

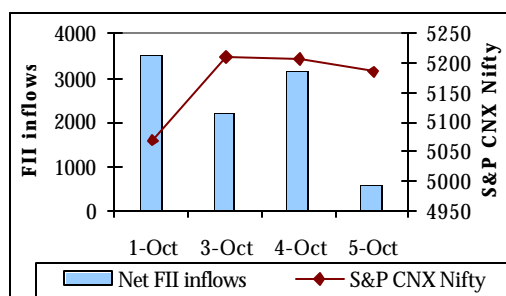
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Highlights

- ◆ **Sensex reaches record high**
- ◆ **Profit booking expected.**
- ◆ **Inflation at low levels.**
- ◆ **Record high FII inflows**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

| | Oct 1 to Oct 5 | Sep 24 to Sep 29 |
|-----------------|----------------|------------------|
| Gross purchases | 23835.6 | 25705.80 |
| Gross sales | 14409.8 | 17414.30 |
| Net inflows | 9425.8 | 8292.50 |

Amt in Rs. crores

Data source: SEBI

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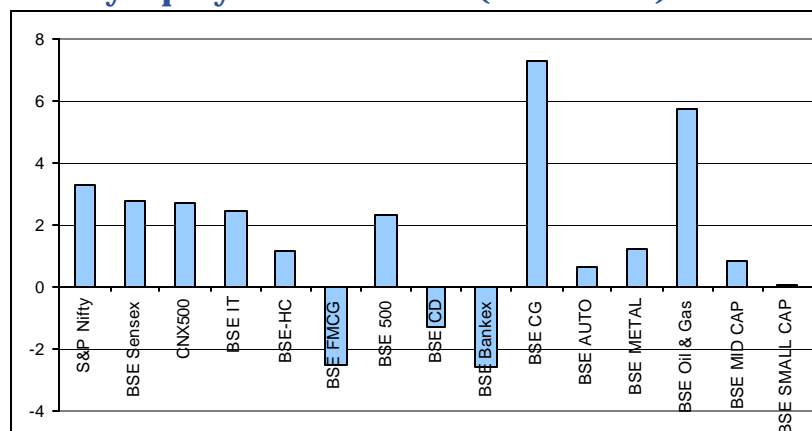
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The week in retrospect-Equity

Indian markets seem to have wearied after 11 sessions of bull run starting from 18 September, 07. The market was first breached on Thursday, 4 October, 07 when both profit-booking and slackness in global markets acted against the market uptrend. The BSE Sensex has risen 2.8% in a week. The Sensex hit an all-time high of 17,953.07 on Wednesday, 3 October, 07. Its 11-day rally was its longest run of consecutive gains in four years. The index is up 27.05% from a three-month closing low on 21 August 2007. On Monday, the market came sharply off in late trade after it had struck lifetime high during the afternoon trade, because of a sharp fall in Reliance Industries (RIL). On Wednesday, 3 October, 07, the market had surged amid volatile trade, with both the broad market indices, Sensex and Nifty, striking all-time highs. The Sensex closed up 518.42 points, or 2.99%, to 17,847.04, an all-time closing high. On Friday, 5 October 07 Indian shares slid from their record high to close down at a rise of just 0.02%. The benchmark BSE 30-share index edged down 3.78 points to end at 17,773.36, after rising to a record high of 17,979.18 in afternoon trade, with 23 stocks declining. The 50 -share NSE index was down 0.44% at 5,185.85. The BSE IT Index rose 2.59% despite the fact rupee rose to its strongest level against the dollar since April 1998.

Also, during the week FII's remained as net buyers in the equity market to the tune of Rs. 9425.8 crores while mutual funds ended as net sellers to the tune of Rs.762.40 crores respectively.

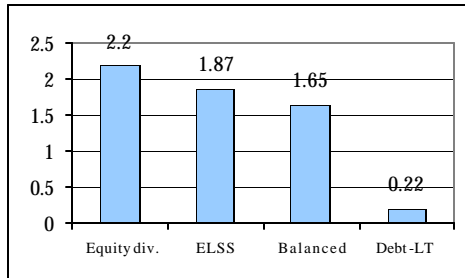
Weekly Equity Indices Return (absolute %)



As on Oct 5

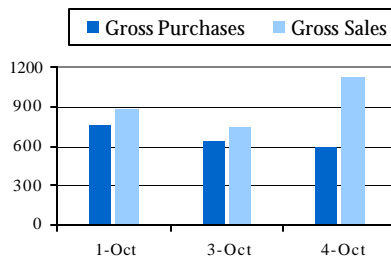
Data source: BSE, NSE

Weekly category returns (%)



Abs. returns as on Oct 5 Data source: 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. 762.40 crores.

