

**In the midst of the Q3 earnings season what are your expectations for this quarter and the next?**

For Q3, corporates have done well. Revenues have been in double digits, even as there has been pressure on the margin front due to an increase in the cost of production. Rising raw material and labour costs are eroding their bottomline; higher interest rates have only aggravated the situation. However the worst is over and things can only look up from here. Commodity prices have started correcting on the back of the eurozone crisis and moderation in Chinese demand. The advantage Indian corporates have as compared to their global counterparts, is that they are not highly leveraged. But all said and done, they will have to pull up their socks in terms of increasing productivity.

**Do you expect an early bounce-back in the economy leading to more investment flows?**

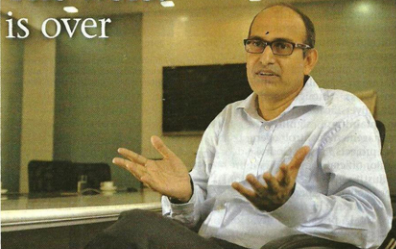
The slowdown is predominantly on the micro economic front. There are a combination of factors, including uncertain policy framework and delay in decision making adversely impacting the overall growth story. Government will have to gear up and come up with policy decisions to boost sentiment and kickstart investments in various sectors. Environmental clearance, policy paralysis over issues such as land acquisition and others are some of the areas that need to be dealt with. On the global front too there are uncertainties and the fundamentals are not likely to change in a hurry. Unless all this changes, we may not see the investment environment improve.

**Will inflation cease to be a concern with the current moderation in food prices?**

Inflation is a major concern. Food inflation has moderated significantly and this calendar year will be much better than the last two. But our major challenge is crude oil prices. We are importing massive inflation due to imports of oil. The depreciated rupee has only added to

**PORTFOLIO TALK**

**The worst is over**



**Notwithstanding global concerns and domestic challenges Indian markets should do well in the current year says Soumendranath Lahiri, head of equities, Canara Robeco Asset Management to Arbind Gupta. Lahiri feels that equities will give returns ranging between 15-20 per cent**

our woes. Crude prices in the range of \$90-100 per barrel should be a comfort zone. In fact, there are not too many tools to address this particular issue. However, there are areas where the government can improve its action considerably. On the monetary policy front a lot is left to be desired.

**Will FII inflows resume substantially in 2012?**

There is some kind of hold back by FIIs, but the outlook is not that bleak. Foreign fund managers have reposed their faith in the Indian market despite several headwinds – from the unusually sticky inflation to slowing growth to deteriorating fiscal situation. Though they pulled out money, the outflow was not as bad as we noticed in countries like Taiwan and Korea. The depreciated rupee has made India an attractive investment proposition. The Indian currency will continue to be range bound between ₹50-52 against the dollar. Moreover, the GDP growth forecast of 6.5 per cent is not too bad considering various internal

and external factors. However, issues like fiscal deficit and current account remain a matter of concern.

**Where is the Sensex headed in 2012?**

In CY11, we saw the Sensex correcting from around 20000 points at the beginning of the year to around 15000 points at year end. Currently, it is hovering around 16000 points. At this level, I am positive about market movement. In a few quarters with earning upgrades, the market can only move northward. The market should give a return of 15-20 per cent (y-o-y).

**Could you recommend stocks one should look at?**

There are opportunities across sectors due to attractive valuation. Real estate and banking stocks have declined considerably in the last one year or so and hence one can go for selective picks. Sectors such as pharmaceuticals, cement and automobile (particularly four-wheelers) are also looking attractive.