AUGUST 2008

MOSt wealth

A Monthly Newsletter on Wealth Management

MOTILAL OSWAL

From the desk of
Raamdeo Agrawal

"The best stock to buy may be the one you already own"

Dear Investor,

This weekend 2 important documents were introduced namely the Budget 2008-09 and Berkshire Hathaway Annual Report 2007.

The month of July made yet another new low at about 12,500 on the back of oil price @ US$140/barrel. The fear of inflation, astronomical oil price, instability in political front and Government finances out of shape is leading to foreigners selling out relentlessly. For the year, they have already sold about $6 bn of stocks as compared to approx. $15 bn net purchases made in 2007. The probability of foreigners net buying in the next 6 mths is increasing.

Deep and long the bear market is set to be a good foundation for the next bull run. My belief is that bulk of the decline is behind but bulk of the pain is ahead. From here onwards, we are going to see a lot more divergence between performance of great and mediocre companies. "Nobody knows the bottoms". Buying blue chips with 3-5 years horizon can be the best strategy for conservative investor.

The current quarter result is proof that corporate performance (except oil marketing companies) is broadly on track. Topline has grown by about 30% and bottomline at about 18%. Derivative losses @ higher interest rate is clearly hurting the performance.

Hero Honda, Bharti, SBI, TISCO & Glaxo are some of the bright spots. Investing at right price with low expectation will allow us to ride over the current bear market.

Happy investing

Sincerely yours,

Raamdeo Agrawal

INDEX

VJ E:Reliance/Reliance MF/SIP + Insurance/New Sizes.AI Artwork in 297 x 210 mm

market roundup

INDEX

Index	Sensex	Nifty
June-30	13462	4041
July-31	14356	4333
Change (Pts)	894	292
Change (%)	6.64	7.23
High	15130	4908
Low	12514	4021

Global Market

Index	Market Level as on 31-July-08	Chg. (Pts)	Chg. (%)
Nifty	4333	292	7.2
Sensex	14356	894	6.6
Hang Sang	22731	689	3.1
Nasdaq	2325	32	1.4
Dow	11378	28	0.2
Nikkei	13377	-104	-0.8
FTSE 100 Index	5411	-215	-3.8

FIIs and MFs fund flows for July 2008 (Rs. Cr)

Particulars	FII's	MF's
Gross Purchase	64,526	16,115
Gross Sales	65,539	14,891
Net Investment	**-1,013**	**1,224**

Major event during the month of July 2008

- Government won trust vote
- RBI credit policy - Raises Repo rate by 50bps from 8.5% to 9% and CRR by 25bps
- Crude Oil touches all time high at $147.50 per barrel
- Sensex touches 14-month low

Major event to watch out in the next month

- Industrial Production YoY (IIP) on Aug 12th
- Quarterly GDP YoY% (2Q) on Aug 16th
- US major announcement (Aug 2008) - FOMC Rate decision 6th, Trade balance 12th, GDP Price Index 28th, Initial Jobless claims 28th

The markets were highly volatile during the month of July. The Sensex bounced back over 2500 points from 14-month low of Sensex at 12514 on July 16th 08. Crude oil prices were at all time high of US$ 148/ barrel and were again off 18% (approx) from its peak. The Government won trust vote, which resulted in confidence building up in the market.

The overall quarterly results reported by corporates have been positive. Out of companies covered by our research team, 128 companies have declared the result by reporting 14% growth in PAT against our expectation of 9.5%. The Sensex stocks reported higher EBIDTA & PAT at 23% and at 22% against expectation of 21% & 15% respectively.

However, RBI has tightened money supply by raising the CRR by 25 bps and in a surprise move & raised the repo rate by 50 bps, thereby, taking it to 9.0%. This could adversely affect the companies having high leverage.

The Government is expected to take initiatives for better reforms after exit of left parties. The sectors in focus will be Insurance, Fertilizer and Telecom.

Favorable corporate results, declining crude oil prices, stable inflation along with recovery in the global markets may turn the market into upward territory. We expect some stock specific movement in next few sessions. Banking, metal, auto and capital goods stocks are looking attractive at current valuation.

ICSA: (Buy)

31st July. '08 / CMP: Rs.300

Y/E MARCH	2007	2008	2009E	2010E
Net Sales (Rs m	3,325	6,698	12,000	20,500
EBITDA (Rs m)	805	1,702	3,235	5,526
PAT (Rs m)	590	1,261	2,153	3,526
EPS (Rs)	17.3	28.7	41.5	67.9
EPS Growth (%)	243.8	65.8	44.7	63.8
BV/Share (Rs)	31.3	87.0	145.1	217.7
P/E (x)	17.4	10.5	7.2	4.4
P/BV (x)	9.2	3.4	2.1	1.4
EV/EBITDA (x)	13.4	8.4	6.1	3.7
EV/Sales (x)	3.3	2.2	1.6	1.0
RoE (%)	52.8	32.2	28.6	31.2
RoCE (%)	30.3	28.4	24.0	27.9

Increasing demand from power sector:

ICSA derives 90% of its revenue from the power sector. It has developed embedded products that help in automation of the distribution network and in identification of distribution losses. As T&D losses in India are as high as 35-40%, the government has made energy audit mandatory for distribution companies. This augurs well for ICSA. We believe the company would be a major beneficiary of the huge spending under the Accelerated Power Development & Reforms Programme and Rajiv Gandhi Grameen Vidyutikaran Yojana.

