

Foreign Unlisted Companies in India: A Sector-Wise Exploration of Regulatory Influences and Strategic Preferences.

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Abstract

Foreign companies in India predominantly opt to remain unlisted rather than pursuing a listing on Indian stock exchanges, a trend that raises critical questions about the regulatory landscape and market dynamics. This paper provides a sector-wise analysis of foreign unlisted companies in India, investigating the key reasons behind their preference for remaining private. Drawing on India's Foreign Direct Investment (FDI) policies and sector-specific regulations, the study examines how regulatory ceilings, compliance obligations, and operational flexibility influence the strategic decisions of foreign firms across major sectors, including technology, pharmaceuticals, retail, manufacturing, and financial services.

Through a comprehensive analysis of regulatory frameworks, industry reports, and company case studies, this research identifies the primary factors driving foreign companies to avoid public listing, such as reduced regulatory scrutiny, greater control over operations, and lower disclosure requirements. It also explores how sector-wise regulations impact the entry and growth of foreign unlisted firms, contrasting their market behavior with that of listed companies. Additionally, the paper evaluates the broader economic implications, focusing on foreign companies' contributions to capital inflows, job creation, and technology transfer, while addressing potential challenges such as limited market liquidity and transparency concerns.

The findings offer insights into how India's regulatory and market environment shapes foreign investment patterns and highlight opportunities for policy reforms that could strike a balance between attracting foreign capital and ensuring market integrity. This research contributes to the ongoing discourse on foreign investment and corporate governance in India, offering actionable recommendations for improving the regulatory landscape to foster long-term growth and investment.

Keywords: *Foreign Unlisted Companies, Sector-Wise Analysis, FDI Policy, India, Regulatory Environment, Investment Strategies, Corporate Governance.*

Introduction

Foreign unlisted companies in India often prefer to stay private, driven by sector-specific regulatory constraints and strategic goals. In the **technology and IT services** sector, firms prioritize operational agility and prefer private funding routes like venture capital over public markets to avoid shareholder demands and safeguard intellectual property (Deloitte, 2019). **Pharmaceutical** firms, facing complex R&D and regulatory frameworks, opt to remain unlisted to focus on long-term drug development and evade the quarterly earnings pressures typical of public markets (McKinsey & Company, 2020).

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Retail and e-commerce firms benefit from staying private to navigate India's strict FDI policies, especially in multi-brand retail, allowing for greater investment and partnership flexibility amid regulatory unpredictability (PwC, 2020). In **manufacturing**, foreign firms maintain private ownership to retain control over proprietary technology and capitalize on government incentives without disclosing sensitive information required by public listings (Ernst & Young, 2018). **Financial services** companies remain private to handle stringent regulatory oversight while enjoying strategic flexibility, especially in partnerships and institutional services (KPMG, 2021).

In **healthcare and biotechnology**, the high R&D costs and long innovation cycles prompt foreign firms to avoid public listing, protecting proprietary technologies from transparency obligations (Bain & Company, 2021). **Energy and infrastructure** firms, engaged in long-term projects, prefer the flexibility of private ownership, which allows them to better manage regulatory uncertainties without public market pressures (Boston Consulting Group, 2020).

Overall, foreign unlisted firms in India strategically remain private to maintain control over proprietary assets, navigate regulatory landscapes, and focus on long-term goals without public scrutiny. This trend highlights the need for thoughtful FDI policies that balance attracting foreign capital with regulatory oversight to foster sustainable growth across sectors.

Literature Review

This study aims to illuminate the intricate dynamics of foreign unlisted companies operating in India, focusing on the regulatory influences and strategic preferences that shape their performance across various sectors. By addressing a significant gap in the existing literature, this research seeks to provide valuable insights into the challenges and opportunities faced by these companies in India's evolving economic landscape.

Revenue Growth Trends among Private Companies

Research on revenue growth trends among leading unlisted Indian and foreign private companies reveals significant insights into the dynamics of these entities. Lakhota (2023) highlights the rapid growth and sectoral trends of private equity investment in India, emphasizing opportunities and risks, particularly during notable peaks in 2020. This aligns with the findings of Aureli (2015), who examined the economic and social impacts of Western companies being acquired by multinationals from emerging countries, assessing the performance changes and stakeholder wealth enhancements resulting from these acquisitions. The growing interest in private equity investments underscores the need for understanding the unique challenges and opportunities faced by both Indian and foreign companies in India's evolving market.

