

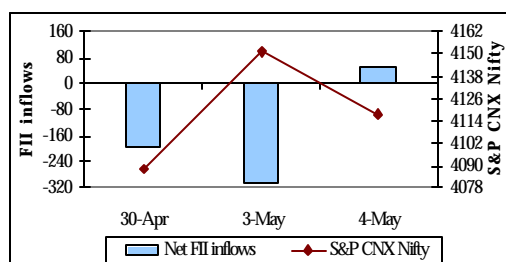
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Highlights

- ◆ **Markets march forward**
- ◆ **UP state election outcome- an important trigger**
- ◆ **Bond yields rise further**
- ◆ **Inflation step down at 5.77%**

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	Apr 30 to May 4	Apr 23 to Apr 27
Gross purchases	6057	14403
Gross sales	6500.2	11900
Net inflows	-443.2	2503

Amt in Rs. crores

Data source: SEBI

* Markets were closed on 1st and 2nd of May.

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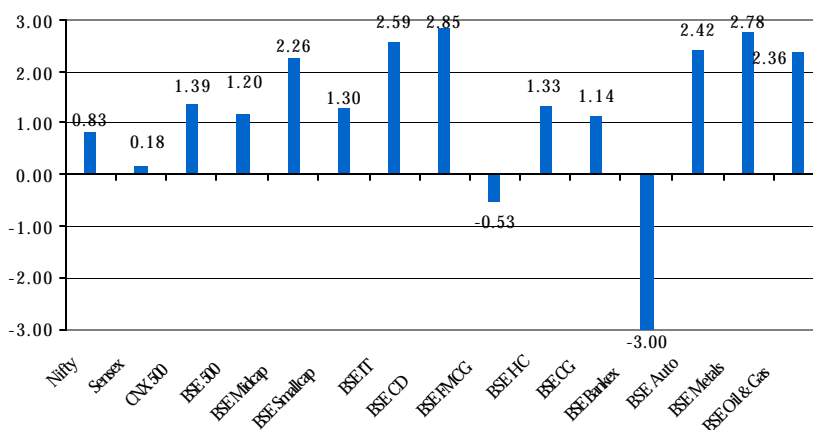
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The week in retrospect-Equities

The markets ended the week on a positive note on the back of firm Asian markets, softer crude oil prices and stock-specific buying (triggered by strong quarterly results or expectations of the same). Sensex gained 25.69 points to settle at 13934.27 and Nifty advanced by 33.85 points during the week to close at 4117.35. Crude oil prices declined to \$61.93 per barrel (highest weekly decline in four months) as supply fear eased. On Thursday, the Finance Minister announced changes in the Finance Bill, reducing the tax burden on cement companies, abolishing import duty on gems & jewellery and recasting tax on ESOPS. This led the markets to gain few more points on the day. Cement stocks surged after the news of tax relief on the same. On Friday, RIL dropped followed by an unfavourable interim order by the Bombay High Court. A fall in RIL instilled negative sentiments in the markets. As a result, on Friday, Sensex dived by 143.94 points and Nifty went down by 33.5 points. On the sectoral side, BSE Bankex declined by 3% during the week. On Monday, ICICI Bank lost a hefty 7.2% after it reported weaker-than-expected quarterly profit growth of 4.45%. Colgate-Palmolive India surged by 12.7% on Friday after its proposal for capital reduction. Resultantly, dividend of Rs.9/ share would be offered and the face value of each share would be reduced to Re.1 from Rs.10. During the week, FIIs emerged as net sellers in the equity market, amounting to Rs. 443.2 crores. Mutual funds, on the other hand, turned out to be net buyers to the tune of Rs. 369.40 crores.

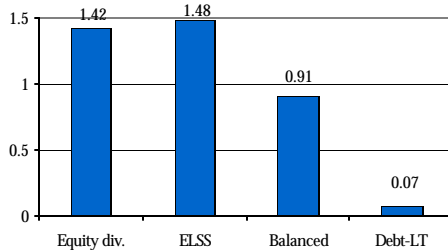
Weekly Equity Indices Return (absolute %)



As on May 4

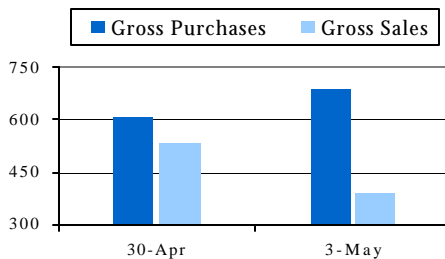
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on May 4 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. 369.40 crores.

* Markets were closed on 1st and 2nd of May.

