CWS/WP/200/25

Revenue (Foreign Exchange) Implications of the Outward Foreign Direct Investment:

A Case of Indian Firms-level Investments[*]

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September 2016

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* Authors immensely benefitted from constant interactions with Prof. K.S. Chalapati Rao and Prof. Abhijit Das and acknowledge their valuable contributions towards preparation and completion of this paper. However, the views expressed in this paper are the views of the authors and take full responsibly for all the errors and omissions. This is a revised version of the original paper uploaded on March 30, 2016.

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Introduction

The outward foreign direct investments (OFDI) from India have surged in the recent past. Based on the evidence available from the Reserve Bank of India (RBI) for the decade (2000s), the Indian OFDI has mainly been dominated by equities and loans. The two main channels of investment were the joint ventures (JVs) and the wholly owned subsidiaries (WOS). A similar surge in OFDI trend was observed by UNCTAD in its flagship publication the "World Investment Report (2011)". The UNCTAD observations were based on two parameters, the first being the magnitude of FDI outflows, India was placed 21st in the world and in terms of value of net purchases (i.e., cross border acquisition deals) by Indian companies in 2010, it was placed fifth in the World after the US, Canada, Japan and China. These ranking significantly brought the outward foreign direct investment from India to the centre stage.

Staged liberalisation, by India of investment policies played a critical role in encouraging and facilitating the OFDI. It began in 1991 with de-valuation and other structural reforms undertaken (such as, industrial deregulation in 1992), the two gave impetus to cross-border acquisitions by the Indian corporate sector, trade liberalisation and relaxation of regulations governing inward FDI leading to a major restructuring in the Indian industry. India followed this with a second phase liberalisation undertaken by way of FEMA (1999) beginning from 2004 up to 2015[2] on the capital and current account liberalisation in the context of overseas investments.

Khan (2012) analysis found that many of the leading companies owe their competitiveness to the reform process. Greater exposure to internal as well

[2] RBI directives on overseas investment liberalisation notified at regular intervals.

as external competition proved to be instrumental in building confidence among the Indian companies to compete with foreign competitors in the world market. Apart from liberalised policy environment for overseas investment, India has gained ground as an important investor on the back of (a) rapid economic growth, (b) easy access to financial resources and (c) strong motivations to acquire resources and strategic assets abroad.[3] The last point of the three led to gradual increase in an additional channel of capital outflows which was guaranteed by the banking system and was known as guarantees issued.

The guarantees issued was active from 2009-10 to 2014-15, indicated an increased share of guarantees issued in the overall OFDI flows from India and it surpassed the contributions made by the previously dominant channels like the equity and loans.

Chapterisation of the Report

The surge in OFDI at the local level coupled with the increased interest in investment issues at the global level have motivated us to undertake this research, which intends to contextualise India's OFDI in terms of benefits and challenges. The Report is divided into five sections.

Section One dwells into the past studies and it reviews both outward and inward FDI flows, in order to understand its causal linkages with economic development and thereby also evolves a methodology for the study**.**

Section Two provides an assessment on international investment position (IIP) of India – the section also place India in global scenario based on net IIP position in terms of inward and outward FDI flows. It further provides a clear distinction in growth trends observed in pre-liberalisation (1980-94) and post-liberalisation (1994-2013). The analysis of the section is based on two online databases: 1) balance of payment statistics; and 2) the UNCTAD statistics.

[3] Khan, Harun R., 2012, 'Outward Indian FDI – Recent Trends & Emerging Issues', address delivered by Shri., Deputy Governor, Reserve Bank of India at the Bombay Chamber of Commerce & Industry, Mumbai, on March 2, https://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/OV27022012.pdf

Section Three analysis the OFDI trends at the macro level i.e., from 2000/01 to 2011/12 and further a macro analysis based on firm-wise OFDI undertaken for the period 2007/08 to 2014/15. The latter is detailed out in terms of composition of OFDIs in terms of the three modes, sectors and countries to which investment activities are undertaken.

Section Four narrows down two of the channels of OFDI (equity and loans) which we have considered as true representative of India's OFDI. Based on the total OFDI flows for the period of 2007/08 to 2014/15, list of top 100 firms was prepared and firm-wise information on foreign exchange revenue collected was analysed.

Finally, **Section Five** provides conclusions along with some policy recommendations and suggestions as how to approach the issue of investment agreements under the WTO by India.

Section I

1 Review of Literature

In the context of paucity of research work dwelling into the benefits and challenges of OFDI from the perspective of developing countries, this study will adopt multiple approaches to arrive at understanding the benefits and challenges by a surge in OFDI from India.

To identify the benefits accrued from the OFDI, besides reviewing the studies on developing countries in general, it will also review the available studies in case of developed countries. Further, it is important to mention that some of the benefits suggested in case of foreign direct investments (FDI) can also be re-phrased to draw conclusions on the benefits from OFDI.[4] The above mentioned approaches would be adopted in the assessment of benefits to the home country, in this case India.

It has been argued that FDI in general is a key driver of global economic growth, and accentuating the process of globalisation. FDI is growing rapidly around the world, driving forward the growth in production, international trade, and global value chains. Over the past three decades

1.1 Literature Review on outward FDIs Flows

In the case of India's outward foreign direct investment (outward FDIs) there are only limited studies. In the Indian context, these studies only provide empirically partial evidence on the actual intensions, nature and impact of these outward FDIs. It has been established that globally there has been a reversal favouring to the outward FDIs. Some of the traditional capital deficient countries (FDI receivers) have been turning into suppliers of capital - armed with excess reserve from trading activities in manufacturing. India is a unique case with surge in outward FDIs, only being a recent phenomenon – some discussions by the academicians and the Central Bank (RBI) can be traced back to early 2000.

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[4] FDI for country 'Y' point of view is investment which will be categorised into outward foreign direct investments (OFDI) for country 'X' in a two economy model. So an act of FDI is also an act of ODFI as these are two sides of the same coin.

However, some of the past studies mostly explained and interpreted the trends seen in terms of the outward FDIs flows from India. The possible green-field (new investments) and brown-field investments (mergers and acquisitions) have also been analysed in these studies. While the primary concerns as observed from the studies were the capability formation achieved through the continuous creative assimilation, accumulation of human capital and managerial skills, improvement of production efficiencies and adaption of imported technologies and alliances with multinational enterprises (MNEs) in developed countries.

The edited book by Karl *et.al.*, highlighted couple of objectives for the increase in outward FDIs flows: with the need of global strategies there was need for the MNEs to accumulate technological skills and build their brand image to further this cause in the emerging market economies (EMEs) to redefine world production system, and secondly to take advantage of low costs to be leveraged into double comparative advantage of fast capitalisation with powerful technological and brand based catching up, and lastly explore dynamic links between the processes of growth and technological catching-up using strategic joint ventures and acquiring technology portfolios.

The case of pharmaceutical and software industries like the knowledge based industries have been creating capacities supported by the government policy during mid-1970s. The era of liberalised regime (especially in post 2000) when Indian MNEs is seen to have graduated to the next level stage learning from the experiences. India has witnessed a surge in domestic market driven investments in this phase largely by leveraging acquisition in order to grow rapidly in global markets, all of these have lead to surge in outward FDI flows.

The pattern of destination of India's OFDI Investment in the developed economies provides a detailed account of the volume of OFDI, their industrial composition, age profile and size distribution of Indian MNEs. An estimation of the entry routes of OFDI like green-field and M&A, push and pull factors driving the OFDI from India were also undertaken. The analysis clearly suggests that the Indian OFDI has taken off since 2000; one of the major drivers behind these could be explained by the potential to give them access to better R&D and skill infrastructure, established brand names and available strategic assets available.

Indian FDI was dominated by manufacturing sector particularly chemical (pharmaceutical) and transport equipment with consistent rise over the time. However, knowledge based industries, viz., software and IT, depository institutions, professional, technical and scientific services, have invested heavily since 2000. The age profile and nature industry shows that the younger companies are predominantly invested in the service sector, while the older companies have concentrated mainly on the manufacturing sector. The book further identifies that OFDI flows to the developed economies can be attributed to a host of factors which includes host country factors (pull factors) as well as home country factors (push factors). Important factors behind the Indian OFDI to Germany are long tradition of economic relations between these two countries, proximity to their customers and suppliers, large access to German market and availability of skilled labour. Another interesting finding of this survey study is that Indian MNEs are net job creators in the Germany.

The surge in Indian OFDI to Africa is a new form of south-south cooperation which accounted to US 73 million during 1961- 89. However, during recent years, these flows have increased phenomenally mainly in sectors, viz., chemicals, oil and gas industries contributing around half of the total flows during 2000-07. Indian state owned oil companies are building an increased presence in natural resource based industries and becoming an established trend in African countries. The growing linkage of presence of Indian MNEs has been largely attributed to the liberalised policies for outward investment pursued in recent years; therefore we can find these linkages in the later period too. The reasons for the surge in the outward FDI were suggested as low investment opportunities in domestic economy; reasons with perspective of industrial organisation and global business strategies.

Studies also point that as the Indian corporate becomes increasingly competitive, they may aggressively explore globalisation opportunities as part of their future growth plans. Outward FDI related to acquisition of strategic resources, expansion of market base, leveraging new technologies for local markets, etc. would facilitate long-term growth in India and absorption of technology by Indian corporate along with improvements in the managerial skills. At the same time, through such overseas investments, Indian companies would play a critical role in the developed as well as developing countries by rejuvenating the economies and providing employment.

Mahajan (2013) analysed the major destination of OFDI from India is Mauritius followed by U.S.A., U.K., Netherlands and Singapore. The OFDI has significantly increased in manufacturing sector followed by non-financial services, trading and financial sectors. The paper suggested that more relaxations in norms relating to OFDI should be provided to create congenial environment for FDI outflows to the maximum possible extent.

Malhotra (2014) analysed that two decades have seen a rapid increase in outward Foreign Direct Investment (FDI) from developing countries. India, being one of the important developing countries, has witnessed a surge in the outward FDI flows and has emerged as an important mode of internationalization for Indian enterprises since 1990s. This paper analyses the trends and patterns in outward FDI from India. Further, it examines the relationship between Outward FDI flows and exports from India using annual time series data. We tested for bidirectional causality between exports and FDI using Granger causality test. The results indicate that while there is no evidence of causality from outward FDI to exports, there is weak causality that runs from exports to outward FDI.

UNCTAD monitoring shows that, in 2013, 59 countries and economies adopted 87 policy measures affecting foreign investment. National investment policymaking remained geared towards investment promotion and liberalization. At the same time, the overall share of regulatory or restrictive investment policies further increased. Investment liberalization measures included a number of privatizations in transition economies. The majority of foreign-investment-specific liberalization measures reported were in Asia; most related to the telecommunications industry and the energy sector. Newly introduced FDI restrictions and regulations included a number of non-approvals of foreign investment projects.

Finally, UNCTAD (WIR 2011)[5] suggests an increased relevance for the non-equity modes in the composition of direct investments. These have lead to an increase in the non-equity modes (NEMs) of FDI flows, see box 1.

Box:1

NON-EQUITY MODES OF INTERNATIONAL PRODUCTION AND DEVELOPMENT

In today's world, policies aimed at improving the integration of developing economies into global value chains must look beyond FDI and trade. Policymakers need to consider non-equity modes (NEMs) of international production, such as contract manufacturing, services outsourcing, contract farming, franchising, licensing and management contracts.

Cross-border NEM activity worldwide is significant and particularly important in developing economies. It is estimated to have generated over $2 trillion of sales in 2010. Contract manufacturing and services outsourcing accounted for $1.1–1.3 trillion, franchising $330–350 billion, licensing $340–360 billion, and management contracts around $100 billion. In most cases, NEMs are growing more rapidly than the industries in which they operate.

NEMs can yield significant development benefits. They employ an estimated 14–16 million workers in developing countries. Their value added represents up to 15 per cent of GDP in some economies. Their exports account for 70–80 per cent of global exports in several industries. Overall, NEMs can enhance productive capacities in developing economies through their integration into global value chains.

NEMs also pose risks for developing countries. Employment in contract manufacturing can be highly cyclical and easily displaced. The value added contribution of NEMs can appear low in terms of the value captured out of the total global value chain. Concerns exist that TNCs may use NEMs to circumvent social and environmental standards. Developing countries need to mitigate the risk of remaining locked into low-value-added activities.

Policy matters. Maximizing development benefits from NEMs requires action in four areas. First, NEM policies need to be embedded in overall national development strategies. Second, governments need to support efforts to build domestic productive capacity. Third, promotion and facilitation of NEMs requires a strong enabling legal and institutional framework, as well as the involvement of investment promotion agencies in attracting TNC partners. Finally, policies need to address the negative consequences and risks posed by NEMs by strengthening the bargaining power of local NEM partners, ensuring fair competition, and protecting labour rights and the environment.

Source: UNCTAD, World Investment Report 2011: Non-Equity Modes of International Production and Development, Geneva, Switzerland

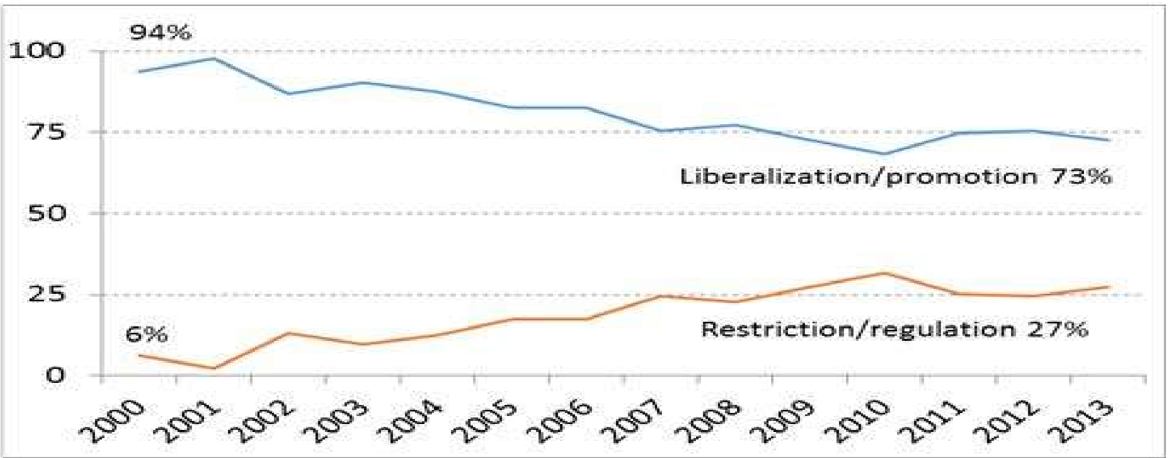
New Equity Modes policies appropriately embedded in industrial development strategies will: ensure that efforts to attract NEMs through

[5] UNCTAD, 2011, World Investment Report.

building domestic productive capacity and through facilitation and promotion initiatives are directed at the right industries, value chains and specific activities or segments within value chains; support industrial upgrading in line with a country's development stage, ensuring that firms move to higher value-added stages in the value chain, helping local NEM partners reduce their technology dependency, develop their own brands, or become NEM originators in their own right. The UNCTAD reports stressed the importance of incorporating elements of industrial development strategies that incorporate NEMs are measures to prevent and mitigate impacts deriving from the "foot looseness" of some NEM types, balancing diversification and specialisation.

The analysis of 59 countries clearly indicates that the restrictions/regulations have increased when compared to that of liberalisation/promotion measures. Clearly an analysis of 59 governments suggested that some governments have prevented divestment activities by foreign investors. Most of these economies were affected by economic crises and persistently there were high domestic unemployment; some countries have introduced new approval requirements for relocations and lay-offs. In addition, some home countries have started to promote re-shoring of overseas investment by their Transnational corporations (TNCs)s.

Figure 1: Changes in national investment policies, 2000–2013 (per cent)



Source: As cited in UNCTAD, Investment Policy Monitor <http://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=193)>

In India we can observe liberal regime since 2003, as RBIs regulations moved in the direction of freeing up OFDI related restrictions which existed thereby facilitating investments by domestic listed companies through equity and loans and guarantees issued routes.

Although guarantees issued have been rising, the guarantees invoked shares to total has been negligible during 2009-10 and 2010-11. The evidence suggests that as a large number of outward FDI proposals under the Automatic Route during 2000s have also been on the rise indicating the growing appetite of the Indian corporate to establish their foot prints abroad and the liberal regulatory regime.

Studies have identified various benefits and challenges like: transfer of technology and skills; sharing the results of Research & Development; access to the global market; promotion of the brand image; generation of employment and utilisation raw materials available in India and the host country; increased exports of plant and machinery and goods and services from India; and foreign exchange earnings through dividend earnings, royalty, technical know-how fee, etc.

The globalisation of trade is a two-way process and integrating Indian economy with rest of the world was achieved through overseas investment. Benefits from these investments activities can be bifurcated broadly into two outcomes, one which is quantitative (profits repatriated, royalties etc.) and the other is qualitative (the improvement in the operational efficiency etc). The measurable outcome which is the total amount of repatriation as a direct outcome of the investment undertaken a firm is reflected in the balance sheets. These should lead to profit generations in form of direct returns (interest or dividends) or indirect returns (other revenues like royalties, fees etc).

1.2 Methodology and Data Sources

The literature clearly points towards an increased in outward foreign direct investment (OFDI) which has significantly increased in sectors like manufacturing followed by non-financial services, trading and financial sectors. It was supported by the relaxed regulation that governed larger commercial transaction by both the banks and public and private registered companies in India which aided this process and thereby created congenial environment for OFDI flows.

The central question investigated in the Report is issues of repatriation of investment undertaken through the OFDI activities by Indian companies. The importance of analysing profitability of firms belonging different sectors and modes of repatriation of foreign exchange earnings.[6]Therefore, the OFDI undertaken by India have been analysed in the report to basically understand two core objectives:

a. *composition of OFDI from India both in terms of investment channels, sectors and host countries; and*
b. *evaluation of the quantum of foreign exchange inflows and the corresponding outward foreign direct investments (OFDI) flows.*

With the burgeoning outward investments from India it is important to make an estimate on what extent has India gained from such investments by firms. For the purpose, we have divided the report into three main sections for understanding the issues in holistic manner. The first section provides an analysis on status of India among the global leaders in terms of inward and outward FDI flows. For analysing the first section, we depended on two secondary sources: the UNCTAD world investment reports; and, the international investment position an online database provided by International Monetary Fund.

Second section deals with the quantum of OFDI flows and further carries-out a detailed profiling. The data is compiled from monthly reports of Reserve Bank of India (RBI) on outward foreign direct investments; the time series for 2007-08 to 2014-15. Further the mapping of sector-wise and rage

[6] With the assumption that multinational companies (MNCs) investing in India have repatriated profits back to their home country.

of financial commitments made through the three prominent channels are explored 1) equity; 2) loans; and 3) guarantee issued. The profiling is done for the sectors and sizes of the outward FDIs flows for the compiled monthly data.

In the third section of the report, we carried-out a detailed analysis of the impact of the outward FDI flows on the corresponding foreign exchange earnings as found in the annual audited accounts of Indian companies as per the identification based on the Reserve Bank of India (RBI) list of companies. Mapping and matching of information from the two data sources is carried-out. The Identification of the firms' listed and covered in the PROWESS database of centre for monitoring Indian economy (CMIE) was carried-out. Matching the PROWESS firms with those in the listed OFDI database of the RBI, using the computer and manual verification, the companies which have undergone a name change or have merged over the years was meticulously performed for 100 selected companies. The top 100 companies were identified based on equity and loan commitments undertaken up to 2011-12 from the beginning period of 2007-08 onwards.

The CMIE PROWESS database provides annual audited balance sheets information for all the listed companies in India. The Balance Sheet provides the information on the foreign exchange earnings; we have collected this information for the list of top 100 top OFDI companies. Detailed accounts of five main types of forex earning have been collected. These are the following: export of goods (f.o.b.); export of services; forex earning--dividends; forex earning—interests and other forex earnings. For this report we will be focusing only on mainly three variables i.e., forex earning--dividends; forex earning—interests and other forex earnings.

Table 1: List of PROWESS Variables Used in the Study

Sl.no.	PROWESS Variables
1	Forex earning – dividend
2	Forex earning – interest
3	Other forex earnings

Note: Sub-total forex earnings is estimated by the author and not provided by the PROWESS database.
Source: Selected prowess variables

For the analysis purposes three ratios were calculated using the variable like the OFDI stock of equity and loan financial commitment made by identified 100 companies and the flows of forex revenue under the three sub-channels like: dividends, interest and other forex revenue. The other forex revenue we assume to be capturing the royalties receipt by the Indian firms for technology transfer and associated marketing models etc.

The three ratios are presented in percentage share terms and they are listed below:

1. R_Div_Forex_Rece. = ∑yearly flow of dividends earnings / ∑stock of OFDI;
2. R_Int_Forex_Rece. = ∑yearly flow of interest earnings / ∑stock of OFDI; and
3. R_Oth_Forex_Rece. = ∑yearly flow of other forex earnings / ∑stock of OFDI.

Where:

R_Div_Forex_Rece. = ratio of dividend forex earnings;

R_Int_Forex_Rece. = ratio of interestforex earnings; and

R_Oth_Forex_Rece. = ratio of other forex earnings;

The stock of OFDI was arrived by cumulating all the annual OFDI flows from 2007-08 to 2010-11 and subsequently cumulating yearly ODFI flows.

Section II

2.1 Position of India: International Investment Position Analysis

In order to understand the impact of investments, it is important to trace trends in India's direct investments (inward and outward). In this section we attempt to shed some light on the direct investments in India from 1980s onwards. To analyse India's direct investment scenarios in terms of international investment position, we have used the IMF data.

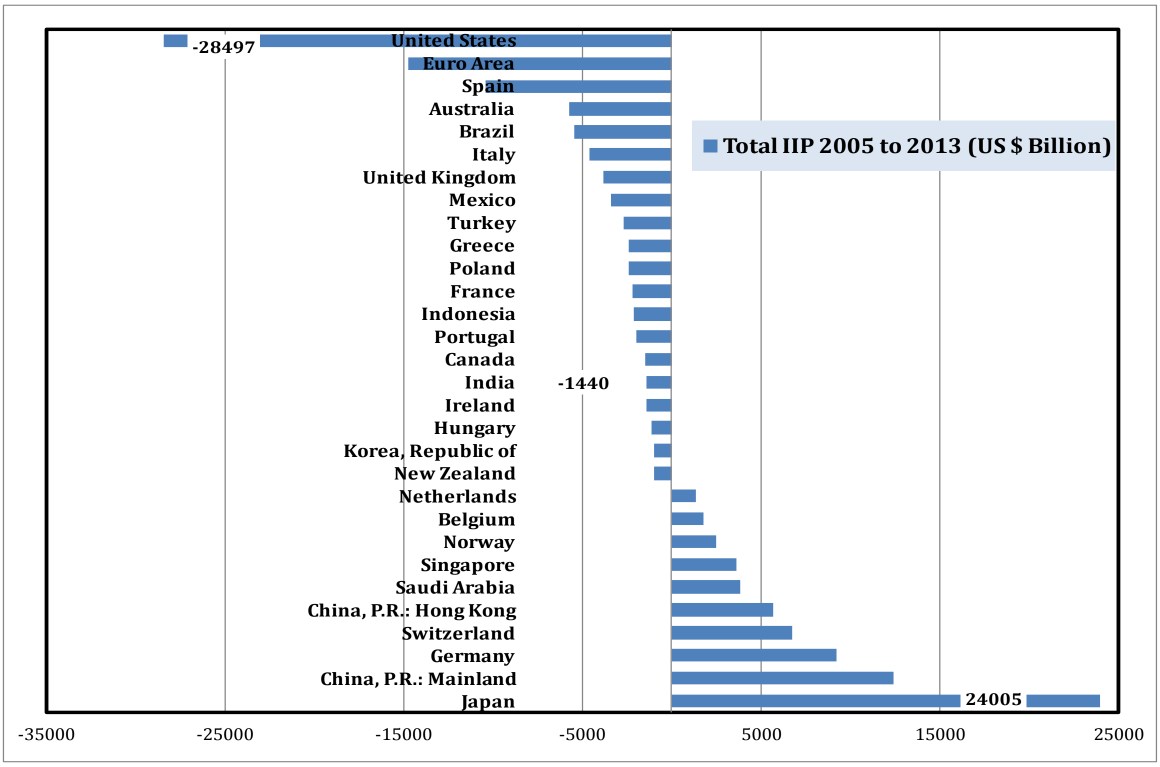
The IMF provides information on the net International Investment Position[7] (IIP) of 143 countries from 2005 to 2013. Therefore, the global level information of the international investment positions can be estimated for nearly all major economies. The Figure 2 suggests that the United States had a negative international investment position of US $ 28,497 billion. This indicates that the United States had more international liabilities as compared to its international assets, which further corroborates with the inward FDI in the US. On the other side of the spectrum is Japan with a positive total IIP of US$ 24,005 billion. This suggests that Japan had more international assets during the period of 2005 to 2013 compared to its international liabilities. The Figure 2 further clearly indicates that India had a negative international investment position of US $ 1,440 billion and was the fifteenth country from the United States.