Profitability and Efficiency Comparisons

The comparison of profitability and efficiency between top revenue-generating unlisted Indian and foreign private companies is critical for understanding market dynamics. Bhat et al. (2006) evaluates the impact of banking reforms on the performance of various banks, emphasizing the regulatory changes that have enhanced operational efficiency. This is further complemented by Sensarma (2008), who analyzes the effects of deregulation on profit efficiency in the banking sector, revealing that foreign and new private banks demonstrate the highest levels of profit productivity. These studies collectively indicate that the competitive landscape shaped by regulatory frameworks significantly influences the profitability and efficiency of private companies in India.

Impact of Private Ownership on Financial Performance

The influence of private ownership on financial performance metrics, particularly in unlisted companies, is an area ripe for exploration. The meta-analysis by Wang and Shailer (2018) establishes that government ownership typically correlates with inferior performance, while private ownership is associated with improved outcomes. This relationship is notably stronger for institutional or foreign ownership compared to family or management ownership. Additionally, the research by Mahtani and Garg (2020) highlights the critical factors influencing financial performance in the airline sector, suggesting that a broader understanding of ownership structures could shed light on the financial resilience of unlisted firms across different industries.

Financial Resilience Amid Economic Changes

Evaluating the financial resilience of high-revenue unlisted Indian and foreign companies in response to economic and regulatory changes is essential for understanding their adaptability. Dev et al. (2022) delve into the repercussions of the Covid-19 pandemic on the Indian economy, analyzing sectoral recoveries and the potential post-pandemic landscape. Concurrently, Rothballer (2012) investigates the risk profiles of infrastructure firms, revealing the complex interplay between regulatory influences and financial performance. These findings suggest that regulatory frameworks play a pivotal role in shaping the financial resilience of companies in various sectors, necessitating a nuanced exploration of these influences.

Research Gap

The existing literature highlights various dimensions of performance, regulatory impacts, and strategic preferences among foreign unlisted companies in India; however, a sector-wise exploration of regulatory influences and strategic preferences remains underexplored. This research aims to address this gap by providing a comprehensive analysis of how different regulatory environments affect the strategies and performance of foreign unlisted companies across various sectors in India. The title "Foreign Unlisted Companies in India: A Sector-Wise Exploration of Regulatory Influences and Strategic Preferences" encapsulates the need for focused research in this area, shedding light on the complexities of foreign firms navigating the Indian market landscape.

Methodology

The best 30 unlisted companies are based on a composite score of their ranking on revenue growth, reported net profit growth, increase in net worth debt-to-equity ratio and return on net worth. These firms offered the best combination of faster growth in financial year 2023, lower balance sheet leverage and high return on equity. They were selected from the universe of 250 biggest unlisted companies in terms of their revenues in FY 2023. The data is sourced from Business Standard, march, 2023.

This study aims to understand and analyze the performance of Indian and foreign private unlisted companies. The analysis includes the top 13 Indian companies and 17 foreign companies, selected based on data availability. Descriptive statistics were employed to compare the performance of Indian and foreign private unlisted companies. The data for the selected companies is limited to the years 2022 and 2023. Further, the study utilized key performance indicators, including revenue (in crores), net profit (in crores), year-on-year (YoY) changes (%) in these indicators, and return on net worth (%) to compare the performance of Indian and foreign companies.

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Top 30 unlisted companies in India [As on March, 2024]

