

Finances of Foreign Direct Investment Companies, 1993-94

An account of the financial performance of the foreign direct investment (FDI) companies[@] for the period 1991-92 to 1993-94 is presented in this article. The study is based on the analysis of audited annual accounts of 275 selected companies which closed their accounts during the period April 1993 to March 1994\$. In the case of companies, which either extended or shortened their accounting year, Income, Expenditure and Appropriation account figures have been annualised. The balance sheet data, however, have been retained as presented in the annual accounts of the companies with the result that the data reported in balance sheets in such cases refer to varying periods. The analysis of the financial performance of FDI companies over the years is subject to these limitations.

All the selected 275 companies were amongst those included in the regular studies on finances of non-government non-financial public/ private limited companies for the year 1993-94. Of these, 240 companies were public limited companies and the rest 35 companies were private limited companies. The selected companies are classified into 7 major country and industry-groups.

A company is classified in a country depending upon the country of the largest foreign direct investment in the company. The industry group of the company is determined on the basis of the industry from which the company is reported to have earned more than 50 per cent of its total income. Industry-wise distribution of the selected companies across the major countries is presented in [Table 1](#).

* Prepared in the Company Finances Division of the Department of Statistical Analysis and Computer Services.

@ As per the Balance of Payments manual (5th edition, 1993; para 362) "A direct investment enterprise is defined as an incorporated or unincorporated enterprise in which a direct investor, who is resident in another economy, owns 10 per cent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated)". As such, a company in which 10 per cent or more equity capital is held by a single non-resident investor is defined as a Foreign Direct Investment Company.

\$ The previous study in this series was on the Finances of Foreign Controlled Rupee Companies, 1988-89 to 1990-91 published in the November, 1994 issue of the Reserve Bank of India Bulletin. Indian joint stock Companies which were subsidiaries of foreign companies, companies in which 40 per cent or more of the equity capital was held outside India in any one country and companies in which 25 per cent or more of the equity capital was held by a foreign company or its nominee were treated as Foreign-Controlled Rupee Companies (FCRCs). Banking, Insurance and Government Companies were excluded.

The tables in respect of finances of selected 321 FDI companies for the year 1992-93 are presented in the annexure.

TABLE 1 : INDUSTRY X COUNTRY-WISE DISTRIBUTION OF SELECTED FDI COMPANIES, 1993-94

Country /	U.K.	U.S.A.	Germ-Switzer-	Japan	Sweden	Others	Total
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	Industry-group			any		land			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Engineering	30	30	26	11	12	4	13	126
2.	Chemicals	16	10	6	3	4	1	12	52
3.	Tea	13	-	-	-	-	-	-	13
4.	Trading	3	2	-	-	-	-	2	7
5.	All textiles	2	1	1	1	-	-	1	6
6.	Rubber	4	1	-	-	-	-	1	6
7.	Other industries	20	11	2	6	4	1	21	65
	Total	88	55	35	21	20	6	50	275

The data collected from the 275 selected companies indicated that the three countries viz., U.K, U.S.A. and Germany are the leaders in the area of Foreign Direct Investment (FDI) in India with a tally of 88, 55 and 35 companies respectively wherein they accounted for majority investment.

At industry group levels also, their pre-eminent position is observed to hold true except as a special case, in the tea industry where foreign investment in all the 13 companies came from U.K.

Overall Performance

The financial performance of the 275 selected FDI companies in 1993-94 was impressive in terms of improvement in sales, profits and value added. Return on net assets (gross profits to total net assets) and return on shareholders' equity (profits after tax to net worth) were higher in 1993-94 than in the previous year. The effective tax rate (tax provisions to profits before tax) declined steadily during the years under review. There was also a sharp rise in the premium on shares while there were net repayments in total borrowings and a substantial fall in inventory formation of finished goods.

Overall, the performance of the selected companies exhibited similar trends across the industry-groups as well as across country-groups (i.e., from where companies received FDI). However, one observation could be made viz., that companies belonging to 'Trading' and 'Rubber' industry groups recorded lower profits in 1993-94 in contrast to the overall improvement in profits by the other groups of FDI companies.

A. Operational Results

The operations of the selected companies succeeded in raising their gross profits by 17.9 per cent to Rs.3,849 crore in 1993-94 following a rise of 6.1 per cent in 1992-93. Substantial sales growth (17.6 per cent) coupled with relatively lower growth in depreciation provisions (10.0 per cent in 1993-94 as against 14.3 per cent in 1992-93) contributed towards this. However, the profit margin (gross profits to sales) of these companies remained unchanged at 11.8 per cent in the last two years. Lower interest payments (-5.6 per cent) and higher non-operating surplus further enhanced the profitability of the selected companies in 1993-94.

