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Website : www.rbi.org.in

ई-मेल/email : helpdoc@rbi.org.in



संचार विभाग, केंद्रीय कार्यालय, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई - 400 001

Department of Communication, Central Office, Shahid Bhagat Singh Marg, Fort, Mumbai - 400 001 फोन/Phone: 022 - 2266 0502

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Finances of Foreign Direct Investment Companies, 2023-24

Today, the Reserve Bank released the data¹ relating to financial performance of non-government non-financial (NGNF) foreign direct investment (FDI) companies in India during 2023-24 (<https://cimsdbie.rbi.org.in/DBIE/#/dbie/reports/Statistics/Corporate%20Sector/Finances%20of%20FDI%20Companies>) based on audited annual accounts of 2,418 companies, which reported in the Indian Accounting Standards (Ind-AS) format for three accounting years from 2021-22 to 2023-24. Their economic sector classification is based on their principal business activity, as 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 ₹ 5,30,160 crore, which accounted for 51.1 per cent of the total PUC of FDI companies that had reported in the 2023-24 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, while Japan, Netherland, United Kingdom and Germany were other major countries which made direct investment in India; A major chunk of the sample companies belonged to manufacturing and services sectors, with about one third of companies belongs to information and communication industries within services sector (Statement 1).

Sales

- With the normalisation of post-pandemic pent-up demand conditions, the growth in net sales of select FDI companies moderated to 9.3 per cent (y-o-y) during 2023-24 from the high growth of 20.3 per cent observed in the previous year; manufacturing and services sectors recorded lower sales growth of 6.4 per cent and 12.7 per cent, respectively, during 2023-24 (Statement 2 and 8).
- Moderation in sales growth was broad based across the major industries within the manufacturing and services sectors, except 'Wholesale and retail trade' and 'Electricity, gas, steam and air condition supply' industries (Statement 8).

Expenditure

¹ The previous data release in the series was published on [May 27, 2024](#), based on finances of 2,272 FDI companies for the years 2020-21 to 2022-23.

- With moderation in growth of manufacturing expenses and remuneration to employees, operating expenses recorded lower rise of 7.8 per cent during 2023-24, in tandem with the slowdown in sales growth. (Statement 2 and 8).

Profits

- Despite lower growth in sales, cost rationalisation helped operating profits to grow by 20.4 per cent during 2023-24 from 15.3 per cent growth during the previous year, at aggregate level; operating profit of manufacturing and services sectors increased by 20.4 per cent and 19.0 per cent, respectively (Statement 2 and 8).
- Private limited FDI companies recorded higher profit growth as compared to public limited FDI companies (Statement 10).
- At aggregate level, both, operating profit margin and net profit margin improved by 120 basis points (bps) and 30 bps to 13.2 per cent and 6.4 per cent, respectively, during 2023-24 from the previous year (Statement 3).

Leverage

- Leverage (measured in terms of debt-to-equity ratio) of the sample FDI companies moderated and stood at 33.2 per cent during 2023-24; among the major sectors; leverage of manufacturing sector improved to 16.8 per cent during 2023-24, while for the services sector it inched-up to 43.4 per cent, due to higher leverage in 'Transport and storage services' and 'Information and communication' industries (Statements 3 and 11).
- At the aggregate level, interest coverage ratio (ICR)², continued to improve and stood at 4.4 during 2023-24, with growth in gross profit outpaced the rise in interest expenses; ICR of manufacturing sector moderated marginally to 7.8 during 2023-24 from the previous year while it improved for services sector to 3.3 in 2023-24 (Statements 2, 3 and 11).

Sources and Uses of Fund

- With higher growth in profit, share of internal sources of funds in total sources of funds increased to 52.1 per cent during 2023-24 from 48.1 per cent during the previous year; consequently, share of external sources of funds moderated to 47.9 per cent during 2023-24, mainly due to significantly lower increase in trade payables (Statement 6A).
- During 2023-24, share of funds utilised for gross fixed capital formation in total sources of funds moderated to 38.8 per cent (48.3 per cent in 2022-23), while share of 'investment in equity instruments', 'bank balances other than cash and cash equivalents' increased during 2023-24 (Statement 6B).
- At aggregate level, fixed assets growth moderated to 8.3 per cent (y-o-y) during 2023-24 from 12.1 per cent in the previous year; moderation in growth of fixed assets was exhibited by manufacturing as well as services sectors (Statement 2 and 8).

Explanatory notes to the statements are given in the Annex.

² ICR (i.e., ratio of earnings before interest and tax to interest expenses) is a measure of debt servicing capacity of a company. The minimum value for a viable ICR is 1.