<i>Ranked by total Revenue in India</i>	<i>Companies</i>	<i>Revenue in crores [Rupees]</i>	<i>Y-O-Y Change (%age)</i>	<i>Net profit (Rs. Crores)</i>	<i>Y-O-Y Change (% age)</i>	<i>Total Assets [Rs. Crores]</i>	<i>RoNW [Return on Net Worth] (% age)</i>
140	Bharat Biotech International	8,770	457.7	2,896	586.8	5,729	112
217	DHL Logistics	5,691	70.6	408	118.5	1,350	36.5
154	Waaree Energies	7, 867	172.5	483	538.3	2,556	44.2
220	Expeditors International India	17,724	83.07	241	94.9	388	99.3
62	Odisha Mining Corporation	35,569	198.9	2,732	72.2	10,190	36.4
18	HLL Life Care	8,710	575.3	408	262.2	2,138	68.4
142	Jindal India Thermal Power	6,999	306.8	5,131	110.8	6,596	83.8
175	Zoho Corporation	5,124	28.5	2,749	43.3	8,821	38.8
247	Rimjhim Ispat	5,124	67.9	275	119.1	1,354	43.2
19	Toyoto Kiloskar Motors.	34,437	74.6	1,404	170.7	8,556	39.1
14	Kia India	39,245	52.7	2,122	157.1	12,989	31.4
157	Jubil Circuit India	7,842	90.8	420	43.1	2,175	29.4
242	KHIBHCO Fertilizers	5,212	61	222	176.8	1,460	35.2
172	Suzuki Mororcycle India	7,162	36.1	370	5,731.70	2,394	17
112	Microsoft India	10,590	44.7	964	109.8	4,922	28.7
10	ArcelorMittal Nippon Steel India	57,138	71.3	7,944	325.1	72,674	25.9
92	Posco Maharashtra Steel	12,427	88.6	747	168.3	4,575	20.7
202	ADM Agro Industries India	6,259	54.4	139	236	355	42.2
132	India Yamaha Motors	9,261	31.2	475	1,138.10	2,730	20
231	Jhajjar Power	5,414	56.7	921	107.5	5,839	90.9
83	RJ Corp	13,737	48.9	912	129.5	9,109	84.4
100	Mobis India	11,311	23	923	63.1	3,930	27.2
239	Jagwar and Company.	5,272	54.1	500	73.2	2,935	20.9
127	Google India	9,439	47.8	1,239	53.3	6,752	21.8
162	BASF Catalists India	7,639	41.4	304	371.7	2,660	47.3

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125	Apple India	9,536	45.7	2,230	76.5	5,825	67.8
178	Optum Global Solutions (India)	6,865	32.2	848	114.6	2,493	45.1
131	Bhilosa Industries	9,326	71.8	956	56.3	6,111	23.2
192	BMW India	6,534	55.8	204	238	2,131	28.6
158	HSBC Electronic Data Processing India	7,808	26.2	930	30.7	2,660	46.7

Data Analysis:
Table (1) shows Top Indian private Unlisted companies

Companies	Revenue in crores [Rupees]	Y-O-Y Change (%age)	Net profit (Rs. Crores)	Y-O-Y Change (% age)	Total Assets [Rs. Crores]	RoNW [Return on Net worth] (% age)	Year End
Bharat Biotech International	8,770	457.7	2,896	586.8	5,729	112	March, 2022
Waaree Energies	7,867	172.5	483	538.3	2,556	44.2	March, 2023
Odisha Mining Corporation	35,569	198.9	2,732	72.2	10,190	36.4	March, 2022
HLL Life Care	8,710	575.3	408	262.2	2,138	68.4	March, 2022
Jindal India Thermal Power	6,999	306.8	5,131	110.8	6,596	83.8	March, 2022
Zoho Corporation	5,124	28.5	2,749	43.3	8,821	38.8	March, 2022
Rimjhim Ispat	5,124	67.9	275	119.1	1,354	43.2	March, 2022
KHIBHCO Fertilizers	5,212	61	222	176.8	1,460	35.2	March, 2023
Jhajjar Power	5,414	56.7	921	107.5	5,839	90.9	March, 2023
RJ Corp	13,737	48.9	912	129.5	9,109	84.4	March, 2022

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Bhilosa Industries	9,326	71.8	956	56.3	6,111	23.2	March, 2022
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Table 1 presents data on the top 11 Indian private unlisted companies, detailing their revenue, net profit, and total assets for the fiscal year 2022 / 2023. The data indicates that Odisha Mining Corporation achieved the highest revenue at ₹35,569 crores, while Zoho Corporation and Rimjhim Ispat recorded the lowest revenues at ₹5,124 crores each. In terms of year-on-year (YoY) revenue growth, Bharat Biotech International experienced the highest increase, with a growth rate of 457.7%, while RJ Corp had the lowest growth at 48.9%.