TABLE 2 : GROWTH RATES OF SALES, GROSS PROFITS AND NET PROFITS OF

SELECTED FDI COMPANIES, 1992-93 AND 1993-94

Industry/ Country	(Per cent)					
	Sales		Gross Profits		Profits After Tax	
	1992-93	1993-94	1992-93	1993-94	1992-93	1993-94
Industry						
1. Engineering (126)	8.3	21.3	0.2	19.1	- 20.2	59.0
<i>Of which :</i>						
(a) Motor vehicles (21)	6.0	25.3	- 11.6	28.5	- 47.7	134.2
(b) Electrical machinery, apparatus, appliances, etc. (30)	8.2	19.7	10.4	20.7	0.9	34.6
(c) Machinery other than transport and electricals (52)	12.9	17.4	8.5	10.9	6.5	21.1
(d) Ferrous/non-ferrous metal products (15)	7.0	11.5	5.3	2.5	- 0.8	- 8.6
2. Chemicals (52)	13.9	12.1	15.2	20.5	14.1	43.3
<i>Of which :</i>						
(a) Basic industrial chemicals (15)	11.0	7.4	4.9	17.5	13.6	35.2
(b) Medicines and pharmaceutical preparations (19)	16.7	12.9	24.8	26.3	14.7	53.2
3. Tea (13)	4.1	7.6	- 23.0	4.7	- 28.1	57.8
4. Trading (7)	16.4	7.1	- 15.1	- 19.2	- 19.5	-
5. All textiles (6)	4.8	19.2	6.2	9.8	&	#
6. Rubber (6)	3.1	5.3	- 25.2	- 11.8	- 51.6	-
Country						
1. U.K. (88)	11.6	16.3	10.9	14.9	8.1	45.7
2. U.S.A. (55)	14.6	19.8	11.1	28.8	5.1	38.5
3. Germany (35)	7.2	23.6	- 8.7	15.3	- 33.7	72.5
4. Switzerland (21)	14.2	16.3	14.7	20.5	8.5	33.3
5. Japan (20)	9.0	20.9	- 2.1	19.6	- 19.2	33.4
6. Sweden (6)	18.7	11.4	14.5	11.8	0.3	40.6
All Companies (275)	11.0	17.6	6.1	17.9	- 1.7	45.6

Note: Figures in brackets relate to number of companies.

- Numerator is negative.

& Numerator and denominator both are negative.

Denominator is negative.

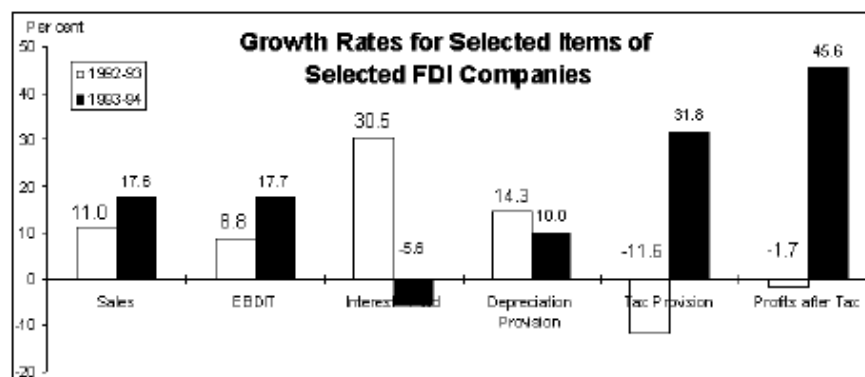


Chart 1

The effective tax rate of these companies declined from 41.0 per cent in 1992-93 to 38.6

per cent in 1993-94. Post-tax profits, which stagnated during 1991-92 and 1992-93, shot up by 45.6 per cent in 1993-94. Return on shareholders' equity also rose from 12.4 per cent in 1992-93 to 13.7 per cent in 1993-94.

TABLE 3 : PROFIT MARGIN, EFFECTIVE TAX RATE AND RETURN ON EQUITY OF SELECTED FDI COMPANIES, 1992-93 AND 1993-94 (Contd.)

