BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

IN THE MATTER OF IQ INFOTECH LTD

NOTICEES: (1) IQ INFOTECH LTD, PAN NO. AACCS5070R
(2) Dr. K. R. SRINIVASAN, CMD, PAN NO. ADOPS6059E
(3) Shri. SUDARSHAN SRINIVASAN, ED, PAN NO. AKPPS9085A

The undersigned was appointed as the Adjudicating Officer vide order dated December 10, 2008 under section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the 'SEBI Act') read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as the 'Adjudicating Rules') to enquire into and adjudge under sections 15HA, 15HB and 15A(b) of the SEBI Act, the alleged violation of Regulations 3 (c), 4 (1), 4 (2) (k) and 4 (2) (r) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations') and Regulations 12 (1), 12 (2) and 13 (6) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as 'PIT Regulations') by IQ Infotech Ltd (herein after referred to as 'IQI') Dr. K. R. Srinivasan, Chairman and Managing Director of IQI and Shri Srinivasan Sudershan, Executive Director of IQI (hereinafter collectively referred to as 'noticees)

2. A show cause notice dated February 26, 2009 was issued under Rule 4 of the Adjudicating Rules, to the noticees asking them to show cause as to why an inquiry should not be held against them and the prescribed penalty for the alleged violation of PFUTP Regulations and PIT Regulations can not be imposed under Sections 15A(b), 15HA and 15HB of the SEBI Act.

3. The IQI vide letter dated March 10, 2009 sought for a personal hearing. Vide letter dated March 18, 2009, IQI was asked to file its reply to the show cause notice. Further, vide letter dated March 31, 2009, an opportunity for personal hearing was granted to the noticees on April 8, 2009. IQI filed its reply to the show cause notice vide its letter dated March 24, 2009. At the request of the noticees, the personal hearing was rescheduled to April 9, 2009. The noticee directors appeared on the said date on behalf of themselves as well as IQI and made submissions. During the hearing, notices indicated their intention to apply for consent order in terms of SEBI Circular dated April 20, 2007. Written submissions were received from notices on May 05, 2009 and further, they filed applications dated May 22, 2010 for consent order, which was rejected on February 25, 2010. Thereafter the adjudication proceedings were recommenced. Vide my letter dated February 26, 2010, the Noticees were given an opportunity to file further submissions, if any and also avail personal hearing on March 22, 2010, if they wish. The noticee directors vide their letters dated March 15, 2010 have made further submissions in the matter. However, the notices chose not to avail the opportunity of further personal hearing granted to them.

4. In the instant matter, the following issues arise for consideration;

A) Whether IQI has violated Regulation 13(6) of the PIT Regulations?
B) Whether IQI has violated the Regulation 12(1) and 12(2) of PIT Regulations?
C) Whether the noticees have violated Regulation 3(c), 4(1), 4(2) (k) and 4(2) (r) of PFUTP Regulations?

5. The relevant provisions of Regulation 13 of PIT Regulations are as follows:

> ***"Disclosure of interest or holding by directors and officers and substantial shareholders in listed companies - Initial Disclosure.***
>
> ***13.***
>
> ……
>
> *(4) Any person who is a director or officer of a listed company, shall disclose to the company in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings from the last disclosure made under sub-regulation (2) or under this sub-regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.*
>
> *(5) The disclosure mentioned in sub-regulations (3) and (4) shall be made within 4 working days of:*
>
> *(a) the receipts of intimation of allotment of shares, or*
>
> *(b the acquisition or sale of shares or voting rights, as the case may be.*
>
> *Disclosure by company to stock exchanges.*
>
> *(6) Every listed company, within five days of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (3) and (4) in the respective formats specified in Schedule III."*

