

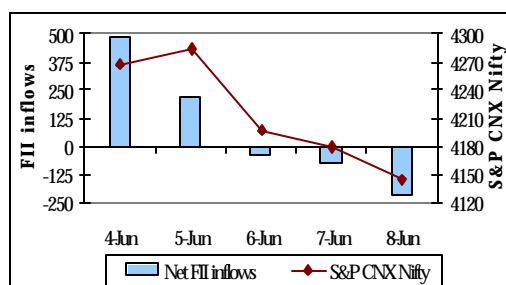
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Highlights

- ◆ **Markets plunge in the red territory**
- ◆ **DLF IPO - a determining factor for market trend**
- ◆ **Bond yields climb up**
- ◆ **RBI measures to drain excess liquidity likely**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

| | June 4 to June 8 | May 28 to June 1 |
|-----------------|------------------|------------------|
| Gross purchases | 10529 | 12645.1 |
| Gross sales | 10154.8 | 11697.3 |
| Net inflows | 374.2 | 947.8 |

Amt in Rs. crores

Data source: SEBI

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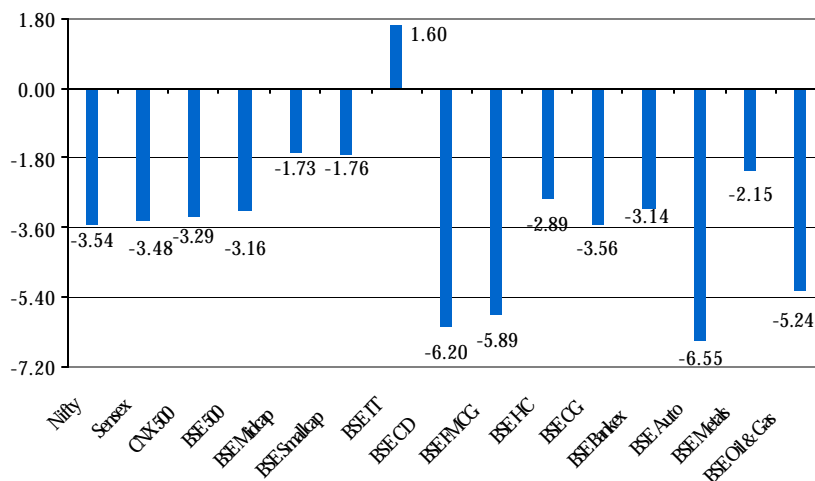
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The week in retrospect -Equities

The markets ended the week on a highly negative note on the back of weak global markets, interest rate hike by ECB, expectations of a hike in domestic interest rates, low liquidity ahead of the numerous IPOs in the coming month and profit booking at high levels. Sensex lost a hefty 506.94 points to settle at 14063.81 and Nifty nose-dived by 152.05 points during the week to close at 4145 level. On Monday, the negative sentiments triggered by the hike in stock-trading tax prevailed across global markets. The small recovery of the markets on Tuesday was washed away on Wednesday, by the slump triggered after the European Central Bank hiked its interest rates by 25 bps to 4%. The indications of the ECB to go for further hikes, if needed, caused concerns world-wide. On the sectoral side, IT stocks gained momentum followed by rupee depreciation to 41.14 from 40.53, taking BSE IT up by 1.60%. Apart from IT sector, all other sectors followed the broad market indices and ended on a negative note. Auto stocks were the top losers as weak sales in May, 07 led to concerns over slowdown in their demand. Tata Motors sales declined by 4%, Bajaj Auto's bike sales by 15% and Hero Honda Motors sales fell by 6% during May, 07.

During the week, FIIs emerged as net buyers in the equity market, to the tune of Rs.374.20 crores. Mutual funds, however, turned out to be net purchasers, amounting to Rs.277.60 crores.

