by K. Muniraju which affirms that he had executed the aforementioned Sale Deed in favour of the Objector/applicant and that he had entered into an Agreement to Sell ("ATS") and a GPA dated 06.06.2011 as power agent of C Munichowdappa, with one Prateek Kumar. The said registered ATS and unregistered GPA (notarised) were seized by CBI under MR No. 9975-15. However, as per the submission, the Sale Deed was not executed in favour of Prateek Kumar, in pursuance of the same. Thus, the AR submitted that the transfer of impugned property did not take place and the said ATS and GPA were rendered infructuous.



- c) The seized MR documents i.e. ATS and GPA were executed in 2011. However, C Munichowdappa passed away on 23.03.2015 which renders the said GPA and ATS void. The said GPA and ATS do not confer any valid title in favour of PACL. The AR placed reliance upon the judgements of the Hon'ble Supreme Court's judgement in Suraj Lamps and Industries Pvt. Ltd. vs. State of Haryana (2012) 1 SCC 656 and certain orders passed by ROs.
- d) The applicant has paid the respective consideration amounts by way of bank transactions. In this regard, the Objector/applicant has placed reliance upon the covenants of the said Sale Deed and the bank statement of the applicant's account in Punjab National Bank which show that cheques bearing No.771542, 771543, 771544 and 771545 dated 06.11.2014 were issued in favour of the vendor, evidencing payment of Rs. 57,00,000/- towards the sale consideration while remaining Rs. 18,00,000/- was paid by way of cash. These documents were submitted by the applicant along with the review application filed before Shri R.S. Virk, District Judge (Retd.).
- e) The seized MR documents i.e. ATS No. 1148/11 dated 06.06.2011 (Registered) and GPA dated 06.06.2011 (Notarised) did not convey any title to the named purchaser Prateek Kumar. Thus, placing reliance upon Suraj Lamps and Industries Pvt. Ltd. vs. State of Haryana (2012) 1 SCC 656, AR submitted that no title had passed on to PACL prior to the passing of SEBI Order dated 22.08.2014. Further, the applicant had purchased the impugned property on 06.11.2014, which was before the Hon'ble Supreme Court's order dated 02.02.2016 passed in the matter of Subrata Bhattacharya vs. SEBI (Civil Appeal



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Nos. 13301/2015) when there was no restriction on alienation of the impugned property.

- f) The amount paid by Prateek Kumar to K. Muniraju, the power agent of then owner C. Munichowdappa in 2011 should be recovered from him and the Applicant therein also undertook to provide all assistance and also provide necessary cooperation.

16. Subsequently, the applicant filed additional submissions vide email dated 27.04.2026, wherein the applicant has reiterated the submissions made during the hearing.

17. In order to decide the objection, the Panel of Recovery Officers ("Panel") perused the documents i.e., copies of registered ATS and GPA (Notarised) covered under MR No. 9975-15 seized by the Committee, details whereof are as under:

MR NO	SALE DEED/ATS NO.	BUYER/PURC HASER	SELLER/VEND OR	AMOUNT (Rs.)	AREA	SURVEY NUMBER
9975-15	ATS No. 1148/11 dated 06.06.2011 (Registered)	Prateek Kumar (Associate of PACL Ltd) represented by Ayush Thapa	C. Munichowdappa through GPA Holder K. Muniraju	53,00,000 Demand Draft bearing no. 008613 dated 31.03.2011	2 Acres 19 Guntas	167/1 at Sanne Ammanikere, Kasaba Hobli, Devanahalli Taluk, Bangalore Rural
	GPA dated 06.06.2011 (Notarised)	Prateek Kumar (Associate of PACL Ltd) represented by Ayush Thapa	C. Munichowdappa through GPA Holder K. Muniraju	-	2 Acres 19 Guntas	167/1 at Sanne Ammanikere, Kasaba Hobli, Devanahalli Taluk, Bangalore Rural



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18. The Panel has carefully considered the submissions advanced on behalf of the applicant and the material available on record. The principal questions that arise for determination are: (i) whether the registered Agreement to Sell dated 06.06.2011 created enforceable rights in respect of the impugned property prior to the execution of Sale Deed No. 6076 dated 06.11.2014; (ii) whether the applicant can claim the status of a bona fide purchaser for value without notice in terms of Section 41 of Transfer of Property Act, 1882 (“TPA”); and (iii) whether the sale deed relied upon by the applicant can prevail over the rights already created in favour of PACL through the transaction evidenced by the documents seized under MR No. 9975-15. These issues are examined hereinafter.

