

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 Pathakottu Satyavathi
SEBI/PACL/RO/BKM/RD-3/ORD/13/2026

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

File No.	SEBI/PACL/OBJ/NS/00097/2024
Name of the Objector(s)	Pathakottu Satyavathi
MR No.	8373/19

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. 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.



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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.
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.



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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 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 25.07.2016, that no fresh applications or objections shall be filed before or entertained by Shri R.S. Virk,



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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 petition dated 23.03.2024, was filed by Smt. Pathakottu Satyavathi, W/o P. Venkateswara Reddy, residing at Srinagar, 2nd Line, Kurnool Road, Ongole, Prakasam District, Andhra Pradesh (hereinafter referred to as the “Objector”). The Objector, *inter alia*, seeks the deletion of agricultural land ad-measuring Ac. 10-70 cents (4.333 hectares) situated at Survey No. 536, Bandaganipalli Village, Udayagiri Mandal, SPSR Nellore District, Andhra Pradesh (hereinafter referred to as the “impugned property”) from the list of prohibited properties maintained by the Committee, as the impugned property is covered under MR No. 8373/19 seized by CBI and stands attached by the Committee.

13. The Objector was given an opportunity of hearing on 07.01.2026. The AR appeared on behalf of the Objector and reiterated the averments made in the objection petition. The AR relied on title documents in favour of the Objector and provided the chain of title in the impugned land. AR has submitted that the Objector is the absolute owner having the exclusive possession and enjoyment of the impugned property since 08.02.2023. Further, AR has submitted that there is no previous ownership of PACL in the chain of title as reflected in the sale deeds and revenue record. AR also submitted that the encumbrance as per the order dated 02.02.2016 passed by the Hon'ble Supreme Court in the matter of Subrata Bhattacharya vs. SEBI (Civil Appeal Nos. 13301/2015) was



(Signature)

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recorded against the impugned property, vide letter dated 15.02.2023 issued by Commissioner and Inspector General of Registration and Stamps, Vijayawada. AR has submitted that, prior to 15.02.2023, vide Sale Deed No. 178/2023 dated 08.02.2023, Objector had purchased the impugned property from Mr. Dina Bandhu Dhal represented by Mr Amchuri Venkata Reddy. AR has conceded that SEBI issued letter dated 02.02.2023 to the Inspector General of Registration and Stamps ('IGRS'), notifying that no registration, mutation, or sale of PACL-related properties, including the impugned property, should be entertained by any authority other than the Committee. The AR also submitted that the Objector should not be put to hardship for the dealing of PACL in the impugned land because the Objector was a bona fide purchaser for value who had purchased from other subsequent owners of the impugned property, without notice that the property belonged to PACL. The AR submitted that Objector had paid sale consideration by way of cash during the execution of the Sale Deed dated 08.02.2023.

14. The Objector has submitted the Sale Deed No. 178/2023 dated 08.02.2023, Registered General Power of Attorney ("GPA") cum Sale Agreement No. 375/2004 dated 12.10.2004, Sale Deed No. 397/2004 dated 28.10.2004, and Registered GPA No. 469/2022 dated 13.05.2022. We have perused these Title Document(s) relied upon by the Objector which are summarized as under:

Document Details	Seller	Buyer/Power Agent	Property Description	Consideration	Registration
GPA cum Sale Agreement No. 375/2004 (12.10.2004)	1) Kalluru Penchalamma, 2) Kaluru China Naraiah, 3) Kaluru Ramana Reddy, all residing at Bijjampalli Village, Bandaganipalli, Udayagiri, Nellore	Vakati Suneel Kumar Reddy (Attorney Holder/Buyer) resident of Naidupet Village, Naidupet Mandal, Nellore	Survey No. 536: Ac. 10.70 cents at Bijjampalli village, Bandaganipalli, Udayagiri Mandal, Nellore District, AP	Rs. 75,000/-	Yes
Sale Deed No. 397/2004 (28.10.2004)	Vakati Suneel Kumar Reddy (on behalf of Kalluru Penchalamma and 2 others) resident of Naidupet Village, Naidupet Mandal, Nellore	Dina Bandhu Dhal, S/o Hari Ram Dhal, resident of Kaduani, Chadheigam, Suliapada, Mayurbhanj, Odisha	Total Ac. 46.33 cents (including Survey No. 536: 10 Acres 70 cents) at Bijjampalli H/O Bandaganipalli village, Udayagiri Mandal, Nellore District, AP	Rs. 3,25,000/- (paid in cash)	Yes