Focus on R&D - a key strength:

ICSA focuses on R&D and marketing, while outsourcing manufacturing. It has IPRs on four products. The company has remodeled its existing products in the power sector to find use in oil & gas, water and street lighting segments. It is also trying to enter new areas like down-hole corrosion, drilling automation, oil wells automation & exploration, and mining automation. We expect the operating margin to expand with the introduction of new products.

Mandatory energy audit augurs well for ICSA:

The government has made energy audit mandatory for all SEBs and discoms. This augurs well for ICSA, as it has all the products in its basket that are required by discoms to monitor and detect the ATC losses. Using in-house research, it has designed and developed proprietary products, which monitor as well as communicate the supply and consumption to a central database stationed at the distribution company's offices. These devices help distribution companies monitor their networks for faults, as well as to get real-time supply and consumption data while conducting energy audits. Its leading and most-selling product IAMR (intelligent automatic meter reading) automates meter reading and does near real-time energy audit, thereby reducing distribution losses arising from power theft, pilferage, meter tampering, human error and defective meters. We believe ICSA will continue to benefit from the ongoing distribution automation drive by SEBs and discoms due to its proprietary technology in the entire power distribution value chain.

Unique business model:

ICSA has an asset light business model. It designs and develops prototype models of the product and outsources manufacturing. Once the products are assembled, ICSA's embedded, production and quality control personnel embed it with the requisite software, test and certify the product before dispatch. The focus is on high value-add activities such as R&D, procurement and sales.

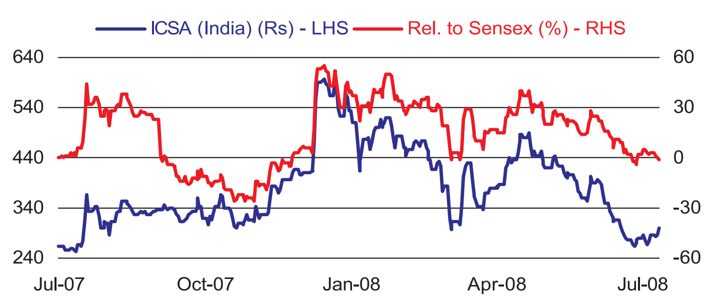
Healthy order book provides strong revenue visibility:

ICSA has an order book of Rs.11.25bn (product 52%, project 48%), 1.68x FY08 revenue. We expect ICSA to post strong growth over the next two years accompanied by higher volumes in embedded solutions. We also expect EBITDA margin to expand on the back of better operational efficiency.

Valuations fair, initiate coverage with Neutral:

ICSA develops embedded technology solutions to increase distribution efficiencies of companies in the power, oil & gas, and water sectors. It focuses on research & development (R&D) and marketing, while outsourcing manufacturing. We like ICSA because of its asset-light business model, high RoE (32%), and a strong order book (Rs.11.25bn). We believe the huge spend in user segments coupled with new product offerings will help the company sustain high growth in future.

STOCK PERFORMANCE (1 YEAR)



CMP: current market price

J&K BANK : (Buy)

30th July. '08 / CMP: Rs.488 / Target: Rs.600

YEAR END	NET INCOME (RS.mn)	PAT (RS.mn)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	CAR (%)	ROAE (%)	ROAA (%)	P/ABV RATIO
3/07A	9,281	2,745	56.6	55.2	8.8	1.2	13.2	14.4	1.0	1.3
3/08A	10,555	3,600	74.2	31.2	6.7	1.1	12.8	16.7	1.2	1.1
3/09E	11,707	4,128	85.1	14.7	5.9	0.9	11.6	16.8	1.1	1.0
3/10E	14,052	5,353	110.4	29.7	4.5	0.8	11.6	18.9	1.2	0.9

J&K BANK 1QFY09: NII and PAT inline; Valuations attractive at 0.9x FY09E:

J&K Bank's (J&K BK IN, Mkt Cap US$0.6bn, CMP Rs.483, Buy) 1QFY09 results were inline. NII grew 19% while profits grew 14%. Key highlights are:

1) Loans grew 6% QoQ and 16% YoY to Rs.201bn. Deposits grew 15% YoY and were flat QoQ to Rs.285bn. CASA improved 306bps YoY to 39%. 2) Margins improved by 19bp YoY to 3.09% on back of 22bp fall in cost of deposits. 3) Non Interest Income grew 81% YoY due to robust treasury profits. 4) Provisions were higher than exp as the bank took Rs.288mn MTM hit on its AFS portfolio (of which Rs.180mn from Equities). 5) Asset quality remain strong with Net NPA below 1%. Net Interest income grew 19% YoY to Rs.2.3bn(in line with est). NIM for 1QFY09 increased 19bp YoY to 3.09% as yield on advances grew 14bp YoY to 10.37% and cost of deposits fell by 22bp to 5.71%. Yield on investment fell 25bp YoY to 6.46%.