Industry/ Country	(Per cent)					
	Profit Margin		Effective Tax Rate		Return on Equity	
	1992-93	1993-94	1992-93	1993-94	1992-93	1993-94
1	2	3	4	5	6	7
Industry						
1. Engineering	10.7	10.5	41.5	34.7	10.0	12.0
<i>Of which :</i>						
(a) Motor vehicles	9.0	9.2	25.2	18.0	6.7	12.3
(b) Electrical machinery, apparatus, appliances, etc.	10.6	10.7	45.4	42.1	12.0	9.1
(c) Machinery other than transport and electricals	14.6	13.8	45.7	44.2	16.0	16.8
(d) Ferrous/ non-ferrous metal products	12.3	11.4	40.0	37.4	8.8	6.8
2. Chemicals	11.3	12.1	40.2	42.7	14.3	17.4
<i>Of which :</i>						
(a) Basic industrial chemicals	12.6	13.7	37.6	39.7	9.0	11.0
(b) Medicines and pharmaceutical preparations	10.2	11.4	45.1	46.9	12.3	14.6
3. Tea	16.7	16.2	54.3	42.7	4.2	4.8
4. Trading	8.2	6.1	26.4	#	14.7	-
5. All textiles	7.9	7.3	171.4	85.5	-	0.9
6. Rubber	5.9	4.9	58.4	122.0	1.9	-
Country						
1. U.K.	12.6	12.5	41.3	39.8	12.2	13.2
2. U.S.A.	11.4	12.3	40.4	40.6	13.1	12.7
3. Germany	11.1	10.4	43.4	37.0	8.5	12.4
4. Switzerland	13.9	14.4	46.7	46.4	19.8	19.6
5. Japan	9.3	9.2	31.0	23.5	14.5	16.0
6. Sweden	14.8	14.8	43.6	38.0	13.7	17.0
All Companies	11.8	11.8	41.0	38.6	12.4	13.7

- Numerator is negative. # Denominator is negative.

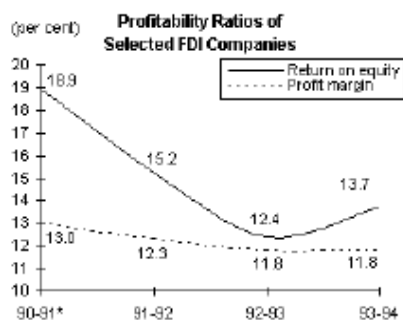


Chart 2

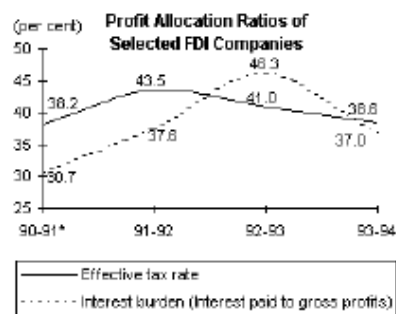


Chart 3

It is observed that in 1993-94, companies with a major portion of FDI from U.S.A. have recorded the highest growth in gross profits (28.8 per cent). However, profit margin was the highest at 14.8 per cent for the companies having FDI from Sweden followed by Switzerland at 14.4 per cent. Profit margins were of the order of 12.5 per cent and 12.3 per cent respectively in the case of companies with major FDI from U.K. and U.S.A.

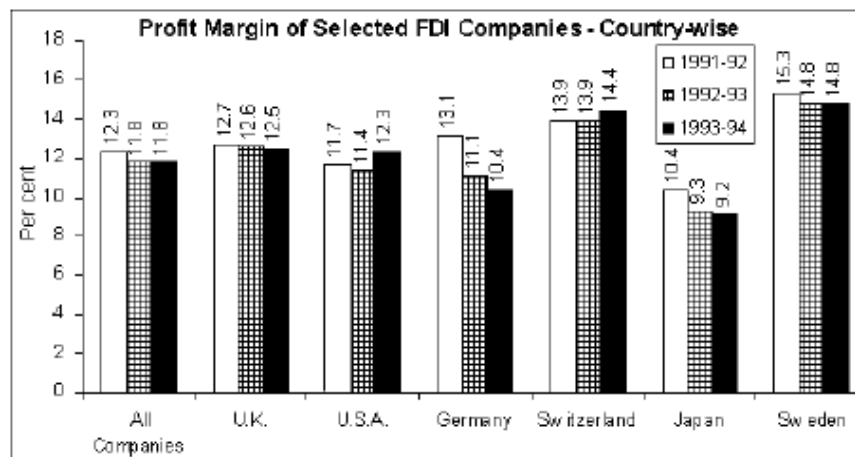


Chart 4

'Engineering' companies recorded the highest growth in sales (21.3 per cent) and profits after tax (59.0 per cent). However, the maximum growth in gross profits was recorded by 'Chemicals' companies, while the 'Tea' industry recorded the highest profit margin. However, except in the case of 'Chemicals' industry, the profit margins were lower in 1993-94 than in 1992-93. The profit margin increased from 11.3 per cent in 1992-93 to 12.1 per cent in 1993-94 in the case of chemical companies.

Following higher profits, dividends to shareholders also improved. The ordinary dividend rate (ordinary dividend to ordinary paid-up capital) for the selected companies was at 31.2 per cent in 1993-94 as against 26.3 per cent in 1992-93. As such, dividend payments recorded a growth of 33.4 per cent in 1993-94. Profits ploughed back into business also increased substantially by 55.7 per cent. There was an improvement in the retention ratio from 54.8 per cent in 1992-93 to 58.6 per cent in 1993-94. Country-wise analysis show that companies having major FDI from U.K. paid dividends at the highest rate of 37.1 per cent in 1993-94. Amongst the industry-groups, 'Chemicals' companies reported the highest ordinary dividend rate at 35.2 per cent in 1993-94.