From a net profit perspective, Jindal India Thermal Power reported the highest net profit, amounting to ₹5,131 crores, while KHIBHCO Fertilizers recorded the lowest net profit at ₹222 crores. Bharat Biotech International again led in YoY net profit growth with an impressive 586%, whereas Bhilosa Industries registered the lowest growth at 56.3%.

Regarding asset values, Odisha Mining Corporation had the largest asset base at ₹10,190 crores, while Rimjhim Ispat held the smallest at ₹1,354 crores. In terms of Return on Net Worth (RONW), Bharat Biotech International achieved the highest return at 112%, while Bhilosa Industries recorded the lowest at 23.2%.

Table (2) shows Top Foreign private Unlisted companies

Companies	Revenue in crores [Rupees]	Y-O-Y Change (%age)	Net profit (Rs. Crores)	Y-O-Y Change (% age)	Total Assets [Rs. Crores]	RoNW [Return on Net worth] (% age)	Year End
DHL Logistics	5,691	70.6	408	118.5	1,350	36.5	March, 2022
Expeditors International India	17,724	83.07	241	94.9	388	99.3	March, 2022
Toyoto Kiloskar Motors.	34,437	74.6	1,404	170.7	8,556	39.1	March, 2023
Kia India	39,245	52.7	2,122	157.1	12,989	31.4	March, 2023
Jubil Circuit India	7,842	90.8	420	43.1	2,175	29.4	March, 2023
Suzuki Mororcycle India	7,162	36.1	370	5,731.70	2,394	17	March, 2023
Microsoft India	10,590	44.7	964	109.8	4,922	28.7	March, 2022

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ArcelorMittal Nippon Steel India	57,138	71.3	7,944	325.1	72,674	25.9	March, 2022
Posco Maharashtra Steel	12,427	88.6	747	168.3	4,575	20.7	March, 2022
ADM Agro Industries India	6,259	54.4	139	236	355	42.2	March, 2022
India Yamaha Motors	9,261	31.2	475	1,138.10	2,730	20	March, 2022
Mobis India	11,311	23	923	63.1	3,930	27.2	March, 2022
Jagwar and Company.	5,272	54.1	500	73.2	2,935	20.9	March, 2022
Google India	9,439	47.8	1,239	53.3	6,752	21.8	March, 2022
BASF Catalysts India	7,639	41.4	304	371.7	2,660	47.3	March, 2022
Apple India	9,536	45.7	2,230	76.5	5,825	67.8	March, 2023
Optum Global Solutions (India)	6,865	32.2	848	114.6	2,493	45.1	March, 2023
BMW India	6,534	55.8	204	238	2,131	28.6	March, 2023
HSBC Electronic Data Processing India	7,808	26.2	930	30.7	2,660	46.7	March, 2023

Table (2) presents data on the top 19 Foreign private unlisted companies, detailing their revenue, net profit, and total assets for the fiscal year 2022 / 2023. The data indicates that Kia India achieved the highest revenue at ₹39,245 crores, while Jagwar and Company recorded the lowest revenues at ₹5,272 crores each. In terms of year-on-year (YoY) revenue growth, Jubil Circuit India experienced the highest increase, with a growth rate of 90.8 %, while Mobis India had the lowest growth at 23%.

From a net profit perspective, ArcelorMittal Nippon Steel India reported the highest net profit, amounting to ₹ 7,944 crores, while ADM Agro Industries India recorded the lowest net profit at ₹139 crores. Suzuki Motorcycle India led in YoY net profit growth with an impressive 5,731.70%, whereas HSBC Electronic Data Processing India registered the lowest growth at 30.7%.

Regarding asset values, ArcelorMittal Nippon Steel India had the largest asset base at ₹72,674 crores, while ADM Agro Industries India held the smallest at ₹355 crores. In terms of Return on Net Worth (RONW), Expeditors International India achieved the highest return at 99.3%, while Suzuki Motorcycle India recorded the lowest at 17%.

