

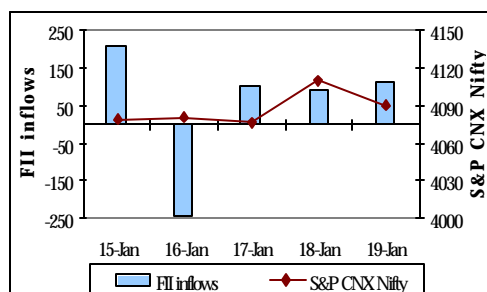
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Highlights

- ◆ **Markets again moved upwards**
- ◆ **Q3 results likely to give markets a direction**
- ◆ **Inflation crossed the 6% level**
- ◆ **January 31 policy review to be watched closely**

FII movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI

Weekly FII transactions (equities)

	Jan 15 to Jan 19	Jan 8 to Jan 12
Gross purchases	11279	11132.1
Gross sales	11006.5	15522.6
Net inflows	272.5	-4390.5

Amt in Rs. crores Data source: SEBI

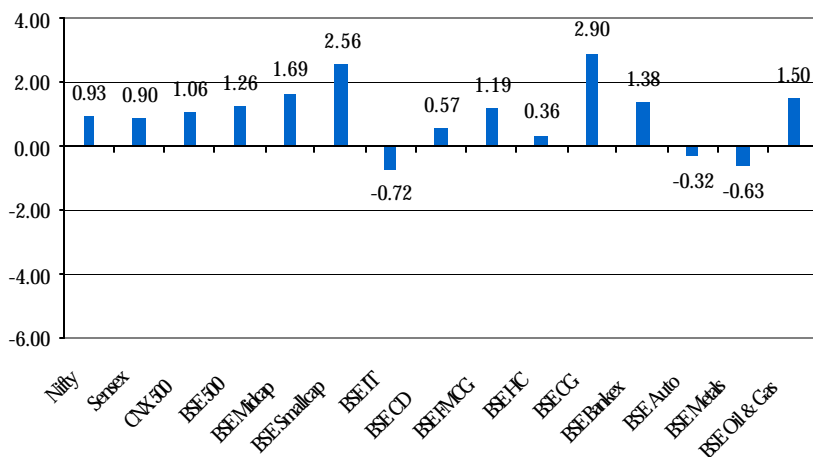
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The week in retrospect-Equities

The markets witnessed an overall uptrend during the week. Sensex closed the week 126.18 points higher while Nifty gained 37.7 points for the week. Major corporate results lead the market sentiments. Among these, Reliance was the major driver of the market. It posted Q3 net profit of Rs.2799 crores, 58% higher on y-o-y basis. The next stock which rallied the market was Tech Mahindra. It announced the favourable results on Thursday. It's consolidated profit after tax grew by 17%. Apart from these, other results which kept the market firm were I-flex and ABG shipyard. Only stock which led the markets in the downtrend in the late trading days was Satyam Computers. Its result was not satisfactory according to market analysts. Among the sectors, capital goods and oil & gas was in the limelight. On the closing day of the week, markets slipped on account of profit booking at higher levels. ICICI Bank reported the net profit of Rs.910 crores, 42% surge on y-o-y basis on Saturday. Also, Tata Motors is going to start its new plant in Singur very soon announced in the weekend by Tata officials.

During the week, FIIs emerged as net buyers in the equity market, amounting to a sum of Rs. 272.5 crores. Mutual funds followed suit and turned out as net sellers to the tune of Rs. 887.2 crores.

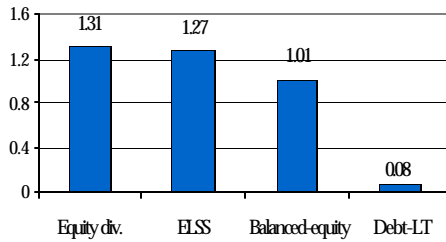
Weekly Equity Indices Return (absolute %)



As on Jan 12

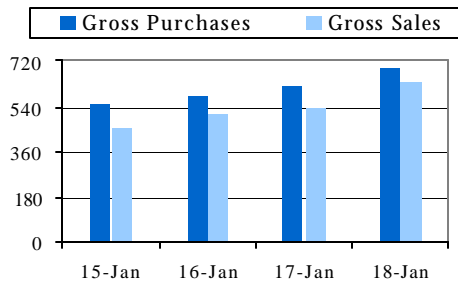
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Jan 19 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores

