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Highlights

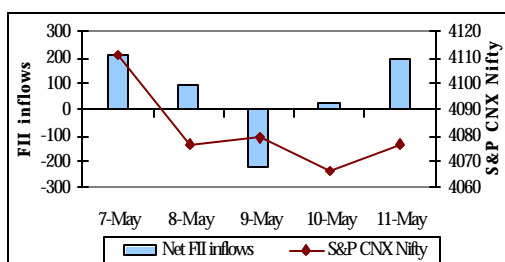
- ◆ **Markets end in the red**
- ◆ **Earnings results – a guiding factor**
- ◆ **Bond yields edge up further**
- ◆ **Inflation – a watching factor**

The week in retrospect-Equities

The week witnessed the markets operate amidst negative sentiments on the back of profit booking at higher levels and cautious ahead of the outcome of the UP state elections. Weak Asian markets added to the down beaten mood. Sensex lost 138.11 points to settle at 13796.16 and Nifty declined by 40.75 points during the week to close at 4076.6 level. On Wednesday, the Federal Reserve kept the U.S. interest rate unchanged at 5.25%. On Thursday, while European Central Bank maintained status quo at 3.75%, Bank of England increased its interest rate to a 5-year high of 5.5%. On Friday, the markets recovered slightly on account of lower-than-expected inflation figures, strong industrial output data and outcome of UP elections. While inflation dropped to 5.66% (for the week ending Apr 28) as against 5.77% the previous week, industrial output for FY2006-07 jumped to 11.3% from 8.9% the previous year. On the sectoral side, BSE Metal gained 0.69% during the week following the positive trend in the London Metal Exchange. Banking stocks edged higher triggered by renewed buying after the release of low inflation data and speculations that the RBI may reduce the present SLR of 25%. Tata Steel rose by 2.97% on expectations of robust corporate earnings result scheduled on May 17, 07.

During the week, FIIs emerged as net buyers in the equity market, amounting to Rs. 301.3 crores. Mutual funds, also, turned out to be net buyers to the tune of Rs. 105.20 crores.

FII movement relative to Nifty



FII inflows in Rs. Crores

Source: NSE, SEBI

Weekly FII transactions (equities)

	May 7 to May 11	Apr 30 to May 4
Gross purchases	9430.6	6057
Gross sales	9129.3	6500.2
Net inflows	301.3	-443.2

Amt in Rs. crores

Data source: SEBI

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

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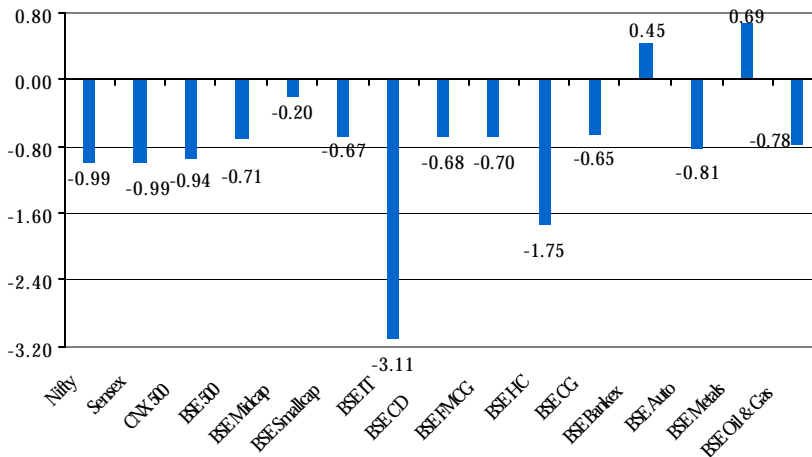
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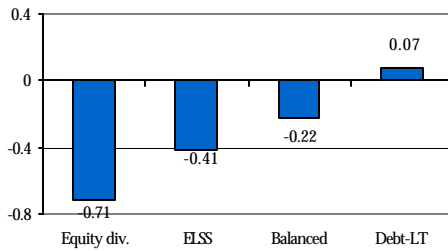
Weekly Equity Indices Return (absolute %)



As on May 11

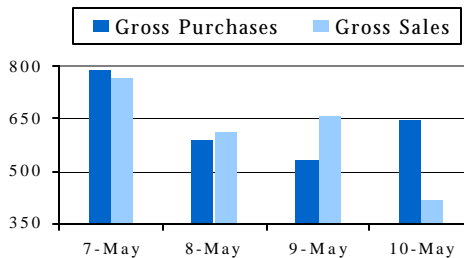
Datasource: BSE, NSE

Weekly category returns (%)



Abs. returns as on May 11 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. 105.20 crores.