Based on the global economic and commercial condition, the study divides the complete period into three distinct phases. Three distinct phases are the pre-financial crisis of 2005 to 2007 which is followed by financial crisis phase of 2008-2009 and lastly the post-financial crisis 2010 to 2013. Annexure 1 clearly indicates India's net international investment position, which was negative all through the three periods discussed here. India's net IIP showed a secular increasing pattern from US$ 182 billion in pre-financial crisis period to US$ 213 billion during the financial crisis period to end at US$ 1,045 in the post-financial crisis period. There was a stark

[7] Total (net) international investment position is the outcome of subtraction of total international investment position liabilities from the total international investment position assets.

increase in the India's post-financial crisis period net IIPs – the growth rates revealed 391 percent increase in the figures during the period alone.

Figure 2: Net International Investment Positions of Selected Countries (2005-2013)



Note: The total (net) International Investment position expressed in US $ Billion.
Source: Online Database of Balance of Payments Statistics (BOP) - international Investment Position last visited 16-03-2015.

In 2013, FDI flows returned to an upward trend. Global FDI inflows rose by 9 per cent to $1.45 trillion in 2013. FDI inflows increased in all major economic groupings − developed, developing, and transition economies. Global FDI stock also rose by 9 per cent to reach US$ 25.5 trillion.

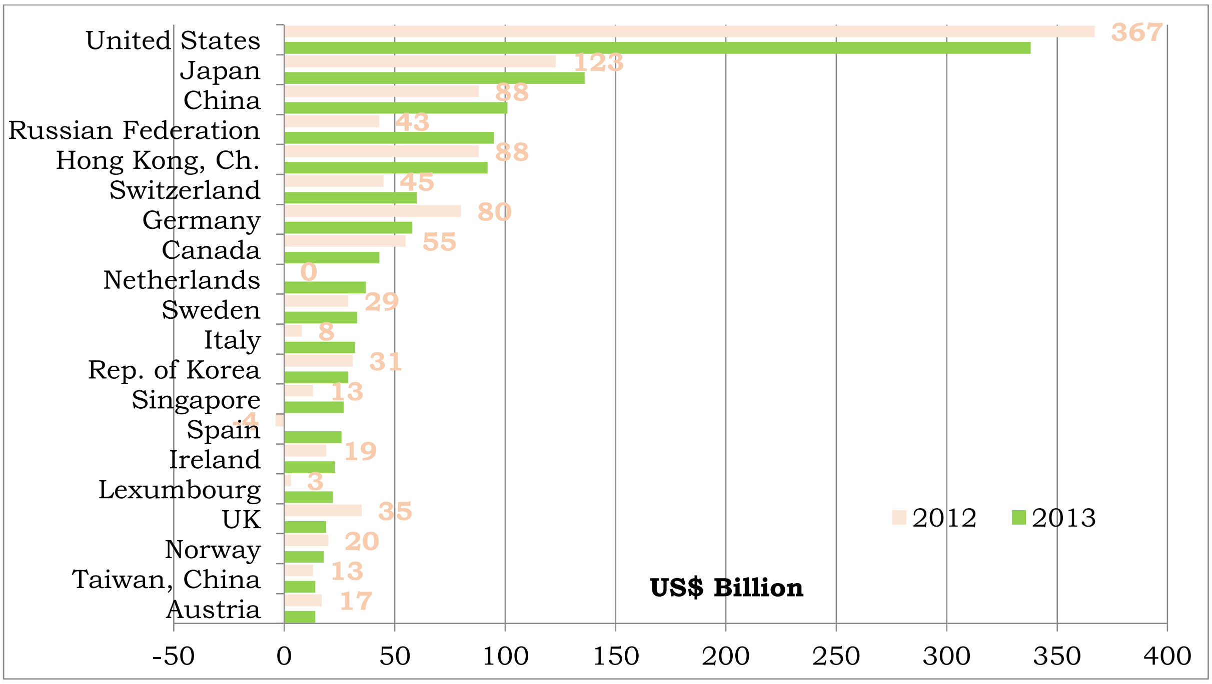
The UNCTAD[8] World Investment Report (WIR) of 2014 indicated that India was not among the top 20 countries with outward investments. This indicates that globally India is not a major outward investor, while on the contrary the same report suggested that India was at the fourteenth rank in terms of FDI inflows. This clearly shows that India has more liabilities (inflows) over assets (outflows).

UNCTAD, WIR 2014 observes that the FDI outflows from developing countries also reached record levels. TNCs from developing economies are

[8] UNCTAD, 2014 World Investment Report 2014 Investing In the SDGS: An Action Plan, Geneva.

increasingly acquiring foreign affiliates from developed countries located in their regions. Developing and transition economies together invested $553 billion which accounted for 39 percent of global outward FDI flows compared to 12 percent in 2000.[9]

Figure 3: Global FDI Outflows: Top 20 home economies, 2012 and 2013



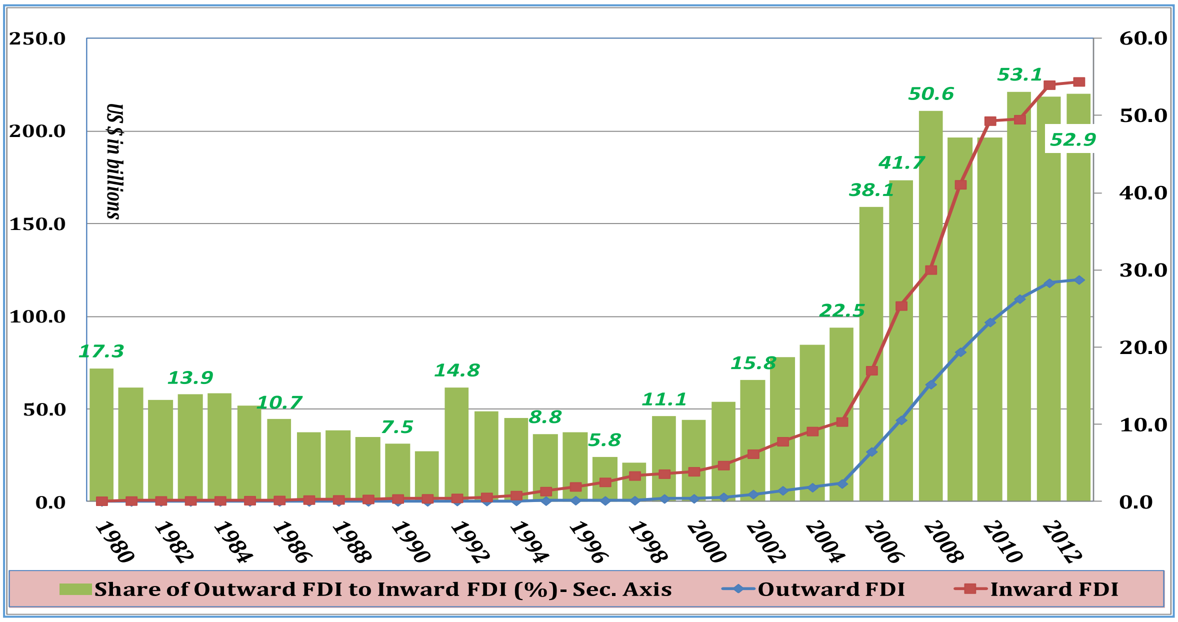
Source: Recreated from figure 3, UNCTAD, World Investment Report of 2014, page xv.

Further, the WIR 2014 also suggests that mega-regional groupings were also shaping the global FDI flows. The three main regional groups currently under negotiation (TPP, TTIP, and RCEP) each account for a quarter or more of global FDI flows, with TTIP flows in decline, and the others in ascendance. Asia-Pacific Economic Cooperation (APEC) remains the largest regional economic cooperation grouping, with 54 per cent of global inflows.[10]The OFDI by India should be analysed carefully in the context of RCEP integration which is the most probable of the others. Investments by India, in the RCEP countries can be for promoting the interest of the firms' and creating forward and backward supply chains linkages of various kinds; especially this hold true in the context of increased non-equity forms of outward FDI in the recent years.

9 Ibid, UNCTAD, WIR, 2014, p ix.
10 Ibid, UNCTAD, WIR, 2014, p. ix.

In 2013-2014, there was a continuation in the main developing regions which almost looked like the repeat of the same growth performance as in 2012–2013. It was indicated that Asia will be continued to remain the most dynamic region, with growth rate of around 5.5 per cent. Among the largest economies, China should maintain its lead with a growth rate of close to 7.5 per cent in 2014, based on domestic demand, including an increasing role of private and public consumption. Growth in India has recovered slightly from the significant deceleration of the two previous years, led by higher consumption and net exports, but at around 5.5 per cent it is substantially lower than before the crisis.

Figure 4: India's Inward and Outwards FDI flows from 1980 to 2013

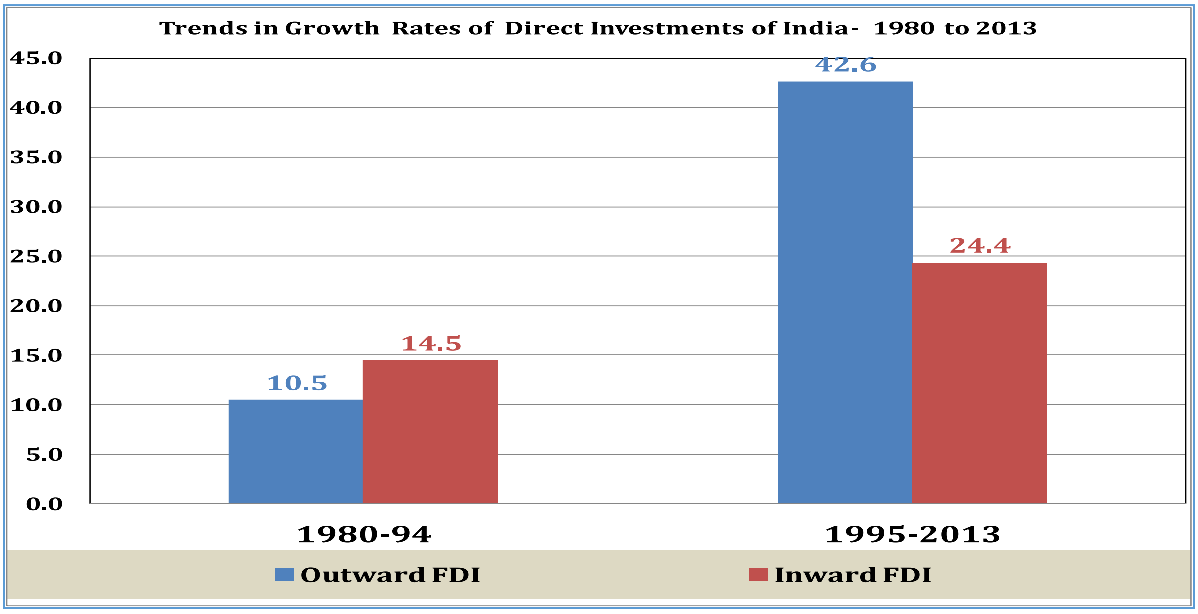


Source: Compiled by the author based on the data from online http://unctadstat.unctad.org, last accessed on 26.04.2015

It is clear from Figures 3 & 4 that India is not a significant player in terms of outward direct investments in comparison to the global players. Figure 3 clearly indicates that, in second half of the decade of 2000 the OFDI gained significantly compared to the past years. Inward foreign direct investments (inward-FDI) spurt from US$ 43 billion in 2005 to US$ 227 billion by 2013. These trends coincide with trend seen in outward investments from India, which increased from US$ 9.7 billion in 2005 and rose to touch US$ 120 billion in 2013.

The Figure 5 clearly indicates two trends traced in case of outward and inward-FDIs of India. The first period which begins from 1980 to 1994 is a period of low growth and the second period which is from 1995 to 2013 is a period of high growth. The increased growth rates observed in the case of outward FDIs was 32 percentage points - from a growth rate of 10.5 percent for the first period (1980 to 1994) to 42.6 percent in the second phase (1995 to 2013). India's inward-FDIs showed a slower growth rate with 9.9 percentage points increased between the two periods, from a first phase growth of 14.5 percent to 24.4 percent in the second phase.

Figure 5: Growth Rates Foreign Direct Investment in India (1980 to 2013)



Source: Compiled by the author based on the data from online *http://unctadstat.unctad.org*, last accessed on 26.04.2015.

The correlation between the inward-FDIs and the outward FDIs clearly suggest an increased positive movement, explaining 92 percent of the variation and in the second period it increased to almost 100 percent of the variations - clearly indicating that the two direct investments are moving very closely in the upward direction over the two periods.

It terms of the time period analysis at the macro-level, two trends can be observed in the case of outward FDI flows. The first phase can be observed for the periods 1980 to 1994 wherein moderate tends were seen in both exponential growth and correlation between the inward-FDI and outward

FDI. In the second phase, from 1995 to 2013 there was higher growth rates and stronger correlation between the inward-FDI and outward FDI. Clearly suggesting that, the second phase witnessed much higher activities in terms of outward FDI, it also indicated that Indian firms were now undertaking much higher investment activities outside the country. The developing countries from Asia have been figuring prominently among the top twenty FDI outflows list of WIR 2014, see figure on page XV.

The second section would be giving detailed composition of the outward FDIs in terms of equity and non-equity components.

Section III

3. Trend in Outward Foreign Direct Investment from India

Since 1857, when the first company was registered to date India has 14.41 lakh registered companies with the Registrar of Corporate Affairs (RoC), Ministry of Corporate Affairs, Government of India (Annexure Table 3).[11]Although, this study of domestic registered companies is not the main objective, however there is a need to study this issue for a better understanding of the industrial base in India. The trends in the domestic industries may provide some answers as to why there was a need for firms to invest outside India.

This section of the report, will be analysing the OFDI data mainly from the Reserve Bank of India (RBI) database which is being updated periodically. The inherent limitations of the RBI data will have to be discounted for like providing two different series for public consumption: one for the period of 2000 to 2011-12 (macro picture) and the second form July 2007 onwards updated with a lag of two months. However, we will be attempting to get a representative analysis of the outward FDIs from the available information.[12]

3.1 Aggregated and Macro Trends in Financial Commitment[13] (OFDI - 2000 to 2007)

Nearly in the two decade beginning from 2000 as captured in Tables 2 and 3, the outward FDI has started to show an increasing trend in terms of outflows. The information provided under these two data series cannot be directly compared. Therefore, in this paper we analysis them separately under two sub sections.

[11] Includes all companies registered during the period of 1857 to 2014 irrespective of the current status of the company. Compiled by the authors from the Ministry of Corporate Affairs, Government of India from its web http://mca.gov.in, last accessed on 23-03-2015.

[12] The RBI regulates the inflows and outflows by regulating these only to large listed companies.

[13] Financial commitment' means the amount of direct investment by way of contribution to equity and loan and 50 per cent of the amount of guarantees issued by an Indian party to or on behalf of its overseas Joint Venture Company or Wholly Owned Subsidiary

The information on the outward FDI has been discussed separately under two series. The first series which provides a macro-picture for longer time period is discussed under Table 2.[14]

Table 2: Year–wise position of actual outflows in respect of outward FDI & guarantees issued

Period	Actual OFDI (US$ Million)				Proposed OFDI (US$ Million)		Difference in OFDIs (US$ Bn.)
	Equity	Loan	Guarantee Invoked	Actual OFDI	Guarantee Issued	Proposed OFDI	
1	*2*	*3*	*4*	*5 = (2+3+4)*	*6*	*7 =(2+3+6)*	*8 (7-5)*
2000-2001	602.1	70.6	5.0	677.7	112.6	785.3	0.11
2001-2002	878.8	120.8	0.4	1,000.1	155.9	1,155.5	0.16
2002-2003	1,746.3	102.1	-	1,848.4	139.6	1,988.0	0.14
2003-2004	1,250.0	316.6	-	1,566.6	440.5	2,007.1	0.44
2004-2005	1,482.0	513.2	-	1,995.2	316.0	2,311.1	0.32
2005-2006	6,657.8	1,195.3	3.3	7,856.5	546.8	8,399.9	0.54
2006-2007	12,062.9	1,247.0	-	13,309.9	2,261.0	15,570.9	2.30
2007-2008	15,431.5	3,075.0	-	18,506.5	6,553.5	25,060.0	6.56
2008-2009	12,477.1	6,101.6	-	18,578.7	3,322.5	21,901.2	3.32
2009-2010	9,393.0	4,296.9	24.2	13,714.1	7,603.0	21,292.9	7.58
2010-2011	9,234.6	7,556.3	52.5	16,843.4	27,059.0	43,849.9	27.00
2011-12*	4,031.5	4,830.0	-	8,861.5	14,993.8	23,855.3	15.00
Total	**75,248**	**29,425**	**85**	**1,04,758**	**63,504**	**1,68,177**	63,42
2010-2011	***15***	***107***	***11***	***25***	***240***	***56***	***251***

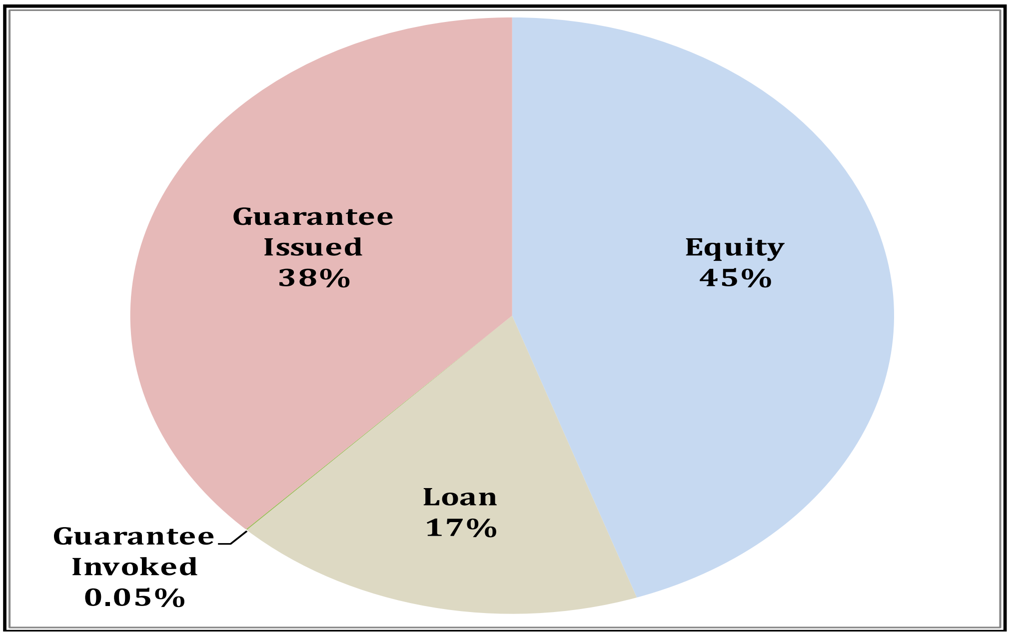
Note: * April 2011 to February 22, 2012
Source: Table 1 of the speech titled "**Outward Indian FDI – Recent Trends & Emerging Issues", delivered by** Harun R Khan, Deputy Governor, Reserve Bank of India at the Bombay Chamber of Commerce & Industry, Mumbai on March 2, 2012 as posted on the web page <https://rbi.org.in/scripts/BS_SpeechesView.aspx?Id=674>

The analysis will provide us with information on how the outward FDI has grown significantly over the decade of 2000; referred in terms of financial commitments. Table 2, clearly distinguishes three separate channels, two traditional channels and one of which is a rather new channel of outflow in the case of India. The first two channels are 'equity' and 'loans' and the third channel of outward FDI is a new phenomenon and is 'guarantees issued'. Guarantees issued are the bank guarantees which are extended to corporate firms based on their needs, further the same has to be 'invoked' to be considered as legitimate form of outward FDI (OFDI).[15]

[14] The RBI started providing firm-wise information of the outward foreign direct investments (OFDI) since July 2007. We can observe minor difference and problems associated to overlapping in the tables 2 and 3 and further the information provided is not comparable - the reasons for which are only know to RBI and has not been made available to public.

[15] The provisioning/regulations regarding the eligibility of firms for the use of guarantees issued have undergone some changes over the time period of the study; see the Reserve Bank of India for details.

Figure 6: Composition of India's Outward FDI: 2000 to 2012

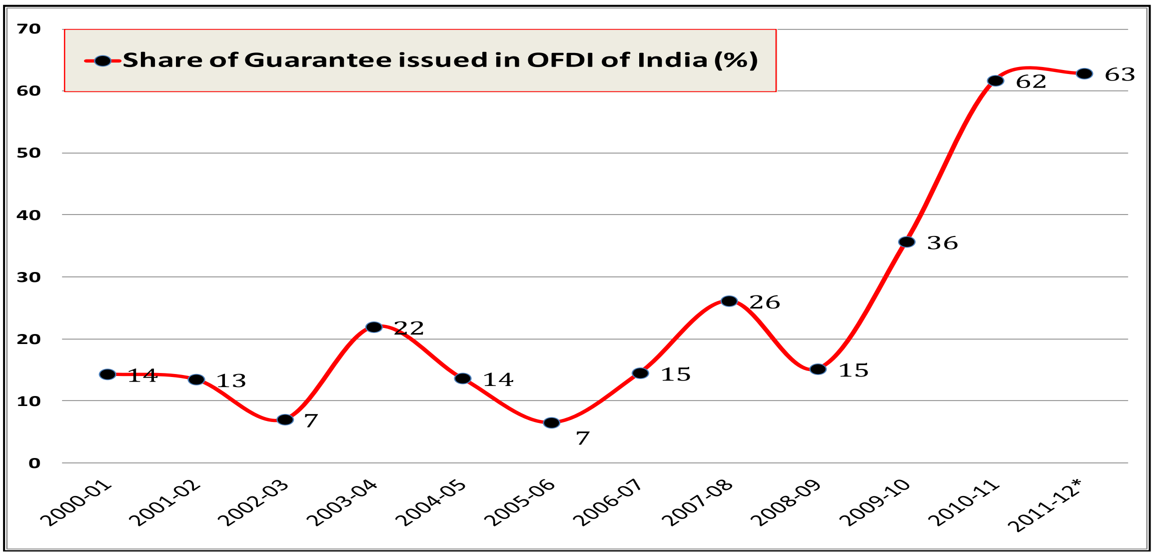


Source: calculated by the Authors based on information in Table 1 of the speech titled "Outward Indian FDI – Recent Trends & Emerging Issues", by Harun R Khan,

At the macro level the trends from 2000 to 2012 suggest India issued a legitimate outward FDI of US$ 104.76 billion and with an addition of guarantee issued of US$ 63.5 billion, accounting for 38 percent of total outward FDI. It should be noted that guarantee invoked is a very small proportion of accounting for US$ 85.4 million and a share of 0.13 percent to total guarantee issued during 2000 to 2012.

We can observe a remarkable shift in the trends of guarantee issued since 2009-2010 onwards; the shares which were less than 26 percent have increased to 36 percent in the year 2009-2010 and increased to more than 60 percent shares in later years of the period of analysis. Clearly as shown in the figure 6 the guarantee issued have become an important channel of flows of outward FDI of India.