19. The documents under MR No. 9975-15, show that ATS No. 1148/11 dated 06.06.2011 (Registered) was executed by vendor named C. Munichowdappa, acting through his GPA Holder K. Muniraju, so authorised by the GPA dated 06.06.2011 (Notarised) executed by the said vendor. The said ATS was executed in favour of Prateek Kumar, S/o Praful Kumar, the purchaser acting through his GPA holder Mr. Ayush Thapa. As per the covenants of the said ATS, the vendor had acknowledged the payment of Rs. 52,50,000/- by way of Demand Draft (D.D.) bearing no. 008613 dated 31.03.2011 drawn on IDBI Bank. Further, Prateek Kumar undertook to pay remaining amount of Rs. 50,000/- at the time of presentation of Sale Deed for registration. It is submitted by the applicant that the aforesaid amount of Rs. 50,000/- was not paid and no sale deed was registered in pursuance of the aforementioned ATS. It is noted that the ATS was registered and the same was found to be recorded in the Encumbrance Certificate (‘EC’), on a perusal of the EC available on the State Government website (<https://kaveri.karnataka.gov.in/ec-search-citizen>).



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20. It was submitted by the applicant that he is a bona fide purchaser for value without notice that the property belonged to PACL and that the vendor was owner of the impugned property as per the extant land revenue records. The applicant claims ownership of the impugned property by virtue of a registered Sale Deed No. 6076 dated 06.11.2014, executed by the then recorded owner C. Munichowdappa through his attorney K. Muniraju for a consideration of Rs. 75,00,000/-. The applicant has submitted that he had issued cheques bearing Nos. 771542, 771543, 771544 and 771545 dated 06.11.2014 for the payment of Rs. 57,00,000/- towards the sale consideration while remaining Rs. 18,00,000/- was paid by way of cash. The applicant has submitted the bank statement of his account in Punjab National Bank which shows that these cheques were encashed and Rs. 57,00,000/- was paid to the vendor. The applicant has not provided any documentary proof with respect to the remaining Rs. 18,00,000/- paid by cash. With regard to the fact that the sale consideration for the said transaction being done in cash, it is noteworthy to refer to a recent judgment dated September 01, 2025 passed by the Hon'ble Supreme Court in *Georgekutty Chacko vs. M.N. Saji* (Civil Appeal No.11309 of 2025) wherein it was ruled that it *"is not uncommon that in money transactions, there is a component of cash also involved and just because a person is not able to prove the transfer through official modes i.e., through any negotiable instrument or bank transaction, would not lead to the conclusion that such amount was not paid through cash especially when there was a categorical statement to this effect by the appellant before the Court concerned. Moreover, the initial presumption of legally enforceable debt comes from the Negotiable Instruments Act, 1881 also and thus the onus is on the respondent to prove that no such amount was given."* Drawing reference to the same, we find that the payment made in cash by the plot owners in the year 2014 cannot, by itself, be treated as suspicious or non-genuine. However, in order to claim



the status of a bona fide purchaser for value without notice under Section 41 of TPA, the applicant is required to show good faith and reasonable care in ascertaining whether the vendor had the authority to convey title in the impugned land. The applicant has submitted that he had diligently checked the land revenue records and the EC before the transaction. The applicant has submitted that while there was a pre-existing ATS dated 06.06.2011 recorded in the EC, he had presumed that it was not relevant because a long period of time had lapsed since 2011 and no sale deed had been registered in respect of the impugned property as on 06.11.2014. However, it is worth noting that the pre-existing ATS dated 06.06.2011, which was registered and was also recorded in the EC, was in and of itself sufficient reason to doubt the authority of the vendor of the impugned land. The applicant's conduct in this case was unusual because he proceeded to purchase the impugned property from a vendor who had already created rights in the land in favour of Prateek Kumar, the named purchaser in ATS No. 1148/11 dated 06.06.2011. The fact that the applicant did not suspect any foul play in these circumstances and continued with the transaction demonstrates absence of due diligence and reasonable care on his part.

21. The applicant has placed reliance upon the judgment of the Hon'ble Supreme Court in *Suraj Lamp & Industries Pvt. Ltd. vs. State of Haryana*, (2012) 1 SCC 656, to contend that neither the Agreement to Sell nor the General Power of Attorney created title in favour of Prateek Kumar or PACL. There can be no dispute with the proposition that an Agreement to Sell, by itself, does not convey ownership or create any interest in immovable property in the nature of title. However, the issue in the present proceedings is not whether title stood transferred to PACL under the Agreement to Sell dated 06.06.2011. The relevant question is whether enforceable contractual rights had already been created in favour of the purchaser thereunder. A



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valid Agreement to Sell confers upon the purchaser a right to seek performance of the obligations undertaken by the vendor and correspondingly restrains the vendor from dealing with the property in a manner inconsistent with those obligations. Therefore, even though title may not have passed under the Agreement to Sell dated 06.06.2011, C. Munichowdappa, the vendor, was nevertheless bound by the contractual obligations created thereunder. Consequently, the reliance placed by the applicant on the judgment in *Suraj Lamp & Industries Pvt. Ltd. vs. State of Haryana (Supra)* does not advance his case.