Outlook:

Short-term: The markets are likely to be directed by the forthcoming quarterly results of India Inc. Suzlon Energy, LIC Housing Finance, Bajaj Auto, Tata Steel, Tata Motors, Dr. Reddy's Laboratories, Welspun, Shree Cement, Sobha Developers, Voltas, Sun Pharma, Havell's India, JK Lakshmi Cement, ICI (India), Balaji Telefilms, J B Chemicals & Pharmaceuticals and Federal Bank would announce their quarterly results next week. The sentiments may remain positive as a result of BSP emerging as a single largest party as against the hung assembly expected earlier. Markets would also take cue from global trends.

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%. Industrial output for FY2006-07 has soared by 11.3% as against 8.9% the previous year. 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		Returns as on May 11 (%)			Crisil Ranking*
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Small & Midcap	N.A.	N.A.	N.A.	--
	DSP ML TIGER	9.78	13.39	N.A.	1
	ICICI Prudential Services	15.62	23.38	N.A.	--
	Reliance Equity Opport.	6.16	7.30	N.A.	2
Moderate (Equity)	DSP ML Equity	10.67	11.57	46.97	1
	Fidelity Equity	10.50	14.72	N.A.	--
	Fidelity Ind. Special.	5.64	N.A.	N.A.	--
	Pru ICICI Dynamic	9.72	11.02	53.19	1
Conservative (Equity)	DSP ML Top 100	10.63	14.43	41.15	2
	HSBC Equity	5.02	7.77	36.94	4
	Franklin India Bluechip	4.13	7.12	37.43	4
	Templeton India Eq. Inc.	13.46	N.A.	N.A.	--
ELSS	Franklin India Taxshield	2.00	-0.97	36.15	3
	Fidelity Tax Advantage	9.91	12.47	N.A.	--
	SBI Magnum Tax Gain	8.09	12.73	67.26	1
Balanced	DSP ML Balanced	6.93	10.49	29.07	3
	HDFC Prudence	6.21	16.98	35.45	1
	FT India Balanced	5.99	9.69	27.21	2

*For qtr end Mar' 07

Datasource: Bloomberg

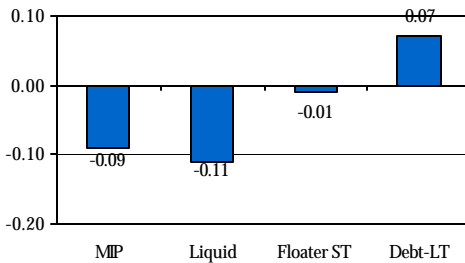
**Classification based on fund's portfolio concentration & exposure to various market segments.

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 (%)

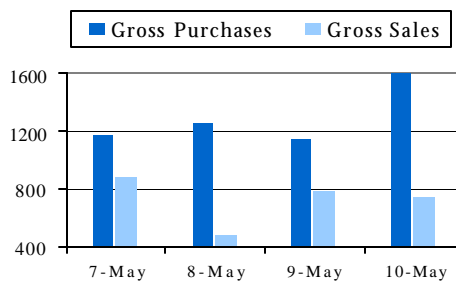


Abs. returns as on May 11 Data source: Bloomberg

Key statistics

	May 11	May 4
8.07% GOI 2017 yield	8.18%	8.16%
Call rate	2.5%	7.5%
WPI inflation (week ending Apr 28 and Apr 21)	5.66%	5.77%
Dollar exchange rate	41.22	40.86
Forex reserves (\$ bn)	204.009 (May 4)	204.135 (Apr 27)

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. 2280.40 crores.

