

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 R. Kalirajan and Ors.
SEBI/PACL/RO/BKM/RD-3/ORD/39/2026

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

File No.	SEBI/PACL/OBJ/NS/00123/2024
Name of the Objector(s)	R. Kalirajan, R. Gurusamy, and R. Balaji
MR No.	MR No. 31283/16

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. It was also directed vide the said order 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.

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

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

4. 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.
5. 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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6. 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.
7. 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.
8. 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.
9. 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).

10. 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.

11. 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.....”

12. 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.

Present Objection:

13. The instant objection has been filed by R. Kalirajan, R. Gurusamy, and R. Balaji, sons of Rajaguru, residing at No. 718, Bharathi Nagar 5th Street, Sivakasi-East, Virudhunagar District, Tamil Nadu (hereinafter referred to as the 'Objectors') objecting to the attachment of property i.e. land recorded under Survey Nos. 77/1 (4.36 acres), 77/2 (1.49 acres), and 77/3 (1.14 acres) comprising total extent of 6 Acres 99 cents at



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Nallamanayakanpatti Village, Arupukottai, Virudhunagar (hereinafter referred to as the "impugned property"), due to attachment of property covered in MR Nos. 31283/16 by the Committee.

14. As per the objection petition, Objectors have submitted that the impugned property was purchased by the Objectors from J.R. Nawin Jacson, Son of Joseph, No. 2/ 150H1, Santhi Garden, Srinivasa Nagar, Satchiyapuram, Sivakasi-West, Virudhunagar District, Tamil Nadu for an amount of Rs 55,00,000/- vide Registered Sale Deed dated 11/06/2021, which was duly entered in the Office of Sub Registrar, Panthalkudi, Virudhunagar (DR), as document No. 1081/2021, and they are the lawful and bona fide owner of the same. They further stated that they are in possession of the said property. The Objectors submitted that J.R. Nawin Jacson became owner of the impugned property pursuant to public auction under the SARFAESI Act vide Sale Certificate dated 26.11.2020 (Document No. 592/2021 registered on 05.03.2021) by Indian Overseas Bank for a consideration of Rs. 52,08,000/-. The Objectors state that the encumbrance as per the order dated February 02, 2016 passed by the Hon'ble Supreme Court in the matter of Subrata Bhattacharya vs. SEBI (Civil Appeal Nos. 13301/2015) was recorded against the impugned property, vide letter dated 03.01.2022 issued by Registration Department, Government of Tamil Nadu. However, prior to that date, the impugned property was conveyed to J.R. Nawin Jacson by Indian Overseas Bank Sale Certificate dated 26.11.2020 (Document No. 592/2021 registered on 05.03.2021). In view of the above, the Objector has filed the present objection seeking removal of the impugned property from the list of properties attached by the PACL Committee.



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15. The Objectors were granted an opportunity of hearing on 28.01.2026 before the Panel of Recovery Officers (the Panel) attached with the Committee. The Objectors were represented by an Authorized Representative (AR). The AR reiterated the submissions made in the objection petition. The AR submitted that the Objectors had purchased the impugned property from J. Naveen Jackson vide Sale Deed (Doc No. 1081/2021) dated 11.06.2021. J. Naveen Jackson sold the impugned property to the Objectors vide Sale Deed (Doc No. 1081/2021) dated 11.06.2021 i.e. before the encumbrance in PACL matter was recorded against the impugned property vide letter dated 03.01.2022 issued by Registration Department, Government of Tamil Nadu. AR has submitted that the impugned property is traced back to Gopalsamy Naicker with Patta No. 89 which reflects his name. Rammohan and Nandhini inherited the impugned property and thereafter sold the impugned property to Subramanian vide Sale Deed No. 1088/2009 dated 09.06.2009. Thereafter, the impugned property was sold to Thangavel and Samuthiram vide Sale Deeds 940/2010 and 941/2010 dated 13.05.2010. S Maharani purchased the impugned property from Thangavel and Samuthiram vide Sale Deed No. 2437/2011 dated 16.11.2011. S Maharani had availed a loan from Indian Overseas Bank for which she had mortgaged the impugned property to Indian Overseas Bank by way of Memorandum of Deposit of Title Deed No. 4242/2014 dated 03.09.2014 at Aruppukottai SRO (recorded in the Encumbrance Certificate and covenants of Sale Certificate No. 592 of 2021 dated 05.03.2021). The AR submits that Indian Overseas Bank has conveyed unencumbered title to J. Naveen Jackson vide Sale Certificate No. 592 of 2021 dated 05.03.2021, from whom Objectors (1. R. Kalirajan, 2. R. Gurusamy, 3. R. Balaji) had purchased the impugned property. In respect of the Sale Deed No. 2567/2004 dated 20.09.2004 seized under MR documents, AR has submitted that the chain of title is not traceable to vendors Paulsamy, S/o Gengava Nayakkar, and G.