Data source: SEBI

Mutual funds emerged as net sellers in the equity market to the tune of Rs. 323.88 crores during the first four trading days of the week

Outlook:

Short-term: The market is likely to head higher due to the absence of any negative factors. Buying may be seen in the many counters due to fabulous Q3 results by India Inc. However, volatility may be on the cards due to the expiry of derivative contract on January 25 and profit booking at higher levels. The market is likely to have a pre-budget rally in the coming weeks. Major Q3 results for the coming week are Bharat Forge, Dr. Reddy, Maruti Udyog, Cipla, Tata Motors, Grasim, HDFC, Pantaloon Retail, Titan, HCL and BHEL.

Long-term: Industrial production during Nov 06 grew at 14.4%, the fastest growth in more than a decade. CY 2006 has witnessed 217 new FII registrations (highest figure till date). 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 Jan 19 (%)			Crisil Ranking for qtr end Sept 06
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	41.62	42.18	40.15	1
	Tata Infrastructure	53.05	55.99	N.A.	-
	Reliance Growth	50.33	39.30	51.78	1
	Sund. BNP Par. Sel. Mid.	36.15	57.91	55.06	1
Moderate (Equity)	Fidelity Equity	51.53	46.11	N.A.	-
	HDFC Top 200	38.95	40.19	38.67	2
	Reliance Equity	31.46	N.A.	N.A.	-
	SBI Magnum Contra	43.83	48.32	62.59	1
Conservative (Equity)	DSP ML Top 100	41.55	46.92	36.56	3
	Sund. BNP Par. Ind. Lead.	42.36	36.50	N.A.	2
	Franklin India Bluechip	40.66	45.73	34.65	3
	Templeton India Eq. Inc.	33.96	N.A.	N.A.	-
ELSS	Franklin India Taxshield	32.47	26.52	35.23	3
	Fidelity Tax Advantage	44.01	N.A.	N.A.	-
	SBI Magnum Tax Gain	48.59	45.99	65.57	1
Balanced	DSP ML Balanced	31.24	32.56	28.45	3
	HDFC Prudence	36.29	36.28	35.00	1
	FT India Balanced	33.45	34.13	26.03	3

*For qtr end Sept 06

Datasource: Bloomberg

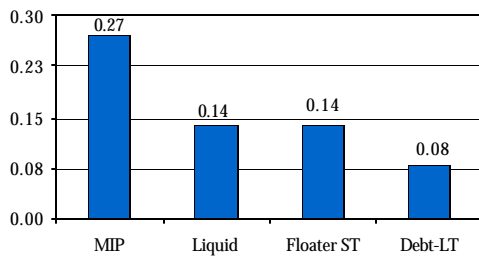
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

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 invest in opportunities funds, thematic funds and midcap funds for a period of 3-5 years.

Weekly category returns (%)

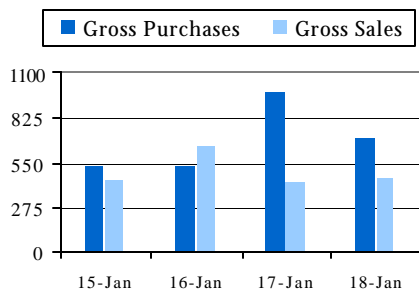


Abs. returns as on Jan 19 Data source: Bloomberg

Key statistics

	Jan 19	Jan 12
7.59% GOI 2016 yield	7.80%	7.85%
Call rate	7.9%	8.10%
WPI inflation (week ending Jan. 06 and Dec. 30)	6.12%	5.58%
Dollar exchange rate	44.27	44.41
Forex reserves (\$ bn)	177.426 (Jan 12)	176.585 (Jan 5)

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. 786.5 crores during the first four trading days of the week.

The week in retrospect-Debt

Bond markets ended on positive note after recovering from previous week's losses. The benchmark 10 year g-sec yield went down to 7.59% on January 16 and closed at 7.8%; declining nearly 5 basis points from its close on the last Friday. A sell-off in the market was witnessed after finance ministry official hinted at the implementation of the amended Banking Regulation Act by January 31, 2007. Such a move may increase the trading volumes on the back of decrease in SLR rate. On Friday, the 10-year benchmark yield had hit 7.87% when inflation data of 6.12% was released. Later on, the yield eased back on expectations that govt. may cancel the auctions. But after the market hours on Friday, government said that it would auction Rs.50 billion of 14 year bond on January 14, 2007. Call rates also traded high than normal levels due to the liquidity crunch which was being witnessed in the system.