Figure 7: Trends in Share of Guarantee Issued in the India's Outward FDI: 2000 to 2012



Source: calculated by the Authors based on information in Table 1 of the speech titled "Outward Indian FDI – Recent Trends & Emerging Issues", by Khan Harun R.

3.2 Macro Analysis of Firm-level Outward FDI from India: July 2007 to January 2015

The micro analysis provides firms-wise information on the outward FDI flows from India, collected by the RBI on a monthly basis and published on its web site from July 2007 onwards.[16] In this paper, we are analysing 33,319 individual investments by 6,172 Indian registered firms belonging to both the private and public limited companies. The total outward foreign direct investment (OFDI) represented as commitments were to the tune of US$ 215.6 billion during the period of July 2007-08 to 2014-15. India's total outward FDI increased at a growth rate of nearly 15 percent from US$ 11 billion in 2007-08 to nearly US$ 31 billion in 2014-15.

The proposed to actual OFDI there is a difference of US$ 120.4 billion and nearly all of it has been owing to guarantee issued not being revoked.

Table 3: Trends in Outward FDI from India: July 2007 to January 2015

Years	Actual OFDI (in US$ Bn.)				Proposed OFDI (in US$ Bn.)		Difference (Proposed to Actual)
	Equity	Loan	Guarantee	OFDI	Guarantee	OFDI	

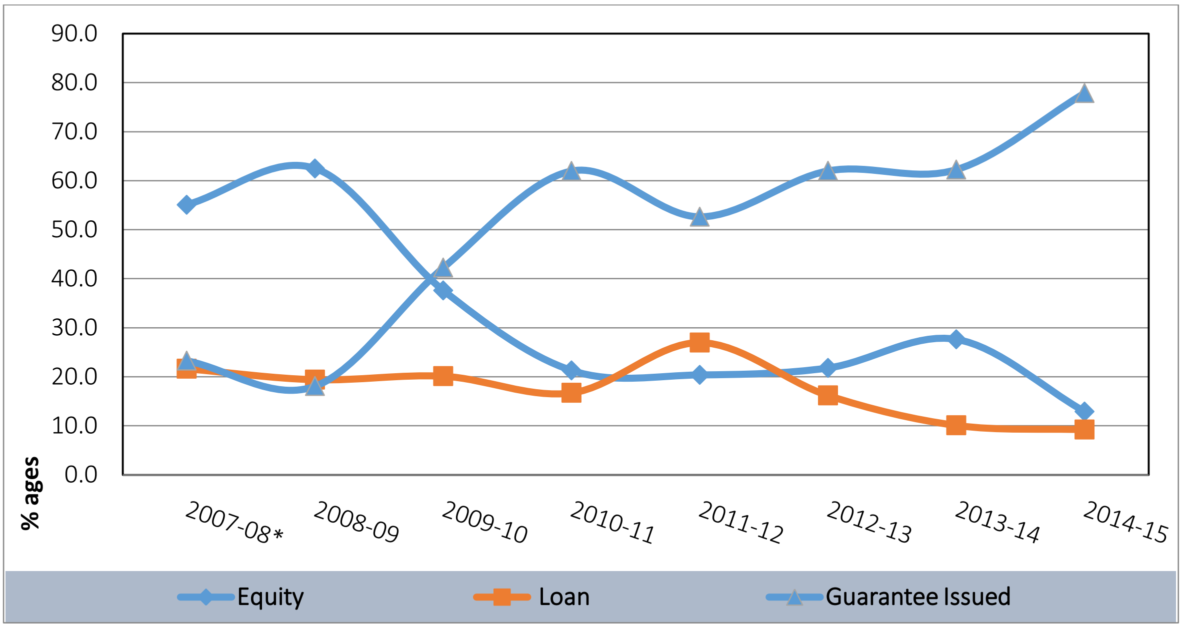
[16] Firm-wise monthly data on outward foreign direct investments is made public after every month on its web site < http://www.rbi.org.in>.

			Invoked		Issued		
1	*2*	*3*	*4*	*5=(2+3+4)*	*6*	*7=(2+3+6)*	*8=(7-5)*
2007-08#	6.1	2.4	0.00	8.5	2.6	11.0	2.5
2008-09	10.7	3.3	0.00	14.0	3.1	17.1	3.1
2009-10	6.8	3.6	0.02	10.4	7.6	18.0	7.6
2010-11	9.4	7.3	0.05	16.8	27.2	43.9	27.1
2011-12	6.3	8.3	0.00	14.6	16.2	30.9	16.3
2012-13	5.9	4.4	0.00	10.3	16.7	26.9	16.6
2013-14	10.2	3.7	0.06	14.0	23	36.9	22.9
2014-15	4	2.9	0.04	6.9	24.1	30.9	24.0
Total OFDI	**59.2**	**35.9**	**0.18**	**95.3**	**120.5**	**215.6**	**120.3**

Sources: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in and Annexure 2 http://finmin.nic.in/the_ministry/dept_eco_affairs/icsection/Annexure_2.asp, http://finmin.nic.in/odi/odi_index.asp
Note: # Firm-wise information for the period beginning from July 2007 to March 2008. Data is represented in US$ billions.

OFDI guarantee invoked were negligible for the period of 2007 to 2014 accounting for US$ 0.18 billion in comparison to the guarantee issued which totalled at US$ 120.5 billion.

Figure 8: Composition of Outward FDI from India (in % share)

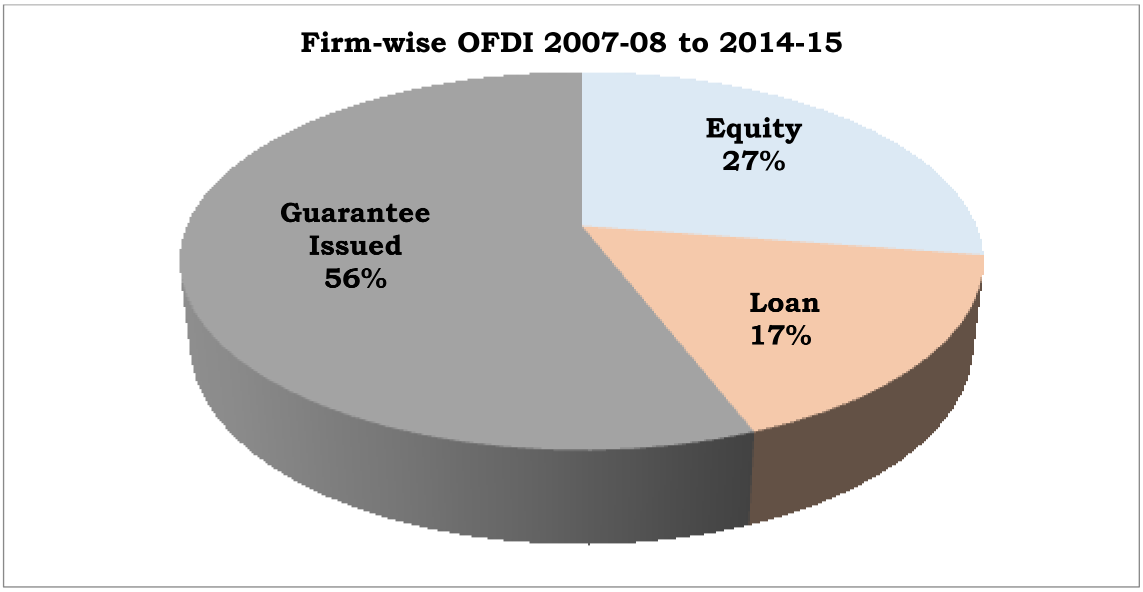


Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in.

The channel of commitment under the guarantee issued indicated the highest growth rate of 39 percentages with the capital outflows increasing from nearly US$ 3 billion in 2007-08 to nearly US$ 24 billion by 2014-15. The old commitments of the outward FDI channels like the equity and loan issued showed lower growth rate with the equity issued suggesting a negative growth of nearly 5 percent. The loans issued grew in value terms from US$ 2.4 billion in 2007-08 to US$ 2.9 billion in 2014-15 with a growth rate of nearly 3 percent.

Equity on the other hand decreased in values terms from US$ 6.1 billion in 2007-08 to nearly US$ 4 billion in 2014-15. The trends observed in terms of the compositional changes over period clearly indicate towards increase in India's OFDI under the channel of "guarantee issued" since 2010-11.

Figure 9: Composition of the Total Commitment under Outward FDI: 2007-08 to 2014-15

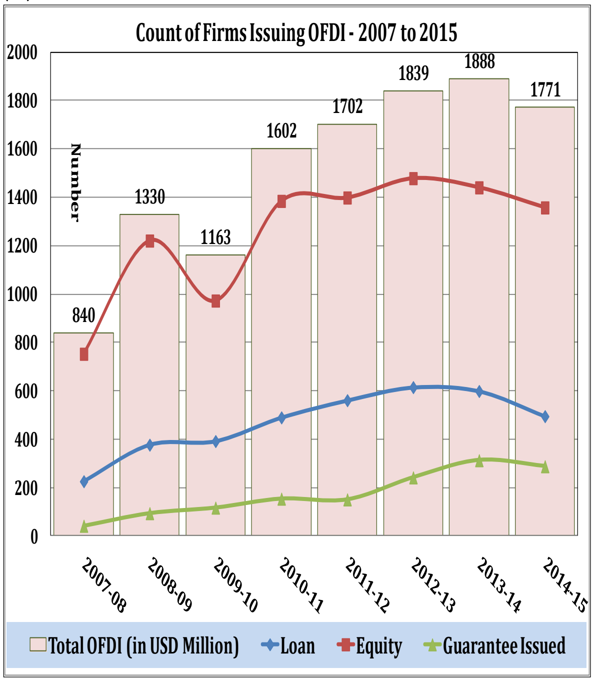


Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in.

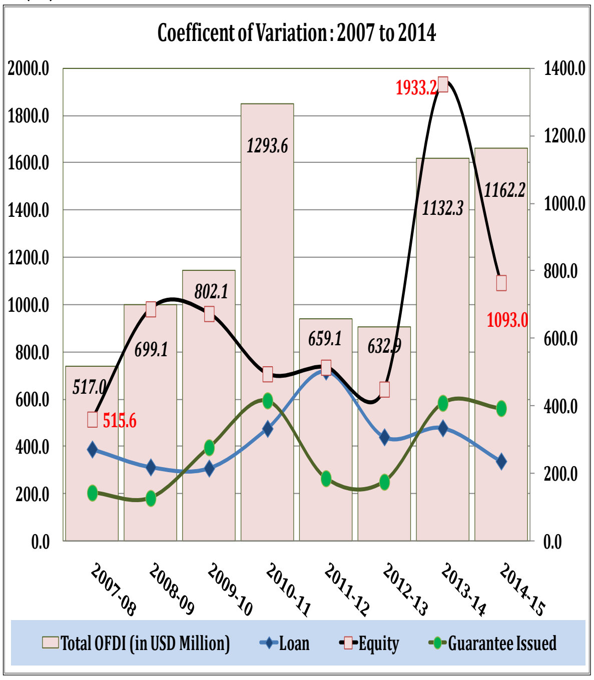
Thereby, suggesting a domination of new instruments like guarantee issued from 23 percent shares in 2007-08 to nearly 78 percent share in 2014-15 of the total outward FDI flows from India. The change in the composition happened within two years 2009 to 2011 when the commitments under the outward FDI from India saw a significant increase. This aspect has to be analysed thoroughly at the firms-level to find the dispersion or concentration of these flows. Comparison of Figures 8 and 9 clearly indicates that there have been some changes in the composition of mainly two of the channels of financial commitments (OFDIs). These were the channels of equity and guarantee issues by Indian firms which suggested reversals in the compositional shares, with a decrease and increase of 18 percentage points respectively in both cases. However, the compositional share of loan continues at 17 percent under two separate analyses.

Figure 10: Concentration of India's Firm-wise OFDI: 2007-08 to 2014-15

(a)



(b)



Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in.

Figures 10 (a) & (b) together is analysed for the dispersion and concentration in the firm-wise data on outward FDI as available under the three channels like the equity, loan and guarantee issues. The figure 10(a) shows the numbers of firms issuing outward FDI through the three channels. **The first observation based on the trends of both the table is that the number of firms which participated and the values of outward FDI flows have increased during the period of 8 years of analysis with a fall in the last year.** The highest yearly participation in terms of number of firms was observed in the 2013-14 with 1662 firms when compared with the participation of 836 firms in 2007-08. Similarly, increases were observed in the case of loan issue and guarantee issuing wherein the firms registered an increase in participation from 287 to 711 firms and 53 to 362 firms respectively. In terms of growth rates for the period of study, we find all the channels had moderately high positive growths with the participation increasing under the equity (7.3%), loans (11.8 %) and guarantee issues nearly 30 percentage. **Clearly, suggests an increase in the outward FDI flows from India, largely lead by an increase in participation across all the three channels.**

On the other hand Figure 10 (b) which analysis the coefficient of variation of the three channels of outward FDI flows suggests that firm-wise equity issues had largest average variation of 7.7 percent followed by loans with 4 percent and guarantee issues with 3.2 percent. Relatively lower coefficient of variation (CoV) in the other two channels of outward FDIs like the loans and guarantee issued, thereby suggesting that these two channels of forex revenue did show some stability over the time.

3.3 Types and Broad Sectoral outward FDI flows

Besides the outward FDI being of different types they can also take various instruments and these can have differential economic and commercial impacts based on the sectors of investments. India's outward FDI over the period of 2007-08 to 2014-15 largely had an upper hand of wholly-owned-subsidiary (WOS) with an average of 76 percent shares and the other route the joint ventures (JV) accounted only for 24 percent shares. The JV can be seen to have had increasing growth rates of 34 percentages while the WOS increased by only 10.4 percentages. The growth rates observed in the case of outward FDI flows taking the route of JV increased at nearly 3 times the growth rates observed in the case of WOS. India's outward FDI flows have seen a movement away from the domination of the WOS in the initial years towards increasing the shares by the JV in the composition, see Table 4.

Table 4: India's OFDI the Routes used during 2007-08 to 2014-15

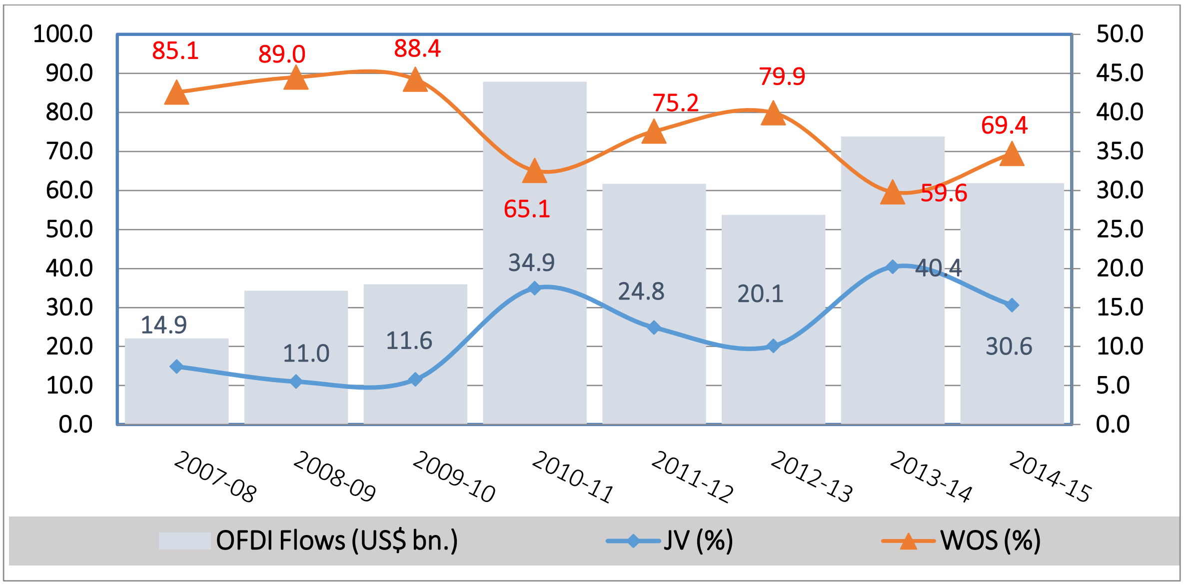
Routes	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total OFDI 2007/08 to 2014/15 (US$ Bn.)
JV	1.6	1.9	2.1	15.3	7.7	5.4	14.9	9.5	58.4
WOS	9.4	15.3	15.9	28.6	23.2	21.5	22.0	21.5	157.3
OFDI flows	**11.0**	**17.1**	**18.0**	**43.9**	**30.9**	**26.9**	**36.9**	**30.9**	**215.6**

Average Size of flows									
JV Size	4.2	2.4	3.4	15.0	7.0	4.2	12.1	7.7	7.6
WOS Size	6.8	5.6	6.8	8.2	6.3	5.2	5.7	5.7	6.2
OFDI flows Size	***6.2***	***4.9***	***6.1***	***9.8***	***6.5***	***5.0***	***7.3***	***6.2***	***6.5***

Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

Further, the other characteristics of India's outward FDI flows in terms of JV and WOS are that the average size of investments has been almost constant in the case of WOS around the average of US$ 6.2 billion. The JVs has seen unusual peaks in two separate blocks of two year periods – the first phase beginning from 2010-11 to 2011-12 and the second phase beginning from 2013-14 to 2014-15. These two phases led to increase in the average size of outward FDI flows which increased the average size of India's JVs to US$ 7.6 billion.

Figure 11: The Composition of the Outward FDI Flows (Routes)



Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

Figure 11 suggests that there was substantial change in the composition of route used by the firms of investments from wholly owned subsidiaries (WOS) to an increased role for joint ventures (JV). This is evident from 16 percentage points shift in the favour of activities like JV and same amount of decrease in the shares of WOS for the two points analysed in the Figure 11. In terms of shares the JVs increased from 15 percent share in 2007-08 to 31 percent share and the shares of the WOS decreased from 85 percent shares to 69 percent during the same period.The trends suggested an increase in joint venture activities when compared in relation with the wholly owned subsidiary investments/commitments. The near consistency clearly highlighted Indian firms

The total outward FDI flows of US$ 215.6 billion across the eight sectors as identified by the RBI database are: manufacturing (US$ 71.3 billion); transport, storage and communication services (US$ 45.9 billion); financial, insurance, real estate and business services (US$ 35.9 billion); agriculture, hunting, forestry and fishing (US$ 21.8 billion); wholesale, retail trade, restaurants and hotels (US$ 20 billion); construction (US$ 11.7 billion); community, social and personal services (US$ 5.5 billion); miscellaneous (US$ 1.9 billion) and electricity, gas and water (US$ 1.7 billion).

Table 5 indicates that over the period the agriculture, hunting, forestry and fishing accounted for growth rate of 42.4 percent and transport, storage and communication services with nearly 35 percent were the most dynamic sector in the outward FDI flows from India. Some of the other sectors with double digit growth rates were construction with 22.5 percent, community, social and personal services with 21.7 percent and wholesale, retail trade, restaurants and hotels with 12.9 percentages. Sectors like the financial, insurance, real estate and business services and manufacturing had single digit growth rates at 6.3 and 6.2 percentages respectively. Two other sectors had double digit negative growth rates and these were electricity, gas and water and miscellaneous with 11.9 percent and 13.4 percentage respectively.

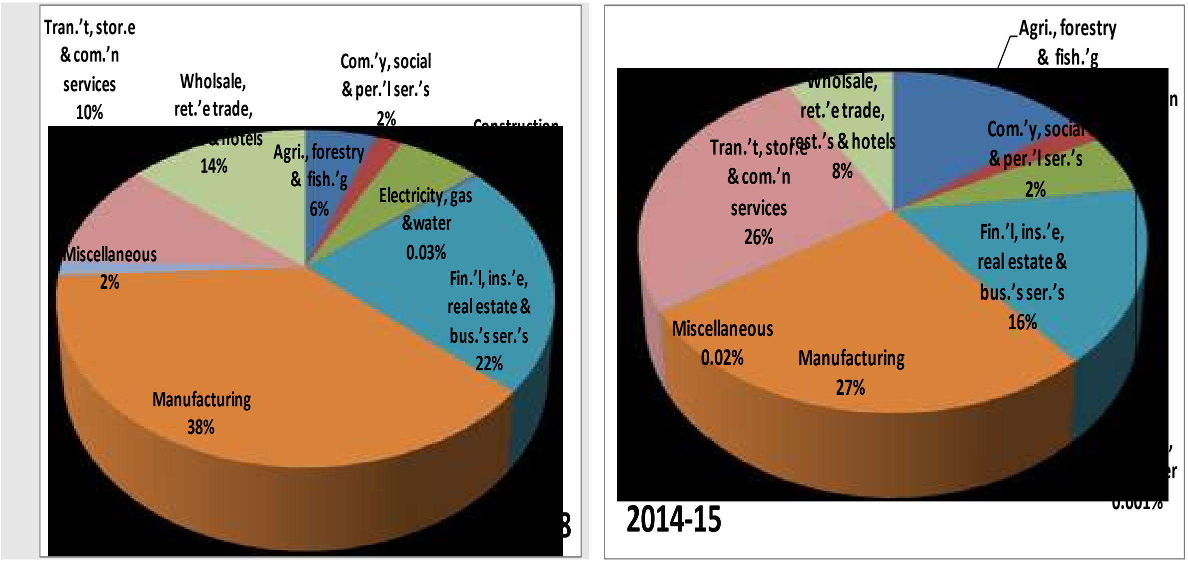
Table 5: India's Outward FDI flows and Broad Sectoral Distribution: 2007-08 to 2014-15

Broad Sectors	2007-08*	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Grand Total
MANUFACTURING	4.1	9.0	7.3	14.7	9.7	9.2	9.0	8.2	71.3
TRANSPORT, STORAGE AND COMMUNICATION SERVICES	1.1	1.0	3.0	13.9	4.5	4.1	10.2	8.0	45.9
FINANCIAL, INSURANCE, REAL ESTATE AND BUSINESS SERVICES	2.5	3.9	2.9	7.1	6.1	5.6	2.8	5.0	35.9
AGRICULTURE, HUNTING, FORESTRY AND FISHING	0.6	0.6	0.9	2.6	2.8	2.0	7.7	4.6	21.8
WHOLSALE, RETAIL TRADE, RESTAURANTS AND HOTELS	1.5	1.2	1.7	3.1	3.5	2.5	3.7	2.5	20.0
CONSTRUCTION	0.7	0.4	0.9	0.8	3.4	2.0	1.7	1.7	11.7
COMMUNITY, SOCIAL AND PERSONAL SERVICES	0.2	0.5	0.4	0.7	0.5	1.0	1.5	0.7	5.5
MISCELLANEOUS	0.2	0.4	0.1	0.7	0.2	0.2	0.1	0.1	1.9
ELECTRICITY, GAS AND WATER	0.0	0.1	0.8	0.2	0.3	0.1	0.0	0.0	1.7
TOTAL OUTWARD FDI FLOWS	**11.0**	**17.1**	**18.0**	**43.9**	**30.9**	**26.9**	**36.9**	**30.9**	**215.6**

Note: * = July 2007 - 2008

Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

Figure 12: Sector-wise Changing Composition of ODFI



Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

Based on the analysis of both growth rates and Figure 12it can be concluded with certainty that there was a drop in the shares of manufacturing sector from 38 percent to 27 percent also indicated by the low growth rate. However, sectors like the agriculture, hunting, forestry and fishing and transport, storage and communication services showed 9 and 16 percentage points increase. In the case of agriculture, hunting, forestry and fishing the share increased from 6 in 2007-08 to 15 percent in 2014-15 see Figure 12. In the case of transport, storage and communication services the share increased from 10 percent in 2007-08 to 26 percent shares in 2014-15. There is subtle diversion away from the core investment in the manufacturing activities to transport, storage and communication services in the trendsof outward FDI flows.

India's top 15 destinations of US$ 215.6 million outward FDI flows during the period of analysis were Singapore (21.7 %), Mauritius (18.9 %), Netherlands (18 %);United States of America (7 %); United Arab Emirates (5.1 %); British Virgin Islands (4.3 %); United Kingdom (3.5 %); Cyprus (2.9 %); Switzerland (2 %); Australia (2 %); Cayman Island (1.7 %); Mozambique (1.2 %); Panama (1.1 %); Hong Kong (0.9 %) and Russia with lowest share of 0.7 % share.