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Jeyaram, S/o Gopalsamy or their power agent R. Arikrishnasamy mentioned therein. The AR submitted that the consideration for the sale was paid by the said purchasers only in cash as per the covenants in the sale deed. The AR has submitted that the non-traceability of these persons mentioned in the said document under MR No. may indicate that the same may be fraudulent. The AR has submitted that Objectors have paid consideration for the Sale Deed No. 1081/2021 dated 11.06.2021 through proper banking channel. Further, the AR also submitted that the title had been previously verified by the Indian Overseas Bank at the stage of loan approval in favour of S Maharani and at the stage of the later SARFAESI auction. AR also submitted that the Objectors should not be put to hardship for the alleged dealing of PACL Ltd. in the impugned property because the Objectors were bona fide purchasers for value without notice that the impugned property belonged to PACL. AR also submitted that he shall submit the proof of payment of consideration such as copy of the cheques or bank statements showing remittance of consideration as per Sale Deed (Doc No. 1081/2021) dated 11.06.2021 along with the English translated copy of the Encumbrance Certificate ("EC") from 2004 onwards wherein the vendors mentioned in the Sale Deed No. 2567/2004 dated 20.09.2004 are recorded, as well as the Encumbrance recorded till date. AR also submitted that the Objectors would make additional submissions in the matter, wherein he may make submissions as to whether the Objectors shall remit the requisite consideration in respect of the impugned property, to the Committee. The Objectors have submitted the aforesaid documents and also submitted that they are willing to remit the requisite consideration in respect of the impugned property vide email dated March 20, 2026.



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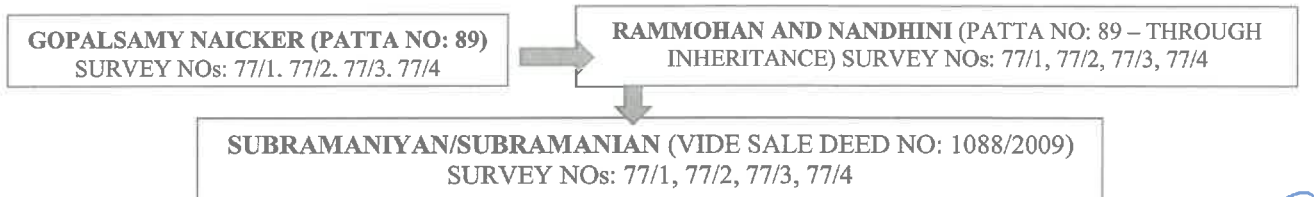
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16. In order to decide the objection, the Panel has perused the documents i.e., copies of registered Sale Agreements ("S.A.") covered under MR No. 31283/16 seized by the Committee, details whereof are as under:

Sr. No.	MR No.	Type of Document	Seller	Buyer	Survey No. (Area in Acres)	Consideration (Rs.)
1	31283/16	Sale Deed No. 2567/2004 dated 20.09.2004	1. Paulsamy, S/o Gengava Nayakkar; 2. G. Jeyaram, S/o Gopalsamy residing at different villages at Virudhunagar. (Both represented by Power Agent R. Arikrisnasamy residing at Tuticorin).	Muralidhar Si, S/o Sulaba Si, residing at Kaduani, Chadheigan Town, Suliapada, Mayurbhanj District, Orissa	69/9 (0.66 Ac) 72/4 (3.69 Ac) 75/9 (1.14 Ac) 77/1 (4.36 Ac) 77/2 (1.49 Ac) 77/3 (1.14 Ac) 77/4 (0.17 Ac) Total Area: 12.65 Acres of dry land at Nallamanayak kanpatti, Sattur Taluk, Virudhunagar	Rs. 75,900/- (Rupees Seventy-Five Thousand Nine Hundred only), paid in cash

