

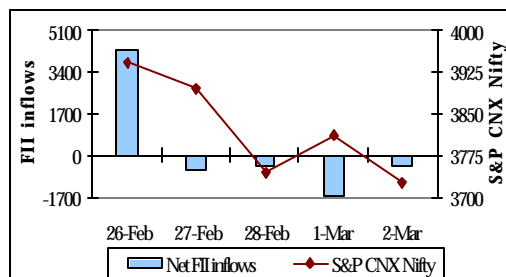
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Highlights

- ◆ **Markets remain in negative mood**
- ◆ **Markets may correct further**
- ◆ **Bond yields go up**
- ◆ **Inflation- a watching factor**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Feb 26 to Mar 2	Feb 19 to Feb 23
Gross purchases	17159.8	12488.8
Gross sales	15953.4	11443
Net inflows	1206.4	1045.8

Amt in Rs. crores

Data source: SEBI

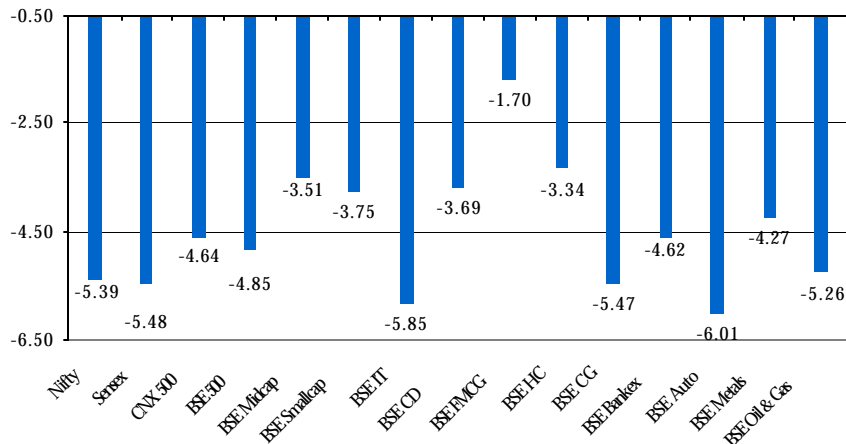
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The week in retrospect-Equities

A host of events that took place last week caused the markets to continue with their correction mode. Sensex plunged by 5.48% (746.40 points) to close at 12886.13 and Nifty dived by 5.39% (212.20 points) to settle at 3726.75. On Monday, the markets went up on Monday on the back of positively accepted railway budget 2007-08. However, the good mood was short-lived as weak global sentiments infected the Indian bourses on Tuesday. Hefty global sell-off in the Chinese market triggered by profit-booking and concerns over slowdown of U.S. economy led the global markets to go in the red. Markets further sank on Wednesday after the budget announcement which turned out to be unfavourable for cement, construction and IT stocks. Market sentiments also took account of the increase in dividend distribution tax from 12.5% to 15% and inclusion of ESOPs in the FBT ambit, a downbeat for the corporates. Buying at low levels of index heavyweights on Thursday made the markets recover slightly, but the slumping cement and IT stocks dragged the indices down on Friday. On the sectoral front, BSE CG dropped by 6.015 on the back of sagging cement and construction stocks. ONGC declined by 3.64% on account of weak market sentiments and rising crude oil prices (\$62.10 per barrel as on Thursday).

During the week, FIIs remained net buyers in the equity market, amounting to Rs. 1206.4 crores. Mutual funds also emerged as net buyers to the tune of Rs. 833.53 crores.

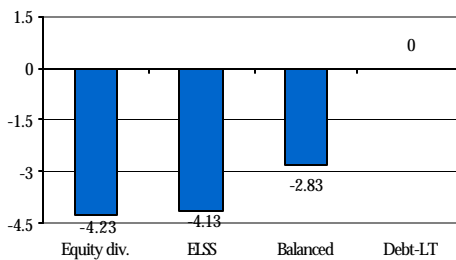
Weekly Equity Indices Return (absolute %)



As on Mar 2

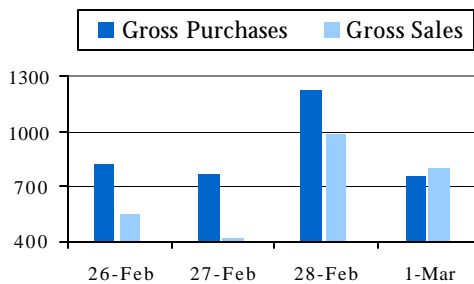
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Mar 2 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. 833.53 crores.

