run down stocks earlier this year in anticipation of a prolonged downturn.

The CII M-Ascon survey of the manufacturing industry for the April-June period (the latest data available) showed that 10.4 per cent of the 77 sectors had reported excellent growth (more than 20 per cent), compared to 7 per cent in the same period last year.

In another indication of the resilience of the Indian corporate sector, the Mercer India Monitor quarterly survey showed that half of all Indian companies plan to add employees over the next three months. The survey also says that Indian companies managed to give reasonably high pay increases despite the economic slowdown and may see an average 8 per cent salary rise for 2009 and 10.9 per cent in 2010.

Sector-wise, pharmaceutical, consumer and manufacturing companies saw pay increases in excess of 7 per cent in 2009. However, the information technology sector, the worst hit by global downturn, saw almost no increase this year in most companies.

With business confidence improving, foreign investors are returning to India. The capital inflows revived during April-June 2009 quarter, mainly led by inflows under the foreign institutional investors, foreign direct investment, and NRI deposits. This development is a reflection of the international community's confidence in India's long-term growth prospects.

The foreign direct investment during April-June 2009 more than doubled to $6.8 billion from $3.12 billion in the preceding quarter.

The sharpest turnaround, however, was witnessed in the portfolio investment by foreign institutional investors, brought about by the recovery of domestic stock market in line with international stock markets, better corporate performance, political stability and comparatively better growth prospects. The April-September 2009 witnessed an inflow of $13.37 billion of foreign portfolio investment, compared with a withdrawal of $5.77 billion in the same period last year.

Sensex may cross 25000 in 2066

"The signals emanating from the highest economic policy making quarters have helped talk up the Indian market allowing equity prices to race ahead of earnings and fundamentals. I expect a lot of FII inflows into India and with the higher global growth rate expected in the next fiscal, the market by the next Diwali should be more than 25000", maintains Mr. Lalit Dangi, a leading financial expert and chairman of Libord group.

Lalit Dangi

Excerpts from the interview:

Corporate India: Is the recent sharp recovery in the stock markets for real and is the market on a strong wicket to scale new highs? Or do you think the market is overpriced and due for a correction?

Lalit Dangi: Since March 2009 the market has gone up by more than 100% which shows that the low level in March 2009 was not correct and it was only sentiments which had pulled the market down. The Nifty PE has gone up from 12.2 in March 2009 to more than 22. Although these levels may be considered to be expensive relative to the rest of the world but India's growth story is more secure than many other countries and there is a lot of liquidity in the world chasing growth. The economic fundamentals are strong. India's growth rate at 6-6.5 per cent is higher than most other economies and hence, it will attract investments. I expect a lot of FII inflows into India which will support the market. The market appears to have potential to reach up to 22000 to 23000 Index.

CI: Do you think that the Indian economy has fully overcome the impact of the global financial crisis?

LD: I don't think Indian economy was ever substantially affected by the global financial crisis. In USA more than 1000 banks be-