Outlook:

Short-term: The coming week may witness the markets remain in the positive territory on the back of expectations of strong corporate earnings. Union Bank of India, Dabur India, Hero Honda Motors, Tech Mahindra, Texmaco, Kotak Mahindra Bank, Aztecsoft, Blue Star, Lupin, S Kumars Nationwide, Asian Paints, Lanco Infratech and Zuari Industries would announce their quarterly results next week. Outcome of UP state elections, which is indicative of the national political trend, remain a watching factor. Profit booking at higher levels may lead to volatility.

Long-term: Rise in interest rates is likely to result in slowdown in credit growth in the retail segment (more pronounced in mortgages segment). However demand for credit from corporates is not likely to slow down immediately as they usually borrow overseas and also, interest rate hike results in reduced credit with a lag. RBI has projected the GDP growth for 2007-08 at 8.5%. Further, the target for credit growth has been raised from 20% to 24-25% in order to accumulate a higher growth in monetary aggregates. Robust corporate earnings, strong domestic consumption, high infrastructure spending, retail sector growth and real-estate boom are likely to support the long-term bullish story.

Recommended schemes to invest		Historical returns as on May 4 (%)			Crisil Ranking*
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Opportunities	6.76	8.28	38.54	1
	Tata Infrastructure	5.75	7.34	N.A.	-
	Reliance Growth	10.83	9.13	51.60	1
	DSP ML Small & Mid cap	N.A.	N.A.	N.A.	-
Moderate (Equity)	Fidelity Equity	13.22	16.19	N.A.	-
	Pru ICICI Dynamic	11.91	13.50	50.95	-
	Reliance Equity	5.37	10.83	N.A.	-
	Fidelity Ind. Special.	8.12	N.A.	N.A.	-
Conservative (Equity)	DSP ML Top 100	11.72	14.43	38.67	3
	HSBC Equity	6.88	9.19	35.09	3
	Franklin India Bluechip	5.33	8.44	35.25	4
	Templeton India Eq. Inc.	15.16	N.A.	N.A.	-
ELSS	Franklin India Taxshield	2.53	-0.44	34.27	4
	Fidelity Tax Advantage	11.94	13.70	N.A.	-
	SBI Magnum Tax Gain	10.62	14.33	66.39	1
Balanced	DSP ML Balanced	7.18	9.92	27.58	3
	HDFC Prudence	6.30	18.49	34.17	1
	FT India Balanced	6.55	10.26	26.30	3

*For qtr end Dec 06

Datasource: Bloomberg

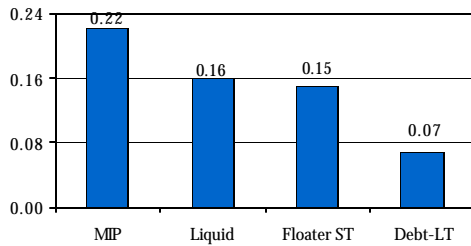
**Classification based on fund's portfolio concentration & exposure to various market segments.

Recommendations

Fresh investments: Since volatility is expected to prevail in short-term, investments should be made with a long-term perspective (preferably 3 years or more). Investors could look at equity diversified and opportunities funds 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 and funds offering exposure to international markets.

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

Weekly category returns (%)

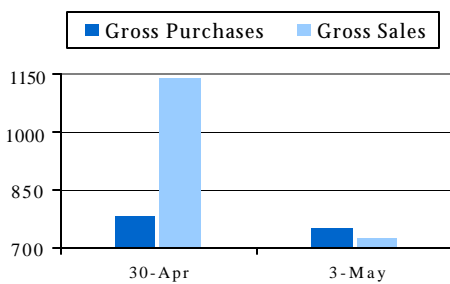


Abs. returns as on May 4 Data source: Bloomberg

Key statistics

	May 4	Apr 27
8.07% GOI 2017 yield	8.16%	8.14%
Call rate	7.5%	8.5%
WPI inflation (week ending Apr 21 and Apr 14)	5.77%	6.09%
Dollar exchange rate	40.86	41.09
Forex reserves (\$ bn)	204.135 (Apr 27)	203.881 (Apr 20)

Weekly MF transactions (debt)



Amt in Rs. crores

Data source: SEBI

In debt market, mutual funds emerged as net sellers to the tune of Rs. 328.70 crores.

The week in retrospect-Debt

The sentiments in the bond markets continued to remain subdued on expectations of tighter cash conditions, taking bond yields up during the week. The benchmark 10-year g-sec yield ended the week at 8.16% against 8.14% the previous week. Effective from Apr 28, CRR had been hiked to 6.5%. As a result, on Monday, call rates jumped to 9.25% and bond yields edged up to 8.17% (at their four-week highs). However, bond yields cooled down slightly during the week on the back of eased liquidity conditions in the subsequent trading days and low inflation data (5.77% for the week ending Apr 21, as against 6.09% the previous week). On Friday, RBI raised the issue limit on MSS bonds to Rs.1.1 trillion from Rs.950 billion for FY 2007-08. Rupee appreciated to 40.86 as investors sold dollars to book gains. Dollar touched 2.5 year high against major currencies after the release of a firm U.S. economic data.