Outlook:

Short-term: Following the negative incentive for cement, IT and construction stocks in the budget announcement, markets are likely to remain low in the coming week. Rising crude oil prices remain a concern and any sharp increase in the same would negatively impact the markets. Markets may also factor in the forthcoming UP state elections. On the other side, worries over rising inflation are expected to ease down on the back of tamed inflation figures (6.01% for the week ending Feb 17). Grindwell Norton, Micro Inks, Cambridge Technology Enterprises and ITD Cementation India and R Systems International 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 estimated 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 2 (%)			Crisil Ranking*	
	6 months (abs)	1 year	3 year (ann)		
Aggressive (Equity)	DSP ML Opportunities	9.29	15.50	36.17	1
	Tata Infrastructure	13.23	20.12	N.A.	-
	Reliance Growth	19.01	22.45	49.76	1
	Sund. BNP Par. Sel. Mid.	11.86	28.47	54.78	1
Moderate (Equity)	Fidelity Equity	17.06	23.01	N.A.	-
	HDFC Top 200	6.31	13.60	35.82	2
	Reliance Equity	6.23	N.A.	N.A.	-
	SBI Magnum Contra	11.01	20.02	57.84	2
Conservative (Equity)	DSP ML Top 100	12.57	21.67	33.71	3
	Sund. BNP Par. Ind. Lead.	7.93	6.60	N.A.	2
	Franklin India Bluechip	8.08	15.15	30.48	4
	Templeton India Eq. Inc.	15.02	N.A.	N.A.	-
ELSS	Franklin India Taxshield	5.08	3.44	31.62	4
	Fidelity TaxAdvantage	13.22	17.93	N.A.	-
	SBI Magnum Tax Gain	20.23	27.20	63.58	1
Balanced	DSP ML Balanced	9.13	14.50	26.57	3
	HDFC Prudence	12.42	21.72	33.84	1
	FT India Balanced	10.73	17.28	23.80	3

*For qtr end Dec 06

Datasource: Bloomberg

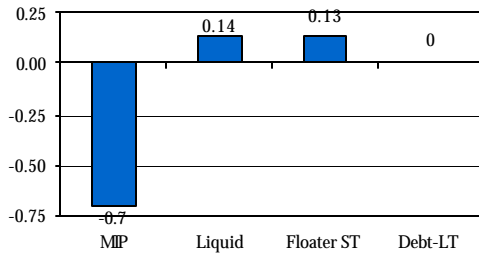
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

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 (%)

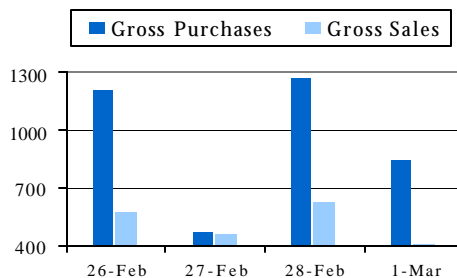


Abs. returns as on Mar 2 Data source: Bloomberg

Key statistics

	Mar 2	Feb 23
7.59% GOI 2016 yield	7.97%	7.95%
Call rate	6.1%	6.5%
WPI inflation (week ending Feb 17 and Feb 10)	6.05%	6.63%
Dollar exchange rate	44.3	44.2
Forex reserves (\$ bn)	193.124 (Feb 23)	188.912 (Feb 16)

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.1717.15 crores.