Gross NPAs fell 2% QoQ and YoY to Rs.4.8bn and Net NPA fell 5% QoQ:

The bank is targeting higher share of loan growth in J&K state. Expects yields on loans to improve by ~50bp and margins to improve by 30bp to 3.25% in FY09. Non interest income increased by 81% YoY to Rs.806mn (v/s our est of 25% growth) on back of strong growth in treasury profits. Profit on sale of investments (net of amortization on investments) increased significantly to Rs.215mn v/s Rs.21mn. Other income (Ex treasury profits) increased 29% YoY to Rs.434mn. Provisioning expenses more than doubled to Rs.414mn (v/s our est of Rs.300mn). The bank took a hit of Rs.288mn on its AFS portfolio and of which Rs.180mn is booked on Equity portfolio. NPA and standard assets provisions were Rs.126mn v/s Rs.190mn in 1QFY08. In absolute terms, Gross NPAs fell 2% QoQ and YoY to Rs.4.8bn and Net NPA fell 5% QoQ to Rs.1.9bn (up 14% YoY). Gross NPA ratio reduced to 2.34% (down 42bp YoY and 19bp QoQ) whereas, Net NPA ratio fell to 0.96% (down 2bp QoQ and 12bp YoY).

Provision coverage ratio reduced from 65% in 1QFY08 to 60% in 1QFY09. The bank is comfortable on Capital adequacy at 12.2% with Tier I at 11.6%.

Company description:

J&K Bank is a private sector bank, with the J&K government holding 53% of the bank's equity. With a balance sheet size of Rs.286bn, the bank has a network of 520+ branches and 180+ATMs.

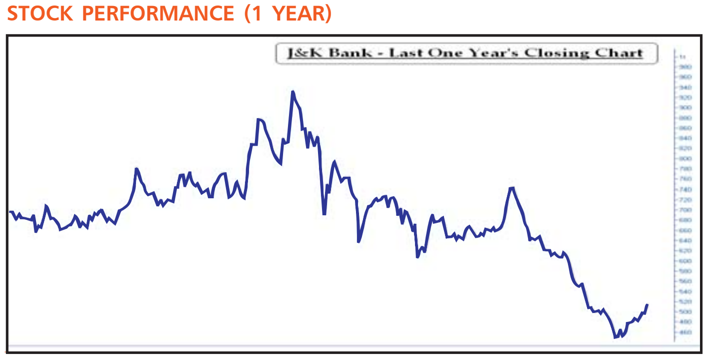
Key investment arguments:

Loan growth is accelerating, after remaining subdued for the last few quarters. Fee income is expected to grow with new initiatives such as insurance product distribution, equity trading, depository services, bill collection and increased volumes of government business. Best suited to benefit from the emerging business opportunities in J&K.

Valuations attractive; Buy:

We expect the bank to report RoA to remain healthy at 1.2% and RoE of 18%+ in FY10. Increasing share of J&K advances likely to keep NIMs stable. Higher contribution from Insurance and other fee based products would also help the bank to keep to post strong operating profits. Further realisation of the operating leverage (C/I Ratio at 38%) would also help the bank to maintain its RoAs. The stock trades at P/E of 5.9x and 4.6x of FY09 and FY10 EPS of Rs.82.5 and 104.5 and P/BV of 0.9x and 0.8x FY09E and FY10E BV of Rs.537 and Rs.620.

STOCK PERFORMANCE (1 YEAR)



CMP: current market price

top picks

Bharti Tele : CMP: Rs.820 / MBP: Rs.900

- Bharti Airtel's 1QFY09 earnings grew 34% YoY and 9.3% QoQ to Rs.20.25bn (vs est of Rs.18.8bn). Revenues grew 43.7% YoY and 8.5% QoQ to Rs.84.8bn (1.5% ahead of our est). EBITDA margin remained flat YoY and QoQ at 41.5%. It reported net derivative and forex loss of Rs.1.48bn during the quarter. EBITDA was in-line at Rs.35.2bn
- Mobile ARPU declined 10% YoY and 2% QoQ to Rs.350/month (our est of Rs.348) despite a steep 6.9% QoQ cut in effective tariffs as minutes of use (MOU) per subscriber jumped 5.3% QoQ to 534
- Sharp MOU growth is a positive surprise, especially coming on the back of a 7% QoQ jump in 4QFY08
- Mobile revenues increased 47.2% YoY and 7.7% QoQ to Rs.69.2bn. Cellsite base increased to ~76,000 increasing the population coverage to 74% v/s 71% in 4QFY08
- Bharti has received incremental spectrum in 8 circles and has applied for additional spectrum in 7 more circles. We believe that the allocations should allay any fears of growth being impacted due to spectrum constraints and would also result in better capex efficiency
- The stock is currently trading at 16.9x FY09E and 14x FY10E earnings. We expect Bharti to maintain its leadership in the mobility markets
- We are upgrading our FY09 EPS estimate by ~2% to Rs.48.1 (mainly to reflect lower depreciation and minority interest) but keep our FY10 estimate unchanged at Rs.57. The stock is trading at an EV/EBITDA of 10.3x FY09 & 8.2x FY10 and P/E of 17.2x FY09 and 14.5x FY10. We expect the tower segment to be a key margin driver for Bharti given scope for improvement in sharing ratio (currently at 1.22x) along with high visibility on multiple tenancy due to the Indus JV