17. From the aforesaid, it is noted that the Sale Deed No. 2567/2004 dated 20.09.2004 seized under the MR No. 31283/16, show that certain landowners, namely, Mr. Paulsamy and Mr. G. Jeyaram, sold land parcels under the survey numbers 69/9 (0.66 Ac), 72/4 (3.69 Ac), 75/9 (1.14 Ac), 77/1 (4.36 Ac), 77/2 (1.49 Ac), 77/3 (1.14 Ac), 77/4 (0.17 Ac) to Muralidhar Si who was associated with PACL Ltd.

8. The chain of title in respect of the impugned property as relied on by the Objectors is depicted in the chart below:



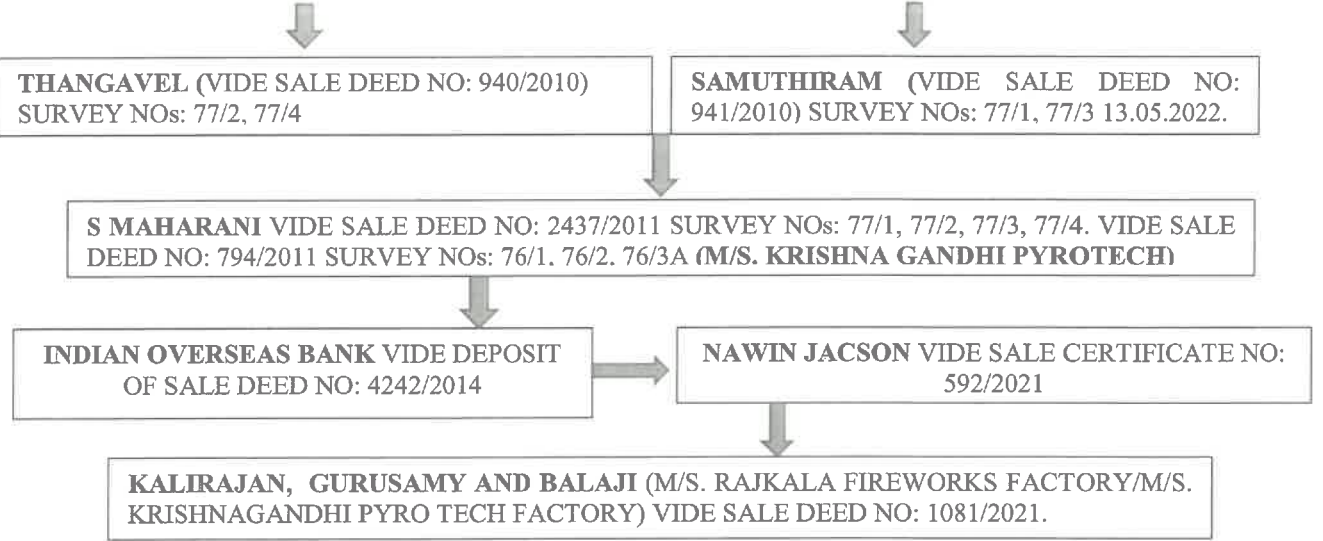
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19. It was submitted by the objectors that they are bona fide purchasers for value without notice that the property belonged to PACL Ltd. and that the vendors were owners of the property as per the Registered Sale Deed (Doc No. 1081/2021) dated 11.06.2021 executed by Objectors' predecessor in title, J.R. Nawin Jacson, in favour of the Objectors. As discussed above, the Objectors have provided a chain of title and we have perused the same. The Objectors have disputed the title of the sellers named in Sale Deed No. 2567/2004 dated 20.09.2004, and stated that the title in the impugned property is traced back to Gopalsamy Naicker with Patta No. 89 which reflects his name. Rammohan and Nandhini inherited the impugned property and thereafter sold the impugned property to Subramanian vide Sale Deed No. 1088/2009 dated 09.06.2009. Thereafter, the impugned property was sold to Thangavel and Samuthiram vide Sale Deeds 940/2010 and 941/2010 dated 13.05.2010. S Maharani purchased the impugned property from Thangavel and Samuthiram vide Sale Deed dated 2437/2011 dated 16.11.2011. S Maharani had availed a loan from Indian Overseas Bank and thereupon mortgaged the impugned property to the said bank by way of Memorandum of Deposit of Title Deed No. 4242/2014 dated 03.09.2014 at Aruppukottai SRO. The Objectors have contended that sellers named in Sale Deed No. 2567/2004 dated