The week in retrospect-Debt

The bond yields close higher for the week after going through ups and downs. The 10-year benchmark yield closed up at 7.97% as against 7.95% the previous week. Ahead of the budget announcement, the yields dropped on the expectations that the fiscal deficit would narrow down and therefore the borrowing figures of the government may decrease. During the later trading days of the week, bond yields edged higher on worries over rising inflation. There were expectations that the government may further increase rates to curb inflation. However on Thursday, bond yields eased down on expectation of lower inflation for the week ending Feb 17 due to the impact of reduction in petrol and diesel prices. Inflation was reported at 6.05% as against 6.63% the previous week. However, Friday witnessed the yields again go up on the back of worries over tightening measures by RBI, with the banking system having ample cash surplus. Market liquidity eased as call rates dropped to 6.1%. Rupee depreciated to 44.3 from 44.2 triggered by worries over capital inflows if the weak sentiments in the markets persist.

Outlook:

Short-term: With the finance ministry aiming to curb rising inflation by managing the supply-side inflation, it is expected that the figure is likely to remain in the 5.5-6.5% range. With the second leg of CRR hike (by 25 bps) on Mar 3 expected to drain about Rs.70 bn, call rates may go up. If markets remain weak, rupee may depreciate due to low foreign inflows.

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 Mar 2 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	Templeton Floating Rate ST	0.58	1.85	6.59	0.75	4
	Reliance Floating Rate	0.60	1.96	7.13	0.55	-
Liquid	LIC MF Liquid	0.58	1.97	7.36	0.53	2
	Canliquid Retail	0.56	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 13 (6 months maturity)	Subscription period till: Mar 9, 07 Net yield: 10.65% 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

- ◆ Permanent Account Number (PAN) will replace the Mutual Fund Identification Number (MIN) w.e.f. Mar 2, 07. MIN was made mandatory for mutual fund investments worth over Rs 50,000 earlier this year.

NFO Corner

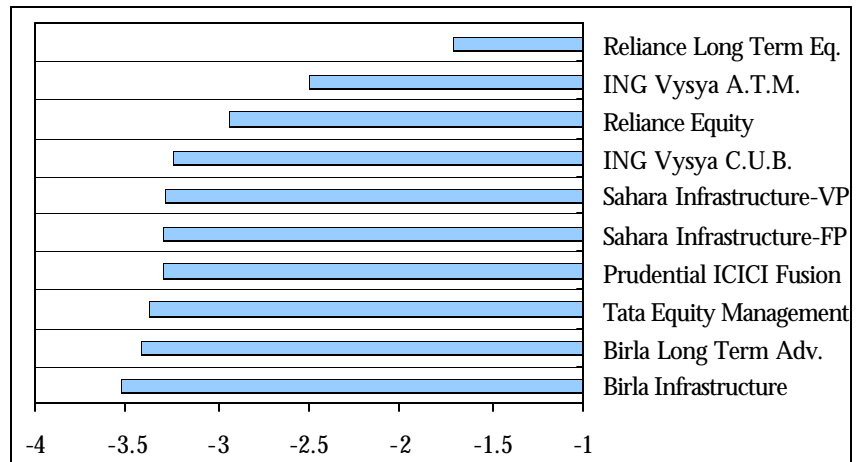
NFOs open for subscription:

- ◆ 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 AMC has launched its Gold ETF on Mar 1, 07. The offer will close on Mar 12, 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.
- ◆ 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.

Forthcoming New Fund Offers:

- ◆ ABN Amro AMC is coming up with ABN Amro Sustainable Development Fund on Mar 5, 07. The fund closing for subscription on Mar 30, 07 will invest in socially responsible companies.
- ◆ JM Fund House is launching JM Small and Midcap Fund on Mar 9, 07. The NFO period would close on April 4, 07.
- ◆ 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.

