

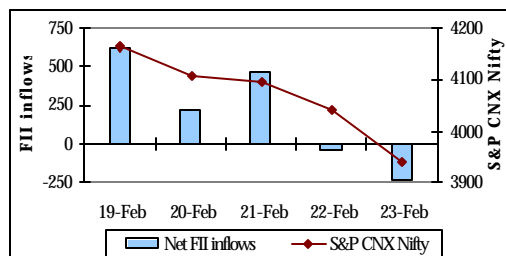
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Highlights

- ◆ **Markets continue to dip**
- ◆ **Markets likely to remain subdued**
- ◆ **Bond yields ease**
- ◆ **Inflation- a watching factor**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Feb 19 to Feb 23	Feb 12 to Feb 15
Gross purchases	12488.8	10247.8
Gross sales	11443	9783.6
Net inflows	1045.8	464.2

Amt in Rs. crores

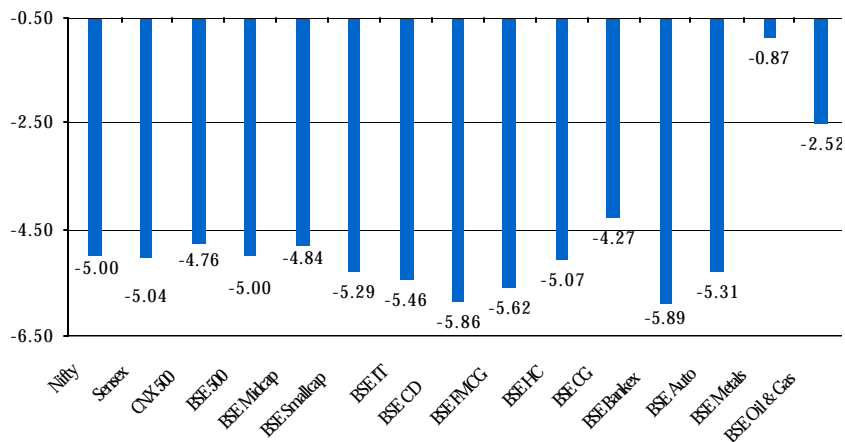
Data source: SEBI

The week in retrospect-Equities

The markets remained in the red territory throughout the week on concerns over rising interest rates and expectations that the short-term capital gains tax (STCG) might be hiked in the upcoming Union Budget for FY 2007-08. Talking about interest rates, Bank of Japan increased its interest rates by 25 bps to 0.5% on Feb 21. Strong money supply and mortgage lending data of UK reported on Friday led to expectations of interest rate hike by the Bank of England. On the domestic front, the CRR hike has impacted the markets in terms of a rise in PLR by most of the banks. Rising interest rates and high inflation data caused the markets to remain weak. High volatility was witnessed on the back of expiry of derivatives contracts on Thursday. Sensex plunged by 5.04% (723.02 points) to close at 13632.53 and Nifty dived by 5% (207.3 points) to settle at 3938.90. All the sectoral indices ended the week on a negative note as somewhat broad-based selling pressure was witnessed from the local players. BSE Bankex lost heavily (5.89%) due to the adverse impact of CRR hike on banking stocks. Biocon jumped by 5.4% on news that the firm would set up a bio-pharma plant worth Rs.1,000 crores in Andhra. PFC got listed on Friday at a premium of Rs.19 and it traded on high volumes.

During the week, FIIs remained net buyers in the equity market, amounting to Rs. 1045.8 crores. Mutual funds also emerged as net buyers to the tune of Rs. 152.28 crores.

Weekly Equity Indices Return (absolute %)

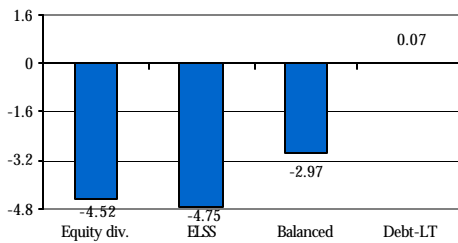


As on Feb 23

Datasource: BSE, NSE

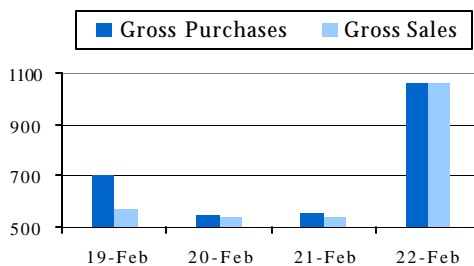
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Weekly category returns (%)



Abs. returns as on Feb 23 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

In the equity market, mutual funds emerged as net buyers to the tune of Rs. 152.28 crores.