Outlook:

Short-term: The government would auction bonds worth Rs.100 bn on Friday. It includes the auction of 7.49% 2017 bond worth Rs.60 bn and 8.33% 2036 bond worth Rs.40 bn. Call rates may remain in the 6.5% - 7.5% range as the impact of CRR hike is almost over. This may soften the yields slightly. Although inflation has declined, it still remains a concern.

Long-term: Inflation may cool down on account of RBI adopting the route of monetary tightening, high base affect and upcoming Rabi crop in April. As a result, yields may cool down in May-June.

Recommended schemes to invest		Return as on May 4(%)			Expense ratio	Crisil ranking
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.71	2.15	N.A.	0.65	-
Liquid	LIC MF Liquid	0.73	2.05	7.72	0.53	2
	Canliquid Retail	0.69	1.99	7.32	0.23	-
Arbitrage	StanChart Arbitrage	0.40	2.53	N.A.	N.A.	-
FMPs	Reliance quarterly plan (duration: 3 months)	Net indicative yield: 10.35% NFO closes: May 7				
	Sundaram FTP Series XII (18 months)	Net indicative yield: 10% NFO closes: May 16				
	HSBC FTS 30 (3 years)	Net indicative yield: 9.25% NFO closes: May 25				

For qtr end Dec, 06

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. Since increased supply of govt. papers may cause yields on long-term gsecs to go up in this month; investing in long-term papers should be avoided.

News Briefs

- ◆ As on Apr, 07, Reliance AMC has emerged as the leader in terms of corpus size, followed by ICICI Prudential AMC. Following list displays **top 5 AMCs in terms of AUM** (as on Apr, 07):

Mutual Fund	AUM (in Rs. Crores)
Reliance	48, 828.03
ICICI Prudential	42, 306.10
UTI	35, 517.01
HDFC	31, 485.16
Franklin Templeton	24, 828.31

NFO Corner

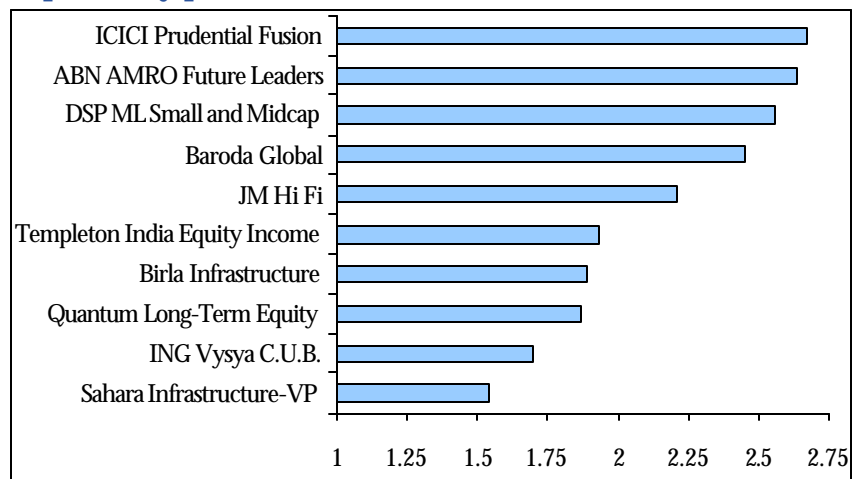
NFOs open for subscription:

- ◆ Birla Sunlife AMC has launched Birla Sunlife Long Term Advantage Fund – Series I, The NFO period would close on May 11, 07.
- ◆ DWS Fund House has floated DWS Capital Protection Fund in the market. It is a close-ended scheme that aims to protect the principal. The closing date for subscription has been extended to May 17, 07.
- ◆ JP Morgan Fund House has launched JP Morgan India Equity Fund, which would invest in equities and equity related securities. The scheme is open for subscription till May 18, 07.
- ◆ AIG Fund House has launched its maiden fund, AIG India Equity Fund. The purely diversified equity scheme is open for subscription till May 31, 07.
- ◆ DSP ML MF has launched DSP ML Microcap Fund. The 3-year close-ended scheme would invest in companies with market-cap less than those of smallcap companies. The NFO period closes on May 25, 07.

Forthcoming New Fund Offers:

- ◆ SBI Fund House is coming up with its infra-theme based fund, SBI Infrastructure Fund on May 11, 07.
- ◆ Kotak Mutual Fund is coming up with Kotak Global Emerging Market Fund, which will invest in global emerging markets.
- ◆ UTI AMC is coming up with UTI Flexi-cap Fund. It would be a 3-year close-ended scheme which would invest across different market-cap segments.
- ◆ Franklin Templeton Mutual Fund is coming up with Franklin India Aggressive Growth Fund which will invest in Indian companies/sectors with high growth potential.
- ◆ 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.

