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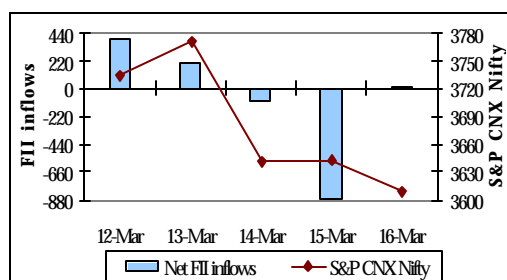
Highlights

- ◆ **Downtrend continues amidst high volatility**
- ◆ **Bearish sentiments to extend**
- ◆ **Call rates jump to 10%**
- ◆ **Inflation – a watching factor**

The week in retrospect-Equities

The markets continued to go southwards on the back of concerns over U.S. economy slowdown and rising domestic interest rates. Although the markets tried to recover during the first two trading days, they remained weak as Nifty ended the week by placing itself 2.94% down at 3608.55 points and Sensex lost 3.53% to close at 12430.40. Wednesday witnessed the markets slump on account of weak global markets. With U.S. mortgage and lending industry reporting growing losses (loss of \$60.3 mn as on March against a loss of \$44.7 mn as on Feb), worries over slowing U.S. economy gripped global bourses. This Friday was no different from those of the past few weeks as markets reacted negatively to the high inflation data. Inflation for the week ending Mar 3 was recorded at 6.46% (0.36% higher than the previous week). Caution ahead of U.S. inflation data also weighed on the market sentiments on Friday. On the sectoral front, BSE Bankex plunged by 5.32% as ICICI Bank dipped by 5.69%. There were market speculations that the bank would go for a stock-split. The stock declined on official denial of any such news. ITC dived by 6.06% over concerns that cigarettes may come under the VAT regime. ONGC advanced by 2.41% on reports of its talks of 49% stake in Venezuela's oil block. IPCL dropped by 3.43% on news that RIL will offer one share for every 5 shares of IPCL for the merger. During the week, FIIs turned out as net sellers in the equity market, amounting to Rs. 326.8 crores. Mutual funds also acted as net sellers to the tune of Rs. 327.45 crores.

FII movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

Weekly FII transactions (equities)

	Mar 12 to Mar 16	Mar 5 to Mar 9
Gross purchases	10791.4	13388.2
Gross sales	11118.2	13746.4
Net inflows	-326.8	-358.2

Amt in Rs. crores

Data source: SEBI

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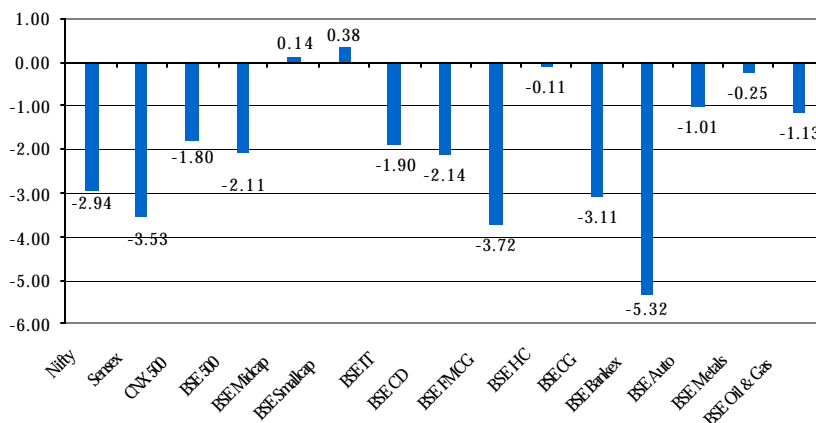
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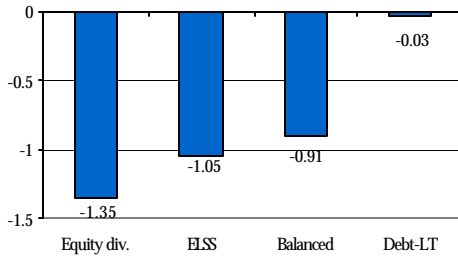
Weekly Equity Indices Return (absolute %)