22. The applicant has further contended that he had purchased the impugned land through the registered sale deeds. Regarding registered documents, it relevant to draw reference to the Hon'ble Supreme Court's judgement in the matter of Prem Singh & Ors vs Birbal & Ors, (2006 (5) SCC 353) wherein it was declared, "*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, thus, would be on a person who leads evidence to rebut the presumption... When a document is void ab initio, a decree for setting aside the same would not be necessary as the same is non-est in the eye of law, as it would be a nullity.*" A registered document, therefore, prima facie would be valid in law. The onus of proof, thus, would be on a 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 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)."

23. 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.

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."

24. 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, an agreement which is based on an unlawful object cannot be held to be a valid contract and consequently, such an agreement is not enforceable by law. Firstly, a registered ATS and an unregistered GPA (notarised) dated 06.06.2011, executed by C. Munichowdappa, the vendor, through a PACL agent named K. Muniraju, under MR No. 9975-15 were seized by CBI from the premises of PACL Ltd. This gives rise to an inference that the impugned property



was acquired using investor funds. Secondly, the said vendor acting through K. Muniraju executed a registered ATS in favour of Prateek Kumar, PACL agent, and thereby created contractual rights in favour of PACL. Thus, C. Munichowdappa and K. Muniraju were not at liberty to breach these contractual rights by executing a sale deed in favour of anyone other than PACL, during the subsistence of pre-existing registered ATS dated 06.06.2011. The Sale Deed No. 6076 dated 06.11.2014, was executed by the same vendor i.e. C. Munichowdappa, in favour of the applicant despite the subsistence of the pre-existing ATS which constituted a breach of terms of contract contained in the ATS, according to which the said vendor was obligated to execute Sale Deed only in favour of Prateek Kumar. The applicant has placed reliance upon the affidavit of K. Muniraju wherein he has stated that he had entered into an Agreement to Sell ("ATS") and a GPA dated 06.06.2011 as power agent of C Munichowdappa, with one Prateek Kumar. However, as per the submission, the Sale Deed was not executed in favour of Prateek Kumar, in pursuance of the same, and the money received from Prateek Kumar was adjusted in subsequent agreements to sell for different land parcels. However, the affidavit does not mention the details or provide any documentary proof regarding these subsequent agreements in which the consideration received by K Muniraju was adjusted. Thirdly, the Sale Deed No. 6076 dated 06.11.2014 on the basis of which title to the property is claimed by the applicant, has been entered into after the date of passing of SEBI order on 22.08.2014. As per the SEBI Order, PACL was directed to repay its investors, and accordingly PACL was directed to sell properties wherein it held right, title and interest. Consequently, as per the pre-existing registered ATS dated 06.06.2011 and in terms of SEBI Order, C. Munichowdappa, the vendor, was not competent as per law to execute the Sale Deed No. 6076 dated 06.11.2014 in favour of the applicant, having already created contractual rights in favour of PACL under which PACL had



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a right to have a sale deed executed and registered in its favour with respect to the impugned property. Thus, the subsequent execution of a sale deed by the same vendor to the applicant in 2014, despite having already received almost the entire consideration from PACL's associate, demonstrates a calculated attempt at the behest of PACL to create a third-party interest in the impugned property so as to frustrate the implementation of the SEBI Order by diverting the impugned property from recovery of investors' money and subsequent payment of proceeds to the investors. Therefore, we find that Sale Deed No. 6076 dated 06.11.2014 was executed between the vendor and the applicant, in furtherance of an agreement between them to divert the impugned property from PACL's hands in order to frustrate the SEBI Order, which constitutes an unlawful object. Such an unlawful agreement and all consequences of such agreement, namely Sale Deed No. 6076 dated 06.11.2014, contravene Section 10 of ICA.

25. 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 applicant may be registered which is one of the requirements (read with Section 54 of TPA) for making an agreement as contract, however, due to non-fulfilment of mandatory requirements viz: lawful object and competence of parties, such sale deed is rendered unenforceable by law. Therefore, such sale deeds cannot sustain the claim made by the applicant.
26. The applicant has invoked the protection of Section 41 of TPA, claiming to be a *bona fide* purchaser for value without notice. In this regard, we find it pertinent to refer to Section 41 of TPA which reads as under:

“Section 41. Transfer by ostensible owner.