TABLE 4 : ORDINARY DIVIDEND RATE AND RETENTION RATIO OF SELECTED FDI COMPANIES, 1992-93 AND 1993-94

(Per cent)

Industry/ Country	Ordinary Dividend Rate	Retention Ratio
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		1992-93	1993-94	1992-93	1993-94
Industry					
1.	Engineering	19.2	23.9	58.0	61.7
2.	Chemicals	28.5	35.2	53.6	57.8
3.	Tea	34.6	31.3	17.8	46.9
4.	Trading	28.9	9.7	72.1	&
5.	All textiles	29.1	27.4	&	-
6.	Rubber	16.9	18.1	-	&
Country					
1.	U.K.	31.4	37.1	48.0	52.5
2.	U.S.A.	26.7	31.5	56.7	57.5
3.	Germany	24.1	29.9	47.8	58.9
4.	Switzerland	24.7	29.7	72.0	71.1
5.	Japan	12.7	14.5	68.8	71.6
6.	Sweden	17.7	25.5	69.2	68.4
All	Companies	26.3	31.2	54.8	58.6

- Numerator is negative.

& Numerator and denominator both are negative.

B. Foreign Business

The foreign business of the selected FDI companies was more favourable in 1993-94 as compared with 1992-93. Net inflow of foreign currencies, which dropped from Rs.665 crore in 1991-92 to Rs.477 crore in 1992-93 for the selected companies, picked up to Rs.1,144 crore in 1993-94 ([Statement 16](#)).

Earnings in Foreign Currencies

The total foreign exchange earnings of these companies grew by 32.3 per cent in 1993-94 (20.8 per cent in 1992-93). Exports of these companies grew at much faster rate of 28.1 per cent in 1993-94 as against 18.8 per cent rise in 1992-93.

The export intensity of sales (exports to sales) of the selected companies improved from 10.6 per cent in 1992-93 to 11.5 per cent in 1993-94. Country group-wise, growth rates in exports were quite good, in most cases substantially improving upon the previous year's rates. Export intensity of sales was also higher in 1993-94 as compared to 1992-93 in the case of all country-groups except Germany. Export intensity of sales was the highest at 15.3 per cent for the companies having FDI from U.K. while it was the lowest at 7.1 per cent in the case of U.S.A.

All industry-groups except 'Tea' reported higher export intensity in 1993-94 as compared to that in 1992-93. In the case of 'Tea' companies, the export intensity which was the highest at 28.1 per cent in 1992-93 declined to 22.9 per cent in 1993-94. In 1993-94, the highest export intensity was observed in case of 'All textiles' at 23.1 per cent and the lowest at 1.4 per cent for the 'Trading' companies.

TABLE 5 : GROWTH IN EXPORTS AND EXPORT INTENSITY OF SALES OF

SELECTED FDI COMPANIES, 1992-93 AND 1993-94

Industry/ Country	(Per cent)			
	Growth in Exports		Export Intensity of Sales	
	1992-93	1993-94	1992-93	1993-94
Industry				
1. Engineering	25.9	33.0	9.0	9.8
2. Chemicals	7.1	18.4	8.0	8.5
3. Tea	39.7	- 12.4	28.1	22.9
4. Trading	157.1	45.6	1.0	1.4
5. All textiles	18.4	31.2	21.0	23.1
6. Rubber	- 17.4	53.4	7.5	10.9
Country				
1. U.K.	18.1	26.7	14.1	15.3
2. U.S.A.	18.5	28.5	6.7	7.1
3. Germany	23.3	15.5	9.6	8.9
4. Switzerland	33.9	86.8	9.3	15.0
5. Japan	68.8	25.3	7.6	7.9
6. Sweden	- 47.2	120.8	6.3	12.6
All Companies	18.8	28.1	10.6	11.5

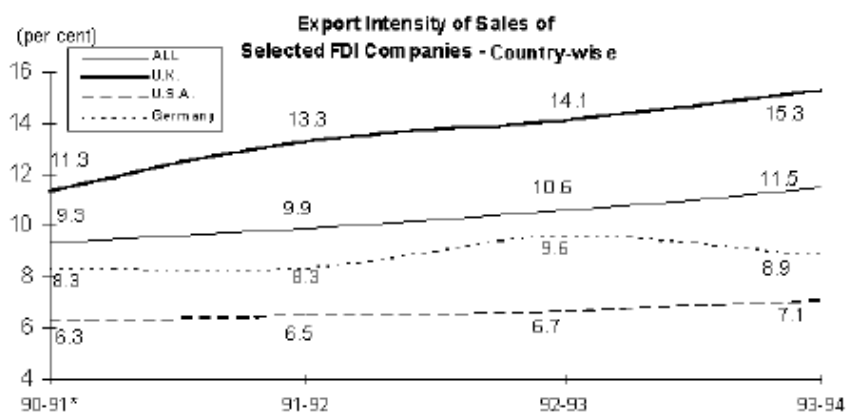


Chart 5

Expenditure in Foreign Currencies

Total expenditure by these companies in foreign currencies grew by 13.7 per cent as