As on Mar 16

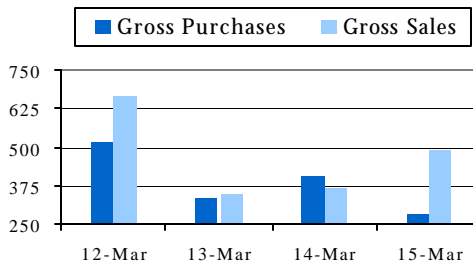
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Mar 16 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. 327.45 crores.

Outlook:

Short-term: Markets are expected to remain weak on account of concerns over rising inflation. With U.S. reporting higher-than-expected inflation data for the month of Feb, expectations of possible fed rate cut have faded away. Taking cue from the global trends, this may add to the negative sentiments. Any sharp increase in crude oil prices (currently at \$58 per barrel) may also instil negative sentiments in the markets. Pfizer India, KSB Pumps, Federal-Mogul Goetze (India) and NEPC India will come out with their Dec quarter results in the coming week.

Long-term: According to the finance ministry, per capita income in 2005-06 increased by 7.4%, savings rate is estimated at 32.4% and investment rate at 33.8%. The finance ministry has revised the GDP growth estimates for 2006-07 to 9.2% on the back of 2.7% growth in agriculture, 10% growth in industry and 11.2% growth in services sector. 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 Mar 16 (%)			Crisil Ranking*	
	6 months (abs)	1 year	3 year (ann)		
Aggressive (Equity)	DSP ML Opportunities	2.38	6.51	36.41	1
	Tata Infrastructure	3.03	5.73	N.A.	-
	Reliance Growth	10.70	12.49	50.66	1
	Sund. BNP Par. Sel. Mid.	4.69	17.89	54.72	1
Moderate (Equity)	Fidelity Equity	10.54	16.20	N.A.	-
	HDFC Top 200	-0.06	6.47	36.47	2
	Reliance Equity	0.57	N.A.	N.A.	-
	SBI Magnum Contra	4.00	11.25	58.54	2
Conservative (Equity)	DSP ML Top 100	7.03	13.79	34.44	3
	Sund. BNP Par. Ind. Lead.	1.50	-2.51	N.A.	2
	Franklin India Bluechip	1.80	8.52	30.87	4
	Templeton India Eq. Inc.	9.68	N.A.	N.A.	-
ELSS	Franklin India Taxshield	-0.31	-1.33	31.16	4
	Fidelity Tax Advantage	7.74	11.93	N.A.	-
	SBI Magnum Tax Gain	11.56	16.10	63.81	1
Balanced	DSP ML Balanced	4.62	9.67	26.69	3
	HDFC Prudence	4.76	13.75	33.84	1
	FT India Balanced	6.16	14.10	24.15	3

*For qtr end Dec 06

Datasource: Bloomberg

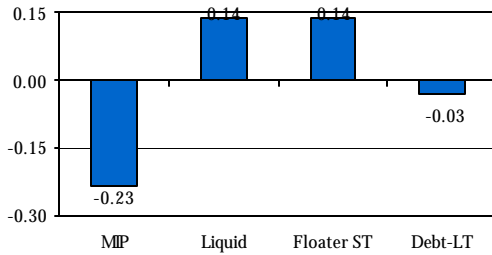
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: After witnessing significant amount of correction, some stocks (across sectors) are available at attractive valuations. The downside from the present levels seems limited. Hence, it is an opportune time to invest, as the long-term outlook on the market remains bullish. However, due to uncertainty of market movement in near future, it is advisable to adopt a staggered form of investment. Derivative funds can be considered for investors who wish to adopt a hedged style. Investors can also opt for GETFs so as to further diversify their portfolio.