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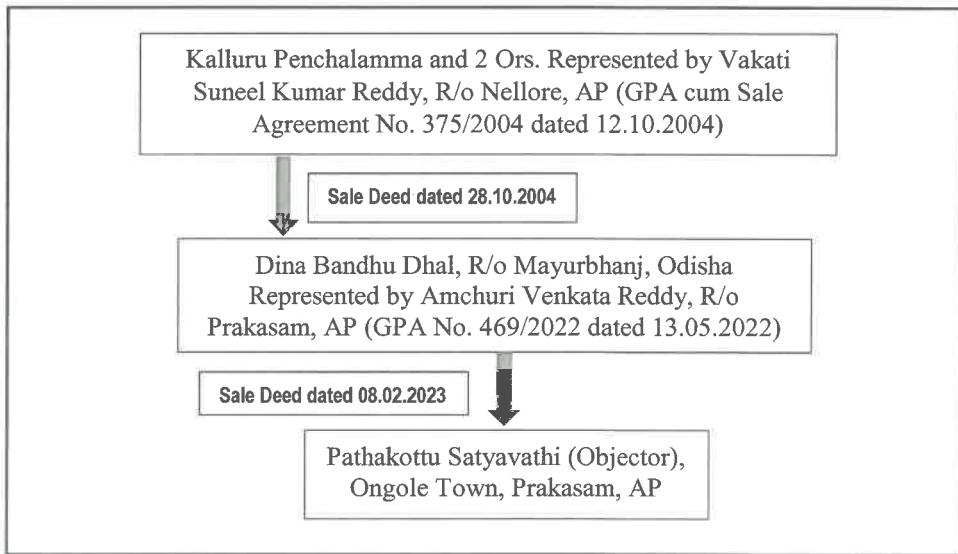
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Document Details	Seller	Buyer/Power Agent	Property Description	Consideration	Registration
Registered GPA No. 469/2022 (13.05.2022)	Dina Bandhu Dhal, resident of Kaduani, Chadheigam, Suliapada, Mayurbhanj, Odisha	Amchuri Venkata Reddy, S/o Thirupathi Reddy, resident of Gopalapuram Village, Pamuru Mandal, Prakasam District, AP	Survey No. 536 (10 Acres 70 cents) at Bandaganipalli village, Udayagiri Mandal, Nellore District, AP along with other multiple survey	Not applicable	Yes
Sale Deed No. 178/2023 (08.02.2023)	Dina Bandhu Dhal (represented by GPA holder Amchuri Venkata Reddy) Kaduani, Chadheigam, Suliapada, Mayurbhanj, Odisha	Pathakottu Satyavathi, W/o Pathakottu Venkateswara Reddy, resident of 6-166B, Srinagar, 2 nd Line, Kurnool Road, Ongole Town, Prakasam District, AP	Survey No. 536: 10 Acres 70 cents at Bandaganipalli village, Udayagiri Mandal, Nellore District, AP	Rs. 17,12,000/-	Yes

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



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16. As can be noted from the table and chart given above, the Objector had purchased the impugned property vide Sale Deed No. 178/2023 dated 08.02.2023. Some peculiarities of the chain of title disclosed by the Objector are as under:

- i. The parent title documents (GPA No. 375/2004 and Sale Deed No. 397/2004) reveal a classic PACL acquisition pattern where local land in Andhra Pradesh was transferred to Dina Bandhu Dhal, a 22-year-old resident of Mayurbhanj, Odisha, who held no local standing in the village. Sale Deed No. 397/2004 dated 28.10.2004 was recovered by the CBI from the custody of PACL Ltd. which confirms that Dina Bandhu Dhal was a mere benamidar for PACL Ltd. The Objector's reliance on a chain of title involving an Odisha-based nominal holder and a subsequent GPA executed nearly 18 years later suggests she was either grossly negligent in verifying the genuineness of title of the Vendor or she was "hand in glove" with those attempting to siphon off PACL assets.
- ii. The transaction is suspicious due to the lack of verifiable financial trails and the timing of the execution. Despite the Objector's claim of paying a consideration of Rs. 17,12,000/-, she has failed to produce any banking records, memo of consideration, or receipts to prove that this sum actually changed hands. This leads to the inference that the transfer was not a genuine transaction but a paper formality to extend a facade of legitimacy to a void sale.
- iii. The Sale Deed No. 178/2023 dated 08.02.2023 is null and void as it was executed in direct violation of the Hon'ble Supreme Court's order dated 25.07.2016, in *Subrata Bhattacharya vs. SEBI (Supra)*, which attached PACL properties. In the case of *Balwantbhai Somabhai Bhandari vs. Hiralal Somabhai Contractor (Deceased) Rep. by Lrs. & Ors (Judgement dated 06.09.2023 in Civil Appeal No. 4955 of 2022)*, the Hon'ble Supreme Court has declared that it is a settled principle of law that any alienation of property in defiance of a court order confers no right, title, or interest to the transferee and must be treated as non-existent.