against 37.1 per cent rise recorded in 1992-93. Capital goods imported by the selected companies declined to Rs.299 crore in 1993-94 from Rs.307 crore in 1992-93. Foreign currency expenditure towards imports of raw materials, components, etc. grew by 15.6 per cent in 1993-94 as against a rise of 35.8 per cent in 1992-93. Overall, total imports recorded a much lower growth of 11.0 per cent in 1993-94 in contrast to 39.6 per cent in 1992-93. Accordingly, import intensity of exports (imports to exports) of all the selected 275 companies also was brought down to 67.3 per cent in 1993-94 from 77.6 per cent in 1992-93.

Country-wise analysis of selected companies reveal that import intensity of exports was the highest at 158.5 per cent for companies with direct investment from U.S.A. in 1993-94 (174.9 per cent in 1992-93), followed by 'Japan' and 'Sweden' with import intensities of 125.3 per cent and 105.1 per cent in 1993-94 as against 109.2 per cent and 196.2 per cent respectively in 1992-93. This ratio was the lowest at 36.1 per cent in 1993-94 in respect of U.K.. Imports exceeded exports in both 'Trading' and 'Chemicals' industry groups which recorded import intensity of 125.4 per cent and 108.3 per cent respectively in 1993-94.

TABLE 6 : GROWTH IN IMPORTS AND IMPORT INTENSITY OF SELECTED FDI COMPANIES, 1992-93 AND 1993-94

Industry/ Country	(Per cent)			
	Growth in Imports		Import Intensity of Exports	
	1992-93	1993-94	1992-93	1993-94
Industry				
1. Engineering	31.5	3.6	107.9	84.0
2. Chemicals	36.2	18.4	108.3	108.3
3. Tea	- 14.8	12.6	0.6	0.8
4. Trading	- 8.7	23.0	148.5	125.4
5. All textiles	150.6	- 33.1	45.3	23.1
6. Rubber	8.8	45.7	92.2	87.6
Country				
1. U.K.	49.4	7.6	42.5	36.1
2. U.S.A.	29.0	16.4	174.9	158.5
3. Germany	32.8	- 2.3	89.6	75.8
4. Switzerland	41.9	13.3	121.9	73.9
5. Japan	- 0.1	43.7	109.2	125.3
6. Sweden	- 10.6	18.2	196.2	105.1
All Companies	39.6	11.0	77.6	67.3

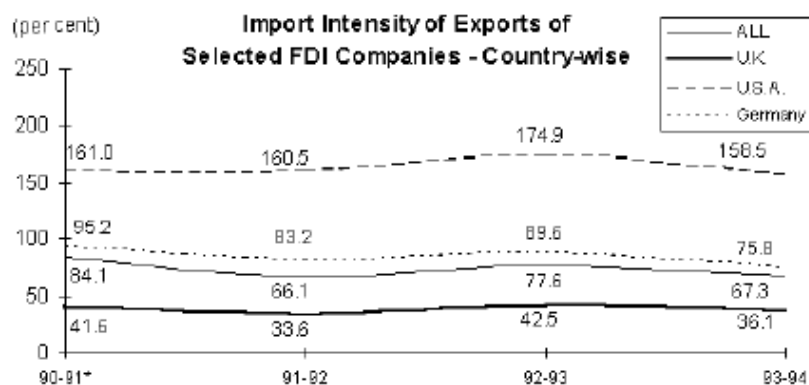


Chart 6

Dividend Remittances

Dividend remittances of the selected 275 companies in foreign currencies increased from Rs.140 crore in 1992-93 to Rs.153 crore in 1993-94. It formed 4.9 per cent of total expenditure in foreign currencies in 1993-94. Remittance of higher dividends in foreign currencies in 1993-94 was reported in the case of all country groups except Germany. For 'Engineering', 'Chemical' and 'Tea' industry groups, dividend remittance in foreign currencies was higher in 1993-94 than in 1992-93.

C. Financing Pattern and Capital Structure

Financing Pattern

A total amount of Rs.3,532 crore was raised by the selected companies during 1993-94 ([Statement 15](#)). The financing pattern seems to have undergone some changes in 1993-94. A total of Rs.1,265 crore (35.8 per cent of total sources of funds) was raised through fresh issues by the selected companies in 1993-94. On the new issues of Rs.184 crore in 1993-94, a share premium of Rs.1,081 crore was collected. These companies had also raised higher amounts through issuance of debentures in 1993-94, Rs.132 crore as against Rs.27 crore in 1992-93.