Table 5 also reveals the emergence of non equity mode of financial flows from India. Since the middle of 2000 new channel called the guarantee issued spurted mimicking the global trends, it completely replaced the traditional channels like equity and loansmode which dominated India's OFDI in the earlier eras.

Five countries accounting for 71 percent of total OFDI flow from India during 2007-06 to 2014-15; these were Singapore, Mauritius, Netherlands, USA and UAE.

Table 6: Top 15 destinations of OFDI from India: 2007-08 to 2014-15

Countries	Equity and Loans		Guarantee Issued		Total OFDI (2007-08 to 2014-15)	
	Values (US$ million)	% share	Values (US$ million)	% share	Values (US$ million)	% share
SINGAPORE	17,243.7	18.1	29,636.6	24.6	46,880.2	21.7
MAURITIUS	17,407.1	18.3	23,280.0	19.3	40,687.2	18.9
NETHERLANDS	9,577.1	10.1	29,341.8	24.4	38,918.9	18.0
UNITED STATES OF AMERICA	8,436.2	8.9	6,583.7	5.5	15,019.9	7.0
UNITED ARAB EMIRATES	4,835.7	5.1	6,228.6	5.2	11,064.3	5.1
BRITISH VIRGIN ISLANDS	6,474.4	6.8	2,904.3	2.4	9,378.7	4.3
UNITED KINGDOM	4,068.1	4.3	3,413.0	2.8	7,481.1	3.5
CYPRUS	4,252.9	4.5	1,910.0	1.6	6,162.9	2.9
SWITZERLAND	2,134.5	2.2	2,272.9	1.9	4,407.4	2.0
AUSTRALIA	937.8	1.0	3,323.3	2.8	4,261.1	2.0
CAYMAN ISLAND	893.2	0.9	2,805.8	2.3	3,699.0	1.7
MOZAMBIQUE	2,656.6	2.8	6.9	0.0	2,663.5	1.2
PANAMA	2,091.2	2.2	217.4	0.2	2,308.6	1.1
HONGKONG	821.9	0.9	1,069.7	0.9	1,891.7	0.9
RUSSIA	1,410.9	1.5	87.8	0.1	1,498.7	0.7
REST OF DESTINATIONS	11,924.6	12.5	7,401.2	6.1	19,325.8	9.0
TOTAL OFDI Flows	**95,165.9**	**100.0**	**120,483.1**	**100.0**	**215,649.0**	**100**

Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

Of the listed fifteen countries,the top three countries had higher weight of guarantees issued. For example, in the case of Singapore the total flow during the period of 2007-08 to 2014-15 can be bifurcated into equity and loans of US$ 17.2 billion and guarantees issued of US$ 29.6 billion. Likewise, Mauritius and Netherlands also had OFDI in equity and loans US$ 17.4 and US$ 9.6 billion and under the guarantees issued US$ 23.3 and US$ 29.3 billion respectively. The total of other 12 countries and rest of world in the list clearly had lower flow under the guarantees issued (US$ 38.2 billion) compared to equity and loan put together which accounted for nearly US$ 50.9 billion.

A detailed analysis the nature of OFDI from India revealed, that it was not for purposes of “tax saving”or “re-routing of investments” that these top destinations were used; the higher weight of guarantees issued also supported a stronger economic or commercial need for such investments abroad[17].Although the Indian firms have investments in all regions of the world, they may have certain preferences like; the trade linkages, commercial ease, presence of regional agreement and cultural bias. A detailed analysis of the destination countries and broad sectors are mapped to make an assessment on the actual intention of such outward FDI flows.

Table 7: India’s Outward FDI flow - Interplay between Sectors and Top 5 Destination Countries

Rank	Countries	Values of ODFI (US$ Mn.)	Share %
1. AGRICULTURE, HUNTING, FORESTRY AND FISHING		-	**72.1 %**
1	**SINGAPORE**	5481.3	25.09
2	**CAYMAN ISLAND**	3171.8	14.52
3	**MOZAMBIQUE**	2650.0	12.13
4	**BRITISH VIRGIN ISLANDS**	2587.5	11.84
5	**NETHERLANDS**	1852.8	8.48
	Total	21847.3	100
2. COMMUNITY, SOCIAL AND PERSONAL SERVICES		-	**91.1%**
1	**MAURITIUS**	1746.2	31.89
2	**UNITED KINGDOM**	949.5	17.34
3	**UNITED STATES OF AMERICA**	925.7	16.90
4	**BRITISH VIRGIN ISLANDS**	753.5	13.76
5	**SINGAPORE**	609.4	11.13
	Total	5476.2	100
3. CONSTRUCTION		-	**68.9 %**
1	**AUSTRALIA**	3303.6	28.16
2	**MAURITIUS**	2515.9	21.44
3	**UNITED ARAB EMIRATES**	1075.9	9.17
4	**SINGAPORE**	626.5	5.34
5	**BRITISH VIRGIN ISLANDS**	569.3	4.85
	Total	11731.9	100
4. ELECTRICITY, GAS AND WATER		-	**89.6 %**
1	**NETHERLANDS**	794.9	48.01
2	**SINGAPORE**	470.0	28.38

[17] Analysis of the top 15 countries tax regimes offer very little proof to support the argument which would relate these flows as a means to avoid domestic taxation regime.

3	**UNITED ARAB EMIRATES**	110.6	6.68
4	**CANADA**	78.6	4.74
5	**MAURITIUS**	30.3	1.83
	Total	1655.89	100
	5. FINANCIAL, INSUR., REAL ESTATE & BUSINESS SERVICES	**-**	**76.9 %**
1	**SINGAPORE**	9460.9	26.38
2	**MAURITIUS**	8679.9	24.20
3	**UNITED STATES OF AMERICA**	4522.6	12.61
4	**NETHERLANDS**	2921.1	8.14
5	**UNITED ARAB EMIRATES**	2019.3	5.63
	Total	35866.5	100
	6. MANUFACTURING	**-**	**70.3 %**
1	**MAURITIUS**	20378.9	28.58
2	**SINGAPORE**	9740.7	13.66
3	**UNITED STATES OF AMERICA**	7692.1	10.79
4	**NETHERLANDS**	7323.1	10.27
5	**UNITED ARAB EMIRATES**	4957.1	6.95
	Total	71295.7	100
	7. MISCELLANEOUS	**-**	**85.4 %**
1	**BRITISH VIRGIN ISLANDS**	724.3	37.86
2	**UNITED KINGDOM**	292.6	15.29
3	**SINGAPORE**	258.2	13.49
4	**ISLE OF MAN**	203.3	10.64
5	**MAURITIUS**	156.0	8.16
	Total	1913.0	100
	8. TRANSPORT, STORAGE AND COMMUNICATION SERVICES	**-**	**97.5 %**
1	**NETHERLANDS**	23570.7	51.34
2	**SINGAPORE**	17156.8	37.37
3	**UNITED KINGDOM**	2184.9	4.76
4	**MAURITIUS**	1569.0	3.42
5	**PANAMA**	260.2	0.57
	Total	45909.4	100.00
	9. WHOLESALE, RETAIL TRADE, RESTAURANTS AND HOTEL	**-**	**65.8 %**
1	**MAURITIUS**	4374.3	21.92
2	**SINGAPORE**	3077.0	15.42
3	**NETHERLANDS**	2249.9	11.28
4	**UNITED ARAB EMIRATES**	1942.2	9.73
5	**UNITED KINGDOM**	1485.6	7.45
	Total	19953.2	100

Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

The interesting cases are manufacturing and agriculture, hunting, forestry and fishing with more than 70 percentage shares of outward FDI flows is accounted by the top five countries. In the case of both the sectors **Singapore** was the most sought after destination – with more than 25 percent of sectoral investments Singapore was also the only destination country which has been listed in nearly all of the nine sectors. The other prominent countries have been **Mauritius** in eight sectors – it was at the seventh place in agriculture, hunting, forestry and fishing sector**. British Virgin Island** accounted for the first rank in miscellaneous with nearly 38 percent of the total sectoral outward FDI flows followed by the sectors like the community, social and personal services and agriculture, hunting, forestry and fishing at 4th Rank and finally the 5th rank in construction sector. The most intriguing part of India's outward FDI flows is the presences of **Isle of Man** in the list at the 4th place in the sector of miscellaneous sector.

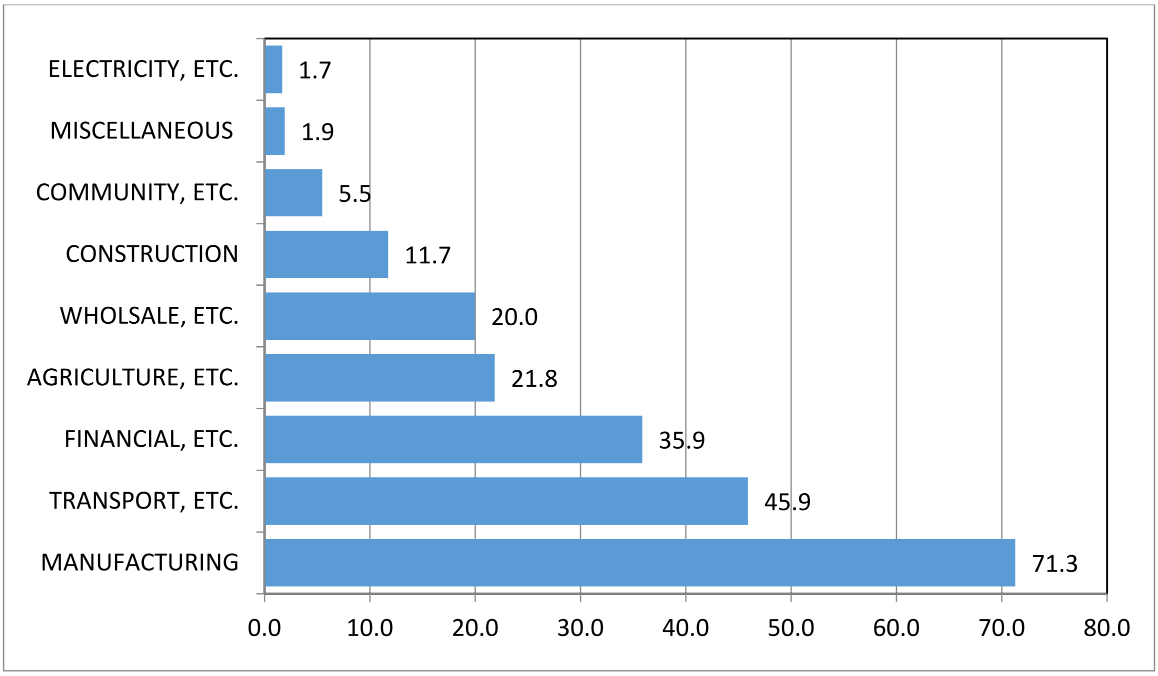
In five of the sectors we observed **Netherlands** is seento be having a prominent place in the India's outward FDI flows.[18] According to Netherlands Foreign Investment Agency (NFIA) a web site, the prime reason listed by the Indian companies was market expansion into Europe and Africa. The reasons like, customer proximity; global R&D centre; logistics, cultural reason and skilled labour were among the other prominent motivational forces for Indian companies to have invested in Netherlands. **United Arab Emirates** was a prominent destination for India's outward FDI flow in sectors like the wholesale, retail trade, restaurants and hotels, manufacturing, financial, insurance, real estate and business services and construction. The other prominent destinations were **United States of America** in three sectors like community, social and personal services, financial, insurance, real estate and business services and manufacturing.

A comparison of potential to grow and the existing importance of the sectors from Figure 13 reveals that in case of India, dominant outward FDI flows are the prime drivers in sectors like transport, storage and communication services and wholesale, retail trade, restaurants and hotels, financial, insurance, real estate and business services and manufacturing. These sectors accounted for almost 81 percent of the total India's outward FDI flows during the period of 2007-08 to 2014-15. Clearly,

[18] These are by companies like the Apollo Vredestein BV, Aquapharm Chemicals, Aspinwal, BrickRed Technologies, Dishman Pharmaceuticals and Chemicals Limited, Galaxy Surfactants, Genpact, Godrej & Boyce, Govind Rubber Limited , Greenlam, Interglobe Technologies, JKT Enterprises, Kirloskar Brothers Europe BV, Krishidhan Seeds Europe BV, Mahindra Satyam, Mindteck, MothersonSumi INfotech & Designs Ltd. (MIND) , NIIT Technologies, Nucleus Software, Omnitech Infosolutions Ltd, Polaris Software, R Systems International Ltd, Sonata Software, Stellar Data Recovery, Sudarshan Chemicals Industries Ltd, Sun Pharma, Suzlon Energy Ltd, Tata Consultancy Services, Tata Consultancy Services Eindhoven, Vayam Technologies, Wipro Technologies and Zensar Technologies. See web site http://www.nfia-india.com/why_superior_logistics.html.

India's outward FDI flow is moving away from investments in core manufacturing activity to more of creation of Infrastructures and financial and transportation activities. Since there is a substantial share in values of outward FDI flows, accounted by the top 5 destination countries, which also have liberal investment regimes and the others could be considered as tax/financial havens.

Figure 13: Sectoral Level Total Outward FDI flows from India (2007-08 to 2014-15)



Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

3.4 Firm-wise Financial Commitments

A total of 6,030 firms' financial investments and commitments (which included the commitments under the three channels like the equity, loans and guarantee issued) were made during the epoch of 2007-08 to 2014-15. To analyse the firm-wise financial commitments, we have categorised financial commitments by individual firms in seven categories, basing it on the total financial commitments of individual firms in US$ million. The lowest category being US$ 0 to 1 followed by the category of above 1 to 10 US$ million; above 10 to 20 US$ million; above 20 to 50 US$ million; above 50 to 100 US$ million; above 100 to 1000 US$ million and finally above 1000 US$ million.

Table 8: Seven Categories of Size of Financial Commitment

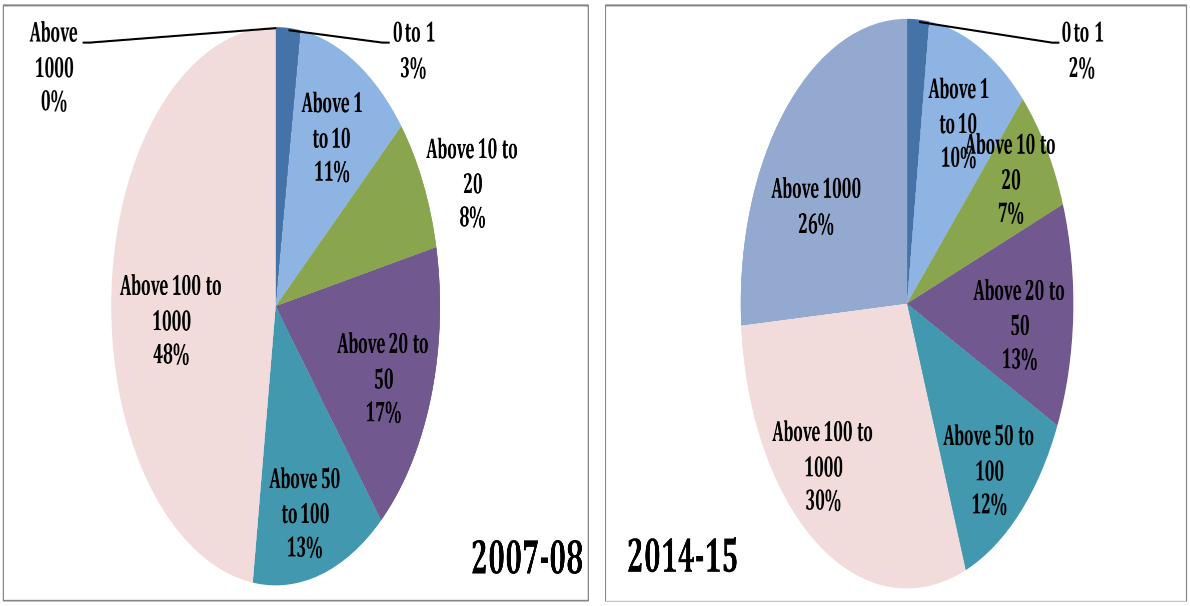
Range in (US$ Million)	Number of Firms making OFDI commitments	Total Financial Commitment (in USD Mn.)	Average Size of Financial Commitments (in USD Mn.)
0 to 1	3321	836.6	0.3
above 1 to 10	1606	5958.9	3.7
above 10 to 20	319	4455.0	14.0
above 20 to 50	319	10159.2	31.8
above 50 to 100	184	13102.3	71.2
above 100 to 1000	320	95396.2	298.1
above 1000	37	85740.8	2317.3
Total OFDI/Average	**6107**	**215649.0**	**35.3**

Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

Table 8, suggests that average total outward FDI commitment by India was US$ 35.3 million for the period 2007-08 to 2014-15. Further, it can be observed from the above table, that there is clear concentration in terms of number of firms in the lowest two categories (0 to 1 US$ & above 1 to 10 US$ million categories). However, in terms of average size of financial commitments and total financial commitments in US dollars the last of the two categories above 100 to 1000 and above 1000 US$ million had the top shares. The top category in the case of total financial commitments was the category of 'above 100 to 1000' with US$ 95.3 billion and for average size of financial commitments it was the category of above 1000 US$ million.

Over epoch of 2007-08 to 2014-15 the total financial commitments saw a shift favouring the last category of above 1000 US$ millions, its share increased from 0 in 2007-08 to 26 percent in 2014-15. There was a reduction in the shares of Above 100 to 1000 US$ million from nearly 50 percent in 2007-08 to 30 percent by 2014-15. The analysis of Figures 14 and 15, suggests that Indian outwards FDI during the later period of the epoch was dominated by few large financial commitments under the category of guarantee issued.

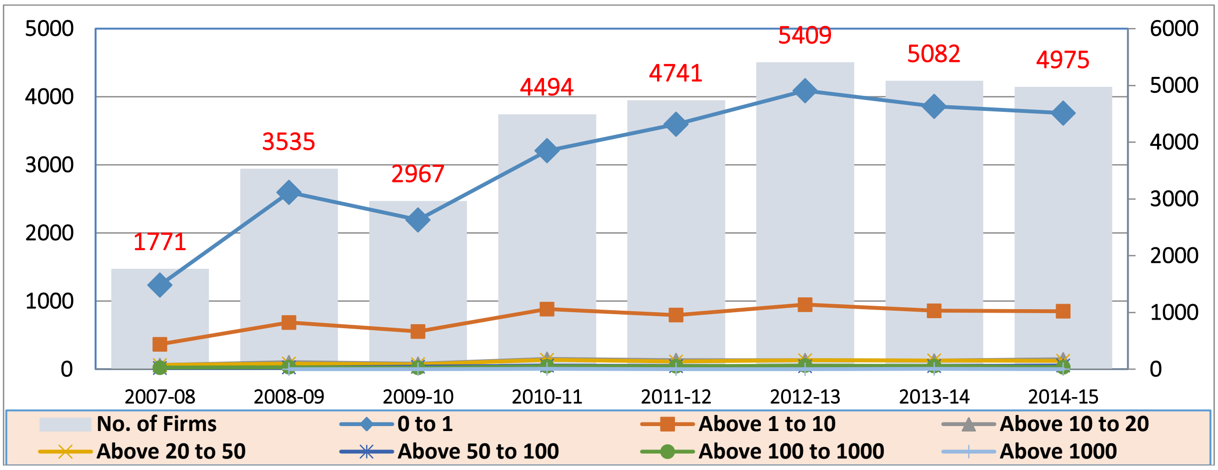
Figure 14: Changing Composition of Total Financial Commitments in 2007-08 and 2014-15



Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

The guarantees issued are those financial commitments which are not considered to be part of the definition of outward FDI[19] unless they are invoked.

Figure 15: Firm-Wise Concentration of Total Financial Commitments in Size-Wise Range



Source: Collected and collated by the authors from the monthly reports of RBI OFDI database, http://www.rbi.org.in, last accessed on 03-06-2015.

19 Outward FDI is termed when a domestic firm expands its operations to a foreign country either via a Green field investment, merger/acquisition and/or expansion of an existing foreign facility. See web page - http://www.investopedia.com/terms/o/outward_direct_investment.asp#ixzz3fsRxUuNy.

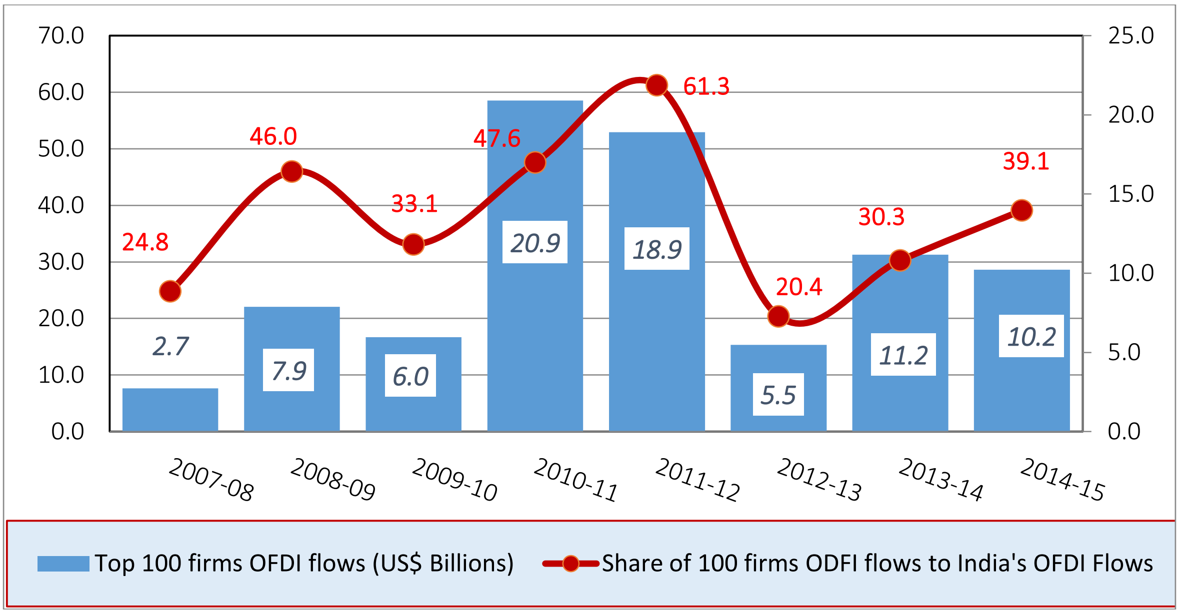
In the paper, we further carry-out a detailed analysis of the selected top 100 firms and stocksof OFDI commitments in terms of equity and loans instruments alone during the period of 2007 to 2011 in the next section. It would also analyse the total revenue receipts under the directly associated channels of inflows.

Section IV

4.1 Equity and Loan Financial Commitments- OFDI

In this section, we analyse India's total outward FDI flows mainly under two channels financial commitments i.e., equities and loans (debt).[20]As this sections analysis is limited to equities and loans, therefore, we are excluding the guarantee issued part of the OFDI flows provided by the online RBI database.[21] The financial commitments made under the equities and loans categories of OFDI were US$ 2.7 billion in 2007-08 spurt to the range of US$ 19 to 20 billion in 2010-11 to 2011-12 and thereafter it showed a declining trend only to rise back to US$ 10 billion by 2014-15, see figure 16.