BHEL : CMP: Rs.1,755 / MBP: Rs.1,775

- Performance: During 1QFY09, BHEL reported revenues of Rs.43.3bn (up 34% YoY), EBIDTA of Rs.3.7bn (up 20% YoY, margin 8.6%) and net profit of Rs.3.8bn (up 33% YoY). The reported numbers are higher than our estimates: Revenues Rs.38.9bn (up 20.1%YoY), and net profit of Rs.2.8bn (down 2.1%YoY)
- During 1QFY09, BHEL's reported EBIDTA margins declined 100bp, while adjusted for incremental provision towards 6th Pay Commission, EBIDTA margins expanded 570bp to 11.3%. Revised provisioning for 6th Pay Commission stands at Rs.19.1bn (over 9 quarters), and thus, quarterly run rate stands at Rs.2.1bn, v/s Rs.1.2bn estimated earlier (in Mar 08) and Rs.820mn during Jan 07
- Strong business environment: 1) Capacity expansion plans to 20,000MW (largely thermal) by FY12; existing capacity stands at 10,000MW, and current plans entail capacity expansion to 15,000MW by Dec 2009 2) Expects to maintain 60-65% market share, despite Chinese competition and 3) Robust FY09 guidance: Revenue up 25% YoY and margins to be maintained; reiterated FY12 revenue target of Rs.450bn, entailing 21% CAGR till FY12
- During FY08-10, we expect BHEL's EBIDTA margin improvement (adjusted for the 6th Pay Commission Provision) at 250bp, largely driven by 367bp savings in normalized staff costs. The stock trades at PER of 24x FY09 and 18.6x FY10. We arrive at a price target of Rs.1,900/sh, based on 21.2x FY10E. We upgrade to Buy

Tata Steel: CMP: Rs.680 / MBP: Rs.700

- Tata Steel's 1QFY09 adjusted PAT increased 71% YoY to Rs.17bn vs estimate of Rs.14.8bn (stand-alone). Net Sales increased 47% YoY to Rs.61.7bn driven by sales volumes growth of 11.4% YoY to 1.159m tons and blended realization growth of 25% YoY to Rs.45,737/ton
- Similar to JSW Steel and SAIL results, Tata steel's blended realization too has increased Rs.6580/ton QoQ despite 3 months price freeze agreed by steel producers
- Revenues from Ferro alloys segment (FAMD) increased 2.6x YoY to Rs.8.4bn while EBIT increased ~4x YoY (and by Rs.1.7bn QoQ) to Rs.4.8bn driven by a steep increase in ferro alloy prices
- We are upgrading our FY09 earnings estimate for stand-alone operations by 16.7% to Rs.73.5bn. As a result, we are upgrading our FY09 consolidated EPS by 7% to Rs.136
- Nat Steel and Tata Steel Thailand too have done well and PAT has increased to US$30mn (against $5mn last year) and US$50mn (against US$7mn last year) respectively
- Corus too is expected to report very good set of 1Q numbers, if we were to take clue from the results of Arcelor-Mittal, US Steel and Nucor steel. Consolidated results are expected within one month. We expect Corus to deliver EBITDA of US$2.5bn during FY09 despite cost increase of Euro230/ton and under-recovery of costs on annual contracts due to strong prevailing prices of steel products and performance improvement of US$600mn
- Non-integrated players continue to remain exposed to steep cost increases, which will justify higher price increases in domestic markets and drive the margins of Tata Steel's Indian operations on account of upstream integration into mining of raw materials

MBP: Maximum Buying Price

CMP: Current Market Price

select the portfolio that best suits your risk profile

Scrip	MBP*	Wtg.*	%	First Reco. Date	First Reco. Price
AGGRESSIVE - High Risk, High Returns					
Bharti Tele	799	H	7	Aug-03	48
BOI	272	M	5	May-08	363
BHEL	1,679	L	3	Jun-08	1700
DEWAN HOUSING	112	M	5	9-Jan-08	229
Dish TV	30	H	10	Aug-07	84
DLF	509	H	7	Jul-07	565
EIH Associates	118	H	6	Jan-05	65
Great Offshore	397	H	8	Jun-07	711
Infosys	1,583	H	10	Jun-07	1920
Kesoram	272	M	5	Jun-07	382
M&M	521	M	5	Oct-07	780
Mangalam Cement	89	L	3	Jun-07	131
Pantaloon	348	M	5	Oct-07	535
Subex	76	H	7	Jun-07	650
Taj GVK	93	M	5	Oct-07	153
Cash			9		
Investment %			**100**		

Our Aggressive Portfolio works on the principle of 'no pain no gain'. The target returns are high at 30%+. Portfolio includes commodity, cyclical and small-cap stocks.

Scrip	MBP*	Wtg.*	%	First Reco. Date	First Reco. Price
MODERATE - MEDIUM Risk, MEDIUM Returns					
Bajaj Auto	531	L	1.66	Oct-07	-
Bajaj Finserv Ltd (BFS)	442	L	1.66	Oct-07	-
Bajaj Holdings & Investment Ltd	348	L	1.66	Oct-07	-
Bharti Tele	799	H	6	Aug-04	33
PNB	451	L	3	Jun-08	490
EIH Associates	118	H	9	Mar-03	11
Greaves Cotton	171	L	2	Aug-07	330
Hero Honda	805	M	5	Oct-07	730
Hindustan Zinc	594	L	3	Jul-07	752
Indian Oil	403	L	3	Dec-04	516
Maruti	575	M	5	Sep-06	920
Nagarjuna Const	130	M	5	Oct-07	255
PFIZER	562	M	5	11-Dec-07	740
Raymond Limited	208	H	8	Dec-03	375
Satyam	380	M	5	Apr-07	445
SBI	1,415	H	9	Jan-06	613
Sintex	316	M	5	Oct-07	345
Sterlite Industries	632	L	3	Jul-07	650
RIL	2,206	M	5	1-Jul-08	2100
TCS	833	M	5	Oct-07	1120
CASH			9		
Investment %			**100**		

Some moderation is achieved in this portfolio by investing in large and growth stocks available at value. The aim is to generate 20%+ annualized returns with less risk.