Table (3) shows the descriptive statistics of Indian private unlisted companies

Indian Private Companies Descriptive Statistics						
Descriptive	Revenue in crores [Rupees]	Y-O-Y Change (%age)	Net profit (Rs. Crores)	Y-O-Y Change (% age)	Total Assets [Rs. Crores]	RoNW [Return on Networth] (% age)
Mean	10,168	186	1,608	200	5,446	60
Number of companies	11.00	11.00	11.00	11.00	11.00	11.00
Std Deviation	8399.79	176.65	1489.99	180.41	3033.76	27.63
Min	5,124	29	222	43	1,354	23
Max	35,569	575	5,131	587	10,190	112

Table (4) shows the descriptive statistics of Foreign private unlisted companies

Foreign Private Companies Descriptive Statistics						
Descriptive	Revenue in crores [Rupees]	Y-O-Y Change (%age)	Net profit (Rs. Crores)	Y-O-Y Change (% age)	Total Assets [Rs. Crores]	RoNW [Return on Net worth] (% age)
Mean	14,325	54	1,180	490	7,500	37
Number of companies	19	19	19	19	19	19
Std Deviation	13548.2	20.3	1697.4	1258.4	15641.4	19.2
Min	5,272	23	139	31	355	17
Max	57,138	91	7,944	5,732	72,674	99

Tables 3 and 4 present descriptive statistics for Indian and foreign private unlisted companies, respectively. The data indicates that the mean revenue of foreign companies (₹14,325 crores) is higher than that of Indian companies (₹10,168 crores). However, the mean year-on-year (YoY) growth rate is lower for foreign companies (54%) compared to Indian companies (186%).

Indian companies report a higher average net profit at ₹1,608 crores, whereas foreign companies show a lower average of ₹1,180 crores. In contrast, the mean YoY growth in net profit is greater in foreign companies (490%) compared to Indian companies (200%).

Furthermore, the mean asset value is higher for foreign companies (₹7,500 crores) than for Indian companies (₹5,446 crores). In terms of Return on Net Worth (RONW), Indian companies demonstrate a higher average return at 60%, while foreign companies show a lower average of 37%.

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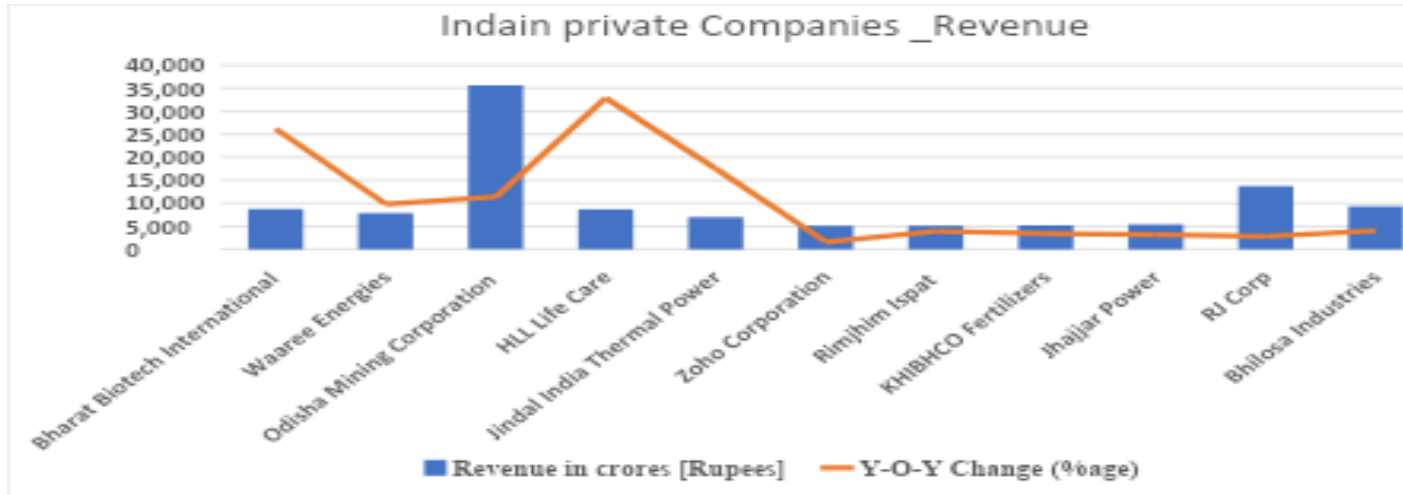


