**Order No. NRO/RO/2/2025**

**SECURITIES AND EXCHANGE BOARD OF INDIA**
**NORTHERN REGIONAL OFFICE, NEW DELHI**
**BEFORE THE RECOVERY OFFICER**
**RECOVERY CERTIFICATE 892 OF 2016**

**Order under Rule 16 of the Second Schedule to the Income-tax Act, 1961 read with section 28A of the Securities and Exchange Board of India Act, 1992 in the matter of sale of property of Life Care Infra Tech Ltd.**

1. Securities and Exchange Board of India ("SEBI") vide order no. WTM/PS/52/NRO/SEPT/2015 dated September 14, 2015, interalia issued following directions u/s. 11 and 11B of the SEBI Act, 1992, to Life Care Infra Tech Limited and its directors namely Shri Yogendra Pratap Shahi, Shri Ashok Kumar Singh, Shri Bhardwaj Muni Tripathi, Shri Ramashish Singh, Shri Harendra Kumar Upadhyay and Shri Satyendra Rai in the matter of Life Care Infra Tech Limited (Company):
   a. to jointly and severally, forthwith refund the money collected by the Company through the issuance of Redeemable Preference Shares to the investors;
   b. the Company and the above directors are permitted to sell the assets of the Company for the sole purpose of making the refunds as directed above and deposit the proceeds in an Escrow Account opened with a nationalised Bank;
   c. In case of failure to refund money by the company and its directors, SEBI on expiry of 3 months from the date of order shall recover the money in accordance with Section 28A of the SEBI Act, 1992.

2. Subsequently, upon non-compliance with the said directions, recovery proceedings vide Recovery Certificate No. 892 of 2016 dated March 31, 2016 were initiated against the Company and its directors namely, Shri Yogendra Pratap Shahi, Shri Ashok Kumar Singh, Shri Bhardwaj Muni Tripathi, Shri

Ramashish Singh, Shri Harendra Kumar Upadhyay and Shri Satyendra Rai, jointly and severally (Defaulters) under the provisions of Section 28A of SEBI Act, 1992 read with Section 220 to 227, 228A, 229, 232 of the Income Tax Act, 1961 and the Second and Third Schedule to the said Act and the rules made thereunder for sum of ₹4,89,77,500/- (*Rupees Four Crore Eighty Nine Lakh Seventy Seven Thousand Five Hundred Only*) with returns due to investors, along with further interest, all costs, charges and expenses incurred in respect of all the proceedings taken for recovery. Further, attachment proceedings in respect of Bank and Demat accounts were initiated under the said recovery proceedings.

3. The Defaulters had preferred an appeal before the Ld. Securities Appellate Tribunal (SAT) challenging the recovery proceedings initiated by the Recovery Officer. The Ld. SAT while disposing of the said appeal vide its order dated July 20, 2016 interalia directed the appellant/Defaulters to make representation before the Recovery Officer who shall dispose of the representation in accordance with law, within a period of three months. Pursuant to the representation by the Defaulters, SEBI vide order dated October 26, 2016, disposed of the representation with certain directions to be complied within a stipulated time. The Defaulter then filed a Misc. Application before Ld. SAT, however the same was withdrawn with a liberty to file substantive appeal as recorded by Ld. SAT vide its order dated January 09, 2017.

4. In the meanwhile, during the pending recovery proceedings, SEBI issued a Prohibitory Order No. 67/2017 dated January 04, 2017, thereby prohibiting the defaulters from disposing, transferring, alienating, or charging in respect of several properties including the property located at Plot no-26 & 27, Gata No. 24M and Khasra No. 644K, Village Dasaulli, Paragna Mahona, Tehsil Bakshi Ka Talab, Distt. -Lucknow, UP with area of 334.572 Sq. meter and registered at Book no. 1, Jild no.5119 at page 121 to 166 Sl no. 14173.

5. On January 19, 2023, SEBI received an email from Shri Ramashish Singh, director and one of the Defaulter informing about the sale of aforementioned

property by Life Care Infra Tech Ltd. through Shri Yogendra Pratap Shahi on October 18, 2021 to one Ms. Priyanka Mishra.

6. SEBI vide letter and email dated January 20, 2023 requested District Magistrate, Lucknow interalia to take all necessary action for cancellation of the sale of the subject property and for restoration of status quo ante, under intimation to SEBI within a reasonable timeline. Further, it was also requested to prohibit the defaulters or any other person from disposing, transferring, alienating or charging in respect of the said property. Vide email dated June 22, 2023, Director General, Dept. of Institutional Finance, Uttar Pradesh (DIFUP) was interalia informed about the sale of property in contravention of Rule 16(2) of the Second Schedule to the Income tax, 1961 and was requested to look into the matter at the earliest.