The week in retrospect-Debt

The bond market witnessed the yields go up on the back of higher-than-expected cut-off yields at the auction on Friday and strong industrial output data which caused speculation of a further monetary tightening. Prior to that, the bond market had exhibited a positive mood on account of ample liquidity in the banking system. The benchmark 10-year g-sec yield ended the week at 8.18% against 8.16% the previous week. The cut-off yield of Rs.60 mn worth 2017 bonds was 8.312% against the expected 8.245%. Yields were further pulled down by speculations that RBI may announce a cut in SLR for banks (currently 25%). Rupee depreciated to 41.22 from 40.86 the previous week triggered by high demand in dollar from importers and a slump in call rates which weakened the demand of rupee. Weak Asian markets further led to sell-offs of Asian currencies.

Outlook:

Short-term: The government would sell Market Stabilisation Bonds worth Rs.60 bn on Wednesday. The call rates are therefore expected to come in the range of 5% - 8% in the coming week. Although inflation has been showing a declining trend for the second consecutive week, it still remains a concern and the figure for the coming week would be a guiding factor for the markets.

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 11 (%)			Expense ratio	Crisil ranking*
		1 m	3 m	1 yr.		
Liquid Plus	HSBC Liquid Plus	0.71	2.17	N.A.	0.65	-
Liquid	LIC MF Liquid	0.71	2.06	7.76	0.53	2
	Canliquid Retail	0.70	2.02	7.37	0.23	-
Arbitrage	StanChart Arbitrage	0.61	2.44	N.A.	N.A.	-
FMPs	CanFMP 3M SRI (3 months)	Net indicative yield: 10.30% NFO closes: May 17				
	Taurus FMP - Series A (371 days)	Net indicative yield: 10.25% NFO closes: May 17				
	Lotus India FMP Series III-13 months	Net indicative yield: 10.10% (retail), 10.40% (inst.) NFO closes: May 17				

*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. 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

- ◆ Total assets of the mutual fund industry crossed Rs 3.5 trillion for the first time. The AUM grew by 7.44% to Rs.3,50,44,143 crore at the end of April. The top five slots were maintained by Reliance Mutual Fund, ICICI-Prudential, UTI Mutual Fund, HDFC Mutual Fund and Franklin Templeton AMC.
- ◆ ICICI Prudential AMC received the prestigious Trusted Brands 'Gold Award' in the Investment Fund Company Category for the year 2006 from Reader's Digest, the world's largest selling monthly magazine.

NFO Corner

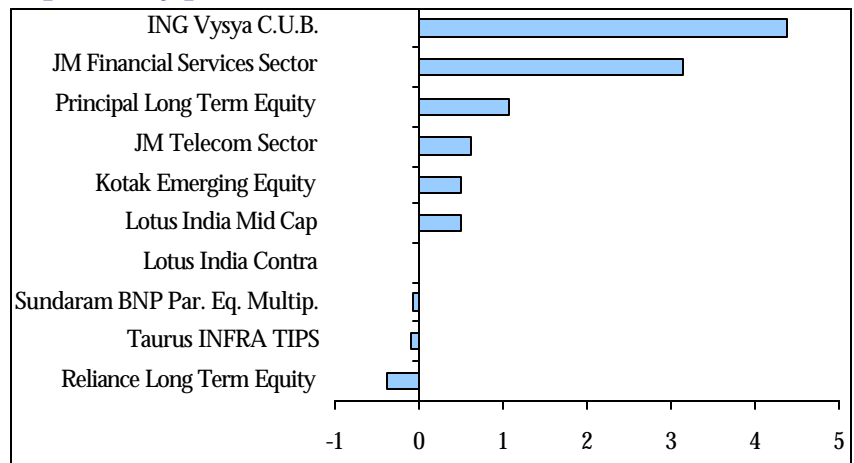
NFOs open for subscription

- ◆ Birla Sunlife AMC has launched Birla Sunlife Long Term Advantage Fund – Series I. The NFO period has been extended to May 18, 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.
- ◆ DSP ML MF has launched DSP ML Micro-cap 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.
- ◆ 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.
- ◆ HDFC Fund House has launched HDFC Midcap Opportunities Fund. The midcap-oriented scheme is open for subscription till June 8, 07.
- ◆ SBI MF has launched SBI Infrastructure Fund. The infrastructure-theme based fund will be available for subscription till June 8, 07.