Figure (1) to Figure (6) shows the graphical representation of revenue, Net profit and ndian private unlisted companies' revenue and its Y-O-Y Change (%)Return on Net Worth of both Indian and foreign unlisted companies. Fig (1) shows the

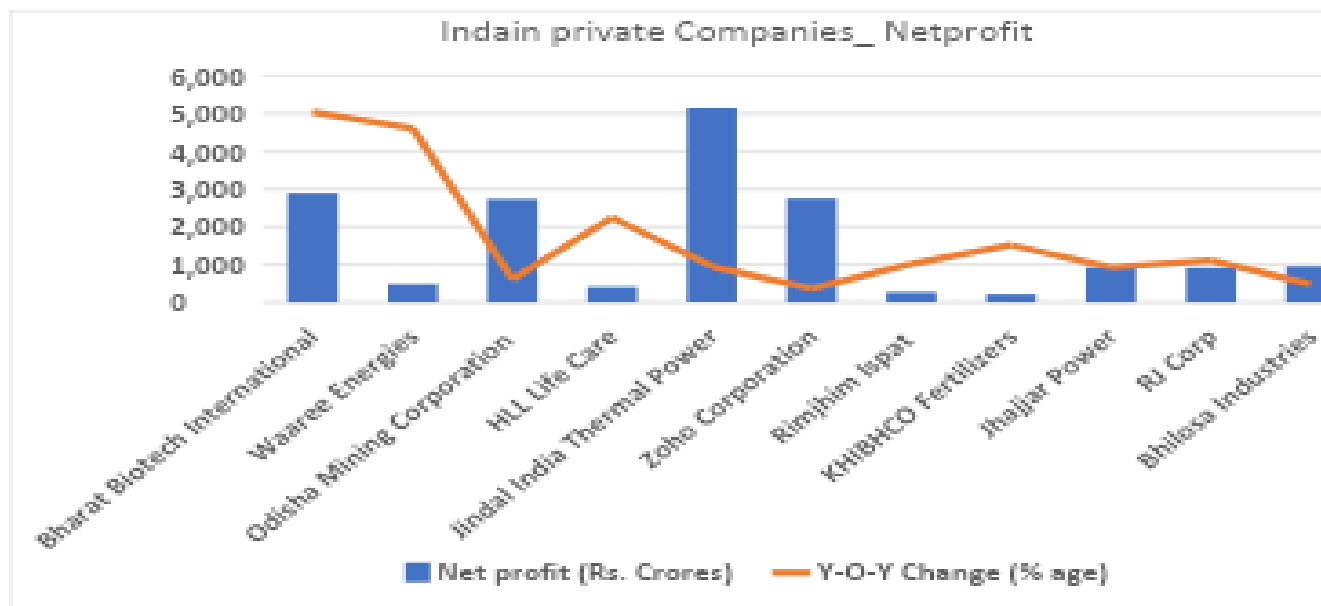


Fig (2) shows the Indian private unlisted companies' net profit and its Y-O-Y Change (%)