7. Hearing Notices dated June 30, 2023 were issued to Ms. Priyanka Mishra (purchaser of the aforesaid property) and Shri Yogendra Pratap Shahi calling for personal hearing on July 06, 2023. However, the same were returned undelivered.

8. On November 22, 2023, SEBI received a letter from one person Shri Om Prakash Singh interalia informing about the sale of two separate properties including the abovementioned property by the Defaulter, Life Care Infra Tech Ltd. through Shri Yogendra Pratap Shahi to Ms. Priyanka Mishra on October 18, 2021 (registry on December 06, 2021) and subsequent sale of the said property by Ms. Priyanka Mishra to Shri Nadeem Rehman on March 15, 2022 (registry on May 14, 2022).

9. Hearing Notice dated December 11, 2023 was issued to Shri Nadeem Rehman (hereinafter referred to as 'Noticee') calling for personal hearing on December 21, 2023. Further, hearing Notices were also issued to Ms. Priyanka Mishra and Shri Yogendra Pratap Shahi on December 12, 2023 calling for personal hearing on January 04, 2024. Hearing was attended by Advocate Shri Shadman Ali, authorized by Shri Nadeem Rehman on December 21, 2023 and February 21,

भारतीय प्रतिभूति और विनिमय बोर्ड
SEBI
Securities and Exchange Board of India

2024. Hearing was attended by Advocate Ms. Kajal on January 10, 2024 on behalf of Ms. Priyanka Mishra wherein copy of sale deeds dated October 18, 2021 and February 26, 2022, entered between Life Care Infra Tech Ltd. through Shri Yogendra Pratap Shahi and Ms. Priyanka Mishra and Ms. Priyanka Mishra with Shri Nadeem Rehman respectively were submitted. The hearing notice for Shri Yogendra Pratap Shahi was returned undelivered and subsequently the same was affixed at his last known address. However, no response was received.

10. Shri Nadeem Rehman through his authorized representative Advocate Shri Shadman Ali made following submissions vide letter dated February 21, 2024:

a) That our client has purchased the subject property in good faith from Ms. Priyanka Mishra vide Registered Sale Deed dated February 26, 2022, being completely unaware of any such prohibitory order passed in respect of the subject property.

b) Upon the receipt of the abovementioned notice, our client, upon inquiry, has been informed that the subject property was first purchased by Ms. Priyanka Mishra from M/s. Life Care Infra Tech Ltd., represented through Mr. Yogendra Pratap Shahi, vide registered Sale Deed dated October 18, 2021.

c) The prohibitory order dated January 04, 2017, copy of the same was supposed to be forwarded with a direction not to act upon any documents dealing with transfer, mortgage, charge, lease or creation or alteration of any interest in the subject property, among other properties held by the defaulter therein, if presented for registration to -
   a. The Inspector General of Registration of all States and Union Territories
   b. The concerned Tehsildars, District Registrars and sub-registrars of the respective areas where the subject properties are located.

d) It appears that the said prohibitory order was not published in the local newspaper circulated in Lucknow and due to such non-publication, my client was not aware of any such prohibitory order during purchase of the subject property. The said prohibitory order was not forwarded to the concerned Tehsildar/District Registrar/sub-registrar of the area where the subject property is situated. It is submitted that such sale of the subject property has happened twice.

e) Our client has bought the subject property in good-faith and is enjoying its peaceful possession. He does not want to enter into a prolonged battle of litigation with respect to the same and therefore, in light of the fact that the said prohibitory order is passed with the aim of recovering public money, our client would like to propose the following amicable solution on the condition that the present proceedings against him be withdrawn and the subject property be made mortgage free and free from any future encumbrances by SEBI:

   i. Our client is willing to deposit the consideration amount of Rs.20,00,000/- that he had paid for the purchase of the subject property, with SEBI for the purpose of recovery proceedings, and

   ii. In case, recovery of Rs.20,00,000/- is made from the defaulter company, M/s. Life Care Infrat Tech Ltd. or its directors, the same be returned back to our client.

   iii. It is submitted that the abovementioned proposal is offered in good faith and good intention and the same may not be treated as admission.