6. SEBI conducted investigation into the trading in the shares of IQI from September 2004 to June 2005 and into possible violations of the provisions of SEBI Act, rules and Regulations made thereunder. On perusal of letter dated December 6, 2007 submitted by the IQI, it is noted that Dr.K.R.Srinivasan and Mr Sudarshan Srinivasan sold shares of IQI in between December 2004 and March 2005 and IQI vide the said letter enclosed the copies of disclosures made by them under Regulation 13(4) of PIT Regulations. The Bombay Stock Exchange (BSE) in its report has stated that no disclosures were filed by IQI under Regulation 13(6) of PIT Regulations for the sale of shares made by the

directors. Regulation 13(4) places the obligation on the directors/officers of a listed company to disclose the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings from the last disclosure made where the change exceeds ₹5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower. IQI was in the course of investigation, asked to submit the copies of disclosure documents received from the directors, under Regulation 13(4) and also the disclosures made by the IQI to the Stock Exchange in terms of Regulation 13(6) of the PIT Regulations. While IQI provided copies of the disclosures received from the directors under Regulation 13(4), no confirmation regarding any disclosures to the exchanges under Regulation 13(6) was submitted by IQI. Further in its reply dated 24th March, 2009 to the show cause notice, IQI has not made any specific submissions regarding compliance with the mandatory disclosures under Regulation 13(6). Therefore, I find that IQI has violated Regulation 13(6) of PIT Regulations.

7. In view of the above, the IQI is liable to penalty as prescribed under section 15A (b) of SEBI Act for failure to comply with Regulation 13(6) of the PIT Regulations by not disclosing the information received under Regulations 13(4) of the PIT Regulations to the exchanges within five days of the receipt of the disclosures made by the noticee directors.

8. The second issue is whether IQI has violated Regulations 12(1) and 12(2) of PIT Regulations. Regulation 12 reads as under;

"12. (1) All listed companies and organisations associated with securities markets including:

> *……*
>
> *shall frame a code of internal procedures and conduct as near thereto the Model Code specified in Schedule I of these Regulations [45][without diluting it in any manner and ensure compliance of the same].*

(2) The entities mentioned in sub-regulation (1), shall abide by the code of Corporate Disclosure Practices as specified in Schedule II of these Regulations.

(3) All entities mentioned in sub-regulation (1), shall adopt appropriate mechanisms and procedures to enforce the codes specified under sub-regulations (1) and (2).

(4) Action taken by the entities mentioned in sub-regulation (1) against any person for violation of the code under sub-regulation (3) shall not preclude the Board from initiating proceedings for violation of these Regulations."

The above provision mandates the IQI, being a listed company, to frame a Code of internal procedures and conduct similar to Model code specified in Schedule I of PIT Regulations. Vide letter dated December 6, 2007, IQI has admitted that it has not framed the said code. Also, in its reply, dated March 24th,2009, to the show cause notice, IQI has not made any specific submissions with regard to non-compliance with the mandate under Regulation 12(1) . Therefore, I find that the IQI has violated Reg. 12(1) of PIT regulations by not framing the Code of internal procedures and conduct.

9. At the relevant time, the provisions of Regulation 12(1) read as follows:
"All listed companies…shall frame a code of internal procedures and conduct as near thereto the Model Code specified in Schedule I of these Regulations." (emphasis supplied)

An amendment in 2008 has added to this clause and reads: *"…without diluting it in any manner and ensure compliance of the same."* This insertion reinforces the intention behind the earlier stated provision and implies that while a company has the discretion to frame the Code in a manner that it deems fit, the mandatory provisions of the Model Code provided in Schedule I must be strictly adhered to. The Regulations have specified a model code of conduct and mandates listed companies to frame a code as near thereto and comply with the same. It would be self-defeating to interpret flexibility granted to the regulated entities, as a permission to flout the non-negotiable aspects of the

model code, by not framing a code of conduct in the first place. In the case of Shashikant Singh v. Tarkeshawar Singh (2002) 5 SCC 738 it was observed that: *"Where a statute does not consist merely of one enactment but contains a number of different provisions regulating the manner in which something is to be done, it often happens that some of these provisions are to be treated as being directory only, while others are to be considered absolute and essential."*