Outlook:

Short-term: In the coming week, markets are expected to witness profit booking. Upcoming quarterly results are expected to take markets to high levels as these results are expected to show high growth rates. The market will be keenly watching developments on the political front as India's political crisis over a controversial nuclear deal with the United States could enter a decisive phase. Also data about the number of jobs in the US for the month of Sep 07 has been released and is positive. This data has had positive impact on the US markets on Friday.

Long-term: GDP is expected to grow above 8% in the coming years, fuelled by robust performance in the manufacturing, construction and services sectors and a noticeable improvement in the agriculture sector. Also, increased direct tax revenue suggests that India's long-term growth drivers remain intact. Improving stability and reducing worries in the global markets are expected to result in increased foreign inflows.

| Recommended schemes to invest | Historical returns as on Oct 5 (%) | | | Crisil Ranking | |
|-------------------------------|------------------------------------|---------------|---------------|----------------|---|
| | 6months (abs) | 1 year (ann.) | 3 year (ann.) | | |
| Aggressive (Equity) | DSP ML India Tiger Fund | 52.75 | 67.13 | 59.67 | 1 |
| | Reliance Equity | 36.52 | 38.42 | -- | 3 |
| | ICICI Prudential Services | 28.41 | 56.40 | -- | |
| Moderate (Equity) | Fidelity Equity Fund | 35.31 | 49.64 | -- | - |
| | Fidelity India Special | 32.66 | 39.86 | -- | - |
| | ICICI Prudential Dynamic | 27.85 | 41.74 | 54.82 | 1 |
| Conservative (Equity) | DSP ML Top 100 Equity | 40.33 | 52.62 | 49.16 | 1 |
| | Franklin India Bluechip | 40.46 | 44.53 | 45.60 | 4 |
| | HSBC Equity Fund | 37.09 | 45.41 | 42.36 | 3 |
| | Templeton India Equity | 32.95 | 48.32 | -- | - |
| | Fidelity Tax Advantage | 35.85 | 47.39 | -- | - |
| ELSS | Franklin India Tax shield | 39.84 | 39.24 | 43.44 | 3 |
| | SBI Magnum Tax Gain | 34.79 | 18.19 | 26.02 | 2 |
| | DSP ML Balanced | 30.35 | 37.01 | 34.84 | 1 |
| Balanced | Franklin India Balanced | 18.12 | 30.89 | 31.15 | 2 |
| | HDFC Prudence | 25.61 | 32.00 | 39.15 | 2 |

*For qtr end June, 07

Data source: Bloomberg

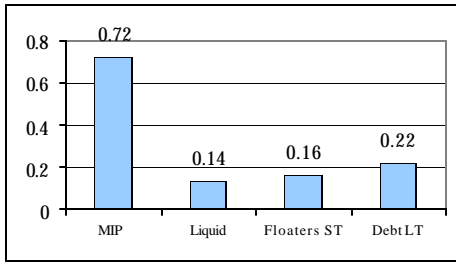
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Market analysts visualise a small correction during the week ahead. This could be used for building position in funds by investors with cash surplus. Companies which are likely to benefit from the domestic growth story of India such as energy, telecom, construction, capital goods and banks are likely to grow further. The markets are currently expensive however investments can be preferred with the motto of growth investing (preferably for Long Term). In the mutual funds arena, diversified, contra and opportunities funds continue to remain worth considering for a minimum investment period of over 2 years.

Existing investments: We reiterate our long-term bullish view on the markets. Hence, we suggest continuing with the existing holdings with a long-term perspective. However, one needs to be particular about the schemes in the portfolio.

Weekly category returns (%)



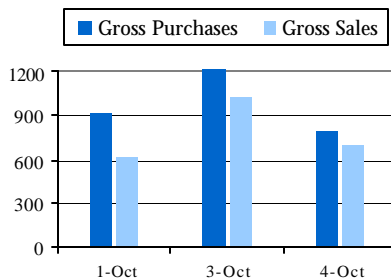
Abs. returns as on Oct 5 Datasource Bloomberg

Key statistics

| | Oct 5 | Sept 28 |
|--|-----------------|-----------------|
| 7.49% GOI 2017 yield | 7.93% | 7.92% |
| Call rate | 6.00 | 3.50 |
| WPI inflation (week ending Sep 8 and Sep 15) | 3.32% | 3.23% |
| Dollar exchange rate | 39.49 | 39.74 |
| Forex reserves (\$ bn) | 248.00 (Sep 28) | 235.80 (Sep 21) |

Source: bseindia.com

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.1069.50 crores.

