

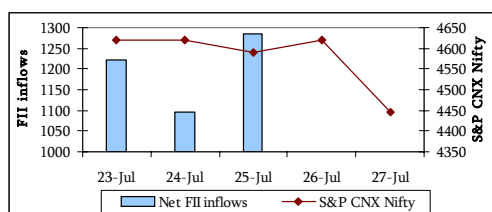
CONTENTS

- ◆ Weekly performance-equities :1
- ◆ Outlook and recommendations :2
- ◆ Weekly performance-debt :3
- ◆ Outlook and recommendations :3
- ◆ NFO corner :4

Highlights

- ◆ Markets witnessed a small correction
- ◆ Cautious approach to be adopted in interest rate sensitive stocks
- ◆ Bond yields edged higher to 7.83%
- ◆ All eyes set on RBI Monetary Policy Review

FII movement relative to Nifty



FII inflows in Rs. Crores Source: NSE, SEBI
 Note: Date for July 26 and July 27 is not available

Weekly FII transactions (equities)

	July 23 to July 25	July 16 to July 20
Gross purchases	12761	21596.2
Gross sales	8989	14526.6
Net inflows	3772	7069.6

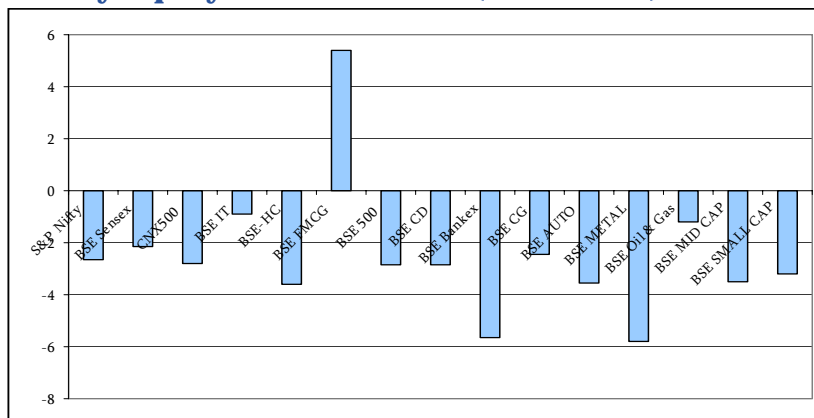
Amt in Rs. crores Data source: SEBI
 Note: Date for July 26 and July 27 is not available

The week in retrospect-Equities

The benchmark indices have fallen this week from their all-time high levels as in the previous week. The markets have seen a healthy correction which was impending for a period. Sensex has fallen down by 330.98 points. Nifty followed suit and has seen a correction to the extent of 61.5 points and has closed at 4504.55 during the week. Earlier, the market remained firm for the first 4 days of the week as renewed buying was witnessed due to good Q1 June 2007 results. A correction to the extent of 541.64 points on Friday was witnessed because of weak Asian and US markets. Profit taking was witnessed in small and mid cap shares. BSE Small Cap Index has lost 3.2% while the BSE Mid Cap Index has lost 3.48% over the last week. Reliance Energy surged on hopes that the company may win the 4,000-megawatt Sasan power project in Madhya Pradesh as it was the second best bidder after Lanco. India's largest cigarette manufacturer ITC's stock extended gains on Friday when it reported a forecast beating 20% growth in net profit in Q1 June 2007. Ranbaxy Laboratories, India's largest pharma firm by sales, jumped nearly 10% on Thursday after it reached an agreement with GlaxoSmithKline to end their litigation in the US on Valtrex used in the treatment of herpes.

