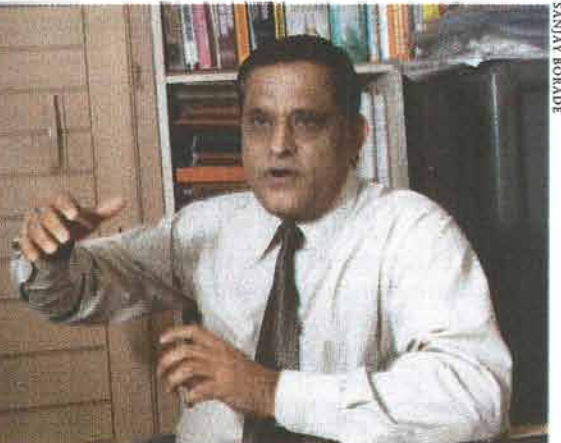


'Market will continue to shine'

Lalit Dangi, a gold medal-winning chartered and cost accountant-cum company secretary, is the chairman of Libord Finance. The company has formed a niche in restructuring companies, reviving sick ones, M&As, corporate debt restructuring ranging from Rs50 crore to Rs500 crore, foreign tie-ups, advising on IPOs, etc. Over the years, Dangi has acquired experience in investment banking and the capital market, while restructuring non-performing assets. He shares his views on the current state of the market with Lancelot Joseph



What, in your view, has led to the current rally in the market?

There were apprehensions in the market about how the Indian economy would perform in the aftermath of the global crisis. However, we were able to achieve a growth rate of over 6 per cent in 2008-09, despite lower export demand and shrinking foreign liquidity. The reason for this performance is the consistent growth rate achieved during 2003-08 averaging around 8.8 per cent, which incidentally was the highest ever recorded growth rate, next only to China in the contemporary world. This was supported by high savings and investment rates, coupled with moderate inflation and macro-economic stability. The various policy measures adopted in the post global crisis era helped the economy sustain its growth momentum, though at lower but reasonably impressive rates, particularly when the IMF had projected a contraction in the global growth rate and a sizeable fall in world trade by 12 per cent.

At a micro level, Indian companies were able to do well due to an improvement in margins despite a slowdown in sales. Many companies employed cost-cutting measures and took advantage of low raw material prices for enhancing their margins.

The market has received FII inflows worth more than \$10 billion from 1 April 2009 to 16 September 2009. All these factors supported the stock market.

Where do you feel the market is headed in the near term?

The market will continue to shine in the near term due to several positive factors.

Already, the growth in the automobile and realty sectors has given a positive signal. Another positive sign is the increase in direct tax collections in August 2009, which stood at Rs13,898 crore, against Rs12,761 crore in the year-ago period. India is well placed to benefit from globalisation and outsourcing and also has a positive growth forecast sustainable at 8 per cent up to the year 2020. However, the major trigger for the market is likely to take place due to changes in FDI laws in the banking and insurance sector, PSU divestment and labour laws.

How do you see the corporate scorecard for the first half of the current year? Will the trend continue?

The corporate scorecard for the first six months could be very good, with most companies reporting positive bottom-lines. They could perform well due to improved operational efficiency and low input costs. The trend is likely to continue for the rest of the year. However, there is a word of caution. We must avoid being over-confident and over-optimistic. The way the fiscal deficit is managed will have to be closely watched. The means to finance deficit should act towards increasing productive capacities rather than the money supply, thereby adding to

inflationary pressures. Companies will succeed as long as costs are kept under control in a depressed market. Thus, government borrowing and divestment strategies need to be fine-tuned with the macro-economic outlook.

What are the sectors worth looking at and why?

Automobiles, mobile telephony, Internet, infrastructure and housing sectors are worth looking at as they can act as growth engines to drive the Indian economy. The banking and insurance sector is also likely to perform well due to recent interest rate reforms. The 11th Five-Year Plan envisages stepping up of the gross capital formation in infrastructure from 5 per cent of GDP in 2006-07 to 9 per cent by the end of the Plan period in 2011-12, which could be critical for achieving the 9 per cent growth rate. It has estimated an investment requirement of \$502.88 billion (Rs20,11,521 crore) in infrastructure, around 30 per cent of which is expected to be financed by the private sector. Thus, investment in infrastructure seems to be quite attractive.

What are the long-term stocks one should be investing in?

In my opinion, banks, infrastructure, power, telecommunication and automobile are the stocks to invest in. But again, the specific investment has to be on the basis of the fundamentals of each company.