Figure 16: India's yearly financial commitments under the Categories of Equity and Loans



Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

Shares of top 100 OFDI firms to the total India's OFDI (financial commitments) also showed an increasing trend which touched a high share

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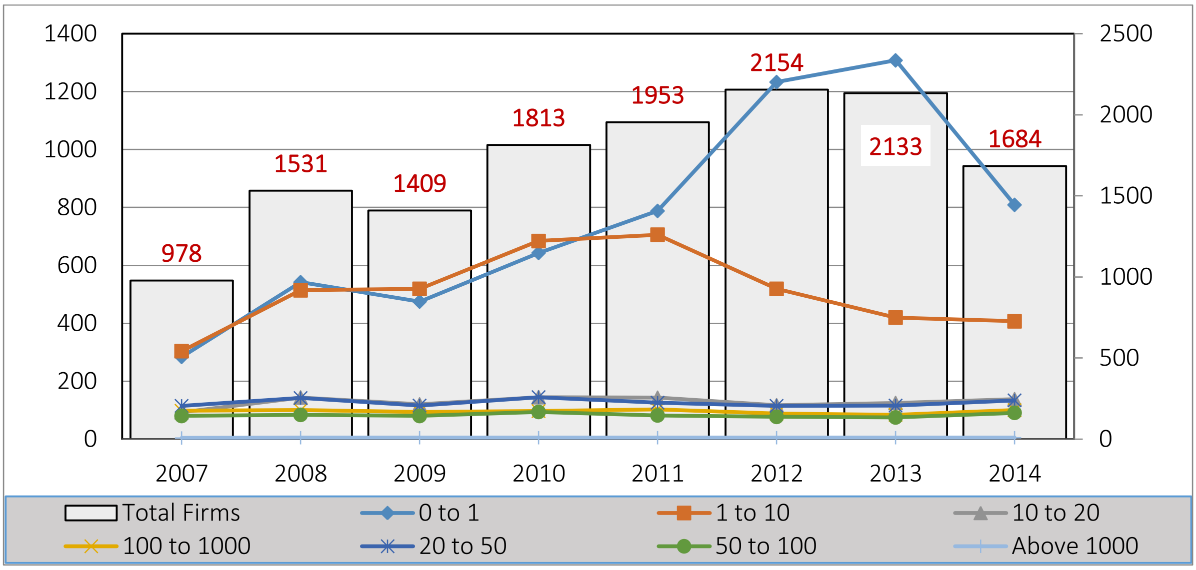
[20] We have used the approach adopted by the Reserve Bank of India (RBI) in document titled "Annual Census on Foreign Liabilities and Assets of Indian Companies: 2012-13" for analysing the FDI and OFDI. See,https://www.rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=14736.

[21] This does lead to a under representation of the total outward FDI flows from India. Since we are unaware of the quantum of "guarantees invoked" this information cannot be added to the total outward FDI data. Only the portion of guarantee invoked is added and not the complete amount under the guarantee issued.

of 61 percent in 2011-12 and thereafter the shares briefly declined only to regain to 40 percent share in 2014-15. The yearly total of equity and loan financial commitments recorded an upward trend till 2010-11 (see Figure 16). **The top investing firms list was obtained by taking the total list of firms with OFDI commitments up to 2010-11.**

Figure 17: Firm-wise Concentration of Equity and Loan Commitments in Size-Wise Range (US$ mn.)



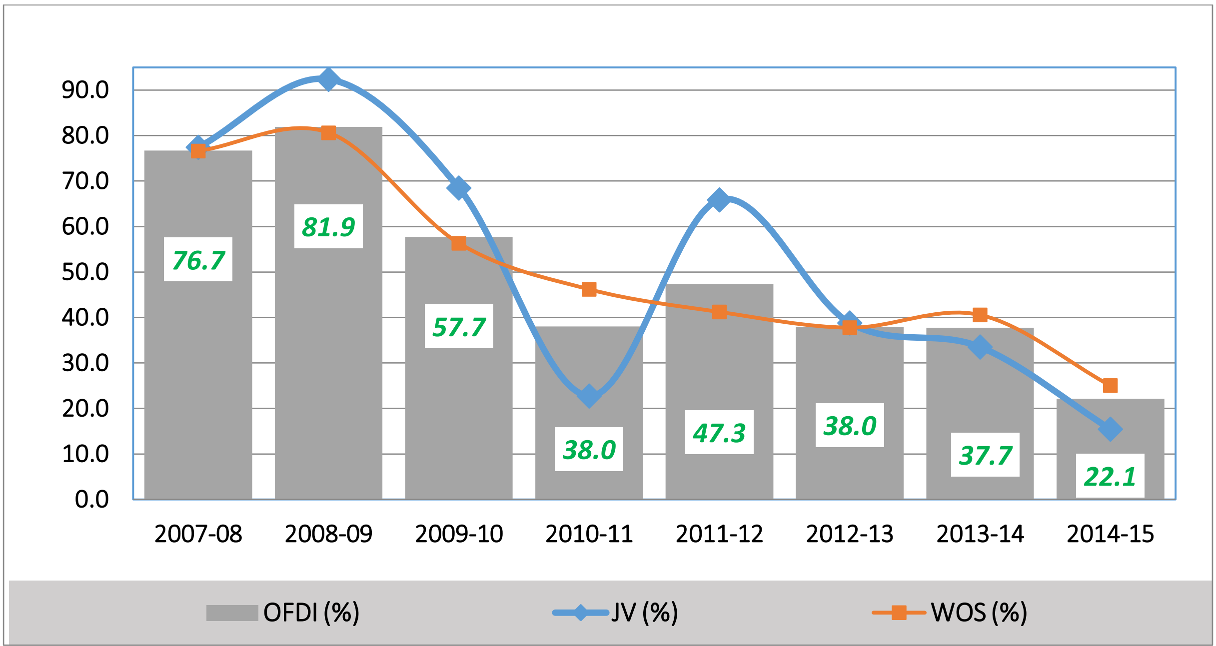
Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

The firm-wise analysis of OFDI commitment and size of 6,030 firms/companies with equity and loan commitments reveals significant differences in terms of size of firms. Clearly, suggesting that during the period there were financial commitment by firms with as low as US$ 0.0001 million and maximum commitment of US$ 3874 million.

Substantial number of firms which participated in India's total US$ 95.1 billion belonged to small size categories like; 0 to 1 million and above 1 to 10 million US dollars. **Therefore, clearly India's financial commitment under equity and loans were largely small in size.**

The analysis of trends in creation of business entity and nature of ownership of the parties reveal an interesting trend in OFDI from India – the distinction between the joint ventures (JVs) and wholly-owned-subsidiaries (WOS). The analysis is performed using the percentage shares to total ODFI (inclusive of Guarantee issued). The yearly shares of both the joint ventures (JVs) and wholly-owned-subsidiaries (WOS) drop from around 77 percent in 2007-08 to 22 percent shares in 2014-15. This suggested the firms which made investments in equity and loans do not repeat. Overall, the figure 18 indicates a decrease in relevance of channels of equities and loans as mode of OFDI commitments.[22]

Figure 18: Share of Total OFDI flows under the Equity plus Loans (2007-08 to 2014-15)



Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

4.2 Flows of Forex Revenue to the Stock of OFDIs

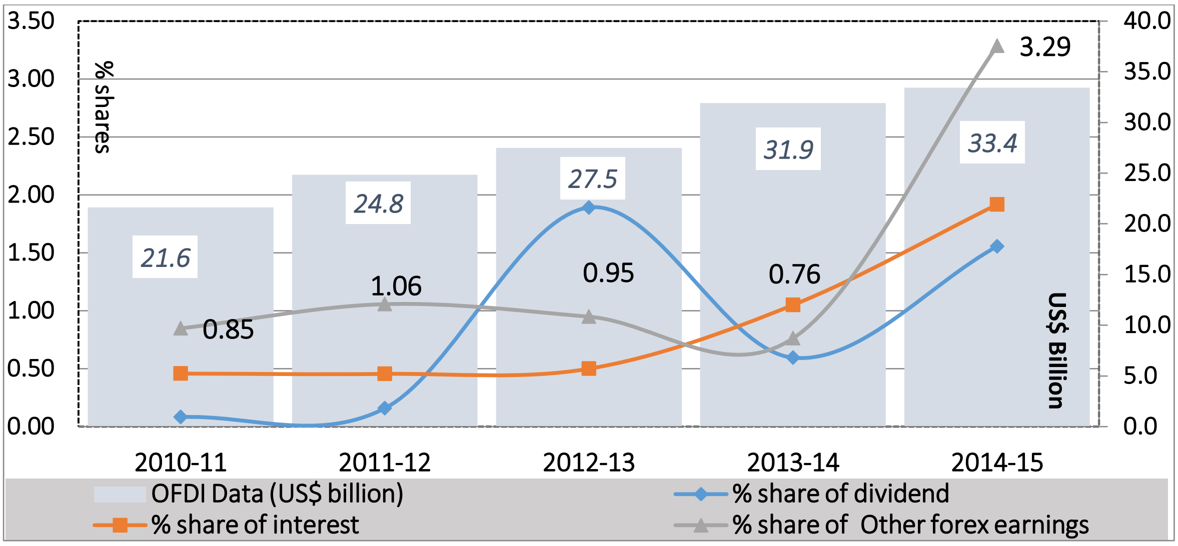
The assessment of actual economic and commercial gains from OFDI in terms of forex revenue earned is performed in this sub-section. Three ratios analysis of this section which has been represented in percentage terms like, R_Div_Forex_Rece.; R_Int_Forex_Rece.; and R_Oth_Forex_Rece for both equities and loans.

As discussed in the methodology section, the OFDI flows from India was estimated for the period of 2007-08 to 2010-11 and top 100 available firms were selected for detailed analysis, see Annexure 4. This analysis is

[22] The RBI total OFDI of India includes a third channel referred to as guarantee issued.

performed in two parts: firstly the ratios represented in percentages of forex revenue inflows to yearly OFDI stock is performed at yearly levels. At the second level the same analysis is performed at firm-wise levels.

Figure 19: Share of Flows of Forex Revenue to the Stock OFDI



Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

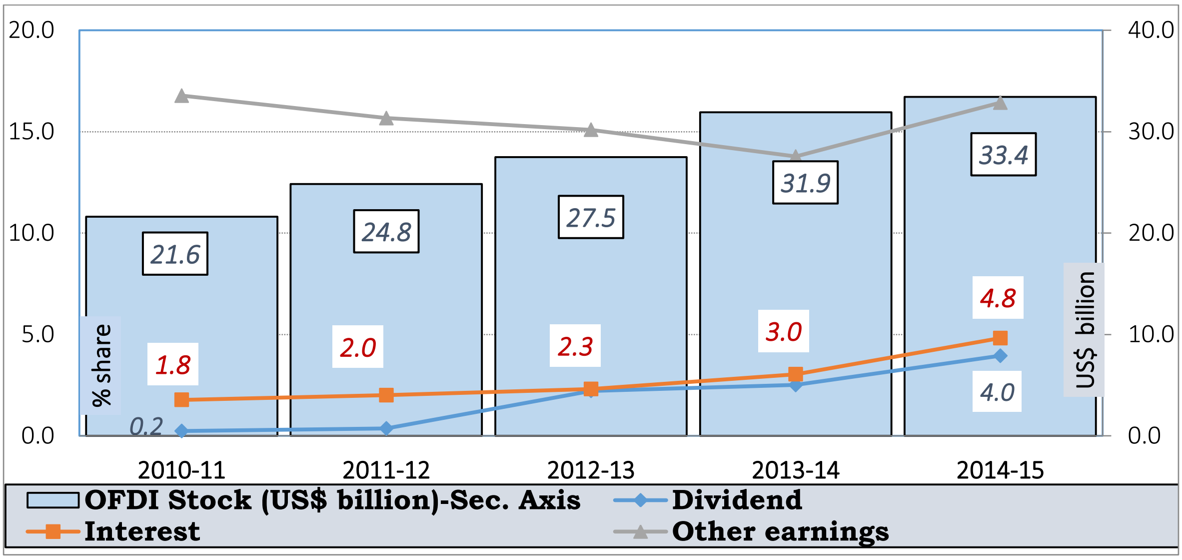
Figure 19 revealed the yearly OFDI under, for 100 firms which suggest increase from US$ 21.5 to US$ 33.4 billion. The only ratio (represented in percentage share) which suggested a secular increase was of the R_Oth_Forex_Rece (other forex revenue receipts). While the other two ratios showed variations over the five year period.

The case of percentage share of dividends increased from 0.08 percent in 2010-11 to 1.6 percent by 2014-15. Similar trends were observed in the case of percentage shares of interest which increased from 0.5 percent in 2010-11 to nearly 2 percent by 2014-15. Most significant of the three shares was seen in the case of other forex earnings, which increased from 0.9 percent share in 2010-11 to 3.3 percent share by 2014-15.

In terms of exponential growth rates over the period (2010-11 to 2014-15), it was found the dividends (R_Div_Forex_Rece.) had the highest growth with 105 percent followed by interest (R_Int_Forex_Rece) at nearly 45 percent growth and the other forex earnings (R_Oth_Forex_Rece) had the least growth rate of 27 percent.

In the second step we perform the same calculation of ratios in stock terms which means that both numerator and denominators are taken in stocks for each of the years. The percentage of the other forex earnings (R_Oth_Forex_Rece) suggested nearly stable variation within a range of 13 to 17 percent.

Figure 20: Trends in Ratios of Stocks of Forex Revenue to StockOFDI



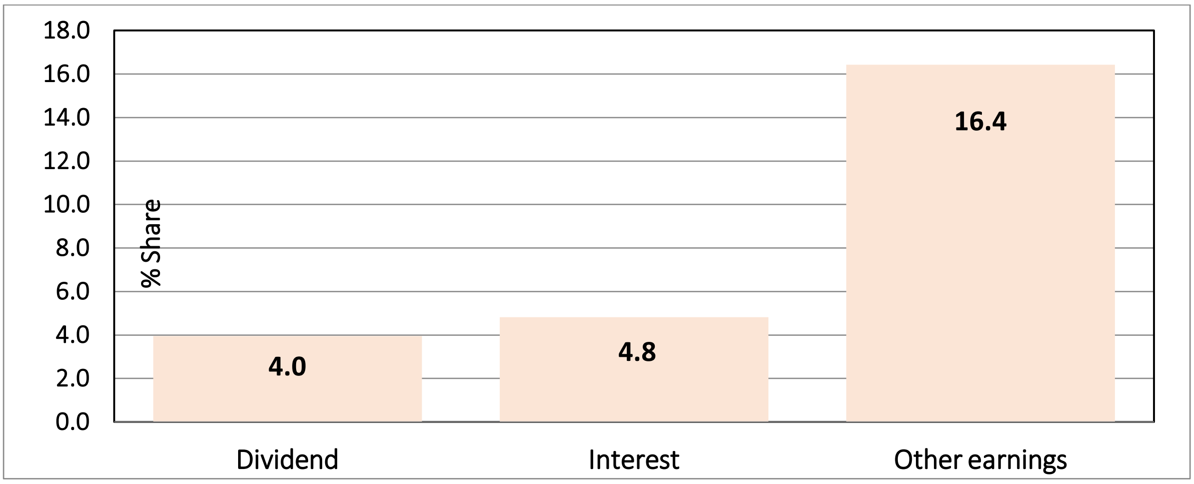
Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

It was followed by percentage share of interest (R_Int_Forex_Rece) which suggested an increasing trend from nearly 2 percent of the total stock of 100 companies OFDI in 2010-11 to nearly 5 percent in 2014-15. The dividends (R_Div_Forex_Rece.) also suggested an increasing trend in shares to OFDI stock from 0.2 percent shares in 2010-11 to 4 percent shares by 2014-15.

The growth rates in dividends at 112 percent was the highest followed by percentage interest with a growth rate of 27 percent and the other forex earnings had negative growth of 2 percent.

Figure 21 suggests that the shares of other forex earnings with 16 percent share was the highest followed by interest inflows with 5 percent and the dividend closely behind with 4 percent. This clearly highlights overwhelming importance of the other forex earnings.

Figure 21: Stock of Forex Earning by Top 100 OFDI Companies (2014-15)



Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

4.3 Ratio of Forex Revenue Receipts by Industry Group-wise[23]

Analysis of ratios of industry-wise is calculated for the 100 firms with OFDI stocks (equity and loans) to the forex revenue receipts and same is repeated in case of ownership-wise. The firm-wise analysis of the revenue receipts in terms of Industry-group are undertaken in this sub-section.

The analysis of OFDI flows by India would reveal if these were being driven by asset augmenting strategies or by the goal of accessing technology, brands, and managerial and organisational competencies. It becomes critical to analyse these trends in ratios across the ownership group-wise (short-termism approach) and industry group-wise (long-term approach) to understand the firms' business interest and approach.

The OFDI outflows and the respective forex revenue receipts in terms of dividends, interest and other forex revenue were recorded for 36 of total 52 industrial groups. The results are further bifurcated into two, the service and manufacturing sectors. The OFDI flows in service sector industries were US$ 9.1 billion and accounted for 27.5 percent while the manufactured sectors had US$ 24.3 billion with 72.5% shares.

[23] This sub-section is substantially revised from the earlier version of March 30, 2016.

The services category had sectors like ‘trading’, ‘transportation’, ‘financial’, ‘hospital’ and ‘information technology and telecommunication’ which accounted for 17 of 52 industrial groups and 42 firms out of the 100 selected OFDI firms with nearly 42 percent shares. Therefore, no selection bias in favouring the manufacturing sector and also supports the argument that firms belonging to service sectors are more active when it comes to investment abroad.

The findings clearly indicate some interesting results in terms of total OFDI stocks, it was found that 12 industry groups have more than US$ 1 billion outflows and have dominated the 52 industry group categories.[24] These were ‘readymade garments’ with US$ 4,050 million closely followed by ‘diversified industry’ with US$ 3,104 million and the other industry groups were ‘drugs & pharmaceuticals’ with US$ 2,403 million, ‘steel’ with US$ 2,009 million, ‘telecommunication services’ with US$ 1,740 million, ‘computer software’ with US$ 1,676 million, ‘infrastructural construction’ with US$ 1,672 million, ‘gems & jewellery’ with US$ 1,465 million, ‘coal & lignite’ with US$ 1,261 million, ‘refinery’ US$ 1,246 million, ‘crude oil & natural gas’ with US$ 1,201 million and ‘steel pipes & tubes’ with US$ 1,007 million. Based on the bifurcated analysis of the service and manufacturing sectors while 9 belonged to manufacturing and only 3 belonged to service sector.

The top five industries investing outside India engaged in core manufacturing activities (value addition activity) were industries like: **‘readymade garments’, ‘diversified manufacturing’, ‘drugs & pharmaceuticals’, ‘steel’ and ‘telecommunication services’.**

Results of top three industry groups with ratios across the three revenue receipts ratios like dividend, interest and other revenue receipts are analysed below. It is observed that in the case of ratios of dividend receipt to OFDI stocks ‘computer software’ with 0.4 ratio had highest ratios followed by ‘other chemicals’ with 0.2 and ‘fertilisers’ with 0.14.

[24] Total of 145 Prowess industry groups this study only analysis 52 industry groups that mean our sample firms only looked at nearly 36 percent of total categories.

Table 9: Ratios of Stock of Forex Revenue Receipts to OFDI of Industrial Groups - Top 100 firms.

Industry Groups	OFDI Stock (US$ million)-2014-15	Count of Firms	Ratio of Forex Revenue Receipts to OFDI			
			Dividend	Interest	Oth. forex Earnings	Total Forex
Crude oil & natural gas	1201	2	0.028	0.036	1.762	1.820
Steel pipes & tubes	1007	3		0.016	1.766	1.782
Commercial vehicles	176	1		1.475	0.034	1.509
Other chemicals	116	1	0.233	0.097	0.105	0.435
Shipping transport services	595	3	0.007	0.008	0.323	0.333
Computer software	1676	8	0.399	0.021	0.055	0.315
Boilers & turbines	470	1	0.019	0.245	0.013	0.273
Trading	533	4	0.003	0.011	0.247	0.259
Fertilisers	274	2	0.135	0.003	0.120	0.258
Refinery	1246	2		0.038	0.166	0.205
Other automobile ancillaries	374	2		0.041	0.144	0.185
Other leather products	139	1	0.047	0.001	0.128	0.176
Steel	2009	2		0.055	0.066	0.122
Industrial construction	592	3		0.046	0.074	0.120
Misc. electrical machinery	115	1			0.098	0.098
Natural gas trading & distribution	169	1			0.086	0.086
Drugs & pharmaceuticals	2403	7	0.092	0.041	0.016	0.076
Plastic packaging goods	723	2	0.033	0.025	0.005	0.063
Telecommunication services	1740	3	0.008	0.031	0.022	0.060
Cement	685	3	0.008		0.050	0.057
Oth. transport equipment	151	1			0.090	0.054
Metal products	98	1			0.053	0.053
Hotels & restaurants	217	1		0.036		0.036
Generators, transformers & switchgears	218	1		0.027	0.014	0.035
Transport logistics services	82	1			0.033	0.033
Rubber products	154	1	0.001		0.019	0.020

Glass & glassware	125	1	0.020			0.020
Diversified cotton textile	270	1		0.019		0.019
Infrastructural const.	1672	7	0.001	0.007	0.008	0.016
Coal & lignite	1261	1		0.002	0.023	0.012
Diversified	3104	2		0.002	0.007	0.009
Other textiles	161	1		0.003	0.004	0.007
Sugar	187	1	0.029			0.006
Cosmetics, toiletries, soaps & detergents	783	2	0.005	0.001	0.001	0.005
Business consultancy	222	2			0.004	0.004
Other agricultural products	334	3			0.002	0.003
Tourism	248	1		0.012		0.002
Misc. manufactured articles	201	1		0.002		0.002
Readymade garments	4050	2		0.001	0.000	0.001
Gems & jewellery	1465	3		0.001	0.000	0.001
Paints & varnishes	134	1			0.001	0.000
Other misc. Services	629	2				
ITES	402	2				
Other fee based financial services	162	1				
Organic chemicals	156	1				
Other financial services	134	1				
Wires & cables	130	1				
Media-content	123	1				
Aluminium & alum. Products	81	1				
Ceramic products	81	1				
Storage & distribution	81	1				
Oth. Fund-based finan. services	75	1				
Total	**33433**	**100**	**0.063**	**0.079**	**0.158**	**0.209**

Note: * = Average
Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

The case of ratios of interest receipts to OFDI stock it was the firms' belonging to 'commercial vehicles' which recorded the highest ratio of 1.48 followed by 'boilers & turbines' with 0.25 and the 'other chemicals' with 0.10 ratios. On the other hand, the ratio of other forex revenue receipt to OFDI stock was the highest in the case of 'steel pipes & tube' with1.8 ratio and closely followed by 'crude oil & natural gas' at 1.76 and at third place is 'shipping transport services' with ratio of 0.32 ratio. The other high ratios in case of other forex revenue ratios were industrial groups like: 'trading' with 0.25,' refinery' with 0.17, 'other automobile ancillaries' with 0.14, 'other leather products' 0.13, 'fertilisers' 0.12, 'other chemicals' 0.11 and miscellaneous electrical machinery with 0.10.

Some industrial groups with very low ratios across the three stock ratios of dividend, interest and other-forex revenue receipts to OFDI stocks. In the case of dividend ratios the lowest groups were 'Rubber products' and 'Infrastructural construction' both with 0.001 ratios followed by 'Trading' with 0.003. On the other hand, in case of interest ratios it was 'Cosmetics, toiletries, soaps & detergents', 'Other leather products' and 'Readymade garments all three with ratios at 0.001. It should be noted here that readymade garments topped the list in terms of OFDI flows. In case of ratios of other forex revenue receipts the lowest ratios were recorded in industry groups like 'Readymade garments' and 'Gems & jewellery' both of with 0.0001by 'Cosmetics, toiletries, soaps & detergents' with 0.001 ratios.

There are eleven industry groups which had OFDI flows but did not contribute to inflows of dividend, interest or other forex revenue. These industry groups were; 'Aluminium & aluminium Products', 'Ceramic products', 'ITES', 'Media-content', 'Organic chemicals', 'Other misc. Services', 'Other fund based financial services', 'Other fee based financial services', 'Other financial services', and 'Storage & distribution'.

Trends from the industry group suggests, the core objectives for OFDI from India seem to be expansion of market base, leveraging new technologies for local markets, etc. and to facilitate long-term growth in India and absorption of technology by Indian corporate along with improvements in the managerial skills.

A simplistic assumption of the objectives of firms is based on the industrial characteristic of the sector of operation. Forty one industrial groups were found to be having firms with some revenue receipts on the OFDI flows. The '***market expansion'*** can be cited as one of the major reason for 21 of the 41 industrial groups composing of 51 percent of shares. The second important objective achieved seemed to be '***infrastructure building'*** composing of 27 percent shares. ***Resource seeking and market expansion*** with 17 percent share can be seen to be the third highest, as per the criteria used. However in terms of in terms of total OFDI flows we get almost the same results.