11. Since considerable time was elapsed after providing opportunity of hearing and the matter could be concluded, another opportunity of hearing on May 27, 2025 was given to Shri Nadeem Rehman for making submissions. The noticee along with Advocate, Shri Shadman Ali appeared and made brief submissions vide letter dated May 27, 2025 reiterating the submissions made vide letter dated February 21, 2024.

12. I have perused all documents submitted by Shri Nadeem Rehman, along with other relevant materials on record. I now proceed to outline my observations. It is essential to first highlight the legal provisions as under:

भारतीय प्रतिभूति और विनिमय बोर्ड ★ Securities and Exchange Board of India ★ SEBI *i* ***Section 28A of the SEBI Act:*** *Section 28A of the SEBI Act empowers SEBI to recover dues from any person who fails to pay the penalty imposed under the SEBI Act or fails to comply with any direction of the Board for refund of monies or fails to comply with a direction of disgorgement order issued under section 11B or fails to pay any fees due to the SEBI. The recovery of the amounts dues can be made through the following modes:*

*(a) attachment and sale of the person's movable property;*

*(b) attachment of the person's bank accounts;*

*(c) attachment and sale of the person's immovable property;*

*(d) arrest of the person and his detention in prison;*

*(e) appointing a receiver for the management of the person's movable and immovable properties.*

*Subject to Explanation 1 to section 28A of the SEBI Act, what can thus be attached are the properties/assets/banks accounts of the person who is the defaulter. For effecting recovery, the provisions of sections 220 to 227 228A 229 232 the Second and Third Schedules to the Income-tax Act 1961 and the Income-tax (Certificate Proceedings) Rules, 1962, are applied by SEBI as provided for in section 28A.*

*ii* ***Rule 16 of the Second Schedule to the Income-tax Act 1961****:*

*"Private alienation to be void in certain cases.*

*16. (1) Where a notice has been served on a defaulter under rule 2, the defaulter or his representative in interest shall not be competent to mortgage, charge, lease or otherwise deal with any property belonging to him except with the permission of the Tax Recovery Officer, nor shall any civil court issue any process against such property in execution of a decree for the payment of money.*

*(2) Where an attachment has been made under this Schedule, any private transfer or delivery of the property attached or of any interest therein and any payment to the defaulter of any debt, dividend or other moneys contrary to such attachment, shall be void as against all claims enforceable under the attachment."*

*iii* ***Rule 48 of the Second Schedule to the Income-tax Act 1961****:*

*"Attachment.*

*48. Attachment of the immovable property of the defaulter shall be made by an order prohibiting the defaulter from transferring or charging the property in any way and prohibiting all persons from taking any benefit under such transfer or charge."*

iv ***Rule 49 of the Second Schedule to the Income-tax Act 1961:***

*"Service of notice of attachment.*

*49. A copy of the order of attachment shall be served on the defaulter."*

v ***Rule 51 of the Second Schedule to the Income-tax Act 1961:***

*"Attachment to relate back from the date of service of notice.*

51. *Where any immovable property is attached under this Schedule, the attachment shall relate back to and take effect from the date on which the notice to pay the arrears issued under this Schedule was served upon the defaulter."*

13. I note that vide WTM order dated September 14, 2015, the Company and its directors jointly and severally were interalia directed to refund the money collected by the Company through the issuance of Redeemable Preference Shares (RPS) to the investors including the money collected from investors, till date, pending allotment of RPS, if any, with an interest of 15% per annum compounded at half yearly intervals, from the date when the repayments became due to the investors till the date of actual payment. Further, the Company and the directors were permitted to sell the assets of the Company for the sole purpose of making the refunds and deposit the proceeds in an Escrow Account opened with a nationalized Bank.

14. Subsequent to the non-compliance with the directions of the WTM order, recovery proceedings were initiated against Life Care Infra Tech Limited and its directors under section 28A of the SEBI Act, 1992. I note that Ld. SAT had directed the Defaulters to make representation before the Recovery Officer which was disposed of vide order dated October 26, 2016, with certain directions. Vide the said order, the Defaulters interalia were restrained from disposing /selling / mortgaging any of their assets except for the purpose of repayment to the investors with specific permission from SEBI. I further note that the Defaulters have not filed any appeal challenging the aforesaid order

dated October 26, 2016, and hence the same has attained finality. Furthermore, after the issuance of prohibitory order dated January 04, 2017, attaching the properties of the Defaulters, the Defaulters were once again prohibited from disposing, transferring, alienating or charging all or any of its properties whether attached by SEBI or otherwise. Therefore, it is clear that the Defaulters were prohibited from disposing any of its properties to the third parties without permission of SEBI.