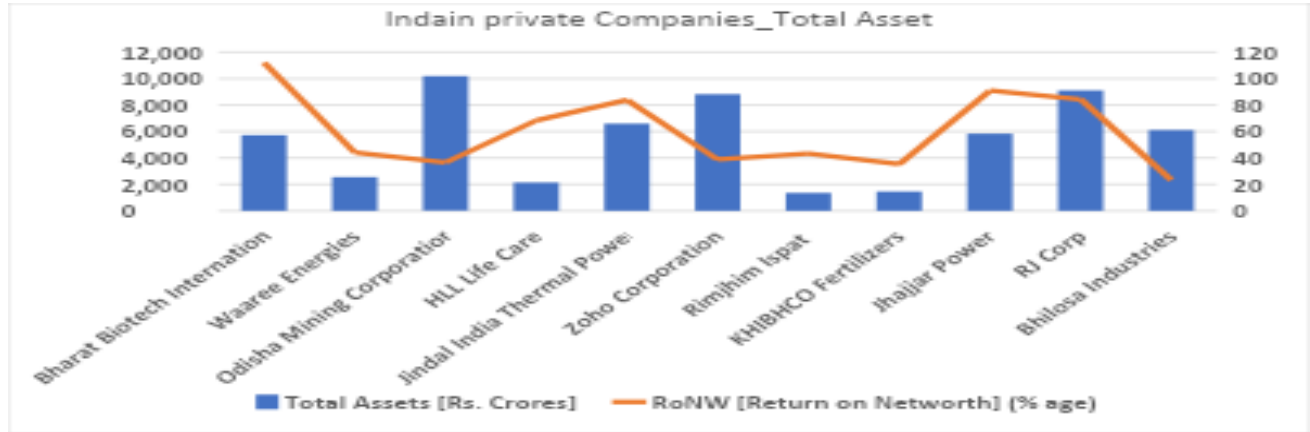


Fig (3) shows the Indian private unlisted companies' total asset and its Y-O-Y Change (%)

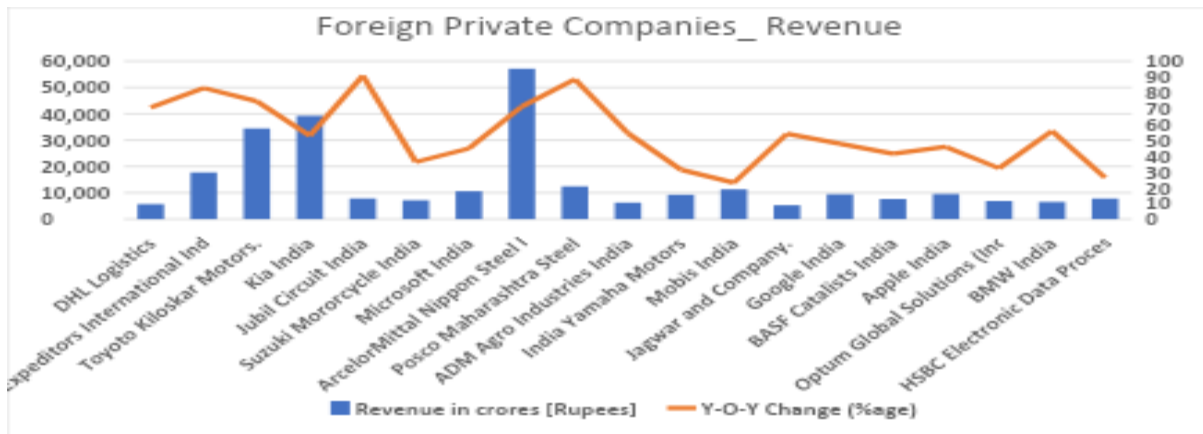


Fig (4) shows the Foreign private unlisted companies' revenue and its Y-O-Y Change (%)