The week in retrospect-Debt

Government bond prices continued to decline during the week due to persistent selling from banks. The record forex inflows into the country have made the government borrow more to protect the rupee. During the week the recovery of the setback dollar and also the Shradh period continuing the demand for gold has diminished resulting into a reduction of prices by Rs.240, the gold price which was at Rs.9595 during the last week has come down to Rs.9355 by the end of the week. Crude oil fell below \$81 a barrel in New York on speculation that U.S. stockpiles will increase because of refinery repairs.

Outlook:

Short-term: Oil is expected to decline the coming week as supplies rise after oil usage plants are shut down for pre-winter maintenance. Bond yields are expected to rise during the week. Positive data about the US Job market is expected to result in dollar strengthening and there by in diminishing gold prices. Rupee value is expected to be range bound as the RBI is all set to intervene to control the rupee appreciation

Long-term: Inflation is easing out because of the comfortable supply of essential goods and high base effect. Due to the increasing FII's inflows, liquidity has again become a point of concern for RBI. So, it will try to attain optimum trade off between rupee value and liquidity in the system. Other factors like credit growth seem to be under control. Structurally, Indian rupee is likely to strengthen against the dollar in the long-term as the outlook for the US economy remains bearish.

| Recommended schemes to invest | | Return as on Oct 5 (%) | | | Expense ratio | Crisil rankin |
|-------------------------------|--|------------------------|------|-------|---------------|---------------|
| | | 1 m | 3 m | 1 yr. | | |
| Liquid Plus | HSBC Liquid Plus | 0.65 | 1.93 | -- | 0.65 | - |
| Liquid | Can liquid | 0.68 | 2.12 | 7.74 | 0.71 | - |
| Arbitrage | StanChart Arbitrage | 0.50 | 2.01 | -- | 1.5 | - |
| DSPML | 367 days FMP closing on 10 Oct,07.Net indicative yield: Retail:8.25% and Institutional 8.7%. | | | | | |

*For qtr end June, 07

Data source: Bloomberg

Recommendations:

Short-term investors: Liquid funds could be considered for investment period up to 15 days. Liquid Plus funds are suitable for period between 15 days and 3 months. Arbitrage funds are recommended for investors with investment duration of 3 months to 1 year. Other investors for whom instant liquidity is not an issue, FMPs (shorter duration) can also be considered.

Long-term investors: Investors with a horizon of more than one year could consider FMPs (longer duration) in place of bank deposits due to FMP's favourable tax status which offers higher post-tax returns.

Forthcoming New Fund Offers:

- ◆ JM Fund House is planning to launch JM Agri & Infra Fund. The 3-year close-ended equity scheme would invest in companies that focus on agricultural and infrastructure development of India.
- ◆ Sundaram BNP Paribas AMC has filed offer documents for two thematic funds which would invest in the entertainment and energy industries respectively.
- ◆ Birla Sun life Fund house is launching a new scheme named Birla Sun life Special situations fund. The Scheme would follow an investment strategy that would take advantage of Special Situations and Contrarian investment style.

NFO Corner

NFOs open for subscription:

- ◆ Tata AMC has launched Tata Global Infrastructure Fund. The 3-year close-ended equity fund would invest in both domestic and overseas companies, which are related with infrastructure sector. This scheme is open till Oct 16, 07.
- ◆ Birla Sun life AMC has launched Birla Sun life International Equity Fund. The open ended equity fund would invest in equity and equity related instruments of International markets. This scheme is open till Oct 16, 07.
- ◆ HDFC AMC has launched HDFC Arbitrage Fund. The open-ended equity scheme would invest through arbitrage opportunities between cash and derivative market. This scheme is open till 15, Oct 07.
- ◆ Lotus India AMC has launched a new fund named Lotus India Infrastructure Fund which will predominantly invest in companies involved in developing Indian Infrastructure. This fund is open till 24, Oct 07
- ◆ Sahara AMC has launched Sahara R.E.A.L. Fund. The close ended equity scheme would invest predominantly in equity/equity related instrument of companies in the retailing, entertainment & media, auto and auto ancillaries and logistics sector. This fund is open till 2, Nov 07.

For more information on MUTUAL FUNDS call 18 00 42582 83 or contact your nearest Karvy branch.

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