

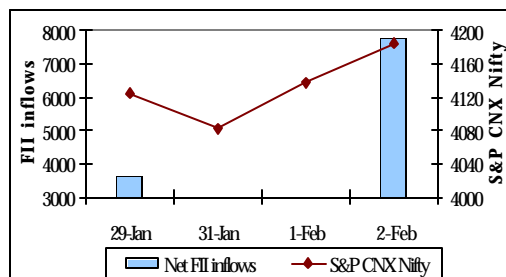
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Highlights

- ◆ **Markets march forward**
- ◆ **All eyes set on the forthcoming Union Budget**
- ◆ **25 bps hike in repo rate**
- ◆ **Liquidity situation likely to ease**

FII movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

*January 30 was a national holiday

* FII data for 31st Jan & 1st Feb is not available.

Weekly FII transactions (equities)

	Jan 29 to Feb 2*	Jan 22 to Jan 25
Gross purchases	11067.4	9402.2
Gross sales	11396	8563.8
Net inflows	-328.6	838.4

Amt in Rs. crores Data source: SEBI

*January 30 was a national holiday

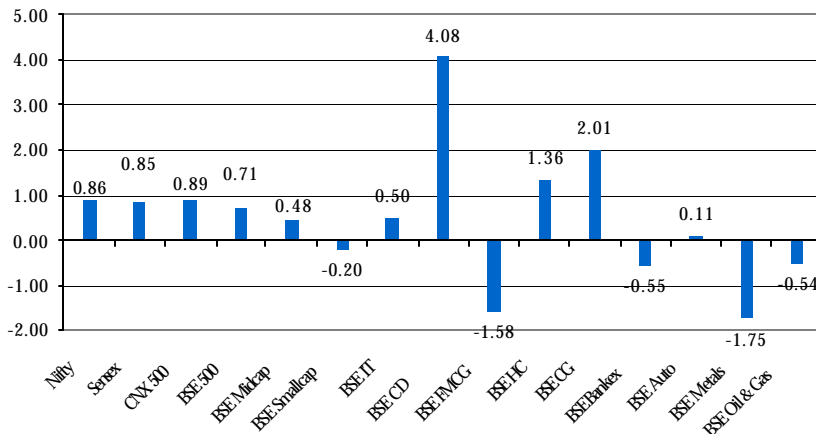
* FII data for 31st Jan & 1st Feb is not available.

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The week in retrospect-Equities

The markets ended the week on a positive note with Sensex gaining 0.85% to close at its life-time high of 14403.77. Nifty followed suit and settled at its life-time high of 4183.50 after advancing by 0.86%. On expectations of interest rate hike, markets remained cautious ahead of the monetary policy review on Jan 31, 07. Markets corrected on Wednesday after the 25 bps hike in repo rate to 7.5%. However, with RBI's revision of 2006-07 GDP growth forecast from 8% to 8.5-9%, bullish sentiments took over the next day. Positive sentiments further prevailed as the Federal Reserve decided against raising the U.S. interest rate (fed rate remained unchanged at 5.25%). On the sectoral side, BSE Bankex declined by 0.55% as selling in banking stocks was witnessed due to repo rate hike. Despite the acquisition of Corus, which made Tata Steel the 5th largest steel company in the world, Tata Steel shares fell by 9.09%. This was on account of a correction in the global metal market and a much higher valuations of Corus shares (608 pence/share). BSE Oil & gas went down by 0.54% as crude oil prices increased on expectations of a supply cut by OPEC countries. With Reliance Communications reporting a whopping increase of 198% in net profits for the December quarter, the stock jumped by 12.22% over the week. During the week, FIIs emerged as net sellers in the equity market, amounting to a sum of Rs. 328.6 crores. Mutual funds also turned out as net sellers to the tune of Rs. 289.74 crores.

