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Finances of Foreign Direct Investment Companies, 2022-23

Today, the Reserve Bank released the data[1] relating to financial performance of non-government non-financial (NGNF) foreign direct investment (FDI) companies in India during 2022-23 (https://cimsdbie.rbi.org.in/DBIE/#/dbie/reports/Statistics/Corporate%20Sector/Finances%20of%20FDI%20Companies) based on audited annual accounts of 2,272 companies, which reported in the Indian Accounting Standards (Ind-AS) format for three accounting years from 2020-21 to 2022-23. Their economic sector classification is based on their principal business activity reported in MGT-7 form (https://www.mca.gov.in/MinistryV2/companyformsdownload.html) of the Ministry of Corporate Affairs, Government of India, which is the primary source of these data.

The paid-up capital (PUC) of these companies amounted to ₹5,44,014 crore, which accounted for 56.9 per cent of the total PUC of FDI companies that had reported in the 2022-23 round of the Reserve Bank's annual census of foreign liabilities and assets of Indian direct investment companies.

Highlights

- Nearly half of the sample companies received direct investment from Singapore, Mauritius, and the USA; Japan, Netherland and United Kingdom were other major FDI source countries. A major chunk of the sample companies belonged to manufacturing, and information and communication sectors (Statement 1).

Sales

- The post-pandemic recovery in activities of firms consolidated further during 2022-23 and net sales of the sample companies rose by 21.1 per cent on top of 28.6 per cent growth in the previous year (Statement 2).
- Major manufacturing and services sectors (barring wholesale and retail trade) recorded double digit sales growth for the second successive year (Statement 7).

Expenditure

- Strengthening of economic activity resulted in 20.7 per cent growth in raw material expenses during 2022-23; operating expenses also rose by 20.7 per cent over and

[1] The previous data release in the series was published on March 31, 2023, based on finances of 2,206 FDI companies for the years 2019-20 to 2021-22.

above 31.3 per cent increase in the previous year; manufacturing and services sectors witnessed a similar trend (Statement 2 and 7).

- The share of research and development (0.09 per cent) and royalty payment (1.11 per cent) in total expenditure of selected companies have come down marginally over the last two years (Statement 4).
- Employee remuneration outgo increased in sync with rising business activities; the manpower intensive services sector recorded higher rise (24.3 per cent) when compared to such rise for the manufacturing sector (13.1 per cent) (Statement 7).

Profits

- Selected firms recorded robust profits during 2022-23: their operating profits and post-tax profits rose by 17.5 per cent and 45.2 per cent, respectively. Private limited FDI companies recorded higher profit growth as compared with public limited FDI companies (Statement 2 and 9).
- Services sector recorded higher profit growth when compared to the manufacturing sector (Statement 7).
- At aggregate level, while operating profit margin moderated successively during the previous two years, while net profit margin improved further to 5.9 per cent from 4.9 per cent in the previous year and 3.2 per cent during 2020-21 (Statement 3).

Leverage

- Leverage (measured in terms of debt-to-equity ratio) of the sample FDI companies continued to decline and stood at 39.9 per cent during 2022-23; it stood at 19.3 per cent for manufacturing companies and 54.1 per cent for the services firms (Statements 3 and 10).
- At the aggregate level, interest coverage ratio[2] continued to improve, as business activities rose and the growth in gross profit outpaced the rise in interest expenses (Statements 2 and 3).

Sources and Uses of Fund

- External sources accounted for 52.7 per cent of additional funding of the sample FDI companies during 2022-23 (58.0 per cent in the previous year). Capital, other equity and provisions provided higher cushion to internal sources, whereas reliance on ‘share capital and premium’ came down among the external sources (Statement 6A).
- During the year, 56 per cent of fresh funds were utilised in gross capital formation (35 per cent in 2021-22); other major uses of funds included receivables, inventories and cash & cash equivalents (Statement 6B).

Explanatory notes to the statements are given in the Annex.

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[2] ICR, a ratio of earnings before interest and taxes (EBIT) to interest expenses, is a measure of debt servicing capacity of a company.