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20.09.2004 were not traceable. The AR has submitted that the non-traceability of these persons mentioned in the said document under MR No. may indicate that the same may be fraudulent. The AR submits that the title to the impugned property is not at all traced to the persons named as sellers in Sale Deed No. 2567/2004 dated 20.09.2004. In respect of the above submission, Objectors have not produced any documentary evidence showing any legal action or police complaint initiated by them against the fraudulent transaction/entities as alleged by them. In support of their submission, the Objectors have produced the Patta No. 89 which records the name of Gopalsamy Naicker. However, in this regard, Objectors have not submitted any documentary evidence such as legal heir certificate or succession certificate in favour of Rammohan and Nandhini who had inherited the impugned property, according to the Objectors, from Gopalsamy Naicker, and thereafter sold it to Subramanian on 2009. However, as per the MR document, Paulsamy and G. Jeyaram had already sold the impugned property to Muralidhar Si on 20.09.2004. Thereafter, as per the EC, no conveyance was executed by Muralidhar Si. Thus, there is a gap in the title chain submitted by the Objectors for the period between 2004 and 2009 regarding which the Objectors have not provided any explanation or documentary evidence.

20. From another standpoint, it is noteworthy that there is nothing on record to invalidate the title of Paulsamy, S/o Gengava Nayakkar, and G. Jeyaram, S/o Gopalsamy, the sellers and Muralidhar Si, PACL agent named as the buyer in the MR document. The MR document i.e. registered Sale Deed No. 2567/2004 dated 20.09.2004, shows that Paulsamy, S/o Gengava Nayakkar, and G. Jeyaram, S/o Gopalsamy acting through their power agent R. Arikrisnasamy had sold the impugned land to Muralidhar Si. The aforementioned transfer was recorded in the Encumbrance Certificate pertaining



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to the impugned property. In this regard, 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 Rs 44,736 crores till March 31, 2012. Further by its own admission, it has collected Rs 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 Rs. 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 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)



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PACL uses agents to carry out its business. Depending on the years of experience, the agents are entitled to various designations. The agent in turn engages field associates who interact with the potential customers and explain the plans for purchase of land. As the business of PACL is propelled through word-of-mouth, it is important to incentivize the agents and field associates appropriately by way of commission. In the process, PACL often makes payment to the field associates directly as per the understanding with the agent in order to ensure that the field associates are not deprived of their commission, after deducting the requisite amount from the commission paid to the relevant agents. The large amount of commission, reflected in the balance sheet not only constitutes the commissions paid to the agents/field associates, but also other commissions paid in relation to the procurement of the land by PACL and sale of spaces in residential and commercial projects developed by PACL in the ordinary course of business.”

21. The activity of PACL Ltd. was undertaken through numerous such agents and this was PACL's *modus operandi* in respect of its properties across the country, as highlighted by SEBI's order dated 22.08.2014. As noted in the aforementioned SEBI order, these agents were transacting in the impugned property on behalf of PACL Ltd., as PACL Ltd. was unable to own lands in its own name beyond certain limits due to the land ceiling laws in force across the country such as Tamil Nadu Land Reforms (Fixation of Ceiling on Land) Act, 1961. Thus, we find that the impugned property, like so many other properties owned by PACL Ltd., was purchased by PACL Ltd. out of the funds collected from its investors. As the documents pertaining to the title of Muralidhar Si have been seized by CBI from the possession of PACL Ltd., therefore there is a presumption that the impugned land belonged to PACL Ltd. and said Muralidhar Si was holding the impugned land on behalf of PACL Ltd. Thus, PACL Ltd. was the real



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owner of the impugned land, while Muralidhar Si was ostensible owner who was holding the land on behalf of PACL.