10. Though Reg 12(1) specifies that the Code of Internal Procedures and Conduct as illustrated in Schedule I is only a model code, upon perusal of the Model Code, it is clear that certain aspects are to be mandatorily followed. For example Para 3.2-1 reads *"…The trading window shall be closed during the time the information referred to in para 3.2-3 is unpublished."* (emphasis supplied) Further clause 3.2.4 reads *"The trading window shall be opened 24 hours after the information referred to in para 3.2-3 is made public."* (emphasis supplied) An example of a discretionary provision in the Code of Conduct is Para 3.2-3A which reads: *"The time for commencement of closing of trading window shall be decided by the company."* Upon a combined reading of Paras 3.2-1 to 3.2- 4, it is clear that while the time for commencement of closure of the trading window is a decision of the company framing the Code, the mandate to close the trading window for a period of 24 hours from the time of publication of price sensitive information, is absolute. The purpose of such a closure (prohibition of trades) is also logical since the intention is to let the price sensitive information percolate in the market so that the investors get sufficient time to comprehend the value of the information, and thereby the directors/employees will not be able to take advantage of any asymmetry of information in the market. If the market sufficiently knows about the information, the directors/employees may not be able to take unfair advantage of the information and trade accordingly. The Code as mandated by Regulation 12(1) seeks to prevent such unfair advantage to directors/employees. Therefore by not framing the Model Code of Conduct, and thereby not preventing the directors to trade within the 24 hour period after the announcements were made, IQI has failed to comply with Regulation 12(1) of the PIT Regulations.

11. Further, Regulation 12(2) mandates listed companies to abide by the Code of Corporate Disclosure Practices as specified in Schedule II of the Regulations. Clause 5.0 of the Code mandates timely reporting of shareholdings/ownership and changes in ownership. In view of findings in paras 6 and 7 above, with regard to the failure of IQI to comply with disclosure requirements under Regulation 13(6) of the PIT Regulations, I find that IQI has failed to comply with Clause 5.0 of the Code of Corporate Disclosure Practices as given in Schedule II of the PIT Regulations and thereby IQI has also violated Regulation 12(2) of the PIT Regulations.

12. The third issue is whether the noticees have violated Regulations 3(c), 4(1), 4(2) (k) and 4(2) (r) of PFUTP Regulations. The relevant provisions of PFUTP Regulations reads as follows;

> ***"3.*** *No person shall directly or indirectly—*
>
> *(a)…….*
>
> *(b)… ……*
>
> *(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
>
> ***4. Prohibition of manipulative, fraudulent and unfair trade practices***
>
> *(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
>
> 2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely :—*
>
> *……..*
>
> *k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;*

r) planting false or misleading news which may induce sale or purchase of securities."

13. From the price volume statement of the period of trading under investigation, it was observed that the price of the IQI scrip opened at ₹5.80 on 11th November, 2004 and touched a high of ₹18.50 on 10th June, 2005 and closed at ₹17.45 on the same day. During this period the price touched a low of ₹3.61 on 24/01/2005 and again gradually rose to ₹18.50 by 10th June, 2005. The volume of shares traded showed increasing trend from November, 2004 when around 9.3 Lakh shares were traded and reached maximum volume during the months of February and March, 2005 when 38.9 lakh and 1.58 crore shares were traded respectively. During this period certain major announcements were made by IQI. On the dates of these announcements, the noticee directors admittedly sold shares. It was alleged that the veracity/authenticity of all the announcements made to the exchange during the period of investigation was questionable and that the Noticees had violated the above stated provisions of the PFUTP Regulations by planting false and misleading information on the exchange and thereby indulged in fraudulent and unfair trade practices.