As regards borrowings, there were net repayments of Rs.197 crore by the selected companies. There were net repayments of Rs.485 crore towards bank borrowings during 1993-94 as compared to fresh incremental borrowings of Rs.491 crore in 1992-93. A sum of Rs.43 crore was also repaid towards borrowings from Indian financial institutions during 1993-94, in contrast to net borrowings of Rs.521 crore in 1992-93. However, borrowings from foreign institutional agencies increased by Rs.8 crore during 1993-94 as against net repayments of Rs.5 crore in 1992-93.

The share of total reserves and surplus in total funds raised increased from 12.9 per cent in 1992-93 to 25.4 per cent in 1993-94. Funds raised in the form of 'Other reserves' were Rs.1,029 crore in 1993-94 as against Rs.533 crore in 1992-93. The share of 'Provisions' also increased from 18.0 per cent in 1992-93 to 23.2 per cent in 1993-94.

TABLE 7 : FINANCING PATTERN OF SELECTED FDI COMPANIES, 1992-93 AND 1993-94

Sources of Funds	(Per cent)	
	1992-93	1993-94
Internal sources		
Paid-up capital (Internal)	1.4	1.6
Reserves and surplus	12.9	25.4
Provisions	18.0	23.2
External sources		
Paid-up capital (External)	15.0	35.8
Borrowings	30.6	- 5.6
Trade dues and other current liabilities	22.2	19.6
Others	- 0.1	-
Total	100.0	100.0

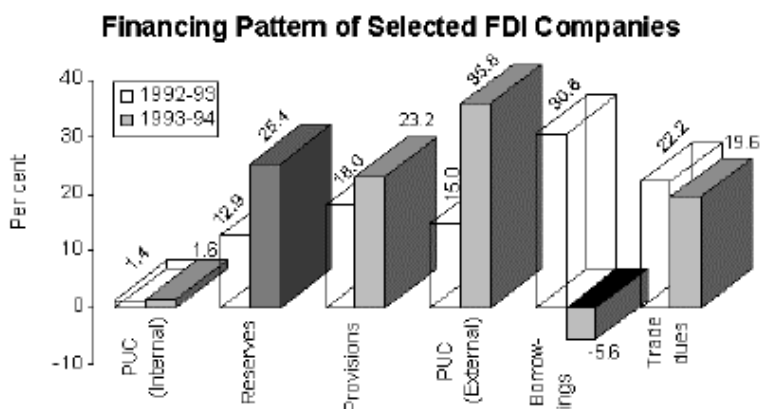


Chart 7

Capital Structure

Total liabilities/ assets of the selected companies increased by 13.6 per cent to Rs.29,554 crore in 1993-94 ([Statement 12](#)). The changes in financing pattern during 1993-94 resulted in minor variations in the capital structure of selected companies ([Table 8](#)).

TABLE 8 : COMPOSITION OF LIABILITIES OF SELECTED FDI COMPANIES, 1991-92 TO 1993-94

Liabilities	(Per cent)		
	1991-92	1992-93	1993-94
1. Share capital	7.8	7.4	7.3
2. Reserves and surplus	25.8	27.3	32.8
3. Borrowings	33.7	33.8	29.1

<i>Of which, debt</i>	18.8	18.4	16.8
4. Trade dues and other current liabilities	29.5	28.9	27.7
5. Others	3.1	2.5	3.0
Total	100.0	100.0	100.0

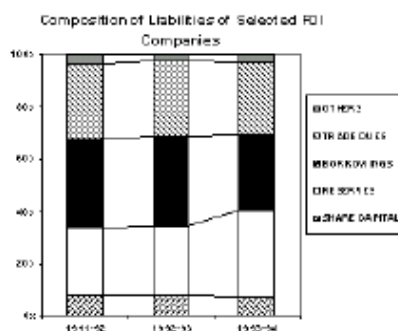


Chart 8

The share of borrowings in total liabilities declined from 33.8 per cent in 1992-93 to 29.1 per cent in 1993-94. On the contrary, share of reserves and surplus increased consistently from 25.8 per cent in 1991-92 to 27.3 per cent in 1992-93 and further to 32.8 per cent in 1993-94. Share of debt in total liabilities decreased from 18.4 per cent in 1992-93 to 16.8 per cent in 1993-94.

Debt-equity Ratio

A note worthy feature in the performance of the selected companies was that debt equity ratio declined from 56.0 per cent in 1991-92 to 53.0 per cent in 1992-93 and further to 41.8 per cent in 1993-94 ([Table 9](#)).