Scrip	MBP*	Wtg.*	%	First Reco. Date	First Reco. Price
DEFENSIVE - LOW Risk, LOW Returns					
Amtek Auto	207	M	5	Sep-05	235
BEL	973	M	5	Sep-06	1141
Biocon	381	H	8	Apr-06	453
Glaxo	1,100	M	5	Mar-04	800
GPIL	201	L	2	Nov-07	295
Hindusthan Lever	240	M	9	Dec-04	130
Indian Oil	403	M	5	Dec-03	375
Piramal Healthcare	320	M	5	Jan-06	254
ONGC	996	H	10	Jun-07	875
Ranbaxy	499	M	7	Aug-07	375
RCOM	500	M	7	Mar-06	390
SBI	1,415	H	10	Nov-02	375
Tata Steel	655	M	5	Jan-06	512
Union Bank	132	M	5	Dec-04	90
United Phos	340	H	12	Jan-05	140
Investment %			**100**		

Some moderation is achieved in this portfolio by investing in large and growth stocks available at value. The aim is to generate 20%+ annualized returns with less risk.

MBP : Maximum Buying Price. One should not buy the stock if Price is above MBP.*
Wtg. : Weightage refers to the size of the position recommended. H-High, M-Medium, L-Low.*

The main highlights of the month was the survival of the UPA government after much drama in the Parliament, nuclear deal coming to see the light of day and a sharp crack in the price of crude oil.

All this has positive ramifications for the market both from the sentiment point of view and the fundamental point of view.

If we analyse the corporate performance of India Inc. for the 1st quarter ended 30th June 08, for the 128 companies under our coverage sales growth has been a good 38.50% , EBIDTA growth stood at 21.5% and PAT growth stood at 14%. 52 companies in our Universe have reported PAT higher than estimates while 52 have reported below. On the EBIDTA front, 55 companies reported above estimates while 49 reported below estimates. For the sensex companies. The aggregate performance is higher with PAT growth of 21.8% vs estimate of 15.1% while EBIDTA was in line, which grew by 22.9% vs estimate of 20.7%.

All this clearly indicates that the earnings momentum has slowed down-however the same remains quite healthy. If all of this viewed in the backdrop of the markets having come off sharply, valuations have become extremely comfortable and thus creates an opportunity to buy even on a positional basis. This would create the perfect platform to rally to at least 5000 on the nifty levels in the medium term.

We have removed two stocks from our model portfolios Goldiam International and Ganesh Housing as we believe that the fundamental stories might have undergone a change and secondly smaller companies would have great difficulty operating in a extremely tough environment of rising interest rates and reducing margins.

Our aggressive , moderate and defensive portfolios have given us a return of 1.5%, 1.4%, and 7.2%, vis-à-vis returns of 7.2% and 6.6% on the nifty and the sensex respectively.

Sector	Allocation (%) Agg.	Mod.	Def.
Agrichem & fertilisers	3	0	12
Auto & Ancillaries	5	13.34	5
Banking	10	13.66	15
Cement	8	0	0
Engineering	3	0	5
FMCG	0	0	9
Hotels	11	9	0
Miscellaneous	17	13	0
Oil & Gas	0	8	15
Pharma	0	5	25
Power	0	0	0
Software	17	10	0
Steel	0	0	7
Construction	10	5	0
Pipes	0	0	0
Textiles	0	8	0
Telecommunication	7	6	7
Tyres	0	0	0
Total	**91**	**91**	**100**

Additions or deletions of stocks are being communicated through our morning conference calls, Most Market Action emails or on AWACS during market hours.

HIGHLIGHTS OF THE CREDIT POLICY AND ITS IMPACT ON THE BANKING SECTOR

CREDIT POLICY: CRR hiked by 25bps and Repo rate by 50bps; Focus continues on liquidity management and inflation

The RBI (Reserve Bank of India) announced the 1st quarter review of the annual monetary policy for 2008-09. Key highlights:

RBI increased CRR again by 25bp to 9% w.e.f 30th August 2008. Besides the CRR increase, RBI has also increased Repo rates by 50bp to 9% with immediate effect. Since April 2008, RBI has increased CRR by 125bp and Repo rates by 150bp, giving a signal to rising interest rate scenario to fight double digit inflation. Successive hikes in both CRR and repo rates during last couple of months are indicating RBI's stern actions to tame down the inflationary pressure even at a cost of growth. Banks have increased their lending rates by 50-100bp in 2QFY08 to protect their margins. The sub-PLR lending is also being curtailed due to tight liquidity conditions. Further increase in lending rates would impact loan growth and can increase probability of loan losses.