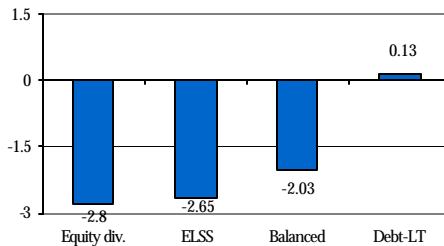
Weekly Equity Indices Return (absolute %)



As on June 8

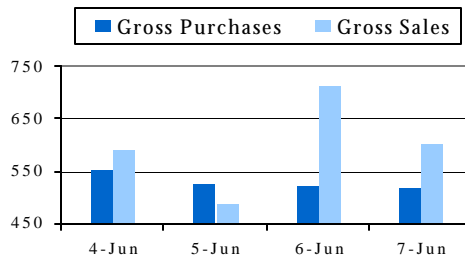
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on Jun 8 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.277.60 crores.

Outlook:

Short-term: Markets may not witness significant buying as investors are getting prepared for the much awaited IPO of DLF. The response to the IPO may determine the market directions in the coming week. There are other large issues, ahead of which investors may choose to play safe. Markets may also take cue from global trends. A positive support for the markets is the fall in rupee, which would give some relief to the export-oriented outsourcing companies.

Shree Ashtavinayak Cine Vision, Hercules Hoists, Veejay Lakshmi Engineering Works, Precision Wires India, Glenmark Pharma, RPG Life Science, Berger Paints, Shipping Corporation of India and Royal Orchid Hotels are some of the companies which would announce their Q4 results next week. The quarterly results next week may trigger stock-specific buying.

Long-term: The Indian GDP grew at a strong 9.4% during the FY2006-07. According to the Confederation of Indian Industry (CII), the GDP will grow at the rate of 9.2% in FY 2007-08, boosted by industry and services sectors and a rebound in farm output. Industrial output for FY2006-07 has soared by 11.3% as against 8.9% the previous year. 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 story.

| Recommended schemes to invest | | Returns as on June 8 (%) | | | Crisil Ranking* |
|-------------------------------|---------------------------|--------------------------|--------|--------------|-----------------|
| | | 6 months (abs) | 1 year | 3 year (ann) | |
| Aggressive (Equity) | DSP ML Small & Midcap | 5.99 | N.A. | N.A. | -- |
| | DSP ML TIGER | 8.42 | 69.77 | N.A. | 1 |
| | ICICI Prudential Services | 16.57 | 81.17 | N.A. | -- |
| | Reliance Equity Opport. | 5.63 | 57.99 | N.A. | 2 |
| Moderate (Equity) | DSP ML Equity | 12.22 | 68.46 | 55.38 | 1 |
| | Fidelity Equity | 10.52 | 66.33 | N.A. | -- |
| | Fidelity Ind. Special. | 5.08 | 60.96 | N.A. | -- |
| | ICICI Pru Dynamic | 6.71 | 62.99 | 57.95 | 1 |
| Conservative (Equity) | DSP ML Top 100 | 9.34 | 60.66 | 46.70 | 2 |
| | HSBC Equity | 1.32 | 52.22 | 41.47 | 4 |
| | Franklin India Bluechip | 2.54 | 49.86 | 41.86 | 4 |
| | Templeton India Eq. Inc. | 12.04 | 49.26 | N.A. | -- |
| | Franklin India Taxshield | 3.76 | 40.58 | 41.08 | 3 |
| ELSS | Fidelity Tax Advantage | 10.52 | 60.30 | N.A. | -- |
| | SBI Magnum Tax Gain | 6.28 | 60.74 | 74.34 | 1 |
| | DSP ML Balanced | 9.73 | 45.35 | 33.77 | 3 |
| Balanced | HDFC Prudence | 7.29 | 48.21 | 39.85 | 1 |
| | FT India Balanced | 6.19 | 43.21 | 30.92 | 2 |

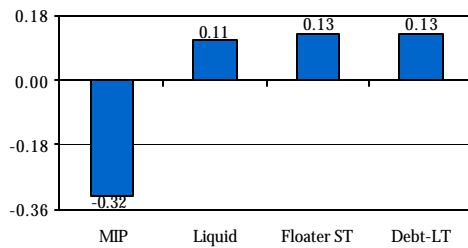
*For qtr end Mar' 07

Datasource: Bloomberg

Recommendations

Investors are recommended to invest in equity funds with a long-term perspective (preferably 3 years or more). Since volatility is expected to prevail in short-term, investment period of less than 1 year should be strictly avoided as this may hamper the returns. Investors could look at equity diversified, opportunities funds and fund offering international diversification to build their core portfolios. Thematic funds and midcap oriented funds would be apt for enhancing portfolio returns. Derivative funds can be considered to adopt a hedged style. Portfolio diversification can be further achieved by considering GETFs.