15. I note that the Notice of Demand dated March 31, 2016 under rule 2 of the Second Schedule to the Income tax Act, 1961, was issued to the Defaulters. The Defaulters in the representation before the Recovery Officer have admitted the receipt of Notice of demand and the attachment notices. The said notice of demand had put the Defaulters on notice that in case they fail to satisfy the notice of demand, SEBI would take steps under section 28A of the SEBI Act, 1992 and relevant provisions of the Income-tax Act, 1961 to recover the dues. It is pertinent to note that though the Prohibitory Order was issued on January 04, 2017, in terms of rule 51 of the Second Schedule to the Income-tax Act, 1961 the attachment of immovable property would relate back to the date when the notice of demand is delivered to the Defaulters. In terms of rule 16 read with rule 51 of Second Schedule to the Income-tax Act, 1961, the Defaulters become incompetent to enter into any contract/agreement in respect of its properties which were in attachment from the date of service of the notice of demand.

16. In this regard, from the reading of Rule 16 read with Rule 51 of the Second Schedule to the Income-tax Act, 1961, makes it clear that:

   a. When a notice under rule 2 of Second Schedule is served on the defaulter, he becomes incompetent to deal with any property belonging to him except with the permission of the Recovery Officer.
   b. Where attachment is made, any private transfer or delivery of the property attached or of any interest therein and any payment to the defaulter of any debt, dividend or other moneys contrary to such attachment, shall be void as against all claims enforceable under the attachment.

भारतीय प्रतिभूति और विनिमय बोर्ड
SEBI
Securities and Exchange Board of India

c. The attachment relates back to date when the notice issued under rule 2 of the Second Schedule to pay the arrears/dues is served on the defaulter.

17. In this context, I refer to the observations made by the Hon'ble High Court of Andhra Pradesh in its order dated May 2, 2018, in the case of *Shriya Bhupal vs. The Assistant Commissioner of Income Tax and Others.* In this case, the court held that:

*".........Therefore, if a transfer had been made by a defaulter in contravention of Rule 16(1), it is automatically void."*

18. Additionally, it is pertinent to cite the observations of the Hon'ble High Court of Judicature at Madras in the case of *D. S. Senthivel vs. Tax Recovery Officer – 2 [W.P. (MD) No. 2932 – 2939/18]*, delivered on March 7, 2018, as follows:

*"..............*

*12. In this case, the property belonged to the defaulter – assesse. He has been served with notice under Rule 2. The moment such a notice was served on the defaulter- assesse, by virtue of Rule 16(1) of the second schedule, he became incompetent to deal with the property. In Rule 16(1) it is expressly stated that the defaulter assesse shall not be competent to deal with the property. If the vendor was not competent to deal with the property, he could not have passed any valid or legal title to the purchaser. ..."*

19. Further to above, Hon'ble Supreme Court in the case of K. Basavarajappa Vs. Tax Recovery Officer, Bangalore & Ors. [C.A. 13049-50/1996] order dated October 11, 1996 has held that *"when the defaulter agreed to sell off his property to the appellant he totally bypassed the requirement of Rule 16 (2) which lays down that where a notice has been served on the defaulter under Rule (2) the defaulter or his representative-in-interest shall not be competent to mortgage, charge, lease or otherwise deal with any property belonging to him except with the permission of the Tax Recovery Office, nor shall any civil court issue any process against such property in execution of a decree for the payment of money."*

20. I note that vide order dated October 26, 2016, the Recovery Officer had restrained the Defaulters not to alienate the properties except with the permission of SEBI. Being very much aware of the prohibition to dispose of the properties, Life Care Infra Tech Ltd. had vide Board Resolution dated March 1, 2021 accorded its consent to sell two properties including the property viz., "Plot no. 26&27, Gata No. 24M and Khasra No. 644K, Village Dasaulli, Paragna Mahona,Tehsil Bakshi Ka Talab, Distt. – Lucknow, UP". Vide the said resolution, Life Care Infra Tech Ltd. interalia authorized Mr. Yogendra Pratap Shahi, Director to sign and execute the sale transaction. On perusal of the sale deeds, I note that Life Care Infra Tech Ltd. had initially sold the above property vide registered sale deed on October 18, 2021 to Ms. Priyanka Mishra for a consideration of Rs.18,00,000/- which was subsequently sold by her to Shri Nadeem Rehman on February 26, 2022 for consideration of Rs.20,00,000/-.