TABLE 9 : DEBT-EQUITY RATIO OF SELECTED FDI COMPANIES, 1991-92 TO 1993-94

Industry/ Country	(Per cent)		
	Debt-equity Ratio		
	1991-92	1992-93	1993-94
Industry			
1. Engineering	77.7	71.1	56.6
2. Chemicals	44.6	46.3	38.7
3. Tea	7.0	8.3	6.0
4. Trading	30.4	35.1	33.6
5. All textiles	21.4	42.3	39.7

6. Rubber	18.0	17.8	13.4
Country			
1. U.K.	50.5	45.4	34.0
2. U.S.A.	55.3	55.2	38.9
3. Germany	65.3	67.5	60.7
4. Switzerland	43.7	38.6	28.4
5. Japan	81.1	72.2	62.2
6. Sweden	27.2	20.6	16.4
All Companies	56.0	53.0	41.8

D. Utilization of Funds and Asset Structure

Utilization of Funds

The pattern of utilization of funds showed wide variations in 1993-94 as compared to the previous year ([Table 10](#)).

TABLE 10 : FUNDS UTILIZATION BY THE SELECTED FDI COMPANIES, 1992-93 AND 1993-94

Uses of funds	(Per cent)	
	1992-93	1993-94
1. Gross fixed assets	40.1	42.2
2. Inventories	22.8	- 2.3
3. Loans and advances and other debtor balances	29.9	39.6
4. Investments	- 1.8	20.1
5. Cash and bank balances	7.0	- 0.5
6. Other assets	2.0	1.0
Total	100.0	100.0

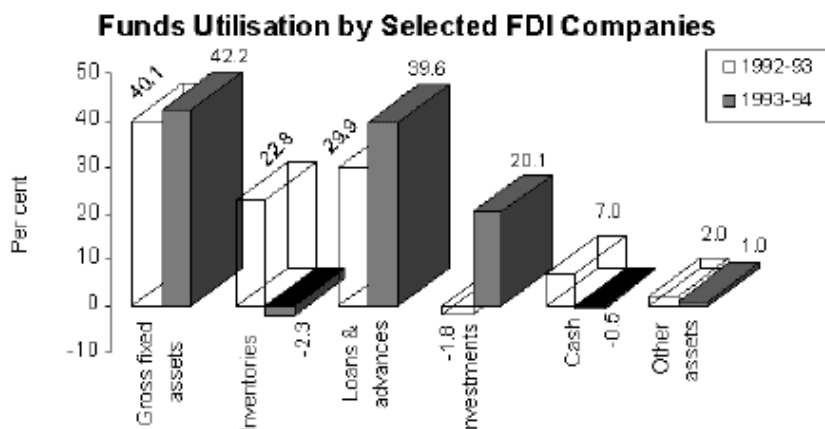


Chart 9

Fixed asset formation (42.2 per cent) remained the most significant use of total funds raised in 1993-94 followed by 'loans and advances and other debtor balances' (39.6 per cent) ([Statement 15](#)). There was a positive shift in the utilization of funds from inventory accumulation to investments and deployment of funds for loans and advances and other debtor balances. Inventories of finished goods reduced by Rs.298 crore while that of 'stores and spares' reduced by Rs.15 crore in 1993-94 in contrast with increments of Rs.641 crore and Rs.90 crore respectively in the previous year. Inventories which accounted for 22.8 per cent in total utilization of funds in 1992-93 made no claims in 1993-94. On the other hand, the shares of 'loans and advances and other debtor balances' and 'investments' increased to 39.6 per cent and 20.1 per cent respectively in 1993-94. Cash and bank balances were also lower in 1993-94 as compared to 1992-93.

Assets Structure

The changes in utilization pattern of funds available with the companies is reflected in the composition of assets of the selected companies ([Table 11](#)).

TABLE 11 : COMPOSITION OF ASSETS OF SELECTED FDI COMPANIES, 1991-92 TO 1993-94

Assets	(Per cent)		
	1991-92	1992-93	1993-94
1. Net fixed assets	31.6	31.8	33.1
2. Inventories	28.1	27.8	24.2
3. Loans and advances and other debtor balances	31.2	31.5	32.5
4. Investments	5.1	4.1	6.0
5. Others	3.9	4.8	4.3
Total	100.0	100.0	100.0

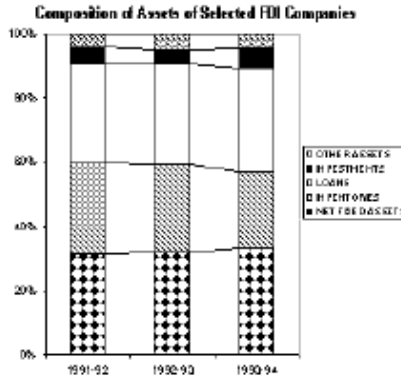


Chart 10

Share of inventories in total net assets declined from 27.8 per cent in 1992-93 to 24.2 per cent in 1993-94. On the contrary, the shares of 'Net fixed assets', 'Loans and advances and other debtor balances' and 'Investments' increased from 31.8 per cent, 31.5 per cent and 4.1 per cent in 1992-93 to 33.1 per cent, 32.5 per cent and 6.0 per cent respectively in 1993-94.