Weekly category returns (%)

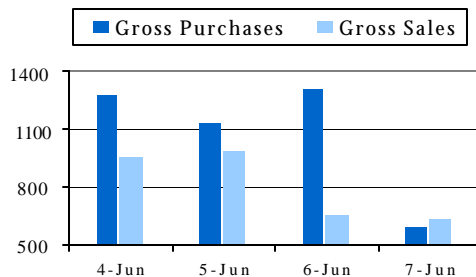


Abs. returns as on Jun 8 Data source: Bloomberg

Key statistics

| | Jun 8 | Jun 1 |
|---|------------------|------------------|
| 3.07% GOI 2017 yield | 8.14% | 8.08% |
| Call rate | 0.35% | 0.5% |
| WPI inflation (week ending May 26 and May 19) | 4.85% | 5.06% |
| Dollar exchange rate | 41.14 | 40.53 |
| Forex reserves (\$ bn) | 208.373 (June 1) | 204.934 (May 25) |

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.1078.10 crores.

The week in retrospect-Debt

The bond market witnessed bond yields going up on the back of worries over tight liquidity conditions after the auction of federal bonds. RBI auctioned 2017 and 2036 bonds worth Rs.90 bn on Tuesday. On Wednesday, RBI further auctioned market stabilization scheme (MSS) bonds worth Rs.50 bn and T-bills worth Rs.35 bn. The benchmark 10-year g-sec yield ended the week higher at 8.14% against 8.08% the previous week. Even after issuance of bonds worth a total of Rs.175 bn during the week, call rates surprisingly remained near their 10-year low at 0.35%. On Thursday, market sentiments were boosted slightly on expectations of inflation coming within the target range of RBI. Inflation for the week ending May 26 came down to 4.85% (near the target range of 4-4.5%). On the forex front, rupee fell to 41.14 on concerns of outflow of foreign capital as markets remained pretty weak during the week.

Outlook:

Short-term: With call rates, trading near their 10-year low, there is ample liquidity in the banking system. RBI may issue more MSS bonds to suck out the excess cash in the system. As a result, call rates may go up and yields may not come down from their current levels. Further, concerns over CRR hike would keep the market on edge. As a result of this, short-term rates may rise.

Long-term: With measures to control inflation beginning to show their impact, the inflation figure may ease down and as a result, yields are likely to cool down in July-August

| Recommended schemes to invest | Return as on Jun 8 (%) | | | Expense ratio | Crisil ranking* | |
|-------------------------------|----------------------------------|---|-------|---------------|-----------------|----|
| | 1 m | 3 m | 1 yr. | | | |
| Liquid Plus | HSBC Liquid Plus | 0.70 | 2.24 | N.A. | 0.65 | -- |
| Liquid | LIC MF Liquid | 0.68 | 2.16 | 7.89 | 0.53 | 2 |
| | Canliquid Retail | 0.63 | 2.09 | 7.46 | 0.23 | -- |
| Arbitrage | StanChart Arbitrage | 0.74 | 2.33 | N.A. | N.A. | -- |
| FMPs | UTI Yearly FMP (1 year) | Net indicative yield: 9.30% (retail) 9.80% (inst.) NFO closes: June 11 | | | | |
| | Lotus India FMP (375 days) | Net indicative yield: 9.25% NFO closes: June 19 | | | | |
| | Sundaram BNP Par. FMP (375 days) | Net indicative yield: 9.00% NFO closes: June 21 | | | | |

*For qtr end Mar' 07

Datasource: Bloomberg

Recommendations:

Short-term investors: Very short-term investors (for investment duration up to 1 month) should invest in liquid funds. Investors with investment duration of 1-3 months should consider liquid plus funds. Arbitrage funds could be looked at by investors who wish to invest for a period of more than 3 months (subject to the period, before which redemption would attract exit load). For other investors for whom instant liquidity is not an issue, FMPs (shorter duration of 3 months to 6 months) can be considered 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

- ◆ AMFI has given an offer to SEBI and Government of India, which could enable 100 per cent foreign investments by mutual funds and retail investors to enjoy similar tax-breaks as for domestic equity-oriented funds.

