



Press Release
30.09.2022

The Competent Authority appointed under Section 37A of the Foreign Exchange Management Act has confirmed the seizure order of Rs. 5551.27 Crore dated 29.04.2022 passed by the Directorate of Enforcement (ED) against Xiaomi Technology India Private Limited under the provisions of FEMA. This is the highest amount of seizure order in India which has been confirmed by the Authority till date. The Authority while confirming the seizure of Rs. 5551.27 Crore, held that ED is right in holding 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.

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. The company unauthorisedly remitted this amount in guise of Royalty abroad which constitute violation of Section 4 of the FEMA.

Xiaomi India also filed a writ petition before the High Court of Karnataka against the said order which was dismissed by the Hon'ble High Court vide order dated 05.07.2022. Xiaomi India is wholly owned subsidiary of China based Xiaomi group. This amount of Rs.5551.27 Crore lying in the bank accounts of the company has been seized by the ED. ED had initiated investigation in connection with the illegal remittances made by the company in the month of February this year.

The Company started its operations in India in the year 2014 and started remitting the money from the year 2015. 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. Such huge amounts in the name of Royalties were remitted on the instructions of their Chinese parent group entities. The amount remitted to other two US based unrelated entities were also for the ultimate benefit of the Xiaomi group entities.

The Xiaomi India is a trader and distributor of mobile phones in India under the brand name of MI. The Xiaomi India procures the completely manufactured mobile sets and other products from the manufacturers in India. The Xiaomi India has not availed any service from the three foreign based entities to whom such amounts have been transferred. 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. The Company also provided misleading information to the banks while remitting the money abroad.