

The Bombay High Court while rejecting anticipatory bail applications of five accused in the multi-crore QNet scam, has observed that "the deceit and fraud is camouflaged under the name of e-marketing and business". This scheme is undoubtedly a multi-level marketing (MLM) activity and a pyramid structure of such scheme is prepared so that the members are promised to get money on purchase and sale of products, the Court said.

In a hard-hitting order on 6 May 2016, Justice Mridula Bhatkar said, "The motto of the company 'sell more, earn more' appears very attractive and innocuous. However, this motto is fully camouflaged. The company stands on a basic statement that people can be fooled. Thus, the true motto is 'sell more earn more' by fooling people. In fact it is a chain where a person is fooled and then he is trained to fool others to earn money. For that purpose, workshops are conducted where study and business material is provided with a jugglery of words, promises and dreams. Thus, the deceit and fraud is camouflaged under the name of e-marketing and business."

"It has very grave and serious impact on the economic status and mental health of the people on a large scale. On considering parameters of section 438 of the Code of Criminal Procedure, I am not inclined to protect the accused. It won't be out of place to mention that such circulation is required to be stopped. It is necessary for the prosecution to take injunctive steps against this business activity, which is prima facie, illegal. Though by stopping this business, a large group of people may get financially affected, however, it will save larger groups of people from becoming prey of this activity," the Bombay HC said.

The HC rejected bail applications of five including, Srinivas Rao Vanka and Magaral Veervalli Balaji, both directors of Vihaan Direct selling (India) Pvt Ltd, Suresh Thimiri, director of Transview Enterprises India Pvt Ltd, Malcolm Nozer Desai, who is a 20% stakeholder in Vihaan and Michael Joseph Ferreira, former world champion of billiards and an 80% stakeholder in Vihaan.


"I have gone through the plan which is given by QNet to every individual representative (IR)," Justice Bhatkar said. "I have gone through the statements of many witnesses, who claimed that they have been cheated under the scheme launched by QNet. I have also considered the conclusive report of Serious Fraud Investigation Agency (SFIO) under the Company Act) SFIO Prima facie, there is material to hold that the business conducted by Qnet is covered under PCMC Act and also under Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954."

"However," the Bench added, "the things are not as straight as they are perceived on the surface. Assuming that the scheme was launched with a noble object to give benefit to maximum people to make money quickly and easily by selling products of the company, however, after going through the material placed before me including the statements of the witnesses, I am of the view that in the midway, the intention of the applicants/ accused, who are the directors and shareholders of the company, became dubious. They had knowledge that more members are suffering financial losses and they are not satisfied with the products. The claim that the wellness products i.e., Biodisk and Chi Pendent are medicinal and spiritual products, are after all, a matter of faith. However, the applicants/ accused have launched these wellness products with ulterior motive and with correct judgment of vulnerability of the people. The holiday packages, which were sold or offered, without any choice left to the buyers. The entire business was Internet based and, therefore, the persons who are responsible i.e., the top brass i.e., the applicants/ accused, were not approachable to the persons who were aggrieved. The nature of the business was knitted in the interest of the Directors and shareholders in such a manner that the persons who are at the lower level of the pyramid cannot get any access to put up their grievances. The manner in which the persons were contacted, incentives offered, the workshops were conducted, are best examples of inducement."

Earlier, Pradeep Gharat, special Public Prosecutor submitted before the Bench that Vanmala Hotels, Travels and Tourism Services Private Ltd and Pallava Resorts Private Limited have created a Website and travel packages. "The commission was not paid on the products though the new members were introduced. The registered office of Vanmala Hotels, Travels and Tourism Services Pvt Ltd company is a call center," he said.

He further submitted that in December 2014 the Ministry of Corporate Affairs sealed their office at Chennai and declared Gold Quest International Pvt Ltd and QuestNet Enterprise (P) Ltd as the fraud companies. "Thus, money is collected online and though the Independent Representative number is given, actual money was not available for withdrawal. Said money was laundered outside India. The police in the investigation have come across 73 bank accounts of Q Net Ltd and total laundering of is around Rs135 crore," Adv Gharat had said.