Existing investments: We reiterate our long-term bullish view on the markets. Hence, investors should hold on to their investments and should not redeem at this point of time.

Weekly category returns (%)

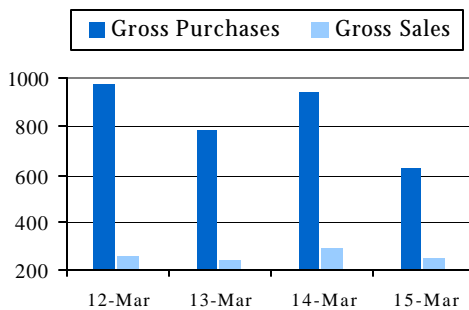


Abs. returns as on Mar 16 Data source: Bloomberg

Key statistics

	Mar 16	Mar 9
7.59% GOI 2016 yield	8.07%	8.03%
Call rate	10.0%	5.6%
WPI inflation (week ending Mar 3 and Feb 24)	6.46%	6.10%
Dollar exchange rate	44.12	44.21
Forex reserves (\$ bn)	194.410 (Mar 9)	194.634 (Mar 2)

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market, mutual funds emerged as net buyers to the tune of Rs.2292.77 crores.

The week in retrospect-Debt

Bond yields rose on account of low liquidity in the bond market. The system witnessed tight liquidity on the back of issuance of bonds worth a total of Rs.42.84 mn during the week, out of which Rs.20 mn worth market stabilization bonds were floated by RBI on Wednesday. State banks had issued bonds worth Rs.22.84 mn on Tuesday. Advance tax outflows further added to the liquidity crunch. As a result, call rates shot up to 10% during the week. The 10-year benchmark yield closed up at 8.07% as against 8.03% the previous week. Higher-than-expected inflation also firmed up the yields. Inflation increased to 6.46% for the week ending Mar 3, as against 6.10% the previous week. Rupee appreciated to 44.12 for the week ending Mar 9 from 44.21 the previous week, as banks sold U.S. dollar to overcome cash crunch. Dollar further weakened on concerns over slowdown of U.S. economy.

Outlook:

Short-term: The bond market may remain low on liquidity on the back of advance tax outflows (estimated at Rs.300 bn). However call rates are likely to drop below the 10% mark and stay in the 6%-8% range in the coming week. Inflation is likely to hover in the 5.5%-6.5% range on the back of high base effect and the fact that RBI's measures to tackle supply side inflation would show a deferred impact.

Long-term: With RBI adopting the route of monetary tightening to curb inflation, credit growth (currently at nearly 30%) is expected to come down to 22-25% in coming months. Tackling supply side inflation may help in bringing down the prices of primary articles. As rising inflation is expected to be controlled, yields may cool down in April-May.

Recommended schemes to invest	Return as on Mar 16 (%)			Expense ratio	Crisil ranking	
	1 m	3 m	1 yr.			
Floaters	Temp. Floating Rate ST	0.61	1.88	6.69	0.75	4
	Reliance Floating Rate	0.60	1.98	7.21	0.55	-
Liquid	LIC MF Liquid	0.59	1.97	7.40	0.53	2
	Canliquid Retail	0.59	1.84	7.03	0.23	-
FMPs	HSBC FTS-26 (6 months)	Subscription period till: Mar 22, 07 Net indicative yield: 10.25%				
	Templeton FHF-series VII (370 days)	Subscription period till: Mar 22, 07 Net indicative yield: 10.50%				
	Prudential ICICI FMP series 37 (430 days)	Subscription period till: Mar 20, 07 Net yield: 9.9% p.a. - (regular) & 10.2% - (inst.)				