A 25bps CRR hike would reduce liquidity of ~Rs.93bn from the system. As banks do not earn any interest on CRR balances, banks would lose Rs.9.3bn (assuming 10% yield on Loans) annually due to the CRR hike. Banks would have to increase its average loan yields by 3-4bps to maintain margins. Overall with the 125bp CRR impact, banks need to increase yields by 18-20bps to offset the negative impact on CRR.

RBI's focus remains on containing money supply, liquidity management and reducing inflation. M3 target is 17% for FY09 (against a growth of 20.7% in FY08). Deposits are expected to grow at 17.5% and loans at 20%. RBI aims to reduce the double digit inflation to close to 7% (from 5.5% earlier) by the end of FY09. However RBI expects inflation to remain at current levels for next couple of months and then come down gradually to the desired 7% level by FY09. RBI has not ruled out possibility of such further tightening actions. Simultaneously real GDP forecast for FY09 is revised from 8-8.5% to about 8.0%. However, the governor reiterated that RBI's growth estimates are conservative and growth environment is not as bad as it is perceived.

RBI has expressed its concerns over the rapidly growing loan book of the banking system and the limited headroom left for some banks to increase the credit to deposit ratio (C-D ratio). With 25% SLR ratio and 9% CRR; C-D ratio for all the banks should be in vicinity of 65%. Most banks are running at C-D ratio of >70% currently. SBI, BoI, BoB, HDFC Bank and Axis Bank amongst the large banks have reported 30%+ loan book growth during 1QFY09; much above industry growth rate of ~25%.

	ICICI Bank	HDFC Bank	Axis Bank	SBI	BOI	BOB	Union Bank	IOB
1QFY09 C-D Ratio %	78	76	71	71	72	69	71	75
FY08 Loan Gr %	15	35	62	24	39	28	19	28
1QFY09 Loan Gr %	13	47	48	31	39	42	19	30

C-D ratio is based on the domestic business
For ICICI,HDFC and Axis Bank; C-D ratio includes credit equivalent investment

Stance of the policy on Liquidity, inflation and stability

RBI has reiterated that it will continue with its policy of active demand management of liquidity through appropriate use of the CRR stipulations and open market operations (OMO) including the MSS and LAF, using all the policy instruments at its disposal flexibly as and when the situation warrants. Liquidity management and price stability would continue to receive the highest priority in the hierarchy of the policy objective. RBI's monetary policy would strive:

To ensure a monetary and interest rate environment that accords high priority to price stability, well-anchored inflation expectations and orderly conditions in financial markets while being conducive to continuation of the growth momentum.

To respond swiftly on a continuing basis to the evolving constellation of adverse international developments and to the domestic situation impinging on inflation expectations, financial stability and growth momentum, with both conventional and unconventional measures, as appropriate.

To emphasize credit quality as well as credit delivery, in particular, for employment-intensive sectors, while pursuing financial inclusion.

The 10yr G-Sec yields increased by 30bp to 9.4% post the announcement of the credit policy. We believe hike in CRR would impact margins of the bank and the rise in repo rates is clear signal for the rise in the interest rates in the system.

Will Sensex cross and sustain above 15,200?

More & more pains …that is what we have been witnessing in the markets since past 6 months. However in this month of July Sensex formed the bottom of 12,500, we witnessed a swift rally of 2600 points from there on in just 7 trading sessions reviving the hopes among the participants for further up move. Is it to be dismissed as a corrective rally? Not necessarily. The reason being, for the first time in last 3 months we will witness a higher top higher bottom formation if 15,200 is breached upwards. Interestingly, if the formation continues we may just head out of the bear grip formed by the trend line joining previous significant tops of 21207 & 17735.

Will Sensex Cross 15,200 & sustain above it ??

Well, as per the Elliot Wave Theory, the current fall started from 21,207 (6357) is showing 'Falling Wedge' Structure where, the A-B-C formation of the bear trend is completed as shown in the chart. Sensex formed a bottom of 12500 mid month around the 50% retracement level of the last 5 years' uptrend (2904 - 21,207) seen near 12,300 (3700). After this significant bottom Sensex saw consecutive positive weekly closes showing strength on the charts. The RSI oscillator on weekly charts is also turning upwards from the oversold zone and cutting the trigger line upwards supporting the uptrend. Last but not the least the broader Mid-Cap and Small Cap Indices have already formed Higher Top - Higher Bottom structure showing buying interest in the market.