Forthcoming New Fund Offers:

- ◆ JM Fund House is planning to launch JM Contra Fund.
- ◆ 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.
- ◆ Sahara AMC is planning to come up with Sahara R.E.A.L. Fund. The scheme would invest in companies in the **R**etailing, **E**ntertainment & media, **A**uto & auto ancillaries and **L**ogistics sector.
- ◆ 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 11, 07

Datasource: MFI Explorer

Note: Funds launched since Apr 06 have been considered.

Performance analysis of equity NFOs (quarter -wise) as on May 11, 2007

S.No.	Scheme	Issue Date	Current Nav (Rs.)	Corpus Size (Rs. Cr) as on Apr 30' 07	Absolute Return(%)		Current Value(Rs.)	
					Since Launch	Weekly	Before Load	After Load
1	Lotus India Midcap	30-Mar-07	10.13	58.61	1.30	0.50	10,130.00	10,130.00
2	Kotak Emerging Equity	16-Mar-07	10.25	254.83	2.49	0.51	10,249.00	10,249.00
3	ICICI Pru Fusion-II	16-Mar-07	10.36	1064.64	3.60	-0.38	10,360.00	10,360.00
4	Lotus India Contra	15-Mar-07	10.27	104.59	2.70	0.00	10,270.00	10,044.01
5	Taurus Infra Tips	5-Mar-07	10.35	44.72	3.50	-0.10	10,350.00	10,122.25
6	HSBC Unique Opportunitis	26-Feb-07	10.95	684.89	9.51	-0.54	10,951.00	10,951.00
7	Principal Long Tem Equity	21-Feb-07	10.54	227.04	5.40	1.05	10,540.00	10,540.00
8	Sundaram Equity Multiplier	31-Jan-07	10.13	559.85	1.30	-0.09	10,130.00	10,130.00
9	Sundaram Select Smallcap	24-Jan-07	10.02	301.01	0.15	-0.49	10,015.00	10,015.00
10	Can Multicap Fund	4-Jan-07	10.14	223.10	1.40	-0.59	10,140.00	10,140.00
Abs. returns for New Funds released Between Jan 07 to Mar 07					3.14	-0.01	103,135.00	102,681.26
1	LICMF India Vision	22-Dec-07	9.66	242.82	-3.37	-1.40	9,663.00	9,663.00
2	SBI One India Fund	22-Dec-07	10.08	1842.70	0.80	-0.59	10,080.00	10,080.00
3	Escorts High Yield Equity	11-Dec-06	10.34	14.15	3.35	-0.46	10,335.00	10,107.58
4	Reliance Long-Term Equity	14-Nov-06	10.39	2157.17	3.92	-0.38	10,392.00	10,392.00
5	ING Vysya C.U.B. Fund	14-Nov-06	12.63	70.55	26.30	0.48	12,630.00	12,630.00
6	JM Financial Sector	2-Nov-06	10.51	5.43	5.1	3.14	10,510.00	10,278.73
7	JM Telecom Sector	2-Nov-06	11.44	8.93	14.4	0.62	11,440.00	11,188.26
Abs. returns for New Funds released Between Oct 06 to Dec 06					7.21	0.21	75,050.00	74,339.57
1	DSPML Small & Midcap	29-Sep-06	10.59	1490.61	5.94	-0.42	10,594.00	10,360.88
2	UTI Wealth Builder	7-Sep-06	10.76	969.35	7.6	-0.92	10,760.00	10,760.00
3	Birla Long-term Adv.	7-Aug-06	10.73	415.21	7.3	-0.83	10,730.00	10,730.00
4	Tata Capital Builder	18-Jul-06	11.19	271.53	11.93	1.17	11,193.20	11,193.20
Abs. returns for New Funds released Between Jul 06 to Sep 06					8.19	-0.25	43,277.20	43,044.08
1	Tata Equity Managmt.	15-May-06	10.8	387.43	7.97	-0.36	10,797.30	10,797.30
2	Stanchart Enterprise Equity	19-Apr-06	11.92	1569.67	19.22	-2.2	11,922.40	11,922.40
Abs. returns for New Funds released Between Apr 06 to Jun 06					13.6	-1.28	22,719.70	22,719.70

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 18 00 42582 83 or contact your nearest Karvy branch.

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