During the week, FIIs net inflow in two trading sessions of Monday and Tuesday totalled to Rs. 3772 crore. Mutual funds also emerged as net sellers in equities to the tune of Rs.416.50 crores in 4 days

Weekly Equity Indices Return (absolute %)

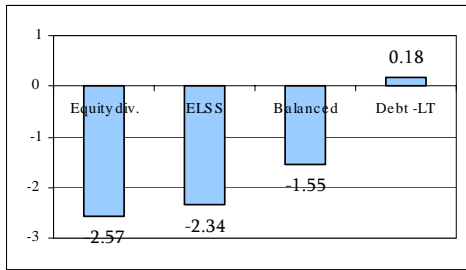


As on July 27

Datasource: BSE, NSE

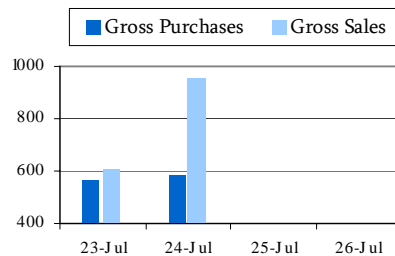
Kirti Singh
Sonika Dheer
Pradeep Kumar S.
 Email: kirti.s@karvy.com
sonika.dheer@karvy.com
pradeep.s@karvy.com
 Ph : +914023312454 Ext : 304
 ☎ : +91 40 23312454
 Ext: 304

Weekly category returns (%)



Abs. returns as on July 27 Datasource: Bloomberg

Weekly MF transactions (equities)



Amt in Rs. crores Data source: SEBI
Note: Date for July 26 and July 27 is not available

In the equity market, mutual funds emerged as net sellers to the tune of Rs.416.50 crores.

Outlook:

Short-term: The most critical watch-out factor for the coming week is RBI's monetary policy review. It is expected that RBI may raise CRR to suck additional liquidity. Therefore, interest rate sensitive sectors such as banks, auto and real estate could take a hit. Under the corporate result segment, Bharat Heavy Electricals, Bharat Electronics, Mahindra & Mahindra, Cairn India and i-flex Solutions, will declare their June 2007 quarter results in the coming week. Crude oil prices continue to remain a concern due to demand-supply gap as they closed above \$75 level on Friday.

Long-term: According to the finance ministry, per capita income in 2005-06 increased by 7.4%, savings rate is estimated at 32.4% and investment rate at 33.8%. The finance ministry has revised the GDP growth estimates for 2006-07 to 9.4% on the back of 2.7% growth in agriculture, 10% growth in industry and 11.2% growth in services sector. 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 Jul 27(%)			Crisil Ranking*
		6 months (abs)	1 year	3 year (ann)	
Aggressive (Equity)	DSP ML Small & Midcap	6.97	NA	NA	NA
	DSP ML India Tiger Fund	14.23	67.41	55.19	1
	ICICI Prudential Service	8.09	75.53	NA	NA
	Reliance Equity Opport.	4.92	47.58	NA	2
Moderate (Equity)	DSP ML Equity Fund	12.23	56.61	55.57	NA
	Fidelity Equity Fund	12.46	60.38	NA	1
	Fidelity India Spe. Situations	6.18	53.41	NA	1
	ICICI Prudential Dynamic	5.94	54.32	60.31	NA
Conservative (Equity)	DSP ML Top 100 Equity	10.82	49.34	48.05	2
	Franklin India Bluechip	8.50	46.24	44.58	4
	HSBC Equity Fund	7.56	45.07	43.38	4
	Templeton India Eq Income	13.09	48.65	NA	NA
ELSS	Fidelity Tax Advantage	11.91	54.33	NA	3
	Franklin India Taxshield	9.17	40.02	42.62	NA
	SBI Magnum Tax Gain	6.13	51.36	72.21	1
Balanced	DSP ML Balanced Fu	9.85	37.95	34.05	3
	Franklin India Balanced	9.72	39.60	32.59	1
	HDFC Prudence Fund	8.84	43.17	41.99	2

*For qtr end Mar 07

Datasource: Bloomberg

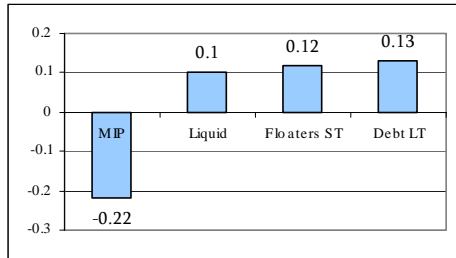
Note: Funds have been classified as aggressive, moderate and conservative on the basis of their portfolio concentration and exposure to various market segments.