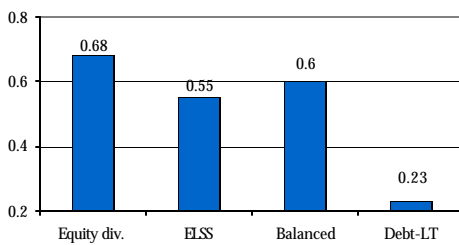
Weekly Equity Indices Return (absolute %)



As on Feb 02

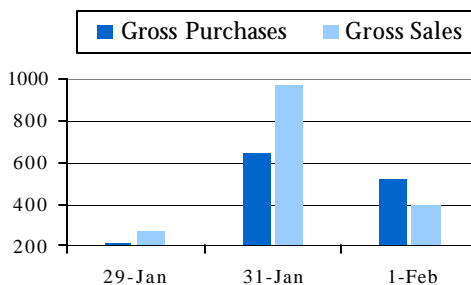
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Feb 2 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

In the equity market, mutual funds emerged as net sellers to the tune of Rs. 289.74 crores.

Outlook:

Short-term: Markets may continue to move up as fresh buying positions may be built, triggered by strong corporate earnings results. Volatility is expected on account of profit booking. The market is also likely to have a pre-budget rally in the coming weeks. However, rising inflation may cause some concerns in the markets. Crude oil prices also remain a watching factor as OPEC is expected to trim oil supply. FAG Bearings India, Patni Computer Systems, ELGI Equipments and Rain Calcining will come out with their Q3 earnings report in the coming week.

Long-term: CSO has revised the GDP growth estimates for 2005-06 from 8.4% to 9%. Industrial production during Nov, 06 grew at 14.4%, the fastest growth in more than a decade. Savings rate grew at 32.4% for FY 05-06 against 31.1% a year ago. Upgradation of India's credit rating to investment grade by Standards & Poors would trigger higher inflows of foreign funds. With markets backed by strong economic fundamentals, long-term story remains bullish. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support this growth.

Recommended schemes to invest		Historical returns as on Feb 2 (%)			Crisil Ranking
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	33.33	39.18	44.05	1
	Tata Infrastructure	40.26	48.30	N.A.	-
	Reliance Growth	43.41	39.59	56.19	1
	Sund. BNP Par. Sel. Mid.	29.85	52.75	60.39	1
Moderate (Equity)	Fidelity Equity	40.19	44.70	N.A.	-
	HDFC Top 200	29.59	36.10	41.94	2
	Reliance Equity	24.12	N.A.	N.A.	-
	SBI Magnum Contra	36.43	45.56	66.63	2
Conservative (Equity)	DSP ML Top 100	34.03	44.01	40.20	3
	Sund. BNP Par. Ind. Lead.	34.37	30.34	N.A.	2
	Franklin India Bluechip	33.59	42.35	38.51	4
	Templeton India Eq. Inc.	31.45	N.A.	N.A.	-
ELSS	Franklin India Taxshield	27.92	25.38	39.12	4
	Fidelity Tax Advantage	34.77	N.A.	N.A.	-
	SBI Magnum Tax Gain	41.23	45.52	70.31	1
Balanced	DSP ML Balanced	25.52	30.79	30.64	3
	HDFC Prudence	30.06	34.21	37.19	1
	FT India Balanced	27.39	33.58	28.29	3

*For qtr end Dec 06

Datasource: Bloomberg

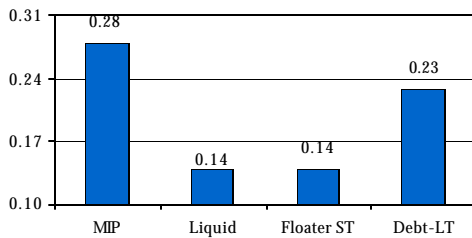
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Short-term investors: With the markets at their all-time highs, cautious approach should be taken since high volatility is expected. Investors wishing to invest for a period of 1-2 years could invest in derivatives funds and equity diversified funds. Investors wishing to redeem could do it partially, if required returns have already been made.

Long-term investors: SIP investments in equity diversified funds, contra funds and internationally diversified funds are good options. Investors willing to give an aggressive touch to their portfolio could look at opportunities funds, thematic funds and midcap funds for a period of 3-5 years.