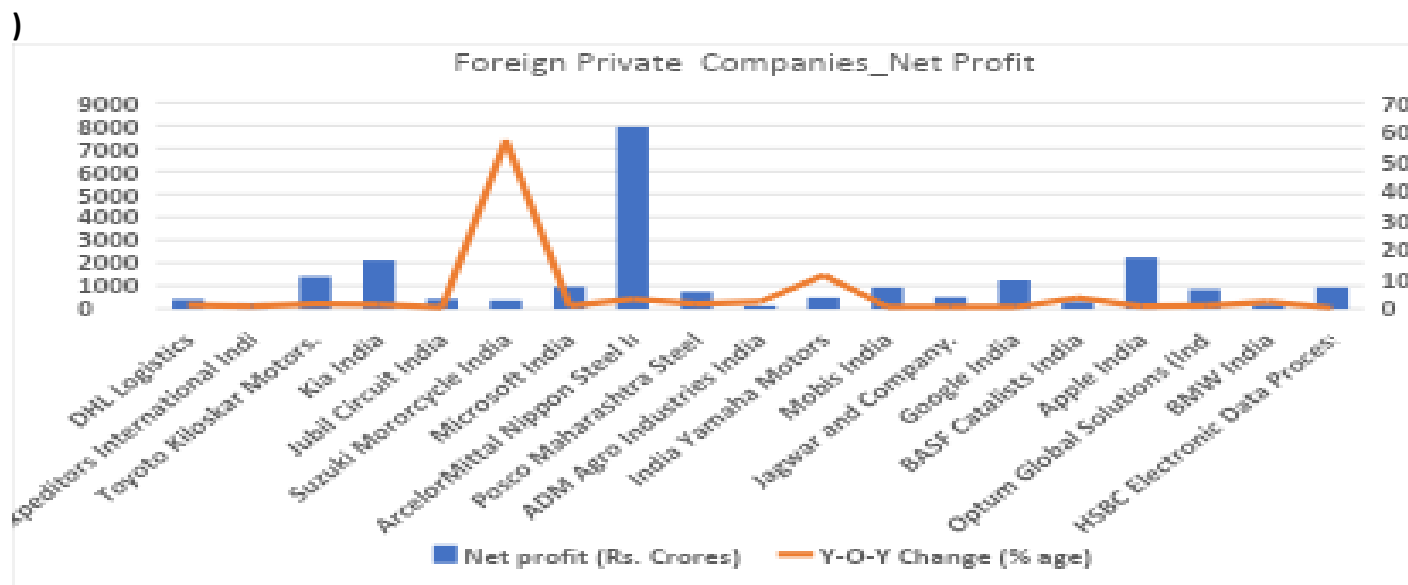


Fig (5) shows the Foreign private unlisted companies' net profit and its Y-O-Y Change (%)

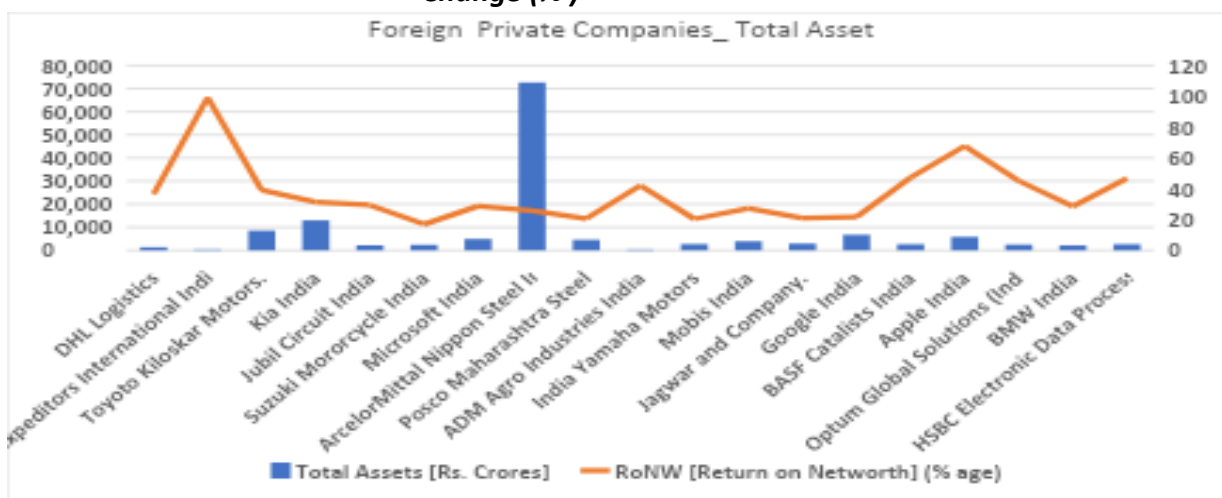


Fig (6) shows the Foreign private unlisted companies' total asset and its Y-O-Y Change (%)

Conclusion

The study reveals that foreign unlisted companies in India across various sectors—including Pharmaceuticals, Logistics, Renewable Energy, Mining, Automotive, Information Technology, Financial Services, and Agribusiness—exhibit a consistent preference for remaining private, primarily due to the advantages of reduced regulatory burdens, greater operational flexibility, and enhanced control over strategic decision-making. While Indian firms often leverage local knowledge and established relationships to drive performance, foreign companies benefit from global practices and advanced technologies that enable them to remain competitive. The analysis highlights that complex regulatory environments and the desire for agile innovation significantly influence the strategic decisions of these firms to opt out of public listings.



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Recommendations for policy reforms to streamline regulatory compliance, provide financial incentives for public listings, and enhance investor education could help cultivate a more favorable environment for foreign direct investment. Ultimately, by addressing the identified gaps in the regulatory landscape, India could not only attract more foreign capital but also foster a more competitive and transparent market, ensuring sustainable growth and robust investment opportunities for foreign entities while maintaining market integrity.