4.4 Ratio of Forex Revenue Receipts by Ownership group-wise

The Industrial group which characterised the broad economic activity so does the ownership group which is an important factor in OFDI activities. India's OFDI from firms also dependent on dynamic ownership of the corporates - often the '***visionary chief executive officers***' (CEO's) do lead to investments abroad or sometimes a '***short-termism approach***' can be traced for such decisions. The analysis of outflows and ratios would help us to make a judgement of those firms or ownership groups which belonged to the former or latter.

Our sample of 100 firms has 47 ownership groups for the purposes of convenience of analysis we have bifurcated into two groups: the first a '**generic group**' with a total of 40 firms split into three broad categories like *private (Indian)* with 34 firms followed by *central government commercial enterprises* with 4 firms and *private (foreign)* with 2 firms.[25] The larger pie of US$ 23.3 billion of OFDI was in the '**CEO-specific group**' accounting for close to 70 percent of India's OFDI accounted by 60 firms. Further this category also dominated in terms of average firm-wise of OFDI with US$

[25] This group will not lend any sort of support on the leadership of the corporate firm, i.e., withregards to CEO specific understanding on the OFDI activities.

389. Therefore the generic group with 40 firms only had US$ 10.1 billion OFDI accounting for nearly 30 percent of India's OFDI and an average investment per firm of US$ 253.

The 60 firms under the "**CEO-specific group**' belonged to various ownerships like Pearl pet group, Tata group, Bharti telecom group, *etc.,* with clearly defined function and roles for the CEOs. The analysis of 60 firms revealed that top 10 ownership groups with large stocks of OFDIs were like, '**Pearl Pet'** with US$ 3,874 million followed by '**Tata'** with US$ 2,556 million, '**Nava Bharat'** with 2,481 million, '**Om Prakash Jindal'** with US$ 1,423 million, '**Bharti Telecom'** with US$ 966 million, '**GMR'** with US$ 785 million, '**Reliance [Mukesh Ambani]'**with US$ 648 million, '**Glenmark Pharmaceuticals'** US$ 622 million, Essel with US$ 588 million and '**D P Jindal'** with US$ 547 million.CEO ownership groups with very low OFDIs were '**Inox'**with US$ 98 million, followed by '**HCL'** with US$ 98 million, '**IVRCL'** with US$ 78 million and the lowest by '**Reliance [Anil Ambani]'**with US$ 75 million, all of these with less than US$ 100 million OFDI stock in 2014-15. Developing further into 'CEO-specific group' it was found '**Tata'** with 9 firms followed '**Om Prakash Jindal', 'GMR', 'Glenmark Pharmaceuticals', 'Avantha', 'Kalyani (Bharat Forge)', 'IL&FS', 'Piramal Ajay', 'Shapoorji Pallonji'** with two firms each of the ownership groups.

Repatriation of three stock ratios that is the dividend, interest and other forex revenue to OFDI stocks were found to be diverse nature with no common trend. The highest average revenue receipt of 47ownership groups' ratio of 0.108 was in case of the other forex revenue receipts (ORR) with participation by 27 ownership groups. Further, the results clearly indicate that the route of dividends was the least used only 16 ownership groups with an average ratio of 0.012. The interest forex revenue of 30 ownership groups with an average revenue receipts ratio 0.025. **It is clear from the analysis of ownership groups that the focus is on the other forex revenue receipts.**

The ratio of dividend forex revenue receipts of the ownership groups above the average of 0.04 ratio is accounted by 16 ownership groups of which the top four were found to be belonging to the CEO-specific category i.e., '**Tata**' and **'Birla K.K.'**with 0.17 '**Murugappa Chettiar'** with 0.08 and **'Essel'** just at 0.04. The total OFDI outflows under the 4 ownership groups accounted US$ 3417.4 million.

The dividend ratios was the lowest in ownership groups like GE Shipping Group, Private (Indian) and Private (Foreign) at 0.006 followed by 'Simplex (Mundhra)' 'I L & F S' and 'Marg' at 0.001. A total of 16 ownership group did not use dividend route to bring forex back.

The second ratio of interest to OFDI stock indicated all the groups above the average of 0.038belonged to the CEO-specific category. Ownership like '**Suzlon'** with 0.245, '**Dr. Reddy's'** with 0.165, '**Tata'** with 0.157, '**Punj Lloyd'** with 0.106, '**Glenmark Pharmaceuticals'** with 0.075, '**Reliance [Mukesh Ambani]**' with 0.062, '**Om Prakash Jindal'** with 0.045 and '**Kalyani (Bharat Forge)**' with 0.039. The total stock of OFDI for eight ownership groups was recorded at US$ 6703.1 million. The CEO-specific category can be observed to have dominated both ratios of dividends and interests revenue receipts, clearly highlighting the stock market linkage and the need for having a positive image for raising capital by these ownership groups.

On the contrary the lowest interest flows happened in the ownership groups like 'Lanco' and 'Dabur' with 0.2 followed by 'Garware', 'Private (Foreign)', 'IL&FS' and 'Pearl Pet' groups with ration of 0.1. A total of 17 ownership group did not use interest route to bring forex back.

On the other hand the trends in the third ratios of other forex revenue receipts to OFDI stocks suggest that there is an equal distribution between the '**Generic'** and the **'CEO-specific'** categories. The 27 ownership groups accounted for US$ 21.7 billion OFDI stock and an average ration of other forex revenue inflows of 0.18.

Table 10: Ratios of Stock of Forex Revenue Receipts to OFDI of Ownership Groups - Top 100 firms.

Ownership Groups	OFDI Stock (2014-15) - US$ mn.	Sample Firms (no.)	PROWESS Population (no.)	Stocks of Forex Revenue to OFDI Stock			
				Dividend	Interest	Oth. forex Earnings	Total Forex
Suzlon Group	469.6	1	15	0.015	0.245	0.013	0.273
Dr. Reddy's Group	375.0	1	14		0.165	0.040	0.205
Tata Group	2556.0	9	252	0.173	0.157	0.076	0.406
Punj Lloyd Group	231.5	1	18		0.106	0.196	0.301
Glenmark Pharmaceuticals Group	622.1	2	4		0.075	0.004	0.079
Reliance Group [Mukesh Ambani]	647.9	1	104		0.062	0.094	0.156
Om Prakash Jindal Group	1422.6	2	77		0.045	0.998	1.043
Kalyani (Bharat Forge) Group	378.4	2	35		0.039	0.138	0.177
Global Tele-Systems Group	539.8	1	11	0.012	0.030		0.042
Essel Group	587.8	1	31	0.041	0.029	0.002	0.072
Shapoorji Pallonji Group	245.2	2	84		0.029	0.003	0.032
Central Govt. - Commercial Enterprises	2213.7	4	376	0.013	0.024	1.083	1.120
IVRCL Group	78.3	1	94		0.024		0.024
I.C.I.C.I. Group	212.7	1	52		0.023		0.023
D P Jindal Group	547.5	1	4		0.022		0.022
Alok Group	270.5	1	14		0.019		0.019
Gammon India Group	352.6	1	60		0.014	0.003	0.017
Madhucon Group	181.5	1	14		0.013		0.013
Avantha Group	504.6	2	47		0.010	0.006	0.016
G M R Group	785.3	2	74		0.009	0.027	0.036
GE Shipping Group	258.7	1	5	0.006	0.007		0.014
Birla K.K. Group	173.9	1	79	0.173	0.005	0.144	0.323
Simplex (Mundhra) Group	128.4	1	4	0.001	0.004	0.105	0.111
Private (Indian)	7664.9	34	16155	0.006	0.003	0.010	0.019
Lanco Group	504.2	1	24		0.002	0.001	0.003
Dabur Group	244.9	1	9		0.002		0.002
Private (Foreign)	238.7	2	880	0.005	0.001	0.511	0.516
I L & F S Group	372.9	2	103	0.001	0.001	0.004	0.006
Garware Group	202.2	1	8		0.001	0.938	0.939

Pearl Pet Group	3873.8	1	11		0.001		0.002
Murugappa Chettiar Group	99.7	1	56	0.084		0.077	0.161
Birla Aditya Group	390.5	1	99	0.015		0.100	0.115
Piramal Ajay Group	276.2	2	59	0.008			0.008
Godrej Group	538.0	1	58	0.007			0.007
Marg group	178.2	1	7	0.001			0.001
Mahindra & Mahindra Group	206.0	1	106			0.393	0.393
ABG Group	151.0	1	15			0.054	0.054
Inox Group	97.6	1	17			0.053	0.053
Priyadarshini Group	117.3	1	8			0.012	0.012
Bharti Telecom Group	965.7	1	33				
Nava Bharat Group	2480.6	1	14				
Binani Group	177.0	1	19				
Gitanjali Gems Group	386.7	1	36				
HCL Group	98.4	1	22				
Lalbhai Group	176.5	1	36				
Reliance Group [Anil Ambani]	74.8	1	76				
RPG Enterprises Group	134.0	1	99				
Total	**33,433.1**	**100**	**19,418**	0.012	0.025	0.108	0.145

Note = * Average across the groupings.

Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

These were '**Central Govt.-Commercial Enterprises'** with 1.1, '**Om Prakash Jindal'** with 0.99, '**Garware'** with 0.94, '**Private (Foreign**)' with 0.51, '**Mahindra & Mahindra**' with 0.393, and '**Punj Lloyd'** with 0.196. These groups had cumulative OFDI of US$ 4.5 billion; the firms in the sample had an aggregated ratio of 4.1.

On the lower side from among the ratio of other forex revenue receipts to OFDI stocks with less than 0.006 ratio were **'Avantha'**, **'IL&FS'**, '**Glenmark Pharmaceuticals'**, '**Shapoorji Pallonji'**, '**Gammon India'**, **'Essel'** and **Lanco** ownership groups. Nineteen of the ownership groups did not use this route for purposes of forex repatriation and these were '**Piramal Ajay'**, '**Godrej'**, '**GE Shipping'**, '**Marg'**, '**IVRCL'**, '**I.C.I.C.I**.', '**D P Jindal**', '**Alok'**, '**Madhucon**', '**Dabur'**, '**Pearl Pet'**, '**Bharti Telecom'**, '**Nava Bharat', 'Binani', 'Gitanjali Gems', 'HCL', 'Lalbhai', 'Reliance [Anil Ambani]'** and **'RPG Enterprises Group'.**

Although this analysis provides a flavour of the dynamics at sectoral (Industry) and ownership levels, but clearly highlights one of the limitations that the analysis will not provide the firm-specific dynamics. Especially, in '**Industry groups'** like 'Drugs & pharmaceuticals' and 'Infrastructural construction' and in the context of '**Ownership groups'** like Private (Indian) (34), Tata Group (9) and Central Govt. - Commercial Enterprises with four firms.

Clearly some of the ownership and industrial groups did not repatriate any revenue. In term of ownership groups these were 1) **Bharti Telecom**, 2) **Nava Bharat**, 3) **Binani**, 4) **Gitanjali Gems**, 5) **HCL**, 6) **Lalbhai**, 7) **Reliance [Anil Ambani]** and 8) **RPG Enterprises**. While in terms of Industrial groups they are 1) **Organic chemicals**, 2) **Wires & cables**, 3) **Aluminium & aluminium. Products**, 4) **Ceramic products**, 5) **Storage & distribution**, 5) **other misc. Services**, 6) **ITES**, 7) **other fee based financial services**, 8) **other financial services**, 9) **Media-content** and 10) **other fund based financial Services**.

To summarise table 11 identity's ownership groups based on four categorisation, besides the old categorisation of **C.E.Os-Specific** and **Generic** there are three other possibilities like **'Visionary C.E.Os'** (0 to 10 ranks); '**Short-Termism**'[26] (10 to 30 ranks) and '**Lack of Sufficient data**' (Above 30 ranks). These classification were based on two separate ranking of OFDI values in stock terms and the ratios of total repatriations both taken in descending order.

Table 11: Summary Table of Short-Termism *verses* Visionary C.E.Os

Probabilities	**C.E.Os Specific**	**Generic**	**Total Ownership Groups**
Visionary C.E.Os (0 to 10)	2	1	3
Short termism (10 to 30)	30	2	32
Lack of Sufficient data (Above 30)	12		12
Total Ownership Groups	**44**	**3**	**47**

Source: Authors estimates on 25-09-2016

The final analysis is made on the basis of the average of two ranks (OFDI stock and ratios) with the assumption that lower values are better captured by the performance of C.E.Os of 44 ownerships.

Category of '**Generic'** ownership is excluded from further analysis as it is difficult to assign responsibility on the C.E.Os. However, in the case of C.E.Os-specific ownership groups it becomes easy to fix responsibilities. Of the total 44 C.E.Os-specific ownership groups nearly 30 falls in the category of '**short-termism**' with nearly 70 percent shares. Two of the ownership group belonged to the category of '**visionary C.E.Os**' and these were Tata Group and Om Prakash Jindal Group. The other 12 ownership groups belonging to this group could not be classified due to insufficiency of data. However this clearly indicated that only Tata Group and Om Prakash Jindal groups were acting in good faith while majority of the India's OFDI investments under the Equity and Loans also had short-termism approach.

[26] Investments commitments made with view to make speculative gains by boosting their stock valuations and its expectations in the market and the investments do not create any kind of real economic gains. They are more appropriate in the for the analysis of OFDI under the Guarantees issued.

4.5 Firm-wise Composition of Revenue Receipts

Earlier observations were based on the analysis of industry and ownership groups, which suggested that the forex receipts have varied considerably based on the nature of operation of firms. Finally, an analysis of 100 firms is carried out by creating four ranges based on the calculated ratios of stock forex revenue receipts to OFDI stock for each firm. We have identified and categorised the ratios into those firms belonging to the first category of 'zero and below zero', the second range is '0 to 1' followed by the range of '1 to 3' and lastly those firms with 'above 3'.The analysis is done with the help of three separate tables providing the summary of firm-wise variations in forex revenue receipts in the form of dividend, interests and other forex revenue receipts.

Table 12 summarises the ratios of cumulative revenue receipts to OFDI stocks. It is evident that only 6 firms had ratios of revenue receipts above 1, which also meant that only these firms had revenue receipts more than their OFDI flows. These firms were identified as **Redington (India) Ltd**. (1.1); **Tata Consultancy Services Ltd**. (1.9); **Strides Arcolab Ltd.** (2.0); **ONGC Videsh Ltd**. (2.5); **Tata Motors Ltd.** (4.9) and **Jindal Saw Ltd.** (6.2). Six firms accounted for 6.7 % share of total OFDI stocks (2014-15) and 74.3 percent of the cumulative revenue receipts in 2014-15.Clearly indicating very high imbalance between the OFDI activities and revenue inflows. Further, based on sample of 100 firms, it clearly suggested very little gains made by Indian firms by investing abroad.

Table 12: Ratios of Cumulative Total Revenue Receipts to Stock of OFDIs (2007 to 2014)

Range of Ratios	2007-08 to 2014-15 (US$ Mn.)		Avg. Ratios	Number of Firms
	Cumulative OFDI Stock	Cumulative Revenue Receipts		
0	7476.2	1.1	0.00	27
0 to 1	23704.0	2161.9	0.11	67
1 to 3	1865.0	4092.8	1.88	4
Above 3	387.9	2172.1	5.54	2
Total/ Average*	**33433.1**	**8428.0**	**0.26**	**100**

Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

Larger portions of the OFDI stock belonged to ranges '0' and '0 to 1', which accounted for 93.3 percent of total OFDI stock and 26 percent of firms cumulative revenue, see Table 12. Therefore, clearly suggesting India's OFDI did not translate into forex gains for investments made five years ago (stock OFDI).

Table 13: Ratios of Cumulative Dividend Receipts to Stock of OFDI (2007 to 2014)

Range of Ratios	2007-08 to 2014-15 (US$ Mn.)		Avg. of Ratios	Number of Firms
	Cumulative OFDI Stock	Cumulative Revenue Receipts		
0	26541.6	0	0.00	75
0 to 1	6287.7	217.1	0.04	23
1 to 3	603.8	1103.9	1.81	2
Above 3	0	0	0.00	0
Total/ Average	**33433.1**	**1321**	**0.05**	**100**

Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

The ratio of dividends forex revenue to OFDI stock as shown in table 13 reveals that nearly US$ 33.4 billion generated only US$ 1.3 billion forex revenue inflows by way of dividends on shares. In ratio terms it was only 0.05 percent of the total OFDI clearly suggesting that it was the least preferred mode among the three modes of repatriation. It revealed that close to 98 percent of OFDI stocks was able to generate only 16 percent of the revenue receipts as dividends. Two firms with highest ratios were **Tata Consultancy Services** with 1.84 followed by **Strides Arcolab Ltd.** with 1.8. Two other firms belonged to industrial group of drugs and pharmaceutical were **Tata Chemicals** and **Chambal Fertilisers & Chemicals Ltd**.

In case of ratios of interest to OFDI stock the range of zero accounted for US$ 8,159 million and 42 firms. When compared with dividends ratios this indicated that better performance by interest ratios with 24.4 percent of OFDI stock coverage. High ratios of interest forex revenue receipts to OFDI stock were recorded in same range category of above 3 like in the case of dividend ratio.

Table 14: Ratios of Stock of Cumulative Interest Receipts to Stock of OFDIs (2007 to 2014)

Range of Ratios	2007-08 to 2014-15 (US$ Mn.)		Avg. of Ratios	Number of Firms
	Cumulative OFDI Stock	Cumulative Revenue Receipts		
0	8158.6	0.0	0.00	42
0 to 1	25098.5	764.3	0.03	57
1 to 3	0.0	0.0	0.00	0
Above 3	176	847.9	4.82	1
Total/ Average*	**33433.1**	**1612.3**	**0.07**	**100**

Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

Only one firm which accounted for 4.8 ratio of forex interest receipts to OFDI stock was **Tata Motors limited.** The firms had cumulative OFDI of US$ 176.02 million and total interest revenue receipts of US$ 847.9 million and belonged to commercial vehicle industry. Followed by **Suzlon Energy limited** with 0.3 ratio belonging to the industrial group of 'boilers and turbines'. Two firms which fell in this category were **Tata Communications limited** with 0.16 and **Dr. Reddy's laboratories limited** with the ratio of 0.13. Manufacturing and non-manufacturing sector firms alike the ratio of forex interest revenue receipts to OFDI stock is not so encouraging.

Table 15: Ratios of Cumulative Other Revenue Receipts to Stock of OFDI (2007 to 2014)

Range of Ratios	2007-08 to 2014-15 (US$ Mn.)		Avg. of Ratios	Number of Firms
	Cumulative OFDI Stock	Cumulative Revenue Receipts		
0	7060.6	0.0	0.00	39
0 to 1	24899.4	1364.9	0.08	58
1 to 3	1261.2	2816.4	1.74	2
Above 3	211.9	1313.4	6.20	1
Total/ Average*	**33433.1**	**5494.7**	**0.14**	**100**

Source: Collated by the authors from RBI OFDI and CMIE Prowess databases on 26-06-2015.

Table 15 reveals the dynamism in ratio of cumulative of other forex revenue to stock of OFDI in 2014-15. Trends in the other revenue receipts also mimicked the observation across the other two channels of repatriation. Substantial number of 97 firms belonged to 'zero' and '0 to 1' ranges suggesting a highly skewed distribution. The lowest two ratio ranges accounted for almost US$ 32 billion of OFDI stock while only repatriated US$ 1.3 billion in cumulative revenue, which accounted for only 25 percent share of total repatriation.

Jindal Saw limited belonged to the range of above 3 ratio with OFDI flows to the tune of US$ 211.9 million and repatriation under the other forex receipts to the tune of US$ 1,313.4 million. The Jindal Saw limited had 6 times of its OFDI flows. **ONGC Videsh limited** is the other firm which repatriated twice the OFDI stock in 2014-15. It can be observed that **ONGC Videsh limited** had made in OFDI US$ 1,103.5 million and repatriated US$ 2,645.1 million by way of other forex revenue. Two firms accounted for almost 51 percent of the total repatriations.

Redington (India) limited was another example of the firm which had a ratio of 1.1 clearly suggesting that the firm repatriated 100 percent of the OFDI stock. The other seven firms which had ratios ranging from 0.7 to 0.2 are **Global Offshore Services limited**, **Satyam Computer Services limited**, **Tata Communications limited**, **Bharat Forge limited**, **Indian Oil Corporation limited**, **Punj Lloyd limited** and **Chambal Fertilisers & Chemicals limited**.

Unlike the dividends and interest ratios the ratio of other forex revenue receipts and therefore is the best among the three channels for repatriation. For better understanding at the firm level, Annexure 5 of this paper provides Industry, ownership group and firm-wise representation of stocks of forex revenue receipts in US$ million terms for dividends, interests and other forex revenue and also the OFDI for 2014-15.[27]

One of ways to make a simple assessment of performance of outward foreign direct investments is to make an assessment of how much of the investments are repatriated by firms who undertake such investments. We have made an assessment using only direct channels of OFDI and compared the same with direct repatriation in the form of dividends, interest and other revenue receipts (for example like royalties, etc.).

[27] See Annexure 4 for detailed analysis of industry groups, ownership group and firms-wise information on the revenue receipts.

Table 16: Ratios of Revenue Receipts to OFDI Stock by Top 100 firms

Year	OFDI Data(RBI)		Total Revenue Receipts (PROWESS)		Stock of Revenue Receipts upon Stock of OFDI(Ratio)
	Annual	Stock	Annual	Stock	
2008-09	8188.9	8188.9	884.7	884.7	0.11
2009-10	3654.2	11843.0	405.6	1290.3	0.11
2010-11	5811.7	17654.7	300.3	1590.6	0.09
2011-12	3204.6	20859.3	415.0	2005.6	0.10
2012-13	2668.3	23527.6	918.4	2924.0	0.12
2013-14	4414.2	27941.8	768.5	3692.5	0.13
2014-15	1516.8	29458.6	2259.7	5952.2	0.20
Total 2008-2014	29458.6	139473.8	5952.2	18339.8	0.13
Total 2010-2014	17615.6	119441.9	4661.9	16164.9	0.14

Source: Author based on RBI and PROWESS databases.

The picture in terms of direct repatriation of forex revenue by top 100 firms is very dismal. In the period of 2008 to 2014 100 firms have undertaken outward foreign direct investments to the tune of US$ 139.5 billion (in stock) and their repatriation has been only to the tune of US$ 18.3 billion. On the other hand for the 2010 to 2014 the same firms did undertake OFDI to the tune of US$ 119.5 billion (in stock) while repatriation was the tune of US$ 16.2 billion. **Suggesting that the ratio of revenue receipts upon OFDI in stock terms was only 0.14.**

Section V

5.1 By Way of Conclusion

After two decades of the formation of world trade organisation (WTO) there is considerable attempts to culminate Doha Round by having a deal on some ongoing but long conceded[28]issues. In comparison to some of nearly settled deals like NAMA and AoA, investment negotiations did not proceed in a structured manner under the WTO beyond 2003. The issue that was conceded which is being revived is the Multilateral Agreement on Investment (MAI)[29].

Investment surfaced with full vigour, as there was a surge in outward-FDI activities from emerging economies, especially from India after 2005 and some of the WTO members used this situation to bring it back. Citing that the increased investment flows suggest possibilities for promotion of economic co-operation between India and the host countries and therefore India should be having an interest to protect its investments.

Various studies alluded to India's surge in domestic market driven investments in this phase largely by leveraging on acquisitions in order to grow rapidly in global markets. These analyses clearly indicated an increase in India's OFDI, since the latter half of 2000, could be explained by the potentials to access to better R&D and skill infrastructure, established brand names and available strategic assets, etc. Further in the era of globalised regime (especially in post 2000) Indian MNEs was seen to have graduated to the next level that is the stage learning from experiences. Literature clearly points towards an increased in outward foreign direct investment (OFDI) having significant impact on across all

[28] Third of four new Issues mandated at the Singapore ministerial in 1996.

[29] The negotiation on the new issues (Investment, Competition, government procurement and Trade facilitation) which was proposed immediately after WTO was formed in 1996. The negotiations under the respective committees continued upto 2003. The WTO ministerial of 2003 almost collapsed over the negotiation on these "trade-related" issues.

sectors like: manufacturing, non-financial services, trading and financial services.

