In a first, IT forex revenue overtook others in FY23

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Mumbai, 13 September

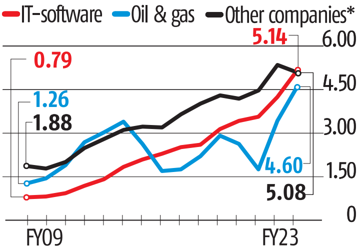
Indian information technology (IT) services companies, such as Tata Consultancy Services, Infosys, Wipro, and HCLTech, have emerged as the most consistent baggers of foreign exchange.

For the first time in 2022-23 (FY23), their combined forex revenue surpassed that of listed oil and gas companies, as well as listed non-oil and gas firms in other sectors. The latter category includes industries like pharmaceuticals, automotive and auto ancillaries, industrial metals, capital goods, chemicals, textiles, fast-moving consumer goods, and consumer durables.

The combined forex revenue of listed IT firms was up 20.7 per cent year-on-year (Y-o-Y) to ₹5.14 trillion in FY23, while that of manufacturing companies (ex-IT and oil & gas) was down 5 per cent to ₹5.08 trillion.

MERCHANDISE EXPORTS TAKE A BACKSEAT

(Export revenue in ₹trn)



Note: Based on a common sample of 795 companies from BSE500, BSE Midcap and BSE Smallcap indices
All numbers on standalone basis
*Include auto, pharma, chemicals, capital goods, industrial metals, FMCG, textile, and consumer durables firms, besides others
Source: Capitaline; Compiled by BS Research Bureau

An analysis of listed companies in *Business Standard*'s sample suggests a sharp slowdown in forex revenue of manufacturing firms.

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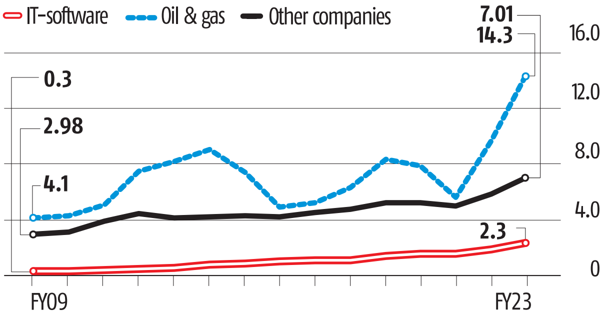
FOREX EXPENSES BY INDIA INC



Note: Based on a common sample of 795 companies from the BSE500, BSE MidCap and BSE Small Cap indices; All numbers on standalone basis
Source: Capitaline, Compiled by BS Research Bureau

IT forex...

IT services firms, on the other hand, maintained the growth momentum in their export business.

Industry experts attribute this to a broader slowdown in India's goods exports, while services exports, particularly in IT, remain robust. G Chokkalingam, founder and CEO of Equinomics Research, observed that India's merchandise exports grew only in low single digits in FY23, whereas services exports, including IT services, maintained strong growth. He anticipates this trend to persist into FY24 due to the ongoing contraction in India's merchandise exports.

Over the past five years, IT companies have seen their export revenue expand at a compound annual growth rate (CAGR) of 14.6 per cent. In comparison, the forex revenue of listed companies across sectors grew at a much slower CAGR of 4.8 per cent. Consequently, the ratio of export revenues of IT companies and firms in other sectors has been steadily declining, from 2.39 times in FY09 to 1.26 times in FY22.

Additionally, the IT sector outperformed crude oil refiners like Reliance Industries and Mangalore Refinery & Petrochemicals (MRPL) in export revenue for FY23. Oil and gas companies saw a 34.4 per cent Y-o-Y increase in their combined forex revenue, reaching ₹4.6 trillion. However, their CAGR since FY13 was only 4.2 per cent, far below the 13.7 per cent CAGR for IT firms.

Reliance Industries was the biggest exporter in FY23 with a forex revenue of ₹3.37 trillion, followed by TCS (₹1.83 trillion), and Infosys (₹1.21 trillion). Other top earners included Wipro (₹63,700 crore), MRPL (₹45,500 crore), and HCLTech (₹40,900 crore).

In stark contrast to crude oil refiners, which are net importers as their forex expenses exceed their revenue, IT companies' forex revenue surpasses their expenses by more than twice. Pharmaceuticals, comprising firms like Sun Pharmaceuticals, Cipla, and Dr Reddy's Lab, is the second-largest exporting sector, with combined forex revenue of approximately ₹82,500 crore, followed by the automotive sector at ₹71,000 crore in FY23.

IPO...

There is also a technical factor behind the latest rush.

Companies that miss the window to launch their IPOs this month will be required to update their draft red herring prospectus with figures from the April-June quarter.

Regulatory guidelines stipulate that an IPO cannot proceed if the quarterly numbers in the offer document are more than two quarters old.

Bankers say updating the audited quarterly numbers can take at least four weeks, which risks exposing companies to market volatility.

"While June financials are certainly at play, it's also about how demand builds up. An issue will not go through without adequate demand," said Chirag Negandhi, joint managing director and co-chief executive officer, Axis Capital.

Negandhi further noted that even as markets remain favourable, only companies with solid fundamentals and reasonable valuations will succeed in launching their IPOs.

Some companies have been waiting for opportune conditions to launch their issues.

"Firms are eager to push