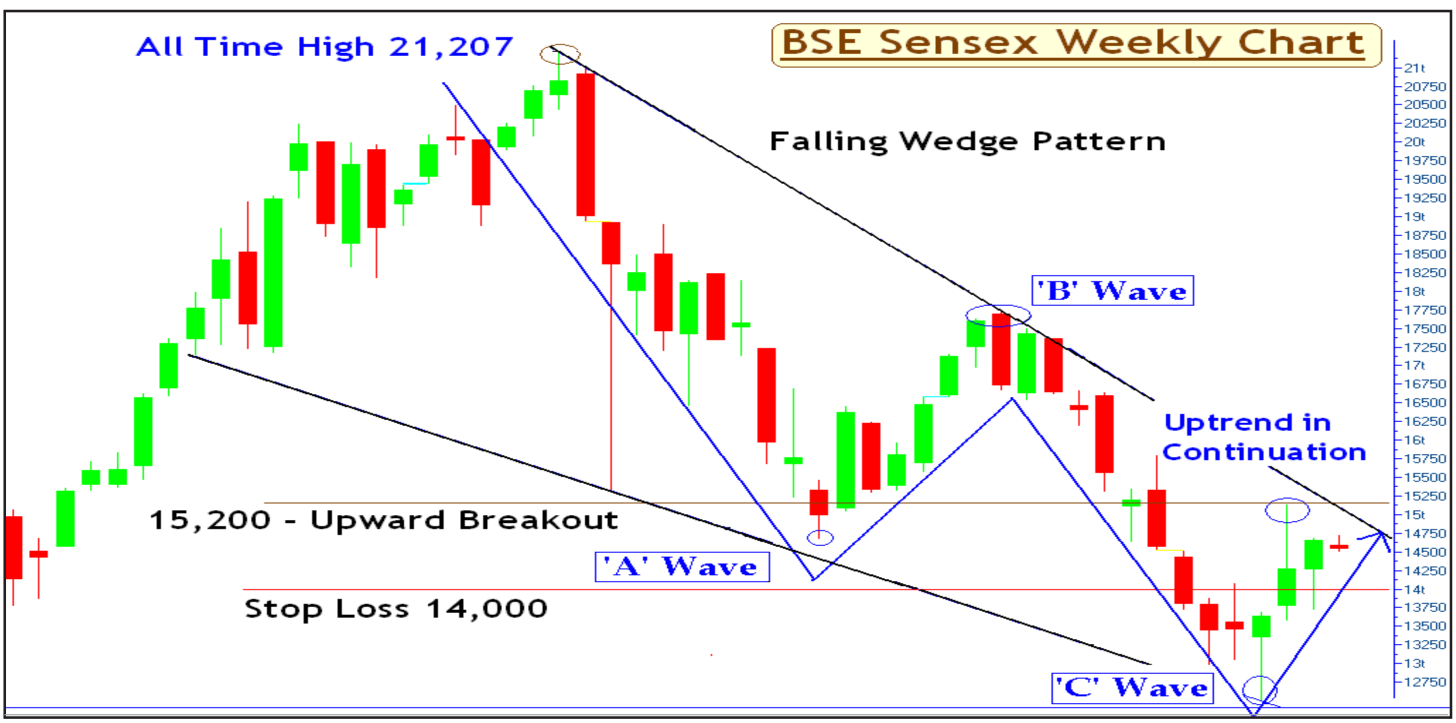
In this current upward momentum started from the level of 13,727 (4159), Sensex has tested 14,700 levels. Intermediate level for this up move is placed at 14,000 levels, hence this level can be used as Stop Loss for trading buying positions. As Sensex crosses 15,000 mark profit taking may be seen near the earlier high of 15,130 levels hence the stop loss can be revised higher at 14,600 level on closing basis which is a crucial level for the trend to remain intact. Once Sensex breaches 15,200 on closing basis, then we may be in for strong uptrend, hence by using the trailing stop loss method, the buying positions can be continued.

ACTIONABLES:

At the current situation of Sensex, the strategy for trading is as follows:

1. The positional trading buying positions can be held with the stop loss of 14,000 (4200) on closing basis.
2. Once Sensex moves near 15,000 (4500), the trailing stop loss is recommended to revise upwards at 14,600 (4400) (CL) from 14,000 (4200) level.
3. If Sensex is able to cross 15,200 level on closing basis, by using the trailing stop loss method, the trading buying positions can be conntinued.
4. If Sensex is able to test 15,000 level, the stop loss level of 14,600 will be trend reversal level hence if 14,600 level is breached on closing basis, short selling positions can be initiated with the stop loss of 15,000 (CL).

(All the levels in brackets are of Nifty Cash)



The above views are based on Technical analysis and could differ from our fundamental views.
For further ideas on Technicals contact: Sushil Mulye (sushilmulye@motilaloswal.com) Tel.: +91 22 30896833

derivatives & options trading

We ended the month of July on a positive note on the back of easing crude prices and political stability. S&P CNX Nifty started the month at 4040 consolidated under mounting risks of incremental crude oil prices & burdening inflation. After hitting the low of 3790 market sentiments turned positive mid month as crude slipped never to see major increments through the month. As the government survived vote of confidence opening the way for further reforms, markets posted one of its biggest intra day increments to touch the high of the month of 4540 within 2 days of the verdict. The broader index consolidated to end the month on a positive note with an increment of nearly 300 points at 4332.

On the Derivatives front, July series witnessed Total rollover of 79% (6m-avg 81%) and Nifty Rollover of 64% (6m-avg 69%). Nifty started the month with Rs.536bn in open position*. Participation started coming in with major contribution from Nifty futures and options. Continuous increments were seen till mid month post that a breather of 5-6% was seen, led by short covering. The market wide exposure topped out as usual on the ultimate session at Rs.751bn to end the month on expiry at a dismal Rs.432bn. Nifty July Open Interest Put Call Ratio hit the low of 0.78 mid month giving an over pessimistic signal right before the eruption in the markets and then shot up to 1.48 post the rally to end the month with August OIPCR of 1.13. Implied volatility quoted on Nifty ATM options hovered in mid 30% through out the month except for the vote of confidence event resulting into 60-65% due to uncertainty among participants.

Nifty rollvers have been below average. The activity showed resilience among shorts to carry forward. We are starting the month with a very light Nifty of 27mn shares & a healthy OIPCR of 1.13 The Outlook remains moderately positive for the month. Prima facie select metal & capital goods stocks look positive.