Recommendations

Fresh investments: Markets recent rally has been led by some set of sectors (capital goods, metals, banking etc.). Sectors like IT, auto, consumer durables, textile, sugar etc. did not contribute to the recent rally, however, the sectors like auto and IT are expected to gain in the near future. Hence, selective investment is important at this juncture. Diversified, contra and opportunities funds could form the core portfolio. Midcap and thematic funds could generate additional returns.

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 (%)



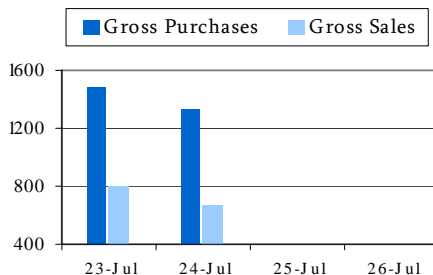
Abs. returns as on July 27 Datasource: Bloomberg

Key statistics

	Jul 27	Jul 20
7.49% GOI 2017 yield	7.83%	7.81%
Call rate	0.25%	0.25%
WPI inflation (week ending July 14 and July 7)	4.41%	4.27%
Dollar exchange rate	40.48	40.31
Forex reserves (\$ bn)	222.043 (Jul 20)	218.96 (Jul 13)

Source: bseindia.com

Weekly MF transactions (debt)



Amt in Rs. crores Data source: SEBI
Note: Date for July 26 and July 27 is not available

In debt market, mutual funds emerged as net buyers to the tune of Rs.1344.30 crores.

The week in retrospect-Debt

Bond yields ended higher at the end of the week on account of concerns that the central bank may adopt measures to reduce money supply in the system. Money supply continues to remain at 21% which is far above the RBI's comfort zone of 17.5%. The government has raised more short-term borrowings in the middle of July and it has triggered concerns that it may resort to more short-term borrowing in the immediate future to curb liquidity. Short-term borrowings by the government from the central bank totalled 300.58 billion rupees (\$7.52 billion) as at July 20, up from 161.98 billion rupees a week. Inflation for the week ended July 14, 2007 stood at 4.41, 14 basis points above the last week's level. Call rates continued to remain at lower levels and closed at 0.25% on Friday. Rupee depreciated against the dollar following the weakness of other major currencies against the dollar and closed at 40.48. Crude oil prices closed at \$75.68 a barrel on the New York Mercantile Exchange.

Outlook:

Short-term: With the RBI's monetary policy review slated on July 31, investors may adopt a cautious approach. Though inflation is down below RBI's comfort level of 5%, it has inched upwards over the last few weeks. Therefore, it will be monitored carefully. At the same time, it is clear that the immediate challenge for RBI is to control liquidity in the system. Market Stabilisation Scheme bonds add to the interest burden of the government. Therefore, a hike in CRR may be on cards.

Long-term: Credit growth (earlier at a high of 30%) has come down to 24%. Inflation has also been tamed down to the 4%-5% range. It is therefore expected that yields may cool down in the coming months.

Recommended schemes to invest		Return as on Jul 27 (%)			Expense ratio	Crisil ranking *
		1 m (abs)	3 m (abs)	1 yr.		
Liquid plus	HSBC Liquid Plus	0.66	2.01	N.A.	0.65	-
Liquid	LIC MF Liquid	0.50	1.82	7.85	0.05	2
	Can liquid Retail	0.50	1.76	7.45	0.45	-
Arbitrage	Stan Chart Arbitrage	0.92	2.10	N.A.	--	-
FMPs	LIC FMP Series 31	3 months indicative yield 6.75%, 13 months indicative yield 8.75%			Closing date: Jul 31	

*For qtr end Dec, 06

Datasource: Bloomberg

Recommendations:

Short-term investors: Very short-term investors who desire T+1 redemption should invest in liquid funds. Liquid Plus funds and short-term floater funds are recommended (due to their tax efficiency) for investors who can go for T+2 redemption and are looking for 15 days-3 months of duration. Arbitrage funds are recommended for investors with investment duration of 6 months-1 year. Other investors for whom instant liquidity is not an issue, FMPs (1 month and 3 months) can be considered as the yields are still higher than those offered on other avenues.