22. The registered Sale Deeds submitted by the Objectors show the facts pertaining to the further conveyance of the impugned property after 2004. It appears that the impugned property had been subsequently dealt with by several persons other than Muralidhar Si. However, as per the Encumbrance Certificate no further conveyance of the impugned property is executed by Muralidhar Si. As per the Encumbrance Certificate, the next conveyance is executed in favour of Subramanian vide Sale Deed No. 1088/2009 dated 09.06.2009 by Rammohan and Nandhini. Thereafter, the subsequent conveyances which have been mentioned by the Objectors i.e. Sale Deeds Nos. 940/2010 and 941/2010 dated 13.05.2010, Sale Deed No. 2437/2011 dated 16.11.2011, Memorandum of Deposit of Title Deed No. 4242/2014 dated 03.09.2014, Sale Certificate No. 592 of 2021 dated 05.03.2021 and Sale Deed No. 1081/2021 dated 11.06.2021 are reflected in the Encumbrance Certificate.

23. As per the MR document, Mr. Paulsamy and Mr. G. Jeyaram executed Sale Deed No. 2567/2004 dated 20.09.2004 in favour of Muralidhar Si in the impugned property. This is a registered Sale Deed and the facts recorded in this MR document cannot be ignored. As per the EC, Muralidhar Si did not execute any further conveyance in the impugned property. Therefore, it defies logic how further Sale Deeds were registered by persons other than Muralidhar Si, in respect of the impugned property after the MR document i.e. Sale Deed No. 2567/2004 dated 20.09.2004. As observed earlier, Objectors have not submitted any documentary evidence which shows that Rammohan and Nandhini had inherited the impugned property as legal heirs of Gopalsamy Naicker. The name of Gopalsamy Naicker is not recorded in EC as part of any

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conveyance. As per the MR document, Paulsamy and G. Jeyaram had already sold the impugned property to Muralidhar Si on 20.09.2004. Thereafter, as per the EC, no conveyance was executed by Muralidhar Si. Subsequently, the EC records that the impugned property was sold by Rammohan and Nandhini to Subramanian on 09.06.2009 after which it had changed several hands. Thus, there is a glaring gap in the title chain for the period between 2004 and 2009 regarding which the Objectors have not provided any explanation or documentary evidence. As per EC, S Maharani purchased the impugned property in 2011 from Thangavel and Samuthiram the Sale Deed dated 2437/2011 dated 16.11.2011. S Maharani had availed a loan from Indian Overseas Bank for which she had mortgaged the impugned property to Indian Overseas Bank by way of Memorandum of Deposit of Title Deed No. 4242/2014 dated 03.09.2014 at Aruppukottai SRO (recorded in covenants of Sale Deed No. 592 of 2021 dated 05.03.2021) which was prior to the passing of SEBI's Order dated 22.08.2014 and Hon'ble Supreme Court's order dated 02.02.2016 in *Subrata Bhattacharya vs. SEBI (Supra)*. However, there is nothing on record to show that Muralidhar Si had transferred or relinquished his ownership of the impugned property. Muralidhar Si was the ostensible owner of the impugned property holding the property on behalf of PACL. It is settled law that a vendor cannot transfer a title to the vendee better than he himself possesses, the principle arising from the maxim *nemo dat quod non habet*, i.e., "no one can confer a better title than what he himself has".¹ Thus, it appears that Rammohan and Nandhini did not have title to the impugned property so as to convey it to Subramanian vide Sale Deed No. 1088/2009 dated 09.06.2009. Therefore, it *prima facie* follows that the title of PACL Ltd. is not affected by the subsequent conveyance executed by Subramanian, Thangavel and Samuthiram, and Maharani.



¹ P. Kishore Kumar v. Vittal K. Patkar, Judgement dated 20.11.2023 in Civil Appeal No. 7210 OF 2011

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24. It is a matter of record that the Committee vide letters dated August 30, 2016 and May 30, 2017, had informed the Inspector General of Registration and Stamps of all the states across India, *inter alia*, requesting to take necessary steps for not effecting the registration/mutation/sale etc. of the properties wherein PACL Ltd. have a right/interest in any manner as only the Committee is authorised to sell these properties. It is also a matter of record that the Committee had communicated to the District Collector, Virudhunagar, Tamil Nadu vide letter JRMLC/PACL/AKD/PM/2434/23174/2020 dated 31.12.2020 requesting to take necessary steps for not effecting the registration/mutation/sale etc. of the properties wherein PACL Ltd. have a right/interest in any manner as only the Committee is authorised to sell these properties. Objectors have submitted that the Objectors have clear and unencumbered title to the impugned property because his predecessor in title, J.R. Nawin Jacson had purchased it in an auction conducted by the bank under SARFAESI Act.