The three impugned announcements made by the IQI to the Bombay Stock Exchange (BSE) are announcements dated March 17, 2005, February 14, 2005 and December 30, 2004:

14. Announcement dated March 17, 2005: IQI informed BSE that it had bagged an order to the tune of ₹5 million for manufacturing 30 sets of Digital Sequential Machine to be used in Drill Torpedoes for the Indian Navy. On 17/03/2005 the IQI scrip opened at ₹6.28 and touched its intra-day high of ₹6.70 (19.86% high as compared to previous close of ₹5.59). The volume also increased substantially with 10,37,502 shares having been traded on the day. The volumes on the previous two days were 2,05,023 and 66,340 shares respectively. On 18/03/2005 the IQI scrip opened at ₹6.6 and touched its intra-day high of ₹7.40 (19.93% high as compared to previous close of ₹6.17) and closed at ₹6.78. The volume also increased substantially to 20,17,877 shares. In

light of this it has been alleged that the announcement appears to have influenced the price and volume of the IQI scrip and the content of the announcement made was false /misleading and in violation of relevant provisions of PFUTP Regulations.

In its letter dated September 25, 2006, IQI has stated that the announcement pertained to a purchase order from Bharat Dynamics Ltd. Bharat Dynamics Limited vide its letter dated September 20, 2007 sent to SEBI confirmed that it released purchase order for manufacturing 30 sets of Digital Sequential Machine on February 23, 2005. However the announcement regarding the purchase order was made on March 17, 2005. Clause 36 of the Listing agreement mandates that price sensitive information of this nature needs to be immediately informed to the Exchange. While there has been a delay in conveying this information to the Exchange, there is no substantial evidence in this case to prove that the noticees have committed fraud and/ or manipulation.

15. Announcement dated February 14, 2005: IQI informed BSE that it had received an order aggregating to ₹20 million for manufacturing of Energy Management System to be supplied to Reva Electric Car Co. Pvt. Ltd (Reva). It was observed that on 14/02/2005 the IQI scrip opened at ₹6.95 (around 13% high as compared to previous close of ₹6.15) and touched its intra-day high of ₹7.00 (14%). The volume also increased with 8,51,066 shares having been traded on that day. The volumes on the previous two trading days were 3,08,445 and 62,880 shares respectively. On 15/02/2005, (next trading day) the scrip opened at ₹7.35 and touched its intra-day high of ₹7.45 (12.88% high as compared to previous close of ₹6.60) and closed at ₹6.32. In light of this it has been alleged that the announcement had influenced the price and volume of the IQI scrip and the content of the announcement made was false/ misleading and in violation of relevant provisions of PFUTP Regulations.

In reply, the IQI enclosed copies of two Purchase orders both dated March 28, 2005 from Reva. Reva also confirmed vide letter dated November 26, 2007 that it gave two purchase orders after the corporate announcement made by the

IQI. The Noticees vide their replies dated March 24, 2009 and April 15, 2009 stated that formal purchase orders are normally preceded by oral discussions. The noticees submitted:

"In the case of the Govt orders and big companies it is a general practice to issue the verbal/Letter of Intent much ahead of the purchase order in order to gear up for the procurement of particularly imported components like Integrated Circuits, Crystals, Displays etc… This letter of intent is followed by purchase order after a month or so by firm purchase order . Hence in some of the cases there may be discrepancies with reference to the date and the actual announcements….In fact our Company Secretary has been advising us to announce any big orders received, so that the share holders can be kept informed about the company's progresses."

I find that the announcement was made on February 14, 2005 while the written purchase orders were dated March 28, 2005. Clause 36 of the Listing Agreement requires listed companies to immediately inform the respective stock exchange all the events which have the bearing on the performance/operations of the company. Thus the announcements are to be made as soon as a reasonable amount of certainty is attained as regards business transactions. Oral discussions which according to the listed company are reasonably conclusive might constitute price sensitive information. Therefore announcing the purchase order after oral discussions which were subsequently confirmed in writing, per se, is not a sufficient evidence to prove that the noticees are guilty of committing fraud and/ or manipulation.

