Markets have fallen sharply and some further decline cannot be ruled out. In these circumstances, investors will have to be vigilant and start buying slowly. Here too, they should go only for fundamentally sound growth-oriented companies.

For this year, we recommend six companies with a warning that although the long term prospects for these six scrips are highly promising, their prices may decline further in the short term. Hence, it would be advisable to accumulate these shares at every decline.

Larsen and Toubro

CMP 1000 (2004, 971)

Larsen & Toubro, the Indian multinational conglomerate is India's largest engineering and construction company, with a dominant presence in infrastructure, power, hydrocarbon, machinery and railway related projects. In recent years, the company has expanded its global presence.

The company has been doing quite well. During the last five year, its sales have expanded two and a half times - from Rs. 17579 crore in 2006-07 to Rs. 43905 crore in the fiscal 2011 and its net profit has more than trebled from Rs. 1403 crore in 2006-07 to Rs. 4375 crore in the fiscal 2010. But the net profit had declined last year to Rs. 3958 crore and is expected to decline further this year. The share price may fall further. These shares should be accumulated in the Rs. 800 - 975 range.

Hindustan Unilever

CMP 413 (420, 265)

Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods (FMCG) company, touching the lives of two out of three Indians by meeting everyday needs for nutrition, hygiene, and personal care, with brands that enjoy high recall value.

Despite difficult economic situation, the company is doing quite well. During the quarter ending September 2011, domestic con-

A gloomy year ahead

Lalit Kumar Dangi

THE current situation in market is fraught with micro and macro crisis at home and abroad. In recent years, many countries had relied on government spending to boost growth. Most of these countries had high fiscal deficit in an effort to create extra demand artificially. Now the same governments are resorting to austerity measures to control their deficits.

The economy is facing a slowdown and the GDP growth in 2012 is unlikely to exceed 6 per cent. All the industries are facing huge raw material shortage, government apathy, reduced consumer demand, depreciation of the rupee etc. The WPI-based inflation has eased a little but prices of items of daily use are not coming down and are unlikely to do so anytime soon. The Reserve Bank of India is playing the Russian roulette in arresting inflation. It will be a nightmare for the government to provide basic things at reasonable prices. In 2012 most of the companies are likely to default on repayment of FCCB/ECB. This default will arouse doubts in the international market about the Indian companies' ability to repay loans and may eventually create a platform for drying up the inflow of FDIs & FIIs.

For stock markets, 2012 is going to be a gloomy year. We have seen a spate of bad events whose effect will extend well into 2012 to damage the sentiment and throw the stock market in doldrums. The political scenario in India is not conducive to high growth and the government spurns all the well-meaning advice given by the corporate houses for development of the economy. The deceleration in industrial production that was seen in the recent month is likely to be aggravated in 2012.

The stock market scenario is very bad. It is possible that the market may touch 11,000 points in near future. The FIIs have always been the fulcrum of the shinning market. Now, as they are exiting the emerging markets including India, chances of the market going up are remote.

In these circumstances, investors should only invest in those companies which are cash rich and those whose sales are not affected by the recession. Most of such companies are like to be PSUs. The investors should look at specific companies rather than going by index-specific guidance.

Those companies will be able to survive which have got cash flow, are not affected by changing government policies, rupee devaluation or demand. However, it is difficult to pinpoint specific companies which are likely to outperform the market as the economic situation is very fluid.

(Lalit Kumar Dangi is Chairman, Libord group)