Top weekly performers-NFOs*



* Weekly return in % as on May 4, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on May 3, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Mar 31 '07	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Reliance Long-Term Equity	14-Nov-06	10.41	2064.92	4.06	0.46	10,406.00	10,406.00
2	ING Vysya C.U.B. Fund	14-Nov-06	12.63	66.26	26.30	2.10	12,630.00	12,630.00
3	JM Financial Sector	2-Nov-06	10.22	4.97	2.2	-0.68	10,220.00	9,995.11
4	JM Telecom Sector	2-Nov-06	11.44	8.06	14.4	-1.46	11,440.00	11,188.26
Abs. returns for New Funds released Between Oct 06 to Dec 06					11.74	0.11	44,696.00	44,219.37
1	DSPML Small & Midcap	29-Sep-06	10.65	1454.94	6.47	1.87	10,647.00	10,412.71
2	UTI Wealth Builder	7-Sep-06	10.94	920.98	9.4	0.55	10,940.00	10,940.00
3	Birla Long-term Adv.	7-Aug-06	10.88	389.73	8.8	0.65	10,880.00	10,880.00
4	Tata Capital Builder	18-Jul-06	11.19	257.95	11.93	1.17	11,193.20	11,193.20
Abs. returns for New Funds released Between Jul 06 to Sep 06					9.15	1.06	43,660.20	43,425.91
1	Tata Equity Managmt.	15-May-06	10.88	387.42	8.76	0.37	10,875.60	10,875.60
2	Stanchart Enterprise Equity	19-Apr-06	12.13	1447.92	21.33	-0.48	12,132.90	12,132.90
Abs. returns for New Funds released Between Apr 06 to Jun 06					15.04	-0.06	23,008.50	23,008.50
1	Fidelity Special Sit.	28-Mar-06	13.08	2074.75	30.82	0.55	13,082.00	12,794.13
2	Templeton India Equ.	22-Mar-06	12.84	1727.85	28.45	0.43	12,844.70	12,562.05
3	Sundaram Rural India	20-Mar-06	11.3	809.92	12.97	0.99	11,297.40	11,048.80
4	ABN AMRO Future Leaders	13-Mar-06	10.28	265.06	2.83	2.04	10,283.00	10,056.72
5	Pru ICICI Fusion	27-Feb-06	12.7	640.51	27	2.09	12,700.00	12,700.00
6	Kotak Lifestyle	22-Feb-06	12.24	372.42	22.35	-0.8	12,235.00	11,965.77
7	UTI Contra	22-Feb-06	9.59	631.76	-4.1	-0.21	9,590.00	9,590.00
8	JM HI FI	20-Feb-06	10.03	33.44	0.3	1.31	10,030.00	9,809.29
9	Sahara Infrastruct-FP	15-Feb-06	11.55	15.05	15.49	1.48	11,549.10	11,549.10
10	Sahara Infrastruct-VP	15-Feb-06	11.63	15.05	16.3	1.49	11,630.30	11,630.30
11	Chola Contra	14-Feb-06	11.6	64.92	16	-0.26	11,600.00	11,344.74
12	Quantum Long Term Equity	8-Feb-06	12.5	30.45	25	0.32	12,500.00	12,500.00
13	Principal Infra. & Services	7-Feb-06	11.86	257.96	18.6	0.17	11,860.00	11,599.02
14	Baroda Global Fund	6-Feb-06	11.67	8.59	16.7	0.95	11,670.00	11,413.20
15	Reliance Equity	6-Feb-06	11.32	4359.60	13.2	1.52	11,320.00	11,070.90
16	Birla Infrastructure	31-Jan-06	12.46	449.62	24.6	1.38	12,460.00	12,185.82
17	SC Imperial Equity	30-Jan-06	12.24	210.56	22.44	-0.16	12,244.30	11,974.87
18	UTI Leadership Equity	30-Jan-06	12.5	1003.00	25	-0.4	12,500.00	12,500.00
19	ING Vysya A.T.M. Fund	27-Jan-06	11.03	24.91	10.3	0	11,030.00	10,787.29
20	HDFC Long Term Equity	27-Jan-06	11.36	1466.12	13.6	0.32	11,360.00	11,360.00
21	HSBC Advantage India	27-Jan-06	12.36	1157.77	23.6	0.57	12,359.70	12,087.73
22	SBI Magnum Bluechip	20-Jan-06	11.72	1892.08	17.2	0.17	11,720.00	11,720.00
Abs. returns for New Funds released Between Jan 06 and Mar 06					17.21	0.64	257,865.50	254,249.74

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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