*For qtr end Dec, 06

Datasource: Bloomberg

Recommendations:

Short-term investors: Very short-term investors who desire T+1 redemption should invest in liquid funds. Short-term floater funds are recommended (due to their tax efficiency) for investors who can go for T+2 redemption. For other investors for whom instant liquidity is not an issue, can invest in FMPs (shorter duration of 3 months to 6 months) as the yields are quite attractive.

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

◆ UTI AMC has proposed to amalgamate 6 of its small sized equity funds with 3 of its more concentrated products. UTI Brand Value Fund will be merged with UTI MNC Fund. UTI Growth & Value, UTI Dynamic Equity and UTI India Advantage Equity funds will be merged with UTI Midcap Fund. UTI PSU and UTI Largecap funds would be amalgamated with UTI Index Select Fund.

NFO Corner

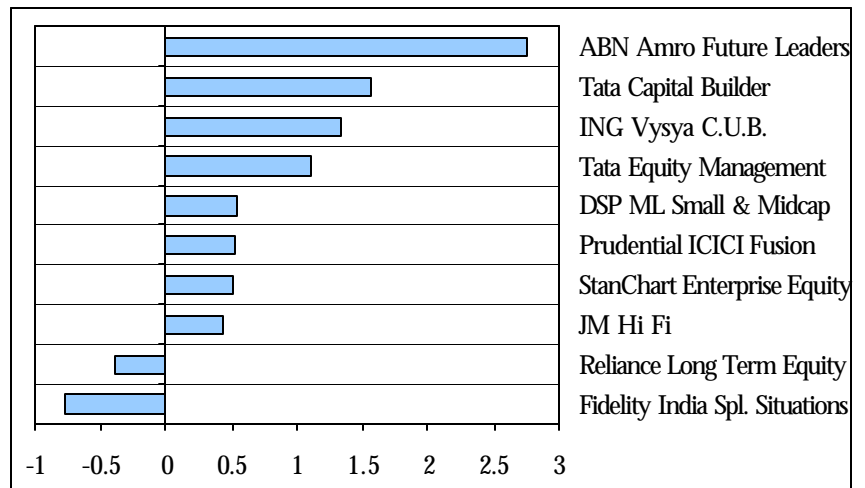
NFOs open for subscription:

- ◆ The NFO period for Lotus India Midcap Fund has been extended to Mar 30, 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.
- ◆ DBS Chola MF has come up with DBS Chola Hedged Equity Fund. The NFO period of the equity & derivative fund will close on Mar 23, 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.
- ◆ Optimix has launched Optimix Multi Manager Equity Fund. The multi-manager fund is open for subscription till Mar 30, 07.
- ◆ ABN Amro AMC has launched ABN Amro Sustainable Development Fund on Mar 5, 07. The fund is closing for subscription on Mar 30, 07 will invest in socially responsible companies.
- ◆ JM Fund House has come up with JM Small and Midcap Fund on Mar 9, 07. The NFO period would close on April 7, 07.

Forthcoming New Fund Offers:

- ◆ UTI Mutual Fund will launch UTI Global Navigator Fund early next financial year. The scheme will invest in shares of overseas companies in the developed and emerging markets.
- ◆ Fidelity AMC has filed an offer document to launch Fidelity International Opportunities Fund which would invest in overseas markets.
- ◆ Tata MF is planning to launch Tata Gold Fund, a gold exchange traded fund.