Oil prices touched \$51 per barrel on Friday. Forex reserves increased to 177.426 as on Jan 12 compared with \$176.585 bn level for the week ending Jan 5. Rupee appreciated against dollar as exporters sold the dollar. But this gain was not significant since central bank intervened in the late trading days by selling rupees.

Outlook:

Short-term: A slash in SLR is not expected to be acted upon by the central bank immediately as it will bring in liquidity to the system. Cautious approach may be followed by many investors and yields are expected to be range bound.

Long-term: High Inflation, credit growth, money supply growth are factors likely to force the central bank to hike rates in the coming policy review on Jan 31. This expectation is based on the ground that the bank has taken many measures at qualitative level and liquidity level to curb inflationary pressures. Moreover, encouraging output numbers and healthy GDP growth rate give comfort to the bank to take such action.

Recommended schemes to invest		Return as on Jan 19 (%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Floaters	Templeton Floating Rate ST	0.63	1.80	6.33	0.75	4
	Reliance Floating Rate	0.71	1.93	6.86	0.55	-
Liquid	LIC MF Liquid	0.71	1.98	7.20	0.53	2
	Reliance Liquid Cash	0.73	1.79	6.11	0.40	-

*For qtr end Sept 06

Datasource: Bloomberg

Recommendations:

Short-term investors: With interest rates more likely to rise, investment in long-term bond funds should be avoided. Investors having an investment horizon of up to 3 months could invest in liquid funds or FMPs of same duration to take advantage of relatively high short-term rates. 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 favourable tax treatment on FMPs, the post-tax returns on these products could be higher.

News Briefs

- ◆ According to AMFI, heavy redemptions in December in the category of liquid and income funds have brought the total industry outflow for the month to Rs 21,117 crore. The industry asset base had shrunk over the month by 4.8 per cent despite a growth of assets in equity and balanced funds.

NFO Corner

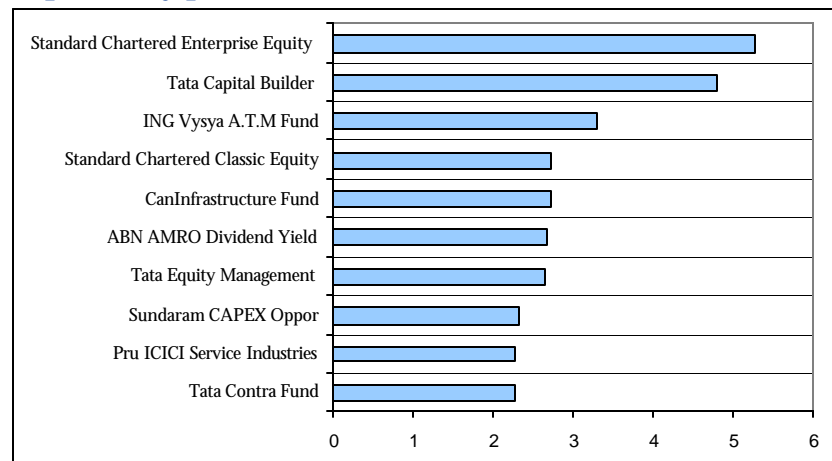
NFOs open for subscription:

- ◆ Sundaram BNP Paribas AMC has launched Sundaram BNP Paribas Select smallcap Fund, which is available for subscription till Jan 24, 07. It has also launched Sundaram BNP Paribas Equity Multiplier Fund. The opportunities fund will be open till Jan 31, 07.
- ◆ UTI Fund House has launched UTI Capital Protection Fund. The fund offers two plans, viz. 3-year close-ended plan and 5-year close-ended plan. The fund is available for subscription till Jan 25, 07.
- ◆ Kotak MF has launched Kotak Wealth Builder fund. The scheme will invest in debt instruments and equity derivatives instruments. It is open for subscription till Jan 31, 07.
- ◆ 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. The fund of fund will be available for subscription till March 6, 07.
- ◆ UTI has also 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:

- ◆ HSBC AMC is also coming up with HSBC Emerging Markets Fund. The open-ended equity fund would invest in equities within as well as outside India.
- ◆ Prudential ICICI MF is coming up with Prudential ICICI Capital Protection Oriented Fund. It is a 5-year close-ended fund.
- ◆ Kotak AMC is planning to launch Kotak Gold, an open-ended ETF. The fund would invest in gold and may also engage in gold lending and deposits with banks in return for fees.
- ◆ JM Mutual Fund is planning to launch JM Small & Mid-cap Fund, an open-ended equity scheme.