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17. From a perusal of the aforesaid documents, we find that the Objector purchased the impugned property on 08.02.2023 from Dina Bandhu Dhal represented by Amchuri Venkata Reddy. Prior to the purchase by the Objector, on 28.10.2004, Dina Bandhu Dhal had purchased the impugned property (along with other Survey Nos. which was a total area ad-measuring 46 Acres 33 Cents) from Vakati Suneel Kumar (Power Agent of Kalluru Penchalamma and 2 others) for a total consideration of Rs. 3,25,000/-. Ultimately, the Objector purchased the impugned property on 08.02.2023 from Dina Bandhu Dhal for a total consideration of 17,12,000/-.

18. We have perused the document seized by CBI under the relevant MR No. 8373/19 having connection with the impugned property, and the said documents are summarized as under:

Document Details	Seller	Buyer/Power Agent	Property Description	Consideration	Registration
Sale Deed No. 397/2004 (28.10.2004)	Vakati Suneel Kumar Reddy (on behalf of Kalluru Penchalamma and 2 others) resident of Naidupet Village, Naidupet Mandal, Nellore	Dina Bandhu Dhal, S/o Hari Ram Dhal, resident of Kaduani, Chadheigam, Suliapada, Mayurbhanj, Odisha	Total Ac. 46.33 cents (including Survey No. 536: 10 Acres 70 cents) at Bijjampalli H/O Bandaganipalli village, Udayagiri Mandal, Nellore District, AP	Rs. 3,25,000/- (paid in cash)	Yes

19. As shown in the chain of title emerging from the documents relied upon by Objector and documents seized under the aforementioned MR No., the Objector's claim of title is founded upon a Registered Sale Deed (No. 178/2023) dated 08.02.2023, executed in her favor by Amchuri Venkata Reddy, acting as the General Power of Attorney (GPA) holder for Dina Bandhu Dhal, for a recorded consideration of Rs. 17,12,000/-. The chain of this title traces back to a Registered GPA cum Sale Agreement (No. 375/2004) dated 12.10.2004, whereby the original landowners—Kalluru Penchalamma, Kaluru China Naraiah, and Kaluru Ramana Reddy—vested authority in Vakati Suneel Kumar Reddy for a consideration of Rs. 75,000/- in respect of the impugned property. Shortly thereafter, on 28.10.2004, Vakati Suneel Kumar Reddy, acting as the attorney for the original owners, sold the impugned property along with land in other survey nos. by



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executing the Sale Deed No. 397/2004 in favor of Dina Bandhu Dhal, a resident of Mayurbhanj, Odisha, for a consideration of Rs. 3,25,000/- paid in cash. Thereafter, Dina Bandhu Dhal authorized Amchuri Venkata Reddy to manage and alienate the property through Registered GPA No. 469/2022 dated 13.05.2022. Subsequently, the impugned property was sold to the Objector on 08.02.2023 by Dina Bandhu Dhal represented by Amchuri Venkata Reddy. It is noteworthy that the Dina Bandhu Dhal, the purchaser, is not a resident of Nellore District, Andhra Pradesh.

20. It was submitted by the objector that she is a bona fide purchaser for value without notice that the property belonged to PACL and that the vendors were owners of the property as per the land records. The Objector has relied upon Sale Deed No. 397/2004 dated 28.10.2004 which was also seized by CBI under MR No. 8373/19 in support of the objection. Further, Sale Deed No. 397/2004 dated 28.10.2004 as produced by the Objector and as seized from the premises of PACL by CBI contain the words "Nominee" written above the name of the Dina Bandhu Dhal in the recital of the said sale deed. Thus, the predecessor title deed relied upon by the Objector i.e., Sale Deed No. 397/2004 dated 28.10.2004, mentions Dina Bandhu Dhal i.e. the purchaser, as a Nominee, which in the context of the PACL matter, indicates that Dina Bandhu Dhal was a nominee and benami holder of the impugned land on behalf of PACL. Thus, we note that the Objector had sufficient reasons to doubt the authority of the Vendor of the impugned land. The fact that Objector did not suspect any foul play and continued with the transaction demonstrates that the Objector knew that the impugned property was in prior possession of persons associated with or employed as agents of PACL. 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



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to a whooping 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 finds 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)

...