Weekly category returns (%)

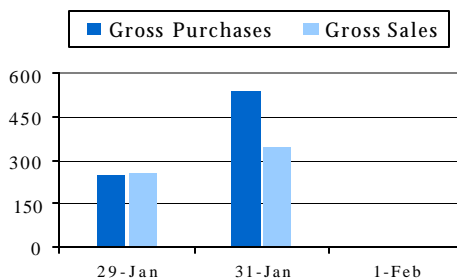


Abs. returns as on Feb 2 Data source: Bloomberg

Key statistics

	Feb 2	Jan 25
7.59% GOI 2016 yield	7.69%	7.88%
Call rate	7.90%	8.00%
WPI inflation (week ending Jan. 20 and Jan. 13)	6.11%	5.95%
Dollar exchange rate	44.12	44.24
Forex reserves (\$ bn)	179.052 (Jan 26)	178.13 (Jan 19)

Weekly MF transactions (debt)



Amt in Rs. crores Data source: SEBI

*January 30 was a national holiday

* FII data for 31st Jan & 1st Feb is not available.

In debt market, mutual funds emerged as net buyers to the tune of Rs. 185.98 crores during the week.

The week in retrospect-Debt

The major event in the bond market last week was the policy review on Wednesday. As expected, the central bank increased the repo rate by 25 bps to 7.50%. It also revised the GDP forecast to 8.5-9.0% for FY 07. However, due to robust credit growth, it has increased provisioning for loans towards real estate, capital markets, credit cards and personal loans from 1% to 2%. It has also restricted the maximum loan amount to NRIs to 20 lakhs against NRE and FCNR deposits. The market reacted positively as other key rates such as CRR and bank rate were left unchanged. The 10-year benchmark yield closed at 7.69%. Call rates again moved below the 8% level during the week as liquidity condition improved. Crude oil prices rose to cross \$57 levels as production cuts by OPEC countries is likely to tighten its supply. Inflation rose to 6.11% for the week ending Jan 20 from 5.95% the last week.

On the forex front, India's forex reserves increased to \$179.052 bn as on Jan 26 compared with \$178.13 bn level for the week ending Jan 19. Rupee gained as a result of S&P's country credit rating upgradation to 'investment grade', weak dollar and FII inflows equity markets.

Outlook:

Short-term: In the coming weeks, inflation figure may remain firm due to the high base effect of the last year. We also expect some liquidity easing as government spending catches up. Thus, call rates may hover below 8%. However, banks' demand for funds near the FY closing remains a concern. Demand for bonds is likely to remain high as RBI has not reduced SLR, resulting in artificially low yields.

Long-term: Rising savings rate (32.4% for FY 05-06 against 31.1% a year ago) provide some comfort that the growth in the country is not highly funded by consumption and foreign inflows alone. Yet, rising credit remains a concern. RBI has clearly stated in the policy document that it may adopt all necessary measures swiftly according to the requirement of evolving situations. This hawkish statement indicates a bias towards a rate hike if inflation and credit growth grows beyond desirable levels.

Recommended schemes to invest		Return as on Feb 2 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	Templeton Floating Rate ST	0.61	1.81	6.42	0.75	4
	Reliance Floating Rate	0.66	1.95	6.96	0.55	-
Liquid	LIC MF Liquid	0.66	2.00	7.26	0.53	2
	Canliquid Retail	0.63	1.83	6.91	0.23	-

*For qtr end Dec, 06

Datasource: Bloomberg

Recommendations:

Short-term investors: Very short-term investors should invest in liquid funds. For other investors for whom instant liquidity is not an issue, can invest in 3 month FMPs as the yields are quite attractive. Others having an investment outlook of more than 3 months can consider floaters (to keep investments liquid) and FMPs (fixed duration).

Long-term investors: Investors with a horizon of more than one year could consider FMPs in place of bank deposits. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

News Briefs

- ◆ BOB Mutual Fund has announced a 60% dividend in BOB ELSS'96 i.e. Rs. 6 per unit on a face value of Rs. 10. The record date for the dividend payout is February 6, 2007.
- ◆ Reliance Mutual Fund has declared a dividend of 15 per cent under Reliance Equity Opportunities Fund. The record date for the dividend would be February 1, 2007. This is the second dividend payout from the fund since its launch. Earlier, the fund paid 10 per cent dividend in August 2006.

