

Reebok India case: I-T finds no signs of big corporate fraud

About two months after a criminal case was filed by Reebok India against two of its former employees over a scam allegedly involving Rs 870 crore, the Income-Tax department has found that it may not be a case of corporate fraud as made out and could involve tax evasion to the tune of Rs 140 crore.

The department, in its probe till now, has found that there does not exist signs of a clandestine "corporate layering" or veiled laundering in the finances of the company but the case qualifies under the category of manipulation and mis-representation of "discounts" offered by the firm to its dealers and manipulation of books of accounts, sources said.

The I-T is now checking the account books and documents of a number of select Reebok dealers in India, to whom it has begun issuing notices.

The much publicised case, where the FIR was filed in late May this year, is being probed by two other agencies, the Serious Fraud Investigations Office (SFIO)-a department under the Corporate Affairs Ministry and the Economic Offences Wing (EOW) of the Gurgaon police.

In the criminal complaint filed at the EOW, Reebok India had alleged that its former managing director Subhinder Singh Prem and chief operating officer Vishnu Bhagat were involved in a Rs 870-crore fraud by indulging in "criminal conspiracy" and "fraudulent" practises over a period of time.

The I-T department, however, has not issued a clean chit to anyone at present.

"The case could have ramifications of tax evasion of close to Rs 140 crore or so. The probe does not show that it can be called a big corporate fraud as it was touted to be," top I-T sources said.

The I-T department also does not rule out the culpability of accounting officials of the firm at this stage, for their deliberate or mistaken oversight in account books which led to the alleged financial irregularities in the Indian arm of the global sports merchandise manufacturer.

The taxman is also probing a Rs 135-crore insurance claim that Reebok India had made after its godown in Gurgaon was engulfed in a fire accident last year.

"The due diligence, which should have been done by the authorities of the firm to check if the dealers are utilising the discounts offered on the consignments, is under probe," the sources said.

The department has now begun dispatching notices to a select band of dealers of Reebok in India asking them to submit their account records so that the taxman can check against the entries made by the company's executives in their official records. Reebok India, in its FIR, had also said that it will incur a restructuring cost of Rs 487 crore to remedy the consequences of the "criminal and fraudulent" acts of its former top executives.

The I-T is scrutinising the account books to check this allegation too. Both the executives, however, had denied the allegations.

Institute of Chartered Accountants of India (ICAI) had sought information from the auditors N Narsimhan & Co and the company in order to carry out its own probe into the role of auditors.

Earlier this month, N Narasimhan & Co has informed the ICAI that there was no accounting wrong doing in the company.

(Economic Times)