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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 authorised 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.”

27. As discussed in the SEBI Order dated 22.08.2014, the PACL’s modus operandi was executed through numerous agents who held the land and operated land dealings on PACL’s behalf. Since the documents under MR No. 9975-15, i.e. registered Agreement to Sell (ATS) and an unregistered notarized General Power of Attorney (GPA) dated 06.06.2011, pertaining to the Prateek Kumar’s title have been seized by CBI from the possession of PACL Ltd., there is a presumption that the impugned land belonged to PACL Ltd. and was purchased by means of investors’ funds. Further, Prateek Kumar was holding the impugned land on behalf of PACL Ltd. Thus, PACL was the real owner of the impugned land, while Prateek Kumar was ostensible owner who was holding the land on behalf of PACL. Further, Prateek Kumar had allowed K. Muniraju to have actual possession of the land on his behalf, while keeping the recorded owner’s name i.e. C. Munichowdappa, unchanged in the land revenue records. Thus, in the aftermath of SEBI Order dated 22.08.2014, K. Muniraju was able to operate land dealings with respect to such properties. Accordingly, K. Muniraju indulged in a calculated attempt at the behest of PACL to create a third-party interest in the impugned property so as to frustrate the implementation of the SEBI Order by diverting the impugned property from recovery of investors’ money and subsequent payment of proceeds to the investors. The protective umbrella of Section 41 of TPA extends to a transfer made by the ostensible owner, only if such transfer satisfies the tests of "reasonable care" and



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"good faith" of the transferee, as required under the proviso to Section 41. In terms of said proviso, transferee should have acted in good faith and taken reasonable care to ascertain that the transferor had authority to make the transfer, in order to take benefit of Section 41. The proviso to Section 41 places a strict burden on the transferee to prove they took "reasonable care" to ascertain the transferor's power to transfer.

28. Viewed from another angle, in terms of 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 provision of Section 41 of TPA which states that "*the transfer by ostensible owner shall not be violable on the ground that the transferor was not authorised to make it*", does not constrain the Panel due to the mandate given to it by the Hon'ble Supreme Court. Thus, it is within the mandate of the Panel to question the authority of the ostensible owner in making transfer and *bona fides* of the transferee, without any reference to Section 41.

29. Assuming without admitting that transfer in favour of applicant attracts Section 41 of TPA, even then under Section 41 itself, a transfer made by the ostensible owner, in order to attract Section 41, has to satisfy the tests of "reasonable care" and "good faith" of the transferee, required under the proviso to Section 41. In terms of said proviso, transferee should have acted in good faith and taken reasonable care to ascertain that the transferor had authority to make the transfer, in order to take benefit of Section 41. To demonstrate that the applicant had acted in good faith by taking reasonable care to ascertain authority of the transferors to make the transfers, the applicant has submitted that they had verified the land records which showed vendors/transferors as the owners of the property. Verifying the land records is one



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of the measures to ascertain the title of the transferor. While land record verification is a primary step, in cases of such magnitude of benami land dealing, it is likely that the owner's name as reflected in land revenue records may not truly reflect the name of the actual persons who are dealing with or in possession of the impugned property. Where surrounding circumstances raise clear warning signs, a transferee is legally bound to conduct deeper inquiries to claim the status of a bona fide purchaser. In other words, if the circumstances of the case demands, which, as explained later, in this case were, then the transferee is required to show that he made further inquiries to demonstrate reasonable care and good faith required under the proviso to Section 41 of TPA.

30. Here, as is evident from the seized MR documents and the EC concerning the impugned property, at the time of execution of the Sale Deed No. 6076 dated 06.11.2014 by K Muniraju (power agent of C. Munichowdappa, the vendor), there was a pre-existing, registered Agreement to Sell (ATS) dated 06.06.2011 executed by the same vendor in favor of PACL's agent, Prateek Kumar. Registration of this prior ATS amounted to a constructive notice to the public at large. The said ATS was recorded in the publicly available Encumbrance Certificate (EC). This was a very unusual circumstance. The applicant had sufficient reasons to doubt the clear title and authority of the vendor and his power agent K. Muniraju. The fact that applicant did not suspect any foul play and continued with the transaction demonstrates that the applicant knew that the impugned property was in prior possession of persons associated with or employed as agents of PACL. This leads to the inference that the transfer was not a genuine transaction but a calculated attempt at the behest of PACL to create a third-party interest in the impugned property so as to frustrate the implementation of the SEBI Order by diverting the impugned



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property from recovery of investors' money and subsequent payment of proceeds to the investors.