Top weekly performers-NFOs*



* Weekly return in % as on Mar 2, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

Performance analysis of equity NFOs (quarter-wise) as on Mar 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	10.11	2122.96	-0.64	-1.72	9,936.00	9,936.00
2	ING Vysya C.U.B. Fund	14-Nov-06	12.03	70.95	16.40	-3.24	16,400.00	16,400.00
3	JMF Inancial Sector	2-Nov-06	8.91	5.49	-10.9	-5.11	8,910.00	8,692.68
4	JM Telecom Sector	2-Nov-06	10.12	6.31	1.2	-4.8	10,120.00	9,873.17
Abs. returns for New Funds released Between Oct 06 to Dec 06					1.52	-3.72	45,366.00	44,901.85
1	DSPML Small & Midcap	29-Sep-06	9.86	1522.65	-1.41	-3.68	9,859.00	9,642.05
2	UTI Wealth Builder	7-Sep-06	9.91	946.56	-0.9	-5.17	9,910.00	9,910.00
3	Birla Long-term Adv.	7-Aug-06	10.17	425.93	1.7	-3.42	10,170.00	10,170.00
4	Tata Capital Builder	18-Jul-06	10.33	280.52	3.29	-6.94	10,328.90	10,328.90
Abs. returns for New Funds released Between Jul 06 to Sep 06					0.67	-4.8	40,267.90	40,050.95
1	Tata Equity Managmt.	15-May-06	10.7	421.43	7.02	-3.37	10,701.90	10,701.90
2	Stanchart Enterprise Equity	19-Apr-06	11.04	1683.13	10.36	-8.08	11,036.10	11,036.10
Abs. returns for New Funds released Between Apr 06 to Jun 06					8.69	-5.73	21,738.00	21,738.00
1	Fidelity Special Sit.	28-Mar-06	11.88	2073.93	18.81	-4.24	11,881.00	11,619.56
2	Templeton India Equ.	22-Mar-06	11.56	1860.96	15.6	-4.7	11,560.00	11,305.62
3	Sundaram Rural India	20-Mar-06	10.57	1006.79	5.75	-4.64	10,574.70	10,342.00
4	ABN AMRO Future Leaders	13-Mar-06	9.49	396.17	-5.07	-4.65	9,493.00	9,493.00
5	Pru ICICI Fusion	27-Feb-06	11.71	709.72	17.1	-3.3	11,710.00	11,710.00
6	Kotak Lifestyle	22-Feb-06	11.42	384.86	14.23	-3.98	11,423.00	11,171.64
7	UTI Contra	22-Feb-06	8.89	801.15	-11.1	-4	8,890.00	8,890.00
8	JM HIFI	20-Feb-06	9.31	46.71	-6.9	-7.55	9,310.00	9,105.13
9	Sahara Infrastruct-FP	15-Feb-06	10.46	17.80	4.57	-3.3	10,456.70	10,456.70
10	Sahara Infrastruct-VP	15-Feb-06	10.52	17.80	5.18	-3.29	10,517.50	10,517.50
11	Chola Contra	14-Feb-06	10.61	83.33	6.1	-4.33	10,610.00	10,376.53
12	Quantum Long Term Equity	8-Feb-06	11.42	29.70	14.2	-3.95	11,420.00	11,420.00
13	Principal Infra. & Services	7-Feb-06	10.89	306.29	8.9	-5.14	10,890.00	10,650.37
14	Baroda Global Fund	6-Feb-06	10.91	N.A.	9.1	-2.94	10,910.00	10,669.93
15	Reliance Equity	6-Feb-06	10.05	4987.97	0.5	-5.9	10,050.00	9,828.85
16	Birla Infrastructure	31-Jan-06	11.24	507.63	12.4	-3.52	11,240.00	10,992.67
17	SC Imperial Equity	30-Jan-06	11.33	267.92	13.29	-5.42	11,329.10	11,079.80
18	UTI Leadership Equity	30-Jan-06	11.54	1114.92	15.4	-5.18	11,540.00	11,540.00
19	ING Vysya A.T.M. Fund	27-Jan-06	10.54	36.89	5.4	-2.5	10,540.00	10,308.07
20	HDFC Long Term Equity	27-Jan-06	10.76	1655.55	7.56	-3.61	10,756.00	10,756.00
21	HSBC Advantage India	27-Jan-06	11.57	1401.05	15.73	-4.61	11,573.00	11,318.34
22	SBI Magnum Bluechip	20-Jan-06	10.68	2284.04	6.8	-3.78	10,680.00	10,680.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					7.89	-4.3	237,354.00	234,231.71

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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