NFO Corner

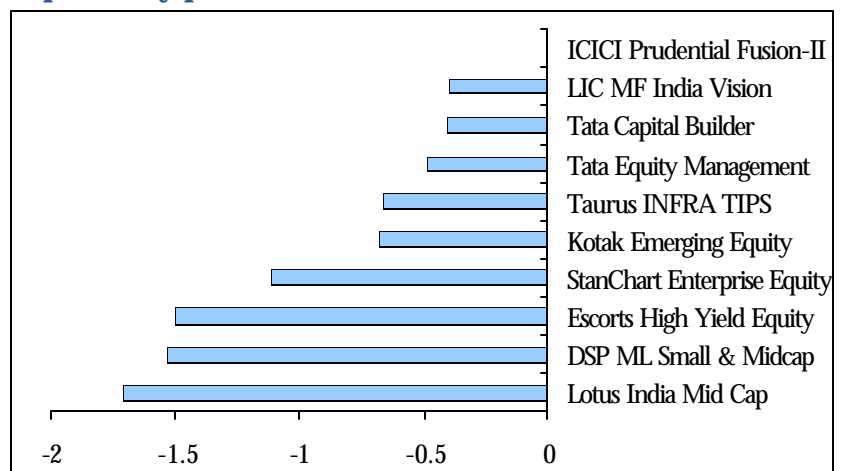
NFOs open for subscription:

- ◆ SBI MF has launched SBI Infrastructure Fund. The closing date of the infrastructure-theme based fund has been extended till June 11, 07.
- ◆ Tata AMC has launched Tata SIP Fund which is a 36-month close-ended scheme. It will initially invest in debt and money market instruments and then subsequently allocate assets to equities in a systematic manner. The offer period would close on June 14, 07.
- ◆ Franklin Templeton AMC has launched Franklin India High Growth Companies Fund. The open-ended equity scheme would invest in high growth companies. The NFO period would be open till June 29, 07.

Forthcoming New Fund Offers:

- ◆ Reliance AMC is launching Reliance Equity Advantage Fund on June 12, 07. The fund would aim to offer nifty-plus returns by following the same sector weightage of the index.
- ◆ Reliance is also planning to launch Reliance Natural Resources Fund, an equity fund to invest in companies that discover, develop, produce, or distribute natural resources.
- ◆ UTI AMC is coming up with UTI Lifestyle Fund. It would be a 3-year close-ended scheme which would invest in companies which play a role in driving Indian demographics or consumer patterns.
- ◆ Lotus India AMC is planning to launch Lotus India Equity Fund. The scheme would be an open-ended equity diversified one which would invest across sectors and market-cap ranges.
- ◆ Birla Sunlife AMC is planning to come up with Birla Sunlife International Equity Fund. The equity scheme would invest in both domestic and international markets.
- ◆ Franklin Templeton AMC is launching Franklin Asian Equity Fund, which would invest primarily in Asian companies (excluding Japan).

Top weekly performers-NFOs*



* Weekly return in % as on June 8, 07

Datasource: MFI Explorer

Note: Funds launched since Apr 06 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on June 8, 2007