31. These facts should have raised apprehension in the mind of any ordinary person regarding the authority of the vendors/transferors to transfer the property and to call for initiation of further inquiry, viz: whether the power agent, K. Muniraju, had any authority at all to execute conveyance in favour of anyone in light of the pre-existing ATS dated 06.06.2011, whether the Vendor of the impugned land, C. Munichowdappa had executed conveyance in favour of Prateek Kumar, whether C. Munichowdappa and K. Muniraju were involved in any foul play in their dealings regarding impugned property, etc. The above facts demonstrate that the applicant was under constructive notice about the pre-existing ATS dated 06.06.2011 executed by said vendor in favour of Prateek Kumar, PACL agent, which had created contractual rights in favour of PACL, which the said vendor was not at liberty to breach. The applicant's conduct shows that he was willfully blind to the prior contractual rights created in favor of PACL Ltd. In respect of the contractual rights created by ATS dated 06.06.2011, we draw reference to the judgement of the Hon'ble Supreme Court in respect of Sections 40 and 54 of TPA in the matter of **Kapilaben & Ors vs. Ashok Kumar Jayantilal Sheth (Civil Appeal Nos. 10683-86 of 2014)** wherein it was ruled as follows:

"12. Section 40 of the Transfer of Property Act states that a contract for sale of immovable property is a contract that "a sale shall take place on terms settled between the parties". It is a settled position that such a contract does not by itself create any interest in or charge on the property. The buyer only obtains a right to get the sale deed executed, upon fulfilment of the applicable terms and conditions as consented to by all the



parties. Hence the 1986 agreement, being an agreement to sell the suit property, is a clear case of a contract combining mutual rights and obligations. The original vendees were to obtain the right to get the sale deed executed in respect of the suit property upon fulfilment of the conditions specified in the 1986 agreement.”

32. Despite the suspicious modus operandi of the applicant’s predecessor-in-title, the applicant has failed to produce anything to show that further inquiry was made by him in the present case. The Sale Deed No. 6076 dated 06.11.2014, was executed by the same vendor in favour of the applicant despite the subsistence of the pre-existing ATS which constituted a breach of terms of contract contained in the prior ATS, according to which the said vendor was obligated to execute Sale Deed only in favour of Prateek Kumar. These facts cast aspersions regarding the presence of good faith and exercise of reasonable care, as require in terms of proviso to Section 41. By failing the statutory checks of reasonable care and good faith under the proviso to Section 41, the applicant cannot claim its protection. Therefore, we find no merit in the contentions of the applicant in this regard.

33. Having regard to the cumulative effect of the circumstances discussed above, namely the existence of the registered Agreement to Sell dated 06.06.2011, the contractual rights created thereunder, the constructive notice attributable to the applicant by virtue of its registration, the presence of the said transaction in the Encumbrance Certificate, and the absence of any material demonstrating that the applicant undertook reasonable enquiries before purchasing the property, the Panel is unable to accept the contention that the applicant was a bona fide purchaser for value without notice. The surrounding circumstances establish that the applicant either



(Signature)

Order on the Interlocutory Application filed by S. Satish
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knew, or in the exercise of ordinary prudence ought to have known, of the pre-existing rights associated with the impugned property. Consequently, the applicant cannot claim the protection available to a transferee acting in good faith and after exercising reasonable care under law.

Order:

34. Given the above, objection raised by the applicant is liable to be disallowed and is accordingly disallowed.

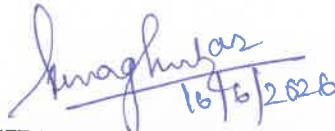


Place: Mumbai


Date: June 16, 2026


16.06.2026

BAL KISHOR MANDAL
Recovery Officer


16/6/2026

KSHAMA WAGHERKAR
Recovery Officer


16.06.2026

PREETI PATEL
Recovery Officer

बाल किशोर मंडल / **BAL KISHOR MANDAL**
उप महाप्रबंधक एवं वसुली अधिकारी
Deputy General Manager & Recovery Officer
(शे ए सी एल ली डे कलसे से संबंधित) (In the matter of PACL Ltd.)

क्षमा प्र. वाघेरकर / **KSHAMA P. WAGHERKAR**
महाप्रबंधक एवं वसुली अधिकारी
General Manager & Recovery Officer
(शे ए सी एल ली डे कलसे से संबंधित, मुंबई) (In the matter of PACL Ltd. Mumbai)

प्रीति पटेल / **PREETI PATEL**
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