Liquidity

The current ratio in respect of all selected FDI companies remained unchanged at 1.4 during the period under study. However, the quick ratio (quick assets to current liabilities) was higher at 60.7 per cent in 1993-94 as compared to 57.5 per cent in the previous year.

TABLE 12 : LIQUIDITY RATIOS OF SELECTED FDI COMPANIES, 1992-93 AND 1993-94

Industry/ Country	Current Ratio		Quick Ratio (Per cent)	
	1992-93	1993-94	1992-93	1993-94
Industry				
1. Engineering	1.4	1.4	64.1	68.8
2. Chemicals	1.5	1.5	50.8	54.8
3. Tea	1.4	1.5	43.1	35.6
4. Trading	1.2	1.2	48.0	42.3
5. All textiles	1.5	1.6	41.6	46.4
6. Rubber	1.4	1.3	68.0	58.5
Country				
1. U.K.	1.4	1.4	55.3	57.3
2. U.S.A.	1.5	1.6	58.2	58.8
3. Germany	1.3	1.4	61.0	71.2
4. Switzerland	1.3	1.3	56.6	53.2
5. Japan	1.3	1.3	47.7	46.7
6. Sweden	1.8	1.9	106.8	111.7

All Companies**1.4****1.4****57.5****60.7**

The companies having FDI from Sweden registered the highest current ratio at 1.9 followed by U.S.A. at 1.6. For rest of the country-groups, it was at 1.3-1.4. The quick ratio was also very high at 111.7 per cent for companies having FDI from Sweden. However, it was the lowest at 46.7 per cent in respect of Japan. Industry-wise, current ratio was the lowest at 1.2 for 'Trading' companies. Quick ratio was the highest at 68.8 per cent for 'Engineering' companies while it was the lowest at 35.6 per cent for 'Tea' companies.

E. Performance of FDI Companies vis-a-vis Others

The growth and working of selected FDI companies vis-a-vis other companies included in the regular studies on public and private limited companies is given in [tables 18](#) and [19](#) respectively. It may be seen that the growth in sales of selected FDI public/ private limited companies was higher in 1993-94 as compared to other public/ private limited companies while their gross profits recorded lower growth rates. However, profit margin of selected FDI public limited companies was lower at 11.8 per cent as compared to 12.2 per cent for other companies. Effective tax-rate was also higher for the selected FDI public/private limited companies as compared to other public/private limited companies.

TABLE 18 : GROWTH RATES OF SALES, GROSS PROFITS AND NET PROFITS OF SELECTED COMPANIES, 1992-93 AND 1993-94

Type of Companies	Number of Companies	(Per cent)					
		Sales		Gross Profits		Profits After Tax	
		1992-93	1993-94	1992-93	1993-94	1992-93	1993-94
1. Public limited companies ^(a)	1700	12.2	15.6	6.6	23.1	- 1.5	80.2
(i) Selected FDI companies ^(b)	240	10.9	17.6	5.9	17.9	- 2.3	46.1
(ii) Others ^(c)	1460	12.6	14.9	6.9	24.8	- 1.2	92.3
2. Private limited companies ^(a)	846	14.6	15.0	7.4	25.0	16.3	72.0
(i) Selected FDI companies ^(b)	35	26.1	23.9	36.1	21.1	161.3	-5.9
(ii) Others ^(c)	811	14.2	14.6	5.5	25.4	6.7	84.6
3. FDI companies ^(b) (1(i)+2(i))	275	11.0	17.6	6.1	17.9	- 1.7	45.6

TABLE 19 : PROFIT MARGIN, EFFECTIVE TAX RATE AND RETURN ON EQUITY OF SELECTED COMPANIES, 1992-93 AND 1993-94

Type of Companies	Number of Companies	(Per cent)					
		Profit Margin		Effective Tax Rate		Return on Equity	
		1992-93	1993-94	1992-93	1993-94	1992-93	1993-94
1. Public limited companies ^(a)	1700	11.4	12.1	30.5	23.1	9.4	12.0
(i) Selected FDI companies ^(b)	240	11.8	11.8	41.0	38.5	12.3	13.7
(ii) Others ^(c)	1460	11.3	12.2	25.8	17.4	8.6	11.6
2. Private limited companies ^(a)	846	8.6	9.4	42.8	36.5	13.1	16.1
(i) Selected FDI companies ^(b)	35	18.7	18.3	35.1	50.6	28.7	23.4
(ii) Others ^(c)	811	8.3	9.0	43.8	34.9	12.0	15.7
3. FDI companies ^(b) (1(i)+2(i))	275	11.8	11.8	41.0	38.6	12.4	13.7

(a) All selected companies included in the regular studies published by the Division.

(b) The FDI companies included in the study are based on the list of such companies figuring in the Foreign Investment Survey (FIS) conducted by the Department.

(c) 'Others' include companies which are not figuring in FIS mentioned at (b) above.