Top weekly performers-NFOs*



* Weekly return in % as on Mar 16, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on Mar 15, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Feb 28 '07	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-Term Equity	14-Nov-06	9.64	2092.18	-3.57	-0.38	9,643.00	9,643.00
2	ING Vysya C.U.B. Fund	14-Nov-06	11.27	69.94	12.70	5.52	11,270.00	11,270.00
3	JM Financial Sector	2-Nov-06	8.66	4.89	-13.4	-1.48	8,660.00	8,448.78
4	JM Telecom Sector	2-Nov-06	10.06	6.91	0.6	-3.27	10,060.00	9,814.63
Abs. returns for New Funds released Between Oct 06 to Dec 06					-0.92	0.10	39,633.00	39,176.41
1	DSPML Small & Midcap	29-Sep-06	9.63	1444.38	-3.66	0.55	9,634.00	9,422.00
2	UTI Wealth Builder	7-Sep-06	9.69	905.02	-3.1	-1.02	9,690.00	9,690.00
3	Birla Long-term Adv.	7-Aug-06	9.86	396.18	-1.4	-1	9,860.00	9,860.00
4	Tata Capital Builder	18-Jul-06	9.92	255.97	-0.77	1.57	9,922.70	9,922.70
Abs. returns for New Funds released Between Jul 06 to Sep 06					-2.23	0.02	39,106.70	38,894.70
1	Tata Equity Managmt.	15-May-06	10.48	390.31	4.77	1.11	10,477.40	10,477.40
2	Stanchart Enterprise Equity	19-Apr-06	10.75	1420.97	7.47	0.5	10,746.80	10,746.80
Abs. returns for New Funds released Between Apr 06 to Jun 06					6.12	0.81	21,224.20	21,224.20
1	Fidelity Special Sit.	28-Mar-06	11.56	2021.77	15.6	-0.76	11,560.00	11,305.62
2	Templeton India Equ.	22-Mar-06	11.28	1749.86	12.8	-1.57	11,280.00	11,031.78
3	Sundaram Rural India	20-Mar-06	10.25	821.50	2.53	-2.81	10,253.40	10,027.78
4	ABN AMRO Future Leaders	13-Mar-06	9.18	279.88	-8.25	2.76	9,175.00	9,175.00
5	Pru ICICI Fusion	27-Feb-06	11.26	664.02	12.6	0.54	11,260.00	11,260.00
6	Kotak Lifestyle	22-Feb-06	11.28	384.15	12.77	-0.86	11,277.00	11,028.85
7	UTI Contra	22-Feb-06	8.61	640.04	-13.9	-1.71	8,610.00	8,610.00
8	JM HI FI	20-Feb-06	9.09	36.79	-9.1	0.44	9,090.00	8,889.98
9	Sahara Infrastruct-FP	15-Feb-06	10.14	14.91	1.35	-1.89	10,135.10	10,135.10
10	Sahara Infrastruct-VP	15-Feb-06	10.2	14.91	1.97	-1.88	10,196.50	10,196.50
11	Chola Contra	14-Feb-06	10.22	74.08	2.2	-2.11	10,220.00	9,995.11
12	Quantum Long Term Equity	8-Feb-06	11	29.03	10	-1.79	11,000.00	11,000.00
13	Principal Infra. & Services	7-Feb-06	10.61	266.92	6.1	-1.85	10,610.00	10,376.53
14	Baroda Global Fund	6-Feb-06	10.67	8.76	6.7	-2.47	10,670.00	10,435.21
15	Reliance Equity	6-Feb-06	9.72	4455.25	-2.8	-1.92	9,720.00	9,506.11
16	Birla Infrastructure	31-Jan-06	10.91	474.08	9.1	-1.36	10,910.00	10,669.93
17	SC Imperial Equity	30-Jan-06	11.08	251.16	10.78	-2.11	11,077.90	10,834.13
18	UTI Leadership Equity	30-Jan-06	11.18	1027.84	11.8	-3.7	11,180.00	11,180.00
19	ING Vysya A.T.M. Fund	27-Jan-06	10.27	26.33	2.7	-1.16	10,270.00	10,044.01
20	HDFC Long Term Equity	27-Jan-06	10.44	1478.01	4.42	-1.51	10,442.00	10,442.00
21	HSBC Advantage India	27-Jan-06	11.31	1216.90	13.14	-1.88	11,313.90	11,064.94
22	SBI Magnum Bluechip	20-Jan-06	10.35	1936.34	3.5	-2.27	10,350.00	10,350.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					4.82	-1.45	230,600.80	227,558.58

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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