21. On perusal of the sale deed submitted by Ms. Priyanka Mishra, I note that the sale consideration was paid by two undated cheque nos. 000018 and 000019 drawn on IDFC First Bank Gomti Nagar, Lucknow, valued at Rs.9,00,000/- each. Since the cheques were undated, information of the transaction was sought from Ms. Priyanka Mishra and IDFC First Bank. However, no information /proof of payment was provided by Ms. Priyanka Mishra. IDFC First Bank responded that they were unable to fetch the transaction details sought from the bank account of Ms. Priyanka Mishra. Since the transaction details could not be substantiated by Ms. Priyanka Mishra or IDFC First Bank, it appears that the transaction of sale of property is non genuine and executed to serve the personal interest of the Defaulters.

22. I further note that since sale of property is also a contract, the parties should be eligible to enter into the same as required under section 11 of the Indian Contract Act, 1872. One of the conditions therein is that the persons contracting should not be disqualified from contracting by any law to which they are subject to. In this case, the moment the demand notice under rule 2 of Second Schedule to the Income-tax Act, 1961 was served on the company, it became, by virtue of rule 16 of the Second Schedule to the Income-tax Act, 1961, ineligible and

incompetent to enter into any contract with any person regarding the properties. When the seller himself is not qualified to deal with its property, it cannot pass any valid title to the purchasers. Therefore, it is established that the seller, Life Care Infra Tech Ltd. through its director, Shri Yogendra Pratap Shahi was not competent to enter into the sale deed and hence could not have passed on a valid legal title to Ms. Priyanka Mishra in respect of the property under attachment without the permission of SEBI. This serves to establish the invalidity of any transfers made by the Defaulter post notice of demand, order of recovery officer and issuance of prohibitory order. I further note that as there was no valid transfer of legal title from Life Care Infra Tech Ltd. to Ms. Priyanka Mishra, further sale of property by her to Shri Nadeem Rehman is also null and void.

23. Having held the transactions as null and void, now I will deal with the submissions made by Shri Nadeem Rehman. With regard to the contention that the prohibitory order was supposed to be forwarded to the Inspector General of Registration (IGRs), I note that pursuant to the issuance of the prohibitory order, the order was sent to the Inspector General of Registration of all the States and Union territories and the concerned Tehsildars, District Registrars and Sub registrars of the respective areas where the subject property/ies are located interalia directing the authorities not to act upon any documents purporting to be dealing with transfer, mortgage, charge, lease or creation or alteration of any interest in any of the properties owned by the Defaulters including the property under attachment, if presented for registration. Further, it is the practice of SEBI to publish all the orders passed by it on the SEBI website which is in public domain.

24. As regards the request of Shri Nadeem Rehman regarding deposit of consideration amount of Rs.20,00,000/- with SEBI, I note that as per Rule 56 of the second schedule to the Income tax Act, 1961, the sale of attached property shall be by way of public auction to the highest bidder. Hence the request of Shri Nadeem Rehman cannot be accepted.

25. I note that SEBI has initiated recovery proceedings against Life Care Infra Tech Ltd. and its directors to interalia recover money collected by it through Redeemable Preference Shares and refund the same to the gullible investors. This sale transaction has been done by Life Care Infra Tech Ltd. through its director with a view to frustrate the recovery proceedings. As I have held earlier the transactions of sale of property to be null and void, the said property will be auctioned in terms of Rule 56 of the Second Schedule to the Income tax Act, 1961 and the amount so recovered would be utilized for refunding the money to the investors only. Hence request of Shri Nadem Rahman to return Rs. 20,00,000/- on recovery of money from the Defaulter cannot be considered.

26. In light of the facts and circumstances of this case, and in accordance with Rule 16 of the Second Schedule to the Income tax Act, 1961 read with Section 28A of the SEBI Act, 1992, and settled legal position and in the interest of investors in the matter, I hold that Life Care Infra Tech Ltd. through its director, Shri Yogendra Pratap Shahi was not competent under law to execute the sale deed and transfer the interest, title of subject property to Ms. Priyanka Mishra and subsequently by Ms. Priyanka Mishra to Shri Nadeem Rehman after the initiation of recovery proceedings. In view of above, attachment of SEBI on the said property shall continue and SEBI would proceed further in accordance with section 28A of the SEBI Act, 1992.

27. The objections raised and proposal submitted by Shri Nadeem Rehman herein are rejected and his claim over the property covered under the impugned sale deed is disallowed.

**Kshama Wagherkar**

**General Manager & Recovery Officer**

**Date: June 18, 2025**

भारतीय प्रतिभूति और विनिमय बोर्ड
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