16. Announcement Dated December 30, 2004: IQI informed BSE that it had received an order aggregating to ₹51.45 million for supply of software operated Electronic Equipment from recognized class I Govt. Electrical, PWD & BMP Licensed Organisation. It was observed that on 30/12/2004 the IQI scrip opened at ₹5.18 and also closed at the same price which was close to its applicable upper circuit of 5%. (Previous close was ₹4.94). A spurt in volumes was observed as compared to its previous trading days and it was observed that 4,84,561 shares were traded on this day as compared to 79,997 shares on the

previous day. On 31/12/2004, (next trading day) the scrip opened at ₹5.43 which was close to its applicable upper circuit of 5%. (Previous close was ₹5.18). On this day, 4,97,304 shares were traded. In light of this it has been alleged that the announcement made had influenced the price and volume of the IQI scrip and the content of the announcement made by the IQI was false/misleading and in violation of relevant provisions of PFUTP Regulations.
IQI submitted that this announcement was regarding an order for supply of Energy saving street light switches from Aravinda Electricals ("**Aravinda**") who was a class I Government electrical licensed contractor for BDA in Karnataka. IQI vide letter dated September 25, 2006 enclosed a copy of the purchase order placed by Aravinda and received by IQI on December 20, 2004 . It has stated that since the payment terms and delivery schedule was not acceptable to it, the order placed by Aravinda was kept in abeyance. On verification by SEBI, Aravinda vide its letters dated December 17, 2007 and January 29, 2008 denied placing any such order. Put to explain, the IQI vide its letter dated April 6, 2008 maintained that after the alleged purchase order there was no business ties between them. However, it did not state any thing on the veracity of the purchase order. Vide written submissions dated March 15, 2010, the noticee directors stated that purchase order of Aravinda was confirmed however unfortunately it does not want to disclose and has detracted it for no fault of the IQI. It appears therefore, that there is a dispute with regard to the genuineness of the purchase order placed by Aravinda. The IQI claims that it is genuine whereas Aravinda, author of the document disputes the execution of the said purchase order. Aravinda has stated that its letterhead in dispute does not bear their phone number and the wording 'Sri Venkateshwara Prasanna' and therefore, the order is not placed by it. I note that the letterhead pertains to 2004 and the subsequent communications are in the year 2008. It appears that the signature on the disputed document is similar to the signatures placed in the further communications from Aravinda. Aravinda has not disputed the signature rather it has pointed out that the phone numbers and certain wordings are absent in the said document. Without going into the dispute between noticees and Aravinda further, as the same is not my remit, on the

basis of the circumstances and evidence on record, I am inclined to give a benefit of doubt to the noticees as the evidence on record is not sufficient to hold the Noticees guilty of fraud and manipulation.

17. In its replies dated March 24th 2009, April 15th, 2009 and March 15th, 2010, to the show cause notice issued, the noticees submitted *inter alia*:

- There was no mala fide involved in the announcements or the subsequent transactions. *"We never had any intention of capitalization of these announcements and due procedures were not followed due to ignorance on our part…."*

- *"……..the company is promoted by technocrats and being located in a remote location it is highly difficult to engage and retain a qualified Company Secretary on a continuous basis to look after compliance and reporting issues. It is because of this reason that there may have occurred a few lapses for which I do render my sincere apology."*

- The noticees were undergoing personal financial difficulty in the year 2004-2005 and therefore had been selling their IQI shares. "*…the transaction statement reflects that the sale of IQI shares is continuous and in the present case is coincidental to the announcement made. "*

- The shares sold were allotted to the noticees during the IPO at ₹16. Whereas, the same shares were sold on the above noted dates @ ₹5-6. Hence the shares were sold at a loss of approx ₹10-11 per share. Therefore no economic benefit has been accrued.

- *"The shares were sold on the same day as the announcements, within a few hours. It is highly unlikely that the public would have reacted to the announcements within such a short span and thereby resulting in the prices increase of shares."*