Top weekly performers-NFOs*



* Weekly return in % as on Jan 19, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 05 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on Jan 19, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Crores) as on Dec 31 '06	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-term Eq.	14-Nov-06	10.28	2122.96	2.80	0.43	10,280.30	10,280.30
2	JM Financial Sector	2-Nov-06	10.16	5.49	1.60	5.07	10,160.00	9,912.20
3	JM Telecom Sector	2-Nov-06	10.71	6.31	7.10	4.59	10,710.00	10,448.78
Abs. returns for New Funds released Between Oct 06 to Dec 06					3.83	3.36	20870.00	20360.98
1	DSPML Small & Midcap	29-Sep-06	10.81	1522.65	8.08	8.08	2.76	10,808.00
2	UTI Wealth Builder	7-Sep-06	10.91	946.56	9.10	9.10	3.61	10,910.00
3	Birla Long-term Adv.	7-Aug-06	11.12	425.93	11.20	11.20	2.30	11,120.00
4	Tata Capital Builder	18-Jul-06	11.43	280.52	14.34	14.34	4.79	11,433.90
Abs. returns for New Funds released Between Jul 06 to Sep 06					10.68	3.36	44,271.90	44,034.07
1	Tata Equity Managmt.	15-May-	11.39	421.43	13.87	2.66	11,386.80	11,386.80
2	Stanchart Enterprise	19-Apr-06	11.98	1683.13	19.81	5.27	11,980.60	11,980.60
Abs. returns for New Funds released Between Apr 06 to Jun 06					16.84	3.97	23,367.40	23,367.40
1	Fidelity Special Sit.	28-Mar-06	13.38	2073.93	33.80	3.93	13380.00	13085.57
2	Templeton India Equ.	22-Mar-06	12.11	1860.96	21.10	2.71	12110.00	11843.52
3	Sundaram Rural India	20-Mar-06	12.24	1006.79	22.35	3.54	12235.40	11966.16
4	ABN AMRO Future	13-Mar-06	10.87	396.17	8.67	1.63	10867.00	10867.00
5	Pru ICICI Fusion	27-Feb-06	12.86	709.72	28.60	2.63	12860.00	12860.00
6	Kotak Lifestyle	22-Feb-06	11.96	384.86	19.60	3.72	11960.00	11960.00
7	UTI Contra	22-Feb-06	10.03	801.15	0.30	1.83	10030.00	10030.00
8	JM HI FI	20-Feb-06	11.40	46.71	14.00	1.88	11400.00	11149.14
9	Sahara Infrastructure FP	15-Feb-06	11.40	17.80	13.98	3.33	11397.70	11397.70
10	Sahara Infrastructure VP	15-Feb-06	11.45	17.80	14.54	3.34	11453.70	11453.70
11	Chola Contra	14-Feb-06	11.96	83.33	19.60	2.05	11960.00	11696.82
12	Quantum Long Term	8-Feb-06	12.52	29.70	25.20	3.05	12520.00	12520.00
13	Principal Infra. &	7-Feb-06	12.06	306.29	20.60	4.15	12060.00	11794.62
14	Baroda Global Fund	6-Feb-06	11.91	N.A.	19.10	2.41	11910.00	11647.92
15	Reliance Equity	6-Feb-06	11.30	4987.97	13.00	2.82	11300.00	11051.34
16	Birla Infrastructure	31-Jan-06	12.43	507.63	24.30	3.58	12430.00	12156.48
17	SC Imperial Equity	30-Jan-06	12.22	267.92	22.23	3.73	12223.40	11954.43
18	UTI Leadership Equity	30-Jan-06	12.75	1114.92	27.50	3.74	12750.00	12750.00
19	ING Vysya A.T.M. Fund	27-Jan-06	11.28	36.89	12.80	4.74	11280.00	11031.78
20	HDFC Long Term Equity	27-Jan-06	11.87	1655.55	18.68	2.23	11868.00	11868.00
21	HSBC Advantage India	27-Jan-06	13.16	1401.05	31.61	3.62	13161.40	12871.78
22	SBI Magnum Bluechip	20-Jan-06	11.99	2284.04	19.90	2.74	11990.00	11990.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					19.61	3.06	263,146.60	259,945.98

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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