



Press Release

9/6/2023

The Adjudicating Authority has issued show cause notices to Xiaomi Technology India Private Limited, its officials and three banks under section 16 of the Foreign Exchange Management Act on the basis of complaint filed by the Enforcement Directorate (ED) with respect to illegal remittances made by the company to the tune of Rs.5551.27 crore.

The show cause notices have been issued to the company along with Manu Kumar Jain, ex-Managing Director and Sameer B Rao, present Director and Chief Financial Officer of the Company. The Adjudicating Authority has also issued show cause notices to three banks i.e., CITI bank, HSBC Bank and Deutsche bank AG for contravention of Section 10(4) and 10(5) of FEMA and directions issued by RBI by allowing foreign outward remittances in the name of Royalty through the banks without conducting due diligence and without obtaining any underlying Technical Collaboration Agreement from the company.

Earlier, ED had seized Rs.5551.27 Crore of M/s Xiaomi Technology India Private Limited lying in its bank accounts under the provisions of Foreign Exchange Management Act, 1999 for unauthorised remittance of this amount in guise of Royalty abroad by the company.

The Competent Authority, appointed under Section 37A of the Foreign Exchange Management Act, has confirmed the said seizure order. The Authority while confirming the seizure held that ED is right in holding that foreign exchange equivalent to INR 5551.27 Crore has been transferred out of India by the Xiaomi India in an unauthorised manner and is held outside India on behalf of the group entity is in contravention of Section 4 of the Foreign Exchange Management Act, 1999 and the same is liable to be seized in terms of provisions of Section 37A of the FEMA. The Competent Authority also observed that payment of royalty is nothing but a tool to transferring the foreign exchange out of India and the same is in blatant violation of provisions of FEMA.

ED had initiated investigation in connection with the illegal remittances made by the company last year. During investigation under FEMA it was found by ED that the Company has remitted foreign currency equivalent to INR 5551.27 Crore to three foreign based entities which include one Xiaomi group entity in the guise of Royalty. Under the cover of various unrelated documentary façade created amongst the group entities, the company remitted this amount in guise of Royalty abroad which constitute violation of Section 4 of the FEMA.