Outlook:

Short-term: The markets are expected to remain low ahead of the budget announcement on Wednesday, waiting to take directions from the event. Another watching factor of the forthcoming week is the Railway Budget to be announced on Monday, which would impact certain sectors of the economy. With crude oil prices above \$60 per barrel (on Friday), the prices are already at high levels and any sharp increase would weaken the market sentiments. Markets may also factor in the forthcoming UP state elections. Visaka Industries, Crisil, Peninsula Land, Alfa Laval India, ESAB India, Vesuvius India and 3M India will come out with their Dec quarter results in the forthcoming week.

Long-term: Rising industrial output in Dec, 06 (1.1%) is backed by high manufacturing output (11.9%), tremendous growth in capital goods production (20.2%) and decent growth in consumer goods output (7.4%). CSO has revised the GDP growth estimates for 2005-06 from 8.4% to 9%. 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 23 (%)			Crisil Ranking*	
	6 months (abs)	1 year	3 year (ann)		
Aggressive (Equity)	DSP ML Opportunities	17.60	26.71	39.67	1
	Tata Infrastructure	20.16	34.43	N.A.	-
	Reliance Growth	24.40	31.37	53.16	1
	Sund. BNP Par. Sel. Mid.	16.28	38.81	56.68	1
Moderate (Equity)	Fidelity Equity	25.96	33.63	N.A.	-
	HDFC Top 200	15.43	24.19	38.92	2
	Reliance Equity	11.73	N.A.	N.A.	-
	SBI Magnum Contra	19.84	33.64	61.51	2
Conservative (Equity)	DSP ML Top 100	21.22	33.38	36.66	3
	Sund. BNP Par. Ind. Lead.	17.27	17.50	N.A.	2
	Franklin India Bluechip	17.98	27.45	34.45	4
	Templeton India Eq. Inc.	22.53	N.A.	N.A.	-
ELSS	Franklin India Taxshield	14.51	15.26	35.12	4
	Fidelity Tax Advantage	20.77	N.A.	N.A.	-
	SBI Magnum Tax Gain	25.66	34.12	66.25	1
Balanced	DSP ML Balanced	13.80	20.62	28.04	3
	HDFC Prudence	17.48	27.51	35.39	1
	FT India Balanced	16.87	26.11	25.78	3

*For qtr end Dec 06

Datasource: Bloomberg

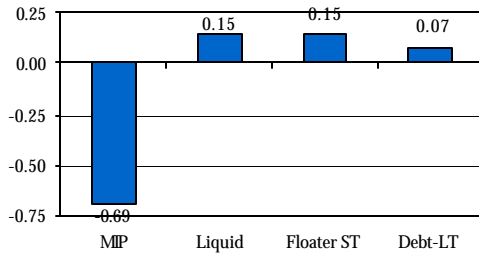
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Short-term investors: Investors wishing to invest for a period of 1-2 years could invest in equity diversified funds and derivatives 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 (%)

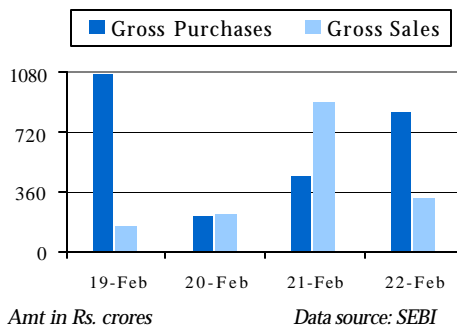


Abs. returns as on Feb 23 Data source: Bloomberg

Key statistics

	Feb 23	Feb 16
7.59% GOI 2016 yield	7.95%	8.02%
Call rate	6.5%	6.6%
WPI inflation (week ending Feb 10 and Feb 3)	6.63%	6.73%
Dollar exchange rate	44.2	44.11
Forex reserves (\$ bn)	188.912 (Feb 16)	185.078 (Feb 9)

Weekly MF transactions (debt)



In debt market, mutual funds emerged as net buyers to the tune of Rs. 954.09 crores.

The week in retrospect-Debt

The bond market witnessed the bond yields cool down on account of comfortable liquidity condition of the banking system. The 10-year benchmark yield closed at 7.95% as against 8.02% the previous week. Although the first leg of CRR hike on Feb 17 left the market short of cash, the cash position of the market eased with adequate rupee inflows in the system through central bank's intervention. Due to this, call rates declined to 6.5%. Although the bond yields increased ahead of the release of inflation data, a lower-than-expected inflation data (6.63% as against 6.73% the previous week) on Friday worked as a booster for the market as fresh bout of buying in bonds took place and bond prices went up.