The direct linkages are difficult to draw based on increase in total OFDIs and access to better R&D and skill infrastructure, established brand names and available strategic assets, etc.

The evidence of liberalisation of investments as highlighted by UNCTAD studies does suggest a mixed view. To quote UNCTAD 2014:

> *"Over the years, numerous empirical studies have assessed the impact of international investment* ***agreements*** *(IIAs), including bilateral investment treaties (BITs), on foreign direct investment (FDI) – with mixed results. A policy debate is now underway to reappraise previous findings and unsolved questions."*
>
> *"Properly understanding the potential impact of IIAs on FDI is important for defining their role in countries' investment policies and overall development strategies.* ***Econometric studies can help, but also have limitations****. Finally, the role of Investment agreements has to be put into the broader context of countries' efforts to attract and benefit from FDI, with the ultimate objective to promote sustainable development. It is therefore important to consider the challenges that IIAs can give rise to, including with respect to potential constraints on policy space or exposure to investment litigation."*[30]

As is there are mixed opinion on causality between international agreements on investments and flows of FDI or OFDIs. Nunnenkamp and pant (2003) suggested a cautious approach that a multilateral negotiation on an investment agreement should not have high agendas in the WTO framework.[31]

This study traces trends in the OFDI flows from India from 2000 to 2014. It also analyses the inflows of forex repatriations which are directly linked to the equity and loan investments made by listed companies. This task has been performed by mapping top 100 firms with outward investments in the years 2007-08 to 2010-11. Thereafter, analysing the

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30 UNCTAD, 2014,"***The Impact of International Investment Agreements on Foreign Direct Investment: An Overview of Empirical Studies1998–2014***", IIA Issue note- Working Draft.

31 Nunnenkamp Peter and Pant Manoj, 2003, ***"Why the Case for a Multilateral Agreement on Investment Is Weak"***, KIEL Discussion Paper no. 400, Institut fur weltwirtschaft, March.

revenue inflows for the top 100 companies, the results are summarised below.

5.2 Major Findings

In terms of net international investment position (IIP), the United States had more international liabilities in comparison assets and corroborates with inwards FDI flows. On the other side of the spectrum is Japan with a positive total IIP of US$ 24,005 billion with significant OFDIs across all the countries. It also suggested that Japan had more assets during the period of 2005 to 2013 in comparison to its international liabilities. India on the other hand has been having negative IIP of US$ 1440 billion at fifteenth position of from the US. This indicates that globally India is not a major outward investor and was at fourteenth rank in terms of FDI inflows[32]. This clearly indicates that India has more liabilities (inflows) over its assets (outflows). Suggesting that for India external investments activities was not a major determining feature for economic growth.

1. Two trends can be observed in case of relationship between the inward-FDI and outward FDI. The first phase from 1980 to 1994 is considered to be moderate suggested by from the trends seen in terms of exponential growth rates and the correlation. In the second phase, from 1995 to 2013 there is a higher growth rates and stronger correlation between the inward-FDI and outward FDI flows. Clearly suggesting that, in the second phase India witnessed much higher activities of overall outward FDIs flows.
2. The macro trends of OFDI, from 2000 to 2012, suggested that India issued actual outward FDI (equity and debentures) of US$ 104.76 billion and with an addition of Guarantee Issued worth US$ 63.5 billion which accounted for 38 percent of total outward FDI flows. India's OFDI flows increased at a growth rate of nearly 15 percent from US$ 11 billion in 2007-08 to nearly US$ 31 billion in 2014-15.

[32] There is also a need to analyse the amount of outflows in the form of intangible assets (royalties, technical fees and technological charges and R&D payments Etc.).

3. The commitment under the guarantee issued indicated highest growth rate of 39 percentages with the proposed capital outflows increasing from US$ 3 billion in 2007-08 to US$ 24 billion by 2014-15. The other two OFDI channels like the equity and loan issued showed lesser growth rates. The equity channel of OFDI suggested a negative growth of 5 percent.
4. Increasingly Indian corporate sector can be seen to be taking 'short-termism approach' with increased use of 'Guarantee Issued' channel for OFDIs. By taking the 'Guarantee Issued' route, the listed companies could be claiming the speculative gains by boosting their stock prices, from the false claims made in terms of investments abroad in their Annual Reports. However, this issue needs a detailed research before we can establish it without doubt and is this a global trend? It is also a matter for concern for India banks as the sector is already under stress from the mounting non-performing assets.
5. In terms of growth rates, all channels had moderately high positive growth with increasing participation the growth rates were in the case of equity (7.3%), loans (11.8%) and guarantee issues nearly 30 percentage respectively. There is a clear increase in OFDI flows in value and by way of increased participation in terms of numbers across all three channels.
6. Countries with a stronger banking sector had larger share of Guarantee Issued to total OFDI and thus a higher weight in terms of OFDI flows. This movement is indicated by the difference between two variables taken at log values terms, it clearly reflected by the positive correlation coefficient value of 0.62. However, this linkage also needs to be further analysed in order to identify the nature and direction of causality.
7. India's outward FDI during 2007-08 to 2014-15 had an upper hand of wholly-owned-subsidiary (WOS) with an average share of 76 percent while the joint ventures (JV) accounted for share of 24 percent. The JV can be seen to be having a higher growth rate of 34

percent when compared with the WOS which only grew by 10.4 percent.

8. The analysis of the sectoral composition of India's OFDI, it can concluded that there was a drop in manufacturing sector shares from 38 percent (2007-08) to 27 percent (2014-15) also associated with lower growth rates for the complete period. However, the sectors like 'agriculture, hunting, forestry and fishing' and 'transport, storage and communication services' showed an increase of 9 and 16 percentage points. Sectoral trends suggested that 'transport, storage and communication services' the share increased from 10 percent in 2007-08 to 26 percent shares in 2014-15. There is subtle diversion away from OFDI flows from manufacturing activities to transport, storage and communication services – which supported the infrastructural building process.
9. Mauritius and Singapore were the favourite destinations in nearly all the sectors for the OFDI. In addition, there are '*financial heavens*' like Cayman Islands, British Virgin Islands and Isle of Man among the top five destinations in sectors like, agriculture, hunting, forestry and fishing, community, social and personal services and construction.
10. Across five of the sectors[33] it was observed that Netherlands had a prominent place in India's total OFDI flows. A survey of the companies which invested expressed reasons like, customer proximity; global R&D centre; logistics, cultural reason and skilled labour were among the other prominent motivational forces for Indian companies.
11. Clearly India's outward FDI flows are moving away from investments in core manufacturing activity to more of creation of Infrastructures and financial and transportation activities. Since there is substantial share of values of OFDI flows is accounted by the top 5

[33] These five sectors were: electricity, gas and water; financial, insurance, real estate & business services; manufacturing; transport, storage and communication services; and wholesale, retail trade, restaurants and hotel.

destination countries are with relatively liberal investment regimes and others are considered to be 'tax' or 'financial havens'.

12. The study suggested that there were firms' with a minimum financial commitments or OFDI of US$ 0.0001 million and maximum investment of US$ 3874 million. However, substantial number of firms which participated in the total OFDI of US$ 95.1 billion equity and loans investment by India belonged to small size categories like, 0 to 1 and above 1 to 10 million US dollars. Therefore, clearly India's financial commitment (OFDI) under equity and loans were largely under the small size category.
13. The top five industries investing outside India were all engaged in core manufacturing activities (i.e., value addition activity) and these were industries like: readymade garments, diversified manufacturing, drugs & pharmaceuticals, steel, telecommunications services.
14. The trends from the industry group suggests, the core objectives for the OFDI from India seem to be expansion of market base, leveraging new technologies for local markets, etc. to facilitate long-term growth in India and absorption of technology by Indian corporate along with improvements in the managerial skills.
15. Industry group like steel pipes & tubes, gems & jewellery and coal & lignite were among those which lead the large amounts of OFDI flows from India.
16. The industries like readymade garments; diversified manufactures; drugs & pharmaceuticals; steel; telecommunication services; computer software; infrastructural construction; refinery and crude oil & natural gas benefited India in terms of total other forex receipts.

5.3 Finding on Firm-wise Revenue Receipts

17. The findings based on top 100 firms suggest that with 16.4 percent the **other forex earnings category** dominated the revenue receipts channels.

18. The Industry groups like the **Crude oil & natural gas**, **Steel pipes & tubes** and **Commercial vehicles** were the top three performers in terms of repatriations.
19. The ownership groups like the **Central Govt. - Commercial Enterprises, Tata group** and **Om Prakash Jindal Group** were the top three performers in terms of repatriations.
20. It is evident that only 6 firms had ratios of total revenues receipts above 1, which meant that only these firms had revenue receipts more than their total OFDI flows. The ratios of cumulative revenue receipts to OFDIs (2007 to 2014) indicate that six firms identified as **Redington (India) Ltd**. (1.1); **Tata Consultancy Services Ltd**. (1.9); **Strides Arcolab Ltd**. (2.0); **ONGC Videsh Ltd**. (2.5); **Tata Motors Ltd**. (4.9) and **Jindal Saw Ltd**. (6.2). Six firms accounted for 6.7 % share of total OFDI stocks (2014-15) and 74.3 percent of the cumulative revenue receipts in 2014-15. Clearly indicating very high imbalance between the OFDI activities and revenue inflows. Further based on sample of 100 firms, it clearly suggested very little gains made by Indian firms by investing abroad.
21. Therefore clearly suggesting India's OFDI activities did not translate into forex gains for investments made five years ago (stock OFDI).
22. Therefore, clearly it could be concluded based on the firm-level analysis that of the three channels, the other forex revenue receipts could be considered as one of the best modes through which the companies are getting forex revenues to India
23. The picture in terms of direct repatriation of forex revenue by top 100 firms is very dismal. The period of 2010 to 2014 the selected 100 firms had OFDI stock of US$ 119.5 billion while repatriation only was to the tune of US$ 16.2 billion. Suggesting a ratio of 0.14 as the revenue receipts upon OFDI in stock terms clearly indicating that if an Indian firm was to invest US$ 100 the total repatriation that could be expected was a meager 14 dollar.

Further to draw a portrait of India being one of the emerging power based on the recent trend in OFDI is baseless considering that significant share of the OFDI has been on account of "guarantees issued". The guarantee could only be considered as another OFDI channel in the form of guarantee invoked and it has been found to be very low values. Lastly, to suggest that India needs a multilateral Investment agreement is farfetched view at this point of time given the empirical evidence.

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Annexure

Annexure 1: India's OFDI Destination-wise

Sl.	Country	Value			Percentage Share	
		Equity and Loans (US$ Million)	Guarantee Issued (US$ Million)	Total OFDI	Equity and Loans (%)	Guarantee Issued (%)
1	SINGAPORE	17708.1	30084.0	47792.1	37.1	62.9
2	MAURITIUS	17526.3	23750.8	41277.1	42.5	57.5
3	NETHERLANDS	9661.1	29437.7	39098.8	24.7	75.3
4	USA	8576.3	7212.8	15789.2	54.3	45.7
5	UAE	4892.1	6350.4	11242.5	43.5	56.5
6	BRITISH VIRGIN ISLANDS	6485.5	2908.8	9394.3	69	31
7	UK	4222.3	3470	7692.3	54.9	45.1
8	CYPRUS	4255.4	2054.5	6309.9	67.4	32.6
9	SWITZERLAND	2184.9	2306.5	4491.4	48.6	51.4
10	AUSTRALIA	942.2	3323.3	4265.6	22.1	77.9
11	CAYMAN ISLAND	900.1	2860.4	3760.5	23.9	76.1
12	MOZAMBIQUE	2656.8	6.9	2663.7	99.7	0.3
13	PANAMA	2091.2	217.4	2308.6	90.6	9.4
14	HONGKONG	824.8	1073	1897.8	43.5	56.5
15	RUSSIA	1410.9	87.8	1498.7	94.1	5.9
16	DENMARK	107.9	936.7	1044.6	10.3	89.7
17	SRI LANKA	515.4	471.8	987.2	52.2	47.8
18	LUXEMBOURG	236.5	732.9	969.5	24.4	75.6
19	INDONESIA	557.8	262.9	820.7	68	32
20	AZERBAIJAN	813.5	0.0	813.5	100	0
21	MALAYSIA	382.9	423.1	806	47.5	52.5
22	CANADA	554.3	238.4	792.7	69.9	30.1
23	BERMUDA	522.5	212.3	734.8	71.1	28.9
24	OMAN	108.6	594.5	703.1	15.4	84.6
25	SPAIN	275.2	389.7	665	41.4	58.6
26	IRELAND	247.5	415.4	663	37.3	62.7
27	GERMANY	452.7	205.6	658.3	68.8	31.2
28	BELGIUM	198.5	434.1	632.6	31.4	68.6
29	SAUDI ARABIA	123.3	482.1	605.4	20.4	79.6
30	JERSEY	229.9	372	601.9	38.2	61.8
31	EGYPT	389.7	211.1	600.8	64.9	35.1
32	ISEL OF MAN	541.5	18.9	560.4	96.6	3.4
33	SOUTH KOREA	542.4	0.0	542.4	100	0
34	CHINA	303.2	126.2	429.4	70.6	29.4
35	SOUTH AFRICA	227.4	190.6	418	54.4	45.6
36	THAILAND	309.9	94.8	404.7	76.6	23.4
37	FRANCE	353.3	51.2	404.5	87.3	12.7
38	BANGLADESH	253.8	105.3	359.1	70.7	29.3

39	TURKEY	72.1	258.7	330.8	21.8	78.2
40	ITALY	279.5	22.1	301.6	92.7	7.3
41	PHILIPPINES	174.3	51.3	225.6	77.3	22.7
42	CHANNEL ISLAND	198.9	21.2	220	90.4	9.6
43	VIETNAM	170.8	37.1	207.9	82.2	17.8
44	CZECH REPUBLIC	180.2	6.6	186.8	96.5	3.5
45	MYANMAR	167.8	0.6	168.4	99.6	0.4
46	KENYA	153.2	1	154.3	99.3	0.7
47	QATAR	116.4	31.9	148.3	78.5	21.5
48	SUDAN	144.6	0.0	144.6	100	0
49	BRAZIL	135.4	9.1	144.5	93.7	6.3
50	BAHAMAS	140		140	100	0
51	JAPAN	135.1		135.1	100	0
52	LIBYA	130		130	100	0
53	CHILE	109.1		109.1	100	0
54	TUNISIA	4.7	103.5	108.2	4.3	95.7
55	JORDAN	105.4		105.4	100	0
56	IRAN	81.4		81.4	100	0
57	GHANA	46.5	34.5	81	57.4	42.6
58	CUBA	80.7		80.7	100	0
59	NEPAL	69.3	2.2	71.5	96.9	3.1
60	NIGERIA	64.6	6.5	71.1	90.9	9.1
61	ISLE OF MAN	36	34.8	70.8	50.9	49.1
62	MOROCCO	69.5	0.8	70.3	98.9	1.1
63	MEXICO	68.8	0.6	69.4	99.1	0.9
64	ETHIOPIA	43.7	22.8	66.5	65.7	34.3
65	MALTA	26.6	37.8	64.4	41.3	58.7
66	ZAMBIA	42.6	20.1	62.7	68	32
67	TANZANIA	49.3	11.8	61	80.7	19.3
68	BAHRAIN	50.3	7	57.3	87.8	12.2
69	YEMEN	9.5	42	51.5	18.5	81.5
70	POLAND	40.8	8.7	49.5	82.4	17.6
71	BHUTAN	47.4	0	47.4	99.9	0.1
72	ISRAEL	42.5	1.2	43.7	97.3	2.7
73	FINLAND	38.8		38.8	100	0
74	LIBERIA	25.7	12	37.7	68.2	31.8
75	GABON	37.7		37.7	100	0
76	BOTSWANA	24.4	10.5	34.9	69.9	30.1
77	URUGUAY	17.2	15	32.2	53.3	46.7
78	GAMBIA	30.6		30.6	100	0
79	AUSTRIA	27.7	2.8	30.5	90.8	9.2
80	MALDIVES	18.1	11	29.1	62.2	37.8
81	UGANDA	4.2	23.3	27.4	15.1	84.9
82	SWEDEN	27.4		27.4	100	0
83	RWANDA	23.9		23.9	100	0
84	KAZAKHISTAN	3.7	20	23.7	15.8	84.2
85	NEW ZEALAND	19.3	0.5	19.8	97.7	2.3

86	GUYANA	16.9		16.9	100	0
87	BOLIVIA	16.2		16.2	100	0
88	PERU	13.4	0.5	13.8	96.7	3.3
89	LAOS	12.8		12.8	100	0
90	SYRIAN ARAB REPUBLIC	12.2		12.2	100	0
91	CROATIA	0	11.7	11.7	0	100
92	HUNGARY	11.4	0.1	11.5	99.3	0.7
93	CAMBODIA	11.2		11.2	100	0
94	ROMANIA	4.1	6	10.1	40.7	59.3
95	GREECE	10.1		10.1	100	0
96	VENEZULA	8.8		8.8	100	0
97	MALI	8.3		8.3	100	0
98	HONDURAS PEPUBLIC	0.3	7.5	7.8	3.4	96.6
99	MARSHALL ISLAND	7.6		7.6	100	0
100	MAURITANIA	6.1		6.1	100	0
101	UKRAINE	0.3	5.2	5.5	4.8	95.2
102	ALGERIA	0.6	4.5	5.1	12.3	87.7
103	CONGO	4.6	0.4	5	92.1	7.9
104	TADJIKISTAN	4.6		4.6	100	0
105	AFGHANISTAN	4.5		4.5	100	0
106	FEDERATION OF SAINT KITTS AND NEVIS	0.8	3	3.8	20	80
107	UZBEKISTAN	3.3	0.3	3.6	91.5	8.5
108	SEYCHELLES	3.5		3.5	100	0
109	GUATEMAL	3.3		3.3	100	0
110	REPUBLIC OF MADAGASCAR	2.8		2.8	100	0
111	KUWAIT	0.3	2.4	2.8	12.1	87.9
112	MONGOLIA	2.6		2.6	100	0
113	BRUNEI	2.3		2.3	100	0
114	NAMIBIA	2.2		2.2	100	0
115	KYRGYZ REPUBLIC	2.2		2.2	100	0
116	DEMOCRATIC REPUBLIC OF TIMOR LESTE	2		2	100	0
117	TAIWAN	1.7		1.7	100	0
118	MALAWI	1.4		1.4	100	0
119	PORTUGAL	1.1		1.1	100	0
120	GUINEA REPUBLIC	1.1		1.1	100	0
121	SENEGAL	1.1		1.1	100	0
122	NIGER	0.9		0.9	100	0
123	IVORY COAST	0.9		0.9	100	0
124	COLOMBIA	0.8		0.8	100	0
125	ARGENTINA	0.8		0.8	100	0
126	BARBADOS	0.7		0.7	100	0
127	GEORGIA	0.6		0.6	100	0
128	PARAGUAY	0.5		0.5	100	0
129	LITHUANIA	0.5		0.5	100	0
130	FIJI	0.4		0.4	100	0
131	SWAZILAND	0.4		0.4	100	0
132	ZIMBABWE	0.3		0.3	100	0

133	GUERNSEY	0.3		0.3	100	0
134	REPUBLIC OF MACEDONIA	0.3		0.3	100	0
135	SLOVAKIA	0.3		0.3	100	0
136	CHAD	0.2		0.2	100	0
137	BELIZE	0.2		0.2	100	0
138	NORWAY	0.2		0.2	100	0
139	ALBANIA	0.1		0.1	100	0
140	CENTRAL AFRICAN REPUBLIC	0.1		0.1	100	0
141	DJIBOUTI REPUBLIC	0.1		0.1	100	0
142	BENIN	0.1		0.1	100	0
143	SLOVENIA	0		0	100	0
144	REPUBLIC OF SERBIA	0		0	100	0
145	LIECHTENSTEIN	0		0	100	0
146	ESTONIA	0		0	100	0
147	SIERRA LEONE	0		0	100	0
148	BRITISH ANGUILLA	0		0	100	0
149	DOMINICAN REPUBLIC	0		0	100	0
150	BELARUS	0		0	100	0
151	BURKINO FASO	0		0	100	0
152	ECAUDOR	0		0	100	0
153	COSTA RICA	0		0	n/a	n/a
Total OFDI (2007/08 - 2014/15		**96365.8**	**123024.7**	**219390.5**	**43.9**	**56.1**

Source: Authors compiled based on monthly RBI database.

Annexure 2: Comparison of Global Total International Investment Positions

Country	Net IIP Value (US$ billions)			Growth Rate (%)	
	Pre-Financial Crisis (2005 to 2007)	Financial Crisis (2008 to 2009)	Post-Financial Crisis (2010 to 2013)	Financial Crisis (2008 to 2009)	Post-Financial Crisis (2010 to 2013)
Japan	5535	5403	13067	-2.4	141.8
China, P.R.: Mainland	2242	2984	7215	33.1	141.7
Germany	2351	1888	4979	-19.7	163.7
Switzerland	1692	1378	3681	-18.6	167.1
China, P.R.: Hong Kong	1469	1367	2865	-6.9	109.5
Saudi Arabia	380	905	2583	138.4	185.3
Singapore	939	645	2053	-31.3	218.1
Norway	596	545	1338	-8.5	145.3
Belgium	383	458	940	19.4	105.4
Netherlands	-44	172	1202	-493.4	598.4
Venezuela, Rep. Bolivariana de	185	250	420	35.1	68.3
Kuwait	185	206	451	11.3	119.2
Luxembourg	157	107	353	-31.7	228.7
Russian Federation	-221	358	420	-262.1	17.3
Argentina	73	117	204	60.4	74.8
Denmark	-10	-3	392	-72.2	-13965.2
Mauritius	4	87	249	2115.0	186.7
Israel	-23	26	184	-214.3	598.7
Bahrain, Kingdom of	31	31	85	1.0	170.4
Botswana	28	18	27	-37.6	52.3
Finland	-132	10	188	-107.4	1825.9
Timor-Leste, Dem. Rep. of	2	10	46	331.3	350.2
Syrian Arab Republic	15	27	13	80.5	-49.9

Namibia	5	8	15	59.5	83.5
Barbados	0	20	7	--!	-64.3
Malaysia	-31	61	-4	-297.4	-107.3
Malta	6	1	6	-73.7	290.0
Swaziland	4	2	5	-36.3	105.0
Afghanistan, Islamic Republic of	0	1	10	--	795.7
Bolivia	-12	5	17	-146.8	220.2
Trinidad and Tobago	0	0	6	--	#DIV/0!
Kosovo, Republic of	2	2	2	6.6	-19.4
West Bank and Gaza	0	2	3	--	71.2
Kiribati	1	1	2	57.8	100.0
Lesotho	1	1	2	65.3	67.2
Yemen, Republic of	3	0	0	-100.0	#DIV/0!
Micronesia, Federated States of	0	0	1	--	427.3
Tuvalu	0	0	0	-36.7	184.4
Suriname	0	0	0	--	#DIV/0!
Djibouti	0	0	-1	-99.3	-25820.9
Tonga	0	0	0	--	#DIV/0!
Vanuatu	0	0	-1	-34.5	285.3
Haiti	-3	-1	2	-48.3	-267.4
Bhutan	0	0	-2	9.9	742.9
Azerbaijan, Republic of	-16	13	0	-179.9	-100.0
Maldives	-1	-1	-1	36.2	-15.6
Solomon Islands	-1	-1	-2	36.8	172.4
Guinea	0	-1	-4	--	511.2
Rwanda	-1	0	-3	-72.6	751.6
Benin	-2	-1	-3	-43.2	166.9
Guinea-Bissau	-4	-2	0	-42.7	-87.2
Burundi	-4	-1	-2	-61.9	35.3
Angola	-4	-10	6	160.3	-157.4
Burkina Faso	-4	-3	-1	-34.9	-64.2
Niger	-3	-3	-3	1.2	30.5
Togo	-6	-4	-1	-42.8	-79.8
Nigeria	-8	10	-14	-221.7	-248.5
Sierra Leone	-5	-2	-6	-69.1	301.3
Cabo Verde	-2	-3	-9	25.9	210.7
Mali	-6	-4	-5	-39.6	38.7
Fiji	-4	-4	-10	8.5	161.3
Cambodia	-4	-4	-11	-0.2	192.5
Malawi	-5	-3	-12	-37.6	267.6
Kyrgyz Republic	-5	-5	-13	-5.0	163.8
Aruba	-8	-7	-12	-13.1	79.2
Senegal	-8	-9	-11	11.9	15.9
Albania	-2	-8	-19	245.7	158.5
Uruguay	-4	-5	-23	29.6	332.7
Moldova	-6	-8	-19	18.8	158.2
Zambia	-12	-12	-11	-5.5	-9.2
Macedonia, FYR	-8	-10	-22	17.0	122.2
Mongolia	0	0	-44	--	--
Armenia, Republic of	-7	-10	-32	43.6	229.6
Uganda	-9	-9	-35	-0.3	294.7
Honduras	-11	-10	-33	-7.6	241.1
Guatemala	-11	-10	-33	-5.8	218.2
Cyprus	13	-11	-64	-182.2	478.7
Cote d'Ivoire	-36	-21	-8	-40.4	-62.9
Iraq	-86	-18	33	-78.6	-280.8
Myanmar	-27	-17	-28	-36.5	62.4
Bosnia and Herzegovina	-13	-18	-41	40.2	124.1
Nicaragua	-19	-14	-42	-25.3	198.7
Costa Rica	-11	-15	-56	27.3	287.5
Ghana	-11	-24	-53	127.6	116.5
Georgia	-16	-20	-57	26.5	182.9
Tanzania	-19	-18	-57	-8.2	220.2
El Salvador	-26	-20	-51	-23.3	161.6
Ecuador	-41	-18	-39	-56.8	115.6
Paraguay	-39	-23	-40	-40.3	72.1
Sri Lanka	0	0	-107	--	--
Mozambique	-24	-18	-68	-23.2	265.7
Estonia	-41	-34	-50	-18.5	48.2
Slovenia	-22	-39	-79	77.6	103.6