Long-term investors: As interest rate outlook remains uncertain, it is advisable to avoid long-term funds to avoid interest rate risk. Investors with a horizon of more than one year could consider FMPs.

Forthcoming New Fund Offers:

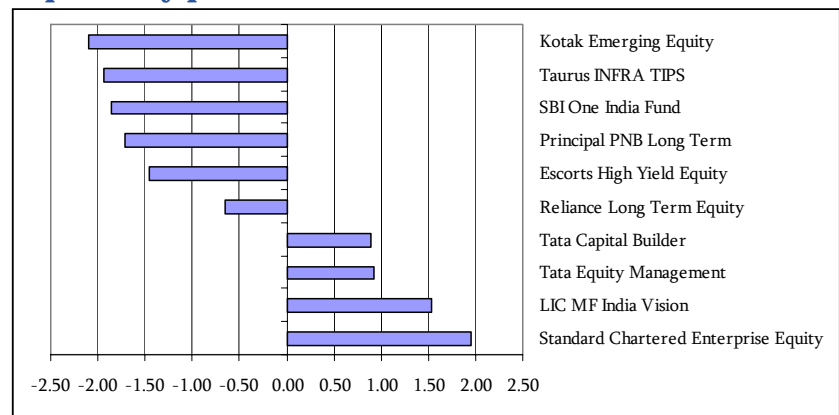
- ◆ DWS Fund House is coming up with DWS Global Thematic Offshore fund with a diversified portfolio of units of overseas mutual funds. The fund would be open for subscription between Jul 31- Aug 28, 07.
- ◆ DBS Chola has launched Chola Infrastructure fund which is a close ended fund. The fund would be open for subscription from 07 August 2007.
- ◆ HSBC mutual fund is planning to launch HSBC Dynamic Fund which will invest in Indian equities. The fund will be having an open-ended structure. The fund aims to use cash and derivative instruments dynamically depending on the market conditions. The fund is likely to be launched in the first week of August.
- ◆ Principal MF is launching Principal Long-term Equity Fund-series II in the near future. This is a 3 years close-ended fund.
- ◆ ICICI Prudential is planning to launch ICICI Prudential Indo Asia Equity Fund. This will be an open-ended fund which will invest in Asian equities.
- ◆ 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.
- ◆ Tata AMC is launching Tata Global Infrastructure Fund. The 3-year close-ended equity fund would invest in both domestic and overseas companies, which are related to infrastructure sector.

NFO Corner

NFOs open for subscription:

- ◆ The NFO period for UTI Lifestyle Fund has been extended to July 30, 07.
- ◆ JM Fund House has launched JM Contra Fund. The open-ended equity fund would be open for subscription between Jul 16- Aug 14, 07.
- ◆ Sundaram BNP Paribas AMC has launched Sundaram BNP Paribas Capital Protection Oriented Fund. The fund offers two plans viz. 3-year and 5 years and is open for subscription till Aug 7, 07. It has also launched Sundaram BNP Paribas Global Advantage Fund which offers the benefit of diversification by investing in different classes beyond India equities. It is an open-ended fund which would invest in overseas mutual funds and exchange traded funds. The fund is closing on July 31.

Top weekly performers-NFOs*



* Weekly return in % as on July 27, 07

Datasource: MFI Explorer

Note: Funds launched since Jan 06 have been considered.

For more information on MUTUAL FUNDS call 1800 4258283 or contact your nearest Karvy branch.

Disclaimer

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Stock Broking nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

This report is intended for a restricted audience and we are not soliciting any action based on it.