18. I have considered the submissions of the noticees. The allegations against the IQI are of the serious nature, i.e., fraud and manipulation. In such cases, there should be sufficient evidence to prove the allegations and suspicion however strong it might be is not a substitute for such evidence. The Listing Agreement does not prescribe any specific time period within which such disclosures regarding price sensitive information are to be made. What is mandated is immediate and continuous dissemination of such information. Announcements to the stock exchanges are to be made accordingly. In the instant case, it appears that the information was being announced on a regular basis and sometimes even before it is materialized in the form of a written contract. As submitted by the noticees generally the intention appears to have been to keep the shareholders regularly informed of activities undertaken by the company. Further the transaction statements submitted by Noticees indicate that the shares were being sold on a continuous basis and not necessarily specific to the three announcements allegedly violative of PFUTP Regulations. There is no allegation of making undue gain by the noticees. Upon a perusal of price variations before and after the announcements, it is observed that pursuant to some announcements average prices have increased and in other cases decreased. If the noticees sought to take advantage of the announcements, the noticees ought to have sold pursuant to the price rise and not immediately after the announcements were made. Consequently, the noticees appears to have neither unduly gained nor avoided loss. Therefore, considering the facts and circumstances of the case and the evidence on record, I do not find it a fit case to impose penalty for the alleged violation of Regulation 3(c), 4(1), 4(2) (k) and 4(2)(r) of the PFUTP Regulations.

19. The Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) held that "once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established, then the penalty is to follow."

20. Therefore since IQI is found to have violated Regulation 13(6) of the PIT Regulations, and Regulations 12(1) and 12(2) of the PIT Regulations, it is liable for penalty as provided for under Section 15A(b) and Section 15HB of the SEBI Act, 1992, which reads as follows;

> **"Penalty for failure to furnish information, return, etc.**
>
> ***15A.*** *If any person, who is required under this Act or any rules or regulations made thereunder,—*
>
> *(a) …*
>
> *(b)to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less;"*
>
> ***Penalty for contravention where no separate penalty has been provided.***
>
> ***15HB.*** *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees."*

For the purpose of adjudging the quantum of penalty, I have taken into account the factors mentioned in section 15J of SEBI Act which reads as follows;

> ***"Factors to be taken into account by the adjudicating officer.***
>
> ***15J.*** *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:—*
>
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default."

21. By not making the relevant disclosures under Regulation 13(6) the IQI has deprived the investors of the valuable information on the shareholdings/ownership of the company and changes in shareholdings of the directors. Similarly, by non-compliance of Regulations 12(1) and (2) of PIT Regulations, IQI failed to fulfill its obligations with respect to framing a code of conduct and overseeing and co-ordinating disclosure and timely reporting of shareholdings/ownership and changes in ownership. However, I find that there is nothing on record to show that there was repetitive nature of this default and IQI has made any profit out of the said violations. IQI while admitting the violations stated that it does not have the necessary understanding of the various procedures involved with the SEBI and in view of the remote location of its factory, it was not able to maintain a qualified Company Secretary on a continuous basis to discharge and abide by various rules and regulations of SEBI. I note that the IQI did not disclose the change in the shareholding pattern till December 12, 2007. In its reply dated December 12, 2007 to the Investigating Authority seeking clarification with non-compliances of Regulation 13(6) for the PIT Regulations, the IQI submitted that the information was being sent to the BSE. Apparently, there is a delay of almost 2 years in reporting the same to the BSE. Taking into account the facts and circumstance of the case, I am of the view that a penalty of ₹5.00 Lakh (₹2.00 Lakh for violation of Regulation 13 (6), in terms of section 15 A (b) and ₹3.00 Lakh for violation of Regulation 12 (1) and (2), in terms of section 15 HB) against IQI would commensurate with the violations.

22. I therefore, in exercise of the powers under Section 15-I (2) read with section 15 A (b) and section 15 HB of the SEBI Act, I hereby impose a penalty of ₹5.00 lakh on IQ Infotech Ltd. The penalty amount shall be paid through a

duly crossed demand draft drawn in favour of "SEBI- Penalties remittable to Government of India" and payable at Mumbai, within 45 days of the receipt of this order. The said demand draft should be forwarded to Securities and Exchange Board of India, SEBI Bhavan, Plot No, C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

23. In terms of the Rule 6 of the Adjudicating Rules, copies of this order are sent to the Noticees and also to SEBI.

Dare: December 30, 2010 **(J. Ranganayakulu)**

Place: Mumbai **Adjudicating Officer**