NFO Corner

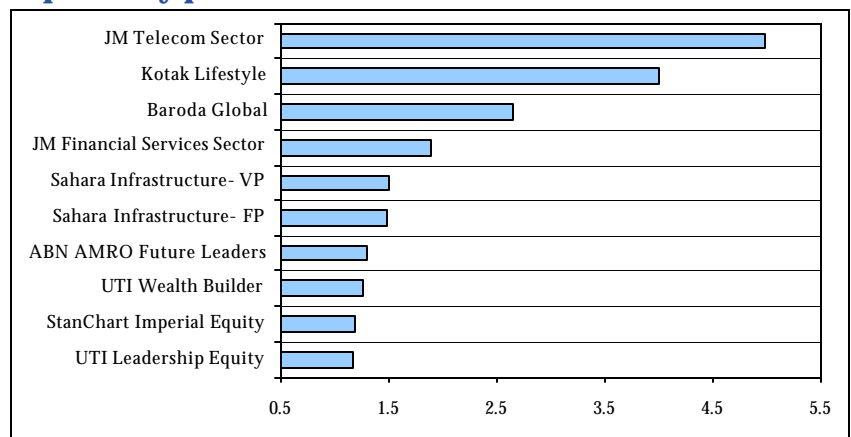
NFOs open for subscription:

- ◆ HSBC Mutual Fund has rolled out HSBC Unique Opportunities Fund. The 3-year close-ended equity fund, launched on Feb 2, 07 will be available for subscription till 22 February 2007.
- ◆ Tata AMC has come out with a new scheme-Tata SIP Fund. The 3-year close-ended fund intends to increase its exposure to equities in a phased manner. Thus, the fund has a hybrid asset allocation and follows the strategy of systematic investment in equity-related securities. The offer closes on 15 February 2007.
- ◆ Principal PNB Long Term Equity Fund, lunched on Jan 24, aims to invest predominantly in mid and small-cap companies. The offer is closing on Feb 21.
- ◆ Standard Chartered MF has launched Standard Chartered Tax Saver Fund. The 10-year ELSS will be open for subscription till Feb 23, 2007.
- ◆ Optimix has launched Optimix Retireinvest- Series I. This ELSS will be available for subscription till March 6, 07.
- ◆ UTI has launched UTI Long Term Advantage Fund. The fund is a 10-year close-ended ELSS, available for subscription till Mar 20, 07.
- ◆ JM Fund House has launched JM Equity Tax Saver Fund-Series I on Dec 28, 06. It will be available for subscription till March 29, 07.

Forthcoming New Fund Offers:

- ◆ Benchmark AMC is launching its gold exchange traded fund- Gold BeES on Feb 15, 07. The NFO period will close on Feb 23, 07.
- ◆ Prudential ICICI MF is coming up with Prudential ICICI Capital Protection Oriented Fund. It is a 5-year close-ended fund.
- ◆ HDFC AMC is planning to launch HDFC Pearls of India Fund. The 5-year close-ended fund would invest in equity related securities of companies whose market capitalization is less than the median market capitalization of BSE 200 companies.

Top weekly performers-NFOs*



* Weekly return in % as on Feb 2, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