Below is the order passed by the Bombay HC...

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**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
CRIMINAL APPELLATE JURISDICTION**

**ANTICIPATORY BAIL APPLICATION NO.326 OF 2016
WITH
CRIMINAL APPLICATION NO.360 OF 2016**



Suresh Thimiri s/o. T.K. Thimiri ... Applicant
vs.
The State of Maharashtra ... Respondent

**WITH
ANTICIPATORY BAIL APPLICATION NO.327 OF 2016
WITH
CRIMINAL APPLICATION NO.361 OF 2016**

Michael Joseph Ferreira ... Applicant

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1 of 31

Michael Joseph Ferreira ... Applicant
vs.
The State of Maharashtra ... Respondent

**WITH
ANTICIPATORY BAIL APPLICATION NO.328 OF 2016
WITH
CRIMINAL APPLICATION NO.362 OF 2016**

Shinivas Rao Vanka
s/o. Pattabhi Rama Rao Vanka ... Applicant
vs.
The State of Maharashtra ... Respondent

**WITH
ANTICIPATORY BAIL APPLICATION NO.329 OF 2016
WITH
CRIMINAL APPLICATION NO.363 OF 2016**

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1 of 31



Earlier in February 2016, the special Maharashtra Protection of Interest of Depositors (MPID) Court had also rejected anticipatory bail applications of these five. The Economic Offences Wing (EOW) of Mumbai Police, which is probing the case, had invoked the stringent MPID Act against controversial multi-level marketing (MLM) company QNet, which has denied any wrongdoing on its part.

Gurupreet Singh Anand, a computer consultant from Lokhandawala, Andheri in his first information report (FIR) stated that his wife was duped for Rs30,000 by some people who had introduced themselves as the independent representatives (IRs) of QNet.

While arguing before the HC in person, he contended that the illegal money circulation scheme is being conducted in India by changing names from GoldQuest to QuestNet to the current QNet.

Earlier, the [SFIO in its detailed 'secret' report](#) on GoldQuest International Pvt Ltd and Quest Enterprises India Pvt Ltd has called multi-level marketing (MLM) schemes run by overseas operators as “a potential threat to national security”.

The most notorious of these is QNet which has been the subject of a detailed report by the serious frauds investigation office (SFIO). It is projecting as a clean chit a stay-order of the Supreme Court (SC) on action by the economic offences wing (EOW) of the police. The company has been employing extraordinary dubious strategies to get us, at *Moneylife*, to delete articles with regard to investigation and enforcement action against it from our website, forcing us to file a complaint with the Mumbai police and the cybercrime police. Its digital team follows a strategy of intimidation and character assassination of whistleblowers and others who complain against it. With the matter now in the SC, there is a chance of its fate being decided one way or the other, especially in the light of a detailed SFIO report.

A revival of QNet in India raises questions on the government's seriousness about tackling dubious money-circulation schemes, especially the financially powerful ones with global operations and fund flows. In early December 2017, the reputed blog known as BehindMLM (<http://behindmlm.com/mlm-reviews/qnet-review-how-is-this-mlm-company-still-in-business/>), which tracks shady multi-level marketing (MLM) schemes, published a detailed analysis of QNet, with a large segment on its Indian operations.

It says, QNet (originally started out as QuestNet to sell numismatic gold and silver coins at fancy prices) has “spawned at least 76 related shell companies” and is itself a subsidiary of the QI Group started by a Malaysian national, Vijay Eswaran. The blog says, QNet is headquartered in Hong Kong, but “has been very careful not to conduct business in either Hong Kong or China.” Further, other than Malaysia, “QNet has run into regulatory trouble in pretty much every country it's established a significant presence in.”

The blog goes on to list such regulatory action in the Philippines, Bhutan, Nepal, Sri Lanka, Iran, Indonesia, Afghanistan, Rwanda, Sudan, Syria, Turkey, Saudi Arabia, Azerbaijan and even Burkina Faso, which labelled QNet ‘a network of crooks’ (2016) and India. In many jurisdictions, its officials have been arrested and released. And, like in India, it has managed to obtain reprieve in some others.