25. The Objectors have submitted that they are bona fide purchasers for value without notice that the impugned property belonged to PACL Ltd. In this regard, the Objectors have invoked the protection of Section 41 of the Transfer of Property Act, 1882 ('TPA') which reads as under:

“Section 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 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.”



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26. As the documents pertaining to the title of Muralidhar Si have been seized by CBI from the possession of PACL Ltd., therefore there is a presumption that the impugned land belonged to PACL Ltd. and said Muralidhar Si was holding the impugned land on behalf of PACL Ltd. Thus, PACL Ltd. was the real owner of the impugned land, while Muralidhar Si was ostensible owner who was holding the land on behalf of PACL Ltd. The protective umbrella of Section 41 extends to a transfer made by the ostensible owner, only if such transfer satisfies the tests of "reasonable care" and "good faith" of the transferee, as required under the proviso to Section 41 wherein a 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.
27. 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 prohibition created by Section 41 on questioning the authority of ostensible owner by the real owner, does not restrain the Committee in discharge of its mandate given to it by the Hon'ble Supreme Court. The committee can question the authority of the ostensible owner in making transfer and bona fides of the transferee notwithstanding the provisions under Section 41.
28. Assuming without admitting that transfer made by the vendors/transferees (agents of PACL Ltd.) in favour of Objectors attracts Section 41, 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. A transferee should have acted in good faith and taken reasonable care to ascertain that the



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transferor had authority to make the transfer, in order to take benefit of Section 41. To demonstrate that the Objectors had acted in good faith by taking reasonable care to ascertain authority of the transferors to make the transfers, the Objectors have submitted that they had verified the land records which showed vendors/transferors as the owners of the property. Verifying the land records is one of the measures to ascertain the title of the transferor. However, 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.

29. Here, as is evident from the MR document i.e. Sale Deed No. 2567 of 2004 dated 20.09.2004, Muralidhar Si was the ostensible owner who was holding the impugned property on behalf of PACL Ltd. In the instant case, the Objectors have purchased the impugned property from J.R. Nawin Jacson, whose title in the impugned property is traced to Rammohan and Nandhini who had sold the impugned property to Subramanian vide Sale Deed No. 1088/2009 dated 09.06.2009. However, had the Objectors exercised reasonable care and examined the title deeds and the Encumbrance Certificate in good faith, they would have noticed that the impugned property had already been sold to Muralidhar Si who had not subsequently executed any further sale deed in the impugned property, while other persons were executing conveyances from 2009 onwards behind the back of Muralidhar Si. This was a very unusual circumstance. The Objectors had sufficient reasons to doubt the authority or title of the vendor/seller of the impugned land. The fact that Objector did not suspect any foul play and continued with the transaction demonstrates that the Objectors knew that the impugned property was in prior possession of persons associated with or employed as agents of PACL Ltd. Thus, the Objectors did not take reasonable care to ascertain that the



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transferor had authority to make the transfer. The Objectors have failed to produce anything to show that further inquiry was made by him in the present case. The Objectors have submitted that the Sale Deed No. 2567/2004 dated 20.09.2004 was shown as "Sale Deed No. 2567/1985 dated 20.09.2004", and thus the Objectors submit that they were misled by the said mistake in the Sale Deed number mentioned in the EC. However, it is clear that the Sale Deed no. 2567 and the date of execution i.e. 20.09.2004 were mentioned in the EC. Despite having noticed that Muralidhar Si had not executed any sale deeds in favour of either Rammohan and Nandhini or S Maharani, the Objectors did not suspect any foul play. Such absence of any such further inquiry shows that the Objectors were aware that the vendors/transferors were holding the property on behalf of PACL Ltd. who were holding this property on behalf of its investors. These facts cast aspersions regarding the presence of good faith and exercise of reasonable care, as required in terms of proviso to Section 41. Therefore, the submission of the Objectors that they are entitled to the benefit of Section 41 of TPA is found to be devoid of merits.