On the forex front, India's forex reserves increased to \$188.912 bn as on Feb 16 as compared to \$185.078 bn level on Feb 9. Rupee depreciated to 44.2 from 44.11 on the back of strong demand of dollar by oil refineries for import payments. Squaring of the short positions on dollar also boosted the demand for dollars, thereby causing the rupee to end the week on a lower note.

Outlook:

Short-term: With the government's step to curb demand-driven inflation by increasing the supply of food and basic commodities, inflation is likely to remain in the 6-6.7% range. Market men expect that the government's borrowing programme in the budget could be slightly lower to rein in the fiscal deficit.

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 inflation and credit remains a concern.

Recommended schemes to invest		Return as on Feb 23 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	Templeton Floating Rate ST	0.64	1.86	6.55	0.75	4
	Reliance Floating Rate	0.67	1.99	7.09	0.55	-
Liquid	LIC MF Liquid	0.65	2.00	7.34	0.53	2
	Canliquid Retail	0.63	1.85	6.96	0.23	-
FMPs	Birla FTP series- R 400 days	Subscription period till: Mar 5, 07 Net yield: 9.5% p.a.				
	LICMF FMP Series 20 (14 months maturity)	Subscription period till: Feb 27, 07 Net yield: 10.15% p.a.				

*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 (longer duration) in place of bank deposits as present yields on short-term papers are quite attractive. Due to lower taxation on FMPs, the post-tax returns on these products could be higher.

News Briefs

- ◆ JM Financial Mutual Fund has roped in Mr Nityanath Ghanekar as MD and CEO w.e.f Mar 1, 07.
- ◆ Reliance AMC has changed the benchmark index for the balanced option of Reliance Regular Savings Fund from Crisil MIP Blended Index to Crisil Balanced Fund Index.
- ◆ Canbank AMC is planning to merge Cangrowth Plus and CanD'mat with Canfortune'94 w.e.f. Mar 20, 07. After the merger, the name of the scheme will remain the same. Investors who do not want to continue with the merged scheme, have the option to exit the respective schemes without any exit load on or before Mar 16, 07.
- ◆ PAN card holders may get MIN exemption. MIN would be required for investors who do not have a PAN but want to invest more than Rs 50,000 in a mutual fund scheme.

NFO Corner

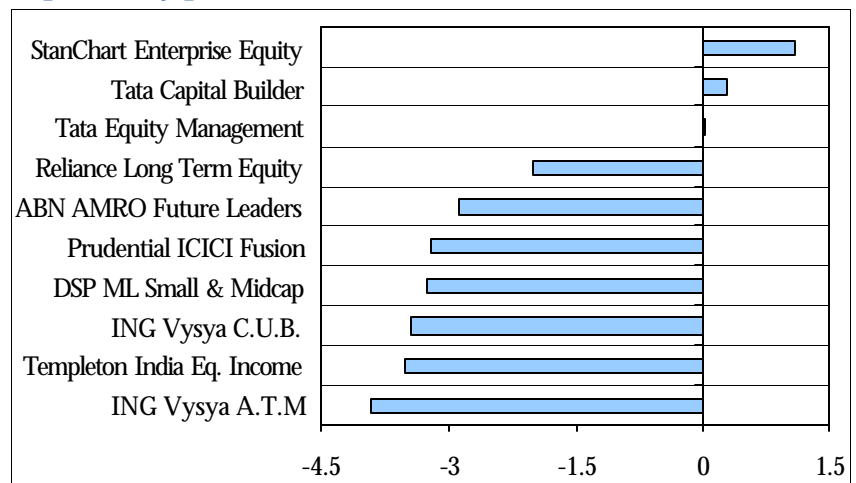
NFOs open for subscription:

- ◆ Benchmark AMC has launched its gold exchange traded fund- Gold BeES on Feb 15, 07. The NFO period has extended till Feb 26, 07.
- ◆ ABN Amro has launched ABN AMRO Multi-Manager Series 2B. The offer for the dynamic asset allocation FoF will close on Feb 28, 07.
- ◆ Taurus MF has launched Taurus INFRA-TIPS Fund. The open-ended thematic (infrastructure) fund is open for subscription till Mar 5, 07.
- ◆ Optimix has launched Optimix Retireinvest- Series I. This ELSS will be available for subscription till Mar 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 Mar 29, 07.
- ◆ Kotak MF has come up with Kotak Emerging Equity Fund. The offer closes on Mar 12, 07.
- ◆ Lotus India AMC has launched Lotus India Midcap Fund and Lotus India Contra Fund. The NFO period for the funds closes on Mar 15, 07.
- ◆ Prudential ICICI MF has come up with Prudential ICICI Fusion Fund - Series II. The fund is open for subscription till Mar 16, 07.