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. From the foregoing, we find that multiple ATS, GPAs and Sale Deeds including Sale Deed No. 397/2004 dated 28.10.2004 were seized by CBI wherein vendors had authorized PACL, or its agents/directors/associate companies to deal in the impugned



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property. Further, title documents relied on by the Objector also show that the vendors in these documents were agents of PACL. The activity of PACL 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, as PACL 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 Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings) Act, 1973. 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.

22. The Objector has contended that she had purchased the impugned land through the registered sale deeds. Regarding registered documents, the Hon'ble Supreme Court has held that there is a presumption that a registered document is validly executed¹. 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 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)."

¹ Prem Singh & Ors vs Birbal & Ors, 2006 (5) SCC 353.



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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, free consent of parties, competency of parties, lawful consideration, lawful object and not expressly declared void by contract Act, are the requirements which makes an agreement a contract. Regarding compliance with Section 10, in case of sale deeds 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 with the objection petition, in the form of bank statements, etc. All the sale deeds relied upon by the Objector, merely, mention that consideration has been paid in cash by the Objector to the vendors/transferors. Further, during the hearing, on being asked about the details of the consideration paid for the purchase of the aforesaid land parcels, it was submitted by the authorised representative of the Objector that the consideration was paid in cash by the Objector. Besides, no other proof of payment of consideration viz.: receipt issued by the respective vendors/transferors towards payment of consideration, bank account statements of the Objector from where moneys were withdrawn for payment, etc., have been submitted to substantiate the claim of payment of money. This 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



✓ b/w

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formality to extend legitimacy to such sale deeds. In terms of Section 25 of ICA, an agreement without consideration is expressly declared as void. Therefore, such sale deeds are not in conformity with Section 10, and consequently these sale deeds are void under Section 25 of ICA. Further, the sale deed dated 08.02.2023 and GPA dated 13.05.2022 on the basis of which title to the property is claimed by the Objector, have been entered into after the date of passing of SEBI order on 22.08.2014, and subsequent orders dated 02.02.2016 and 25.07.2016 by Hon'ble Supreme Court in the matter of *Subrata Bhattacharya vs. SEBI (Supra)*. The said orders by SEBI and Hon'ble Supreme Court, prohibited PACL Ltd. from disposing of its assets. Thus, the vendor/transferor with whom Objector has entered into Sale Deed No. 178/2023 dated 08.02.2023, being an implied agent of PACL Ltd., was disqualified to enter into any such sale deeds relating to properties of PACL Ltd., after passing of the aforesaid orders by SEBI and the Hon'ble Supreme Court. In terms 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.

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 deeds relied upon by the Objector 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 other requirements viz; presence of consideration and competence of parties, such sale deeds remain agreement, not enforceable by law. Therefore, such sale deeds cannot sustain the claim made by the Objector.

26. Viewed from another angle, assuming without admitting, that vendors/transferors being agent of the PACL Ltd. had sold the impugned land parcel to the Objector with the authority of the PACL Ltd., then it is noted that there was an implied agency between vendors/transferors and PACL Ltd., for the purposes of sale and purchase of land in the State of Andhra Pradesh. In terms of Section 188 of ICA, authority of an agent extends



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to do all lawful acts. Such, implied agency came to an end when the principal i.e. PACL Ltd. itself ceased to be competent to transfer its assets by virtue of directions given in the order dated 22.08.2014 of SEBI. Therefore, vendors/transferors were incompetent to transfer the impugned property in favour of Objector after 22.08.2014, even with the full authority/consent of PACL Ltd. because as on that date PACL Ltd. itself had ceased to possess any such authority by virtue of SEBI's order dated 22.08.2014 and subsequent orders of Hon'ble Supreme Court.

27. The Objector has invoked the protection of Section 41 of the Transfer of Property Act, 1882, claiming to be a *bona fide* purchaser for value without notice. In this regard, we find it pertinent to refer to Section 41 of 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 immoveable 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."

28. As the documents pertaining to the title of Dina Bandhu Dhal 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 Dina Bandhu Dhal was holding the impugned land on behalf of PACL Ltd. Thus, PACL was the real owner of the impugned land, while Dina Bandhu Dhal was ostensible owner who was holding the land on behalf of PACL. 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. 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.



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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.

29. 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 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 transfer and bonafides of the transferee, without being bound by or without any reference to Section 41.