Performance analysis of equity NFOs (quarter-wise) as on Feb 2, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Dec 31 '06	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-Term Equity	14-Nov-06	10.39	2122.96	3.88	0.10	10,388.00	10,388.00
2	ING Vysya C.U.B. Fund	14-Nov-06	12.53	70.95	25.30	-0.63	12,530.00	12,530.00
3	JM Financial Sector	2-Nov-06	10.26	5.49	2.6	1.89	10,260.00	10,009.76
4	JM Telecom Sector	2-Nov-06	11.36	6.31	13.6	4.99	11,360.00	11,082.93
Abs. returns for New Funds released Between Oct 06 to Dec 06					11.35	1.59	44538.00	44010.69
1	DSPML Small & Midcap	29-Sep-06	10.8	1522.65	7.98	0.19	10,798.00	10,560.39
2	UTI Wealth Builder	7-Sep-06	11.22	946.56	12.2	1.26	11,220.00	11,220.00
3	Birla Long-term Adv.	7-Aug-06	11.19	425.93	11.9	0.45	11,190.00	11,190.00
4	Tata Capital Builder	18-Jul-06	11.25	280.52	12.54	-0.14	11,254.30	11,254.30
Abs. returns for New Funds released Between Jul 06 to Sep 06					11.16	0.44	44,462.30	44,224.69
1	Tata Equity Managmt.	15-May-06	11.19	421.43	11.87	-0.18	11,187.40	11,187.40
2	Stanchart Enterprise Equity	19-Apr-06	11.97	1683.13	19.71	-0.31	11,970.70	11,970.70
Abs. returns for New Funds released Between Apr 06 to Jun 06					15.79	-0.25	23,158.10	23,158.10
1	Fidelity Special Sit.	28-Mar-06	13.35	2073.93	33.52	-0.42	13,352.00	13,058.19
2	Templeton India Equ.	22-Mar-06	12.58	1860.96	25.8	0.96	12,580.00	12,303.18
3	Sundaram Rural India	20-Mar-06	12.17	1006.79	21.7	0.55	12,170.20	11,902.40
4	ABN AMRO Future Leaders	13-Mar-06	10.91	396.17	9.05	1.3	10,905.00	10,905.00
5	Pru ICICI Fusion	27-Feb-06	12.78	709.72	27.8	-0.85	12,780.00	12,780.00
6	Kotak Lifestyle	22-Feb-06	12.64	384.86	26.35	4	12,635.00	12,635.00
7	UTI Contra	22-Feb-06	10	801.15	0	0.2	10,000.00	10,000.00
8	JM HI FI	20-Feb-06	11.47	46.71	14.7	0.97	11,470.00	11,217.60
9	Sahara Infrastruct-FP	15-Feb-06	11.61	17.80	16.13	1.48	11,612.70	11,612.70
10	Sahara Infrastruct-VP	15-Feb-06	11.67	17.80	16.73	1.49	11,673.20	11,673.20
11	Chola Contra	14-Feb-06	12.04	83.33	20.4	0	12,040.00	11,775.06
12	Quantum Long Term Equity	8-Feb-06	12.7	29.70	27	-0.39	12,700.00	12,700.00
13	Principal Infra. & Services	7-Feb-06	12.24	306.29	22.4	0.49	12,240.00	11,970.66
14	Baroda Global Fund	6-Feb-06	11.94	N.A.	19.4	0.76	11,940.00	11,677.26
15	Reliance Equity	6-Feb-06	11.57	4987.97	15.7	2.66	11,570.00	11,315.40
16	Birla Infrastructure	31-Jan-06	12.61	507.63	26.1	0.88	12,610.00	12,332.52
17	SC Imperial Equity	30-Jan-06	12.52	267.92	25.18	1.19	12,517.90	12,242.44
18	UTI Leadership Equity	30-Jan-06	12.98	1114.92	29.8	1.17	12,980.00	12,980.00
19	ING Vysya A.T.M. Fund	27-Jan-06	11.3	36.89	13	0.53	11,300.00	11,051.34
20	HDFC Long Term Equity	27-Jan-06	11.88	1655.55	18.84	0.46	11,884.00	11,884.00
21	HSBC Advantage India	27-Jan-06	13.3	1401.05	32.96	0.91	13,295.70	13,003.13
22	SBI Magnum Bluechip	20-Jan-06	11.84	2284.04	18.4	-0.59	11,840.00	11,840.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					20.95	0.81	266,095.70	262,859.09

Note: Current value shows the latest market value of an investment of Rs.10,000 in each NFO.

For more information on MUTUAL FUNDS call 1800 4258283 or contact your nearest Karvy branch.

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