30. In the case of **P. Kishore Kumar v. Vittal K. Patkar**, (Judgement dated 20.11.2023 in Civil Appeal No. 7210 of 2011) the Hon'ble Supreme Court held that a vendor cannot transfer a title to the vendee better than what he himself possesses, the principle arising from the maxim *nemo dat quod non habet*, i.e., "no one can confer a better title than what he himself has". Thus, in view of the registered Sale Deed 2567 of 2004 dated 20.09.2004 by which the title in the impugned property was sold to Muralidhar Si, it follows that Rammohan and Nandhini did not have title to the impugned property so as to convey it to Subramanian vide Sale Deed No. 1088/2009 dated 09.06.2009. As a result, all aforementioned sale deeds executed by Rammohan and Nandhini and subsequent sale deeds executed by Subramanian, Thangavel, Samuthiram and the



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mortgage executed by S Maharani could not be said to have conveyed any valid title in the impugned property. Therefore, it *prima facie* follows that the title of PACL Ltd. is not affected by these subsequent transfers executed after 2004. Thus, it is concluded that as on date of the passing of the Hon'ble Supreme Court's order dated 02.02.2016, PACL Ltd. was the owner of the impugned land.

31. It has been noted earlier that as per SEBI Order dated 22.08.2014, the PACL Ltd. had purchased immovable properties using funds from its investors. The MR document was among the numerous sale deeds of the said immovable properties of PACL Ltd. Thereafter, as per the order dated 02.02.2016 passed by the Hon'ble Supreme court in *Subrata Bhattacharya vs. SEBI (Supra)*, the Committee is the sole custodian of all properties which were held by PACL Ltd. either in its own name or through its agents/ostensible owners (such as Muralidhar Si, in the instant case). In the case of *Balwantbhai Somabhai Bhandari vs. Hiralal Somabhai Contractor (Deceased) Rep. by Lrs. & Ors (Supra)*, the Hon'ble Supreme Court has declared that it is a settled principle of law that any alienation of property made in defiance of an order of the Court confers no right, title or interest to the transferee, and the same is null and void in the eyes of law.² Therefore, in compliance with the letter and spirit of the law laid down by the Hon'ble Supreme Court, and in the interest of recovery of proceeds and refund to the investors, it is found that the bank was holding defective or insufficient title in the impugned property, and accordingly the SARFAESI auction sale in favour of J.R. Nawin Jacson must be treated as non-existent. Therefore, it is concluded that the subsequent Sale Deed No. 1081/2021 dated 11.06.2021 executed by J.R. Nawin



² 2023 INSC 805

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Jacson in favour of the Objectors, confers no right, title or interest to the Objector and is null and void.

32. Therefore, there are no merits in the submissions of the Objectors disputing the title of PACL Ltd. which stands conclusively established in the MR document.

Order:

33. Given the above, the objection raised by the Objector is liable to be disallowed and is accordingly disallowed.




Place: Mumbai

Date: March 25, 2026

For and on behalf of Justice (Retd.) R. M. Lodha
Committee (in the matter of PACL Ltd.)


25.03.2026
BAL KISHOR MANDAL
RECOVERY OFFICER


25/3/2026
KSHAMA WAGHERKAR
RECOVERY OFFICER


25.3.2026
PREETI PATEL
RECOVERY OFFICER

बाल किशोर मंडळ / BAL KISHOR MANDAL
उप महाप्रबन्धक एवं वसूली अधिकारी
Deputy General Manager & Recovery Officer
न्यायमूर्ति (सेवानिवृत्त) आर.एम. लोढा कमेटी
Justice (Retd.) R. M. Lodha Committee
(पी ए सी एल लि के मामले से संबंधित, मुंबई) / (In the Matter of Pacl Ltd., Mumbai)

क्षमा प्र. वाघेरकर/KSHAMA P. WAGHERKAR
महाप्रबन्धक एवं वसूली अधिकारी
General Manager & Recovery Officer
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Justice (Retd) RM Lodha Committe
(पी ए सी एल लि के मामले से संबंधित, मुंबई) / (In the Matter of PACL Ltd. Mumbai)

प्रीति पटेल / PREETI PATEL
उप महाप्रबन्धक एवं वसूली अधिकारी
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