Forthcoming New Fund Offers:

- ◆ UTI AMC is coming up with its Gold ETF on Mar 1, 07. The offer will close on Mar 12, 07.
- ◆ DBS Chola MF will launch DBS Chola Hedged Equity Fund on Mar 1, 07. The NFO period will close on Mar 23, 07.

Top weekly performers-NFOs*



* Weekly return in % as on Feb 23, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on Feb 23, 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	10.11	2122.96	1.10	-2.00	10,109.60	10,109.60
2	ING Vysya C.U.B. Fund	14-Nov-06	12.03	70.95	20.30	-3.45	12,030.00	12,030.00
3	JM Financial Sector	2-Nov-06	9.39	5.49	-6.1	-6.01	9,390.00	9,160.98
4	JM Telecom Sector	2-Nov-06	10.63	6.31	6.3	-4.41	10,630.00	10,370.73
Abs. returns for New Funds released Between Oct 06 to Dec 06					5.4	-3.97	42159.60	41671.31
1	DSPML Small & Midcap	29-Sep-06	10.24	1522.65	2.36	-3.25	10,236.00	10,010.76
2	UTI Wealth Builder	7-Sep-06	10.74	946.56	7.4	-2.81	10,740.00	10,740.00
3	Birla Long-term Adv.	7-Aug-06	10.53	425.93	5.3	-4.27	10,530.00	10,530.00
4	Tata Capital Builder	18-Jul-06	11.1	280.52	10.99	0.29	11,099.10	11,099.10
Abs. returns for New Funds released Between Jul 06 to Sep 06					6.51	-2.51	42,605.10	42,379.86
1	Tata Equity Managmt.	15-May-06	11.07	421.43	10.7	-2.21	11,070.20	11,070.20
2	Stanchart Enterprise Equity	19-Apr-06	12.01	1683.13	20.07	1.08	12,006.60	12,006.60
Abs. returns for New Funds released Between Apr 06 to Jun 06					15.38	-0.57	23,076.80	23,076.80
1	Fidelity Special Sit.	28-Mar-06	12.41	2073.93	24.07	-5.63	12,407.00	12,133.99
2	Templeton India Equ.	22-Mar-06	12.32	1860.96	23.2	-1.99	12,320.00	12,048.90
3	Sundaram Rural India	20-Mar-06	11.42	1006.79	14.22	-2.93	11,421.60	11,170.27
4	ABN AMRO Future Leaders	13-Mar-06	9.96	396.17	-0.44	-2.87	9,956.00	9,956.00
5	Pru ICICI Fusion	27-Feb-06	12.11	709.72	21.1	-3.2	12,110.00	12,110.00
6	Kotak Lifestyle	22-Feb-06	11.9	384.86	18.97	-4.3	11,897.00	11,635.21
7	UTI Contra	22-Feb-06	9.48	801.15	-5.2	-2.97	9,480.00	9,480.00
8	JM HI FI	20-Feb-06	10.07	46.71	0.7	-7.27	10,070.00	9,848.41
9	Sahara Infrastruct-FP	15-Feb-06	10.81	17.80	8.14	-4.39	10,813.80	10,813.80
10	Sahara Infrastruct-VP	15-Feb-06	10.87	17.80	8.75	-4.38	10,874.90	10,874.90
11	Chola Contra	14-Feb-06	11.09	83.33	10.9	-5.29	11,090.00	10,845.97
12	Quantum Long Term Equity	8-Feb-06	11.89	29.70	18.9	-4.5	11,890.00	11,890.00
13	Principal Infra. & Services	7-Feb-06	11.48	306.29	14.8	-4.25	11,480.00	11,227.38
14	Baroda Global Fund	6-Feb-06	11.24	N.A.	12.4	-4.34	11,240.00	10,992.67
15	Reliance Equity	6-Feb-06	10.68	4987.97	6.8	-4.47	10,680.00	10,444.99
16	Birla Infrastructure	31-Jan-06	11.65	507.63	16.5	-4.82	11,650.00	11,393.64
17	SC Imperial Equity	30-Jan-06	12.24	267.92	22.37	-2.11	12,236.70	11,967.43
18	UTI Leadership Equity	30-Jan-06	12.5	1114.92	25	-2.57	12,500.00	12,500.00
19	ING Vysya A.T.M.Fund	27-Jan-06	10.81	36.89	8.1	-3.91	10,810.00	10,572.13
20	HDFC Long Term Equity	27-Jan-06	11.16	1655.55	11.59	-4.27	11,159.00	11,159.00
21	HSBC Advantage India	27-Jan-06	12.13	1401.05	21.33	-5.61	12,132.90	11,865.92
22	SBI Magnum Bluechip	20-Jan-06	11.1	2284.04	11	-4.72	11,100.00	11,100.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					13.33	-4.13	249,318.90	246,030.59

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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