| S.No. | Scheme | Issue Date | Current Nav (Rs.) | Corpus Size (Rs. Cr) as on May 31 ' 07 | Absolute Return(%) | | Current Value(Rs.) | |
|---|-----------------------------|------------|-------------------|--|--------------------|--------------|--------------------|-------------------|
| | | | | | Since Launch | Weekly | Before Load | After Load |
| 1 | Lotus India Midcap | 30-Mar-07 | 10.35 | 60.83 | 3.50 | -1.71 | 10,350.00 | 10,350.00 |
| 2 | Kotak Emerging Equity | 16-Mar-07 | 10.73 | 270.46 | 7.31 | -0.68 | 10,731.00 | 10,731.00 |
| 3 | ICICI Pru Fusion-II | 16-Mar-07 | 10.78 | 1125.69 | 7.80 | 0.00 | 10,780.00 | 10,780.00 |
| 4 | Lotus India Contra | 15-Mar-07 | 10.43 | 96.89 | 4.30 | -2.71 | 10,430.00 | 10,200.49 |
| 5 | Taurus Infra Tips | 5-Mar-07 | 10.51 | 45.73 | 5.10 | -0.66 | 10,510.00 | 10,278.73 |
| 6 | HSBC Unique Opportunitis | 26-Feb-07 | 11.39 | 708.23 | 13.88 | -1.77 | 11,388.00 | 11,388.00 |
| 7 | Principal Long Term Equity | 21-Feb-07 | 10.73 | 242.85 | 7.30 | -3.42 | 10,730.00 | 10,730.00 |
| 8 | Sundaram Equity Multiplier | 31-Jan-07 | 10.31 | 587.51 | 3.10 | -3.73 | 10,310.00 | 10,310.00 |
| 9 | Sundaram Select Smallcap | 24-Jan-07 | 10.23 | 316.24 | 2.34 | -2.93 | 10,234.00 | 10,234.00 |
| 10 | Can Multicap Fund | 4-Jan-07 | 10.40 | 210.50 | 4.00 | -2.44 | 10,400.00 | 10,400.00 |
| Abs. returns for New Funds released Between Jan 07 to Mar 07 | | | | | 5.86 | -2.01 | 105,863.00 | 105,402.22 |
| 1 | LICMF India Vision | 22-Dec-07 | 10.21 | 249.22 | 2.08 | -0.40 | 10,208.00 | 10,208.00 |
| 2 | SBI One India Fund | 22-Dec-07 | 10.10 | 1856.78 | 1.00 | -2.32 | 10,100.00 | 10,100.00 |
| 3 | Escorts High Yield Equity | 11-Dec-06 | 10.46 | 13.75 | 4.63 | -1.50 | 10,463.00 | 10,232.76 |
| 4 | Reliance Long-Term Equity | 14-Nov-06 | 10.70 | 285.01 | 7.03 | -2.63 | 10,703.00 | 10,703.00 |
| 5 | ING Vysya C.U.B. Fund | 14-Nov-06 | 13.54 | 76.30 | 35.40 | -2.17 | 13,540.00 | 13,540.00 |
| 6 | JM Financial Sector | 2-Nov-06 | 11.59 | 5.62 | 15.88 | -2.31 | 11,588.00 | 11,333.01 |
| 7 | JM Telecom Sector | 2-Nov-06 | 11.91 | 9.86 | 19.06 | -1.95 | 11,906.00 | 11,644.01 |
| Abs. returns for New Funds released Between Oct 06 to Dec 06 | | | | | 12.15 | -1.90 | 78,508.00 | 77,760.78 |
| 1 | DSPML Small & Midcap | 29-Sep-06 | 11.06 | 1469.28 | 10.57 | -1.52 | 11,570.00 | 10,337.41 |
| 2 | UTI Wealth Builder | 7-Sep-06 | 11.08 | 1011.88 | 10.80 | -2.81 | 11,080.00 | 11,080.00 |
| 3 | Birla Long-term Adv. | 7-Aug-06 | 11.25 | 432.56 | 12.50 | -2.43 | 11,250.00 | 11,250.00 |
| 4 | Tata Capital Builder | 18-Jul-06 | 11.60 | 276.55 | 16.03 | -0.41 | 11,603.00 | 11,603.00 |
| Abs. returns for New Funds released Between Jul 06 to Sep 06 | | | | | 12.48 | -1.79 | 45,503.00 | 44,270.41 |
| 1 | Tata Equity Managm nt. | 15-May-06 | 10.91 | 384.65 | 9.05 | -0.48 | 10,905.00 | 10,905.00 |
| 2 | Stanchart Enterprise Equity | 19-Apr-06 | 12.25 | 1595.34 | 21.06 | -1.11 | 12,106.00 | 12,106.00 |
| Abs. returns for New Funds released Between Apr 06 to Jun 06 | | | | | 15.06 | -0.80 | 23,011.00 | 23,011.00 |

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 42582 83 or contact your nearest Karvy branch.

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