30. Assuming without admitting that transfer made by the vendors/transferors (agents of PACL Ltd.) in favour of Objector attracts Section 41 and thus prohibits even the Committee, 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 Objector had acted in good faith by taking reasonable care to ascertain authority of the transferors to make the transfers, the Objector 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 of the measures to ascertain the title of the transferor. In case of an ostensible owner, it is but obvious that the property would reflect in the name of the ostensible owner in land records. However, if the circumstances of the case demands, which, as explained later, in this case were, then the transferee is required to show that she made further inquiries to demonstrate reasonable care and good faith required under the proviso to Section 41.



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31. Here, as is evident from the Sale Deed dated 08.02.2023 and the title documents of the Objector's predecessors-in-title through which the Objector is claiming title to the impugned property, Dina Bandhu Dhal was ostensible owner who was holding the impugned property on behalf of PACL. In the instant case, the predecessor title deed relied upon by the Objector i.e., Sale Deed No. 397/2004 dated 28.10.2004, mentions Dina Bandhu Dhal i.e. the purchaser, as a Nominee, which in the context of the PACL matter, indicates that Dina Bandhu Dhal was a nominee and benami holder of the impugned land on behalf of PACL. This was a very unusual circumstance. Thus, the Objector had sufficient reasons to doubt the authority of the Vendor of the impugned land. The fact that Objector did not suspect any foul play and continued with the transaction demonstrates that the Objector knew that the impugned property was in prior possession of persons associated with or employed as agents of PACL. Further, as per the covenants of the said sale deed produced by Objector, the consideration was paid in cash. No receipt or memo of consideration is produced by the Objector as proof of payment of consideration. This leads to the inference that the transfer was not a genuine transaction but a paper formality to extend a facade of legitimacy to a void sale

32. 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: why the power agent, Vakati Suneel Kumar Reddy, executed conveyance in favour of a person based in Orissa who acted through his power agent (also based in Orissa), whether the Vendor of the impugned land, Dina Bandhu Dhal, had authority to sell the impugned land in view of the fact that he was stated as a Nominee in his title deed, whether there was any foul play going on in the transactions regarding impugned property, etc.

33. Despite the suspicious modus operandi of the Objector's predecessor-in-title, The Objector has failed to produce anything to show that further inquiry was made by him in the present case. Absence of any such further inquiry shows that the Objector was aware that the vendors/transferors were holding the property on behalf of PACL Ltd.



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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.

34. All these facts also go on to suggest that these transfers were not in the normal course and were not genuine. It further shows that Objector was least bothered about the chain of title documents of vendors/transferors, at the time of purchasing property, as Objector were fully aware that the impugned property was held by PACL Ltd. in the name of its benamidar and knowing so she purchased the impugned property from Dina Bandhu Dhal, thus, pointing to the bad faith of the Objector. These facts further suggest that Objector was hand in glove with PACL Ltd. and its agent, Dina Bandhu Dhal, and by these transfers appropriated land of PACL Ltd. which belongs to its investors, and which stood attached *qua* orders passed by Hon'ble Supreme Court in *Subrata Bhattacharya vs. SEBI (Supra)*.

35. 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 The Sale Deed No. 178/2023 on February 08, 2023 having been executed in violation of the orders of the Hon'ble Supreme court in *Subrata Bhattacharya vs. SEBI (Supra)* must be treated as non-existent. Therefore, the Sale Deed No. 178/2023 on February 08, 2023, having been executed in violation of the order dated July 25, 2016, confers no right, title or interest to the Objector and is null and void.



² 2023 INSC 805

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ORDER:

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

Place: Mumbai

Date: January 29, 2026



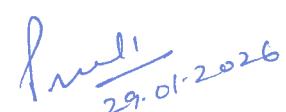
For and on behalf of Justice (Retd.) **R. M. Lodha**
Committee (in the matter of PACL Ltd.)


29.01.2026
BAL KISHOR MANDAL
Recovery Officer

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


29/1/2026
KSHAMA WAGHERKAR
Recovery Officer

क्षमा प्र. वाघेरकर / KSHAMA P. WAGHERKAR
महाप्रबन्धक एवं वसूली अधिकारी
General Manager & Recovery Officer
न्यायमूर्ति (सेवानिवृत्त) आर.एम. लोधा कमेटी
Justice (Retd.) RM Lodha Committee
(पी.एसी.एल.ली के मामले से संबंधित, मुंबई) / (In the Matter of PACL Ltd. Mumbai)


29.01.2026
PREETI PATEL
Recovery Officer

प्रीति पटेल / PREETI PATEL
उप महाप्रबन्धक एवं वसूली अधिकारी
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