Bangladesh	-16	-44	-83	167.0	90.4
Jamaica	-37	-32	-77	-11.2	137.1
Panama	-37	-29	-103	-21.9	257.5
Latvia	-46	-48	-79	3.2	64.5
Belarus	-17	-32	-124	85.0	283.5
Lithuania	-50	-46	-86	-7.3	86.6
Jordan	-57	-37	-96	-35.4	160.1
Dominican Republic	-38	-38	-126	0.1	231.2
Serbia, Republic of	0	-61	-144	--	135.7
Chile	-48	-52	-144	10.0	175.5
Morocco	-69	-74	-157	7.8	112.0
Philippines	-124	-53	-126	-57.2	137.7
Kazakhstan	-94	-82	-136	-12.6	65.9
Austria	-206	-98	-24	-52.3	-76.0
Peru	-83	-64	-182	-23.1	184.6
Egypt	-35	-57	-248	61.9	336.3
Bulgaria	-69	-100	-173	45.2	72.5
Ukraine	-61	-80	-223	32.4	177.2
Tunisia	-99	-82	-189	-17.6	131.8
Thailand	-164	-18	-232	-89.1	1196.2
Sweden	-135	-95	-195	-29.7	106.2
Croatia	-123	-107	-211	-13.6	98.2
Slovak Republic	-98	-116	-239	17.8	106.4
South Africa	-214	-78	-201	-63.5	157.2
Pakistan	-115	-125	-256	8.3	104.5
Sudan	-111	-104	-295	-6.6	183.8
Iceland	-54	-170	-291	214.0	70.8
Colombia	-124	-115	-345	-7.8	201.4
Czech Republic	-164	-174	-376	5.8	116.3
Romania	-156	-205	-457	31.6	123.4
New Zealand	-279	-201	-473	-27.9	135.0
Korea, Republic of	-487	-169	-339	-65.2	100.4
Hungary	-348	-309	-504	-11.2	63.2
Ireland	-114	-405	-915	255.5	125.8
India	-182	-213	-1045	17.1	390.2
Canada	-349	-294	-824	-15.9	180.4
Portugal	-511	-499	-1004	-2.5	101.3
Indonesia	-431	-361	-1342	-16.1	271.4
France	8	-601	-1605	-7553.2	166.8
Poland	-536	-520	-1318	-2.9	153.4
Greece	-726	-548	-1102	-24.6	101.1
Turkey	-694	-476	-1486	-31.4	212.2
Mexico	-1032	-684	-1709	-33.7	149.9
United Kingdom	-1840	-625	-1375	-66.0	120.0
Italy	-1228	-1140	-2215	-7.1	94.3
Brazil	-1200	-883	-3389	-26.4	283.7
Australia	-1404	-1167	-3195	-16.9	173.7
Spain	-2661	-2616	-5126	-1.7	96.0
Euro Area	-3891	-4186	-6700	7.6	60.1
United States	-4946	-6623	-16928	33.9	155.6
Total of IIP Globally	**-10273**	**-8295**	**-16381**	**-19.3**	**97.5**

Source: Online Database of Balance of Payments Statistics (BOP) - international Investment Position last visited 16-03-2015.

Annexure 3: Total Registered companies in India Since 1857

Year	Number of Companies Registered	Year	Number of Companies Registered
1857	1	1942	540
1862	1	1943	851
1863	2	1944	552
1871	3	1945	894
1872	2	1946	1758
1873	3	1947	1512
1874	4	1948	1497
1876	3	1949	1472

1878	2	1950	1054
1879	5	1951	976
1880	2	1952	791
1881	4	1953	698
1882	4	1954	811
1883	5	1955	920
1884	3	1956	1024
1885	3	1957	665
1886	2	1958	822
1887	1	1959	1070
1888	3	1960	1291
1889	8	1961	1295
1890	8	1962	1208
1891	5	1963	1072
1892	2	1964	1115
1893	5	1965	1285
1894	4	1966	970
1895	6	1967	952
1896	6	1968	1034
1897	7	1969	1284
1898	5	1970	1725
1899	8	1971	2218
1900	55	1972	2699
1901	492	1973	3470
1902	8	1974	3782
1903	19	1975	3101
1904	19	1976	2755
1905	38	1977	2578
1906	37	1978	3391
1907	43	1979	4564
1908	43	1980	6316
1909	55	1981	9418
1910	46	1982	10625
1911	40	1983	11591
1912	36	1984	12850
1913	77	1985	15035
1914	53	1986	16274
1915	38	1987	16981
1916	51	1988	21274
1917	77	1989	21961
1918	150	1990	21791
1919	293	1991	25210
1920	294	1992	26217
1921	167	1993	28758
1922	132	1994	40241
1923	130	1995	59117
1924	121	1996	46905
1925	107	1997	37436
1926	131	1998	28188
1927	135	1999	28911
1928	212	2000	31511
1929	244	2001	22130
1930	228	2002	23062
1931	240	2003	28236
1932	221	2004	37210
1933	250	2005	51448
1934	264	2006	49821

1935	308	2007	63179
1936	388	2008	70513
1937	388	2009	61070
1938	357	2010	86854
1939	382	2011	97631
1940	441	2012	103260
1941	557	2013	92036
		2014	70043
Total Registered Companies in India			14,40,283

Source: Compiled by the authors from Ministry of Corporate Affairs, Government of India.

Annexure 4: List of Top 100 firms with ODFI in 2014-15 (Stock of Equity and Loans).

S.N.	Firms	OFDI Stock in 2014-15	Share in total of Top 100 firms	Share in total OFDI from India
1	HOUSE OF PEARL FASHIONS PVT LTD	3874	12	4
2	NAVA BHARAT VENTURES LTD	2481	7	3
3	GUJRAT NRE COKE LTD	1261	4	1
4	JINDAL SAW LTD	1211	4	1
5	ONGC VIDESH LTD.	1104	3	1
6	BHARTI AIRTEL LIMITED	966	3	1
7	SHRENUJ & CO LTD	828	2	1
8	TATA STEEL LIMITED	798	2	1
9	RELIANCE INDUSTRIES LTD.	648	2	1
10	ALKEM LABORATORIES LIMITED	631	2	1
11	GMR INFRASTRUCTURE LTD	623	2	1
12	INDIAN OIL CORPORATION LTD.	598	2	1
13	ESSEL PROPACK LIMITED	588	2	1
14	INTAS PHARMACEUTICALS LTD	578	2	1
15	MAHARASHTRA SEAMLESS LIMITED	547	2	1
16	GLOBAL TELESYSTEMS LTD.	540	2	1
17	GODREJ CONSUMER PRODUCTS LTD.	538	2	1
18	GLENMARK PHARMACEUTICALS PVT. LTD.	507	2	1
19	LANCO INFRATECH LTD	504	2	1
20	TATA CONSULTANCY SERVICES LTD.	480	1	1
21	SUZLON ENERGY LTD.	470	1	0
22	ULTRATECH CEMENT LTD	391	1	0
23	GITANJALI GEMS LTD	387	1	0
24	DR. REDDY'S LABORATORIES LTD.	375	1	0
25	GAMMON INDIA LIMITED	353	1	0
26	BHARAT PETRORESOURCES LTD	342	1	0
27	TATA TECHNOLOGIES LTD.	298	1	0
28	AVANTHA HOLDINGS LIMITED	287	1	0
29	ALOK INDUSTRIES LTD	270	1	0
30	INTELENET GLOBAL SERVICES LTD.	260	1	0
31	GREATSHIP [INDIA] LTD	259	1	0
32	FIRESTONE INTL. PVT. LTD	251	1	0
33	IL&FS TRANSPORTATION NETWORKS LIMITED	249	1	0
34	COX AND KINGS INDIA LTD	248	1	0
35	PSL LTD	247	1	0
36	DABUR INDIA LTD	245	1	0
37	TATA COMMUNICATIONS LIMITED	234	1	0
38	PUNJ LLOYD LTD	231	1	0
39	BHARAT FORGE LTD.	222	1	0
40	CROMPTON GREAVES LTD.	218	1	0
41	THE INDIAN HOTELS CO LTD	217	1	0
42	3I INFOTECH LTD	213	1	0

43	JSW STEEL LTD	212	1	0
44	SATYAM COMPUTER SERVICES LTD.	206	1	0
45	GARWARE OFFSHORES SERVICES LTD	202	1	0
46	SECURE METERS LTD	201	1	0
47	SHIVVANI OIL AND GAS EXPLORATION	195	1	0
48	SHREE RENUKA SUGARS LTD	187	1	0
49	MADHUCON PROJECT LIMITED	182	1	0
50	MARG LTD	178	1	0
51	BINANI CEMENT LTD	177	1	0
52	ARVIND FASHION LTD	176	1	0
53	TATA MOTORS LTD.	176	1	0
54	CHAMBAL FERTILIZERS AND CHEMICALS LTD.	174	1	0
55	GAIL (INDIA) LTD.	169	1	0
56	SHAPOORJI PALLONJI AND COMPANY PRIVATE LTD.	165	0	0
57	GMR AIRPORTS LIMITED	162	0	0
58	SRF LTD.	161	0	0
59	REDINGTON (INDIA) LTD.	158	0	0
60	FROST INTERNATIONAL LTD	157	0	0
61	HIKAL LTD.	156	0	0
62	POLY MEDICURE LTD	154	0	0
63	PMP COMPONENTS P LTD	152	0	0
64	ABG SHIPYARD LTD	151	0	0
65	CORE PROJECTS AND TECHNOLOGIES LTD	149	0	0
66	KARVY GOBAL SERVICES LTD	142	0	0
67	TATA INTERNATIONAL LIMITED	139	0	0
68	AMOL PHARMCEUTICALS PVT. LTD	138	0	0
69	GEODESIC LTD	137	0	0
70	KARUTURI GLOBAL LTD	136	0	0
71	BILCARE LTD.	135	0	0
72	MERCATOR LTD	134	0	0
73	KEC INTERNATIONAL LTD.	134	0	0
74	BERGER PAINTS INDIA LTD.	134	0	0
75	SHILPI CABLE TECHNOLOGIES LTD	130	0	0
76	SIMPLEX INFRASSTRUCTURES LTD	128	0	0
77	PIRMAL GALSS P LTD	125	0	0
78	STRIDES ARCOLAB LTD.	124	0	0
79	IL& FS INFRASTRUCTURE DEVELOPMENT CORPORATION LTD.	124	0	0
80	CENTURY COMMUNICATON LTD	123	0	0
81	RAIN CEMENTS LTD	117	0	0
82	TATA CHEMICALS LTD	116	0	0
83	HAVELL'S INDIA LTD	115	0	0
84	GLENMARK GENERICS LTD	115	0	0
85	FOODS, FERTILIZERS FATS, LTD.	106	0	0
86	COROMANDEL FERTILIZERS LTD	100	0	0
87	HCL TECHNOLOGIES LTD.	98	0	0
88	PIRAMAL REALTY LTD	98	0	0
89	INOX INDIA LTD	98	0	0
90	TATA PETRODYNE LIMITED	97	0	0
91	SASKEN COMMUNICATION TECH LTD	95	0	0
92	REI AGRO LIMITED	91	0	0
93	ALLCARGO GLOBAL LOGISTICS LTD	82	0	0
94	AEGIS LOGISTICS LIMITED	81	0	0
95	PATTON INTERNATIONAL LTD	81	0	0
96	THE METAL POWDER CO LTD	81	0	0
97	EURECA FORBES LTD	80	0	0
98	IVRCL LTD.	78	0	0
99	SASAN POWER LTD	75	0	0
100	SHARON BIO MEDICINE LTD	74	0	0
Sub-total Of top 100 firms with OFDI in Equity and		33433	35	

Loans			
Total stock of OFDI by India in Equity and Loans (2014-15)		95166	35

Source: Compiled by the Authors from the OFDI database as provided by the RBI.

Annexure 5: Top 100 firms with External Financial Commitments in Stock of Equity and Loans (2014-15)

Industry/Ownership/Firm	OFDI Stock - 2014-15 (US$ mn.)	Forex Earnings (US $ Million)		
		Dividend	Interest	Other
(1)	(2)	(3)	(4)	(5)
Aluminum & aluminum products				
Private (Indian)	**81**			
Metal Powder Co. Ltd.	81			
Boilers & turbines				
Suzlon Group	**470**	**8**	**152**	**5**
Suzlon Energy Ltd.	470	8	152	5
Business consultancy				
I L & F S Group	**124**			**1**
I L & F S Infrastructure Devp. Corpn. Ltd.	124			1
Private (Indian)	**98**			
Piramal Estates Pvt. Ltd.	98			
Cement				
Binani Group	**177**			
Binani Cement Ltd.	177			
Birla Aditya Group	**391**	**8**		**39**
Ultratech Cement Ltd.	391	8		39
Priyadarshini Group	**117**			**1**
Rain Cements Ltd.	117			1
Ceramic products				
Private (Indian)	**81**			
Patton International Ltd.	81			
Coal & lignite				
Private (Indian)	**1261**		**2**	**54**
Gujarat N R E Coke Ltd.	1261		2	54
Commercial vehicles				
Tata Group	**176**		**848**	**6**
Tata Motors Ltd.	176		848	6
Computer software				
HCL Group	**98**		**0**	
H C L Technologies Ltd.	98		0	
I.C.I.C.I. Group	**213**		**5**	
3I Infotech Ltd.	213		5	
Mahindra & Mahindra Group	**206**			**79**
Satyam Computer Services Ltd. [Merged]	206			79
Private (Indian)	**381**		**2**	**1**
Core Education & Technologies Ltd.	149		1	
Geodesic Ltd.	137			
Sasken Communication Technologies Ltd.	95		1	1
Tata Group	**778**	**882**	**31**	**20**
Tata Consultancy Services Ltd.	480	882	30	20
Tata Technologies Ltd.	298		1	0
Cosmetics, toiletries, soaps & detergents				
Dabur Group	**245**		**1**	
Dabur India Ltd.	245		1	
Godrej Group	**538**	**6**	**0**	**1**
Godrej Consumer Products Ltd.	538	6	0	1
Crude oil & natural gas				
Central Govt. - Commercial Enterprises	**1104**	**37**	**57**	**2645**
O N G C Videsh Ltd.	1104	37	57	2645
Tata Group	**97**		**0**	**4**
Tata Petrodyne Ltd.	97		0	4
Diversified				
G M R Group	**623**		**10**	**90**
G M R Infrastructure Ltd.	623		10	90
Nava Bharat Group	**2481**		**1**	**0**
Nava Bharat Ventures Ltd.	2481		1	0

Diversified cotton textile				
Alok Group	**270**		**4**	
Alok Industries Ltd.	270		4	
Drugs & pharmaceuticals				
Dr. Reddy's Group	**375**		**49**	**28**
Dr. Reddy'S Laboratories Ltd.	375		49	28
Glenmark Pharmaceuticals Group	**622**		**34**	**4**
Glenmark Generics Ltd. [Merged]	115		7	1
Glenmark Pharmaceuticals Ltd.	507		27	3
Private (Indian)				
Alkem Laboratories Ltd.	631			1
Intas Pharmaceuticals Ltd.	578			3
Sharon Bio-Medicine Ltd.	74			
Strides Arcolab Ltd.	124	222	10	16
Fertilisers				
Birla K.K. Group	**174**	**40**	**1**	**43**
Chambal Fertilisers & Chemicals Ltd.	174	40	1	43
Murugappa Chettiar Group	**100**	**12**		**17**
Coromandel International Ltd.	100	12		17
Gems & jewellery				
Gitanjali Gems Group	**387**		**0**	
Gitanjali Gems Ltd.	387		0	
Private (Indian)	**1079**		**1**	**0**
Firestar International Pvt. Ltd.	251		1	
Shrenuj & Co. Ltd.	828		1	0
Generators, transformers & switchgears				
Avantha Group	**218**		**12**	**12**
Crompton Greaves Ltd.	218		12	12
Glass & glassware				
Piramal Ajay Group	**125**	**5**		
Piramal Glass Ltd.	125	5		
Hotels & restaurants				
Tata Group	**217**		**5**	
Indian Hotels Co. Ltd.	217		5	
Industrial construction				
Private (Indian)	**195**		**2**	
Shiv Vani Oil & Gas Exploration Services Ltd.	195		2	
Punj Lloyd Group	**231**		**22**	**57**
Punj Lloyd Ltd.	231		22	57
Shapoorji Pallonji Group	**165**		**1**	**0**
Shapoorji Pallonji & Co. Pvt. Ltd.	165		1	0
Infrastructural construction				
Gammon India Group	**353**		**8**	**1**
Gammon India Ltd.	353		8	1
I L & F S Group	**249**	**3**	**1**	**2**
I L & F S Transportation Networks Ltd.	249	3	1	2
IVRCL Group	**78**		**2**	
I V R C L Ltd.	78		2	
Lanco Group	**504**		**3**	**0**
Lanco Infratech Ltd.	504		3	0
Madhucon Group	**182**		**2**	**0**
Madhucon Projects Ltd.	182		2	0
Marg group	**178**	**0**		
Marg Ltd.	178	0		
Simplex (Mundhra) Group	**128**	**0**	**0**	**12**
Simplex Infrastructures Ltd.	128	0	0	12
ITES				
Private (Indian)	**402**			
Intelenet Global Services Pvt. Ltd.	260			
Karvy Global Services Ltd.	142			
Media-content				
Private (Indian)	**123**			
Century Communication Ltd.	123			
Metal products				
Inox Group	**98**			**6**
Inox India Ltd.	98			6
Misc. electrical machinery				
Private (Indian)	**115**			**10**
Havells India Ltd.	115			10

Misc. manufactured articles				
Private (Indian)	**201**			
Secure Meters Ltd.	201			
Natural gas trading & distribution				
Central Govt. - Commercial Enterprises	**169**			**20**
G A I L (India) Ltd.	169			20
Organic chemicals				
Kalyani (Bharat Forge) Group	**156**			
Hikal Ltd.	156			
Other agricultural products				
Private (Indian)	**334**			**1**
3 F Industries Ltd.	106			
Karuturi Global Ltd.	136			1
Rei Agro Ltd.	91			
Other automobile ancillaries				
Kalyani (Bharat Forge) Group	**222**		**16**	**61**
Bharat Forge Ltd.	222		16	61
Piramal Ajay Group	**152**			
P M P Auto Components Pvt. Ltd.	152			
Other chemicals				
Tata Group	**116**	**36**	**10**	**15**
Tata Chemicals Ltd.	116	36	10	15
Other fee based financial services				
G M R Group	**162**			
G M R Airports Ltd.	162			
Other financial services				
RPG Enterprises Group	**134**			
Summit Securities Ltd. [Merged]	134			
Other fund based financial services				
Reliance Group [Anil Ambani]	**75**			
Sasan Power Ltd.	75			
Other leather products				
Tata Group	**139**	**7**	**0**	**19**
Tata International Ltd.	139	7	0	19
Other misc services				
Avantha Group	**287**			
Avantha Holdings Ltd.	287			
Central Govt. - Commercial Enterprises				
Bharat Petroresources J P D A Ltd.	342			
Other textiles				
Private (Indian)	**161**		**1**	**1**
S R F Ltd.	161		1	1
Other transport equipment				
ABG Group	**151**			**20**
A B G Shipyard Ltd.	151			20
Paints & varnishes				
Private (Indian)	**134**			
Berger Paints India Ltd.	134			
Plastic packaging goods				
Essel Group	**588**	**19**	**16**	**2**
Essel Propack Ltd.	588	19	16	2
Private (Indian)	**135**	**1**	**1**	**5**
Bilcare Ltd.	135	1	1	5
Readymade garments				
Lalbhai Group	**176**			
Arvind Fashions Ltd. [Merged]	176			
Pearl Pet Group	**3874**		**2**	**1**
Pearl Global Inds. Ltd.	3874		2	1
Refinery				
Central Govt. - Commercial Enterprises	**598**		**7**	**152**
Indian Oil Corpn. Ltd.	598		7	152
Reliance Group [Mukesh Ambani]	**648**		**31**	**123**
Reliance Industries Ltd.	648		31	123
Rubber products				
Private (Indian)	**154**			**5**
Poly Medicure Ltd.	154			5
Shipping transport services				
Garware Group	**202**			**144**
Global Offshore Services Ltd.	202			144
GE Shipping Group	**259**	**8**	**4**	**0**

Greatship (India) Ltd.	259	8	4	0
Private (Indian)	**134**	**1**	**4**	**17**
Mercator Ltd.	134	1	4	17
Steel				
Om Prakash Jindal Group	**1211**		**112**	**45**
J S W Steel Ltd.	1211		112	45
Tata Group	**798**		**65**	**143**
Tata Steel Ltd.	798		65	143
Steel pipes & tubes				
D P Jindal Group	**547**		**9**	**0**
Maharashtra Seamless Ltd.	547		9	0
Om Prakash Jindal Group	**212**		**5**	**1313**
Jindal Saw Ltd.	212		5	1313
Private (Indian)	**247**			
P S L Ltd.	247			
Storage & distribution				
Private (Foreign)	**81**			
Aegis Logistics Ltd.	81			
Sugar				
Private (Indian)	**187**	**5**		
Shree Renuka Sugars Ltd.	187	5		
Telecommunication services				
Bharti Telecom Group	**966**			**0**
Bharti Airtel Ltd.	966			0
Global Tele-Systems Group	**540**	**7**	**16**	
G T L Ltd.	540	7	16	
Tata Group	**234**	**12**	**38**	**68**
Tata Communications Ltd.	234	12	38	68
Tourism				
Private (Indian)	**248**		**3**	
Cox & Kings Ltd.	248		3	
Trading				
Private (Foreign)	**158**	**3**	**0**	**171**
Redington (India) Ltd.	158	3	0	171
Private (Indian)	**295**			
Amol Pharmaceuticals Pvt. Ltd.	138			
Frost International Ltd.	157			
Shapoorji Pallonji Group	**80**		**7**	**1**
Eureka Forbes Ltd.	80		7	1
Transport logistics services				
Private (Indian)	**82**			**6**
Allcargo Logistics Ltd.	82			6
Wires & cables				
Private (Indian)	**130**			
Shilpi Cable Technologies Ltd.	130			
OFDI Stock / Forex Earnings#	**33,433**	**1,321#**	**1,612#**	**5,495#**

Source: Compiled by the authors based on the RBI monthly data.