* Open interest does not include long date options.

We recommend following option strategy viz. Nifty Put (Bull) Spread

INDEX: NIFTY | **LOT SIZE: 50**

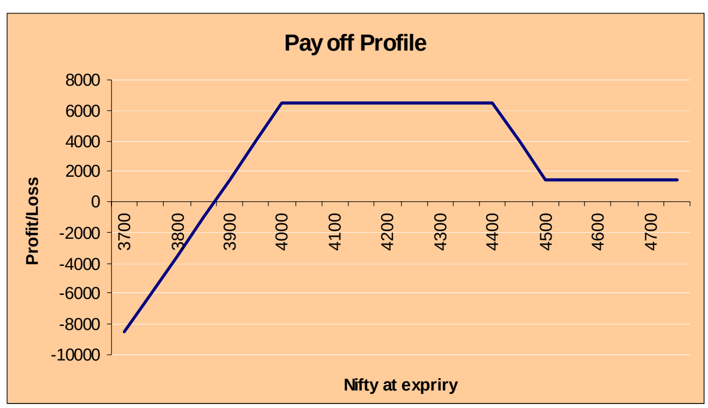
View	:	Neutral to Bullish
Rationale	:	1. Rollover activity & OIPCR of 1.13 is pointing towards positive bias for the month. 2. Early build up is indicating congestion levels around 4000 on down side and 4400-4500 on the upside. 3. In case Nifty expires above 4500 still there is an inflow of 1475/-
Premium Inflow	:	Rs.1475.000 (per spread)
Span Margin	:	Rs.15, 000.00 (Approx)

Strategy: Nifty Put(Bull) Spread

Buy/Sell	Scrip	Series	Option Type	Strike Price	Reco Price
BUY	NIFTY	AUG	PE	4500	Rs.290-295
SELL	NIFTY	AUG	PE	4400	Rs.235.-237
SELL	NIFTY	AUG	PE	4000	Rs.85-87

Pay Off Profile at Expiry

Break Even Point	Maximum Profit	Maximum Loss
N.A.	Rs.6475 (Bet. 4400 & 4000)	Unlimited below 3870



monthly performance statement

The overall performance for this month was impressive despite highly volatile market. Sensex surged by 894 points to close nearly 6-week high at 14356. Sensex touched 14 month low at 12514 and recovered over 2000 points during second half of July. Declining crude oil price, impressive corporate results, stable Inflation along with Government survival of trust vote were some of the major positive factors this month. RBI again hikes Repo and CRR rate by 50 bps and 25bps respectively. US Fed meeting will be held on next month.

In terms of overall performance of our calls had a strike rate of 75%. Trading portfolio F&O calls witnessed impressive strike rate. We recommended many short calls as well during the month. Market Diary call and News based call strike rate nearly 70%. We also launched Technical call (intra-day only) on Nifty and got better results. Pivot call also improved the strike rate to the tune over 70%. It has been our endeavor to be watchful and give appropriate views with the objective of giving better Technical and Fundamental Calls.

The following is the performance of the technical, trading portfolio F&O and derivative desk - retail for the month of July 2008.

Type of Calls	Total Calls	Positive Calls	Negative Calls	Strike Rate (%)
Trading Portfolio (F&O and Cash)	48	35	13	72.9
Derivative desk and technical calls	13	12	1	92.3
Pivot Calls	12	9	3	75.0
Market Dairy Calls (Technical Calls)	35	25	10	71.4
News based calls	78	52	26	66.7
Technical calls (Nifty)	37	26	11	70.3
TOTAL (AVERAGE)				74.8

MOSt focus

LONG TERM FUNDAMENTAL RESEARCH IDEAS

Scrip Name	MBP	Scrip Name	MBP
ICSA	345	Dena Bank	50
Prism cement	36	BHEL	1,775
Cummins India	285	PNB	580
Infosys	1,900	Bank of India	370
Sesa Goa	3,025	TCS	1,135
OBC	165	ONGC	1,070
Reliance Industries	2,250	Bajaj Auto	480
HDFC Bank	1,050	Hero Honda	850
Mercator Line	120	Union Bank	150
HCC	124	SBI	1,520
Axis Bank	700	Tata Steel	700
JSPL	2,350	Bharti Tele	900
J&K Bank	525	Maruti	875
ICICI Bank	812	Taj GVK Hotels	110
Federal Bank	225	IVRCL	310

* For detailed research reports, please contact your Relationship Manager

MOSt 3x3

	CMP
Large Cap	
Bharti Tele	820
BHEL	1,755
Tata Steel	680
Mid Cap	
Cummins India	284
IVRCL	300
Oriental Bank of Commerce	161
Low Price	
Dena Bank	46
ICSA	339
Taj GVK	92

* Three Recommendations from weekly basis CMP: current market price

market roundup

The month of July started on a cautious note watching out for local events like inflation, political uncertainty & global events like oil prices movement. The 10-yr benchmark yield remained above 9% almost throughout the month except for 3 trading sessions. Some good news like sharp fall in oil prices and UPA Government winning the trust vote did act as a breather in the middle of the month, but rigid stance adopted by the central bank to control inflation took the 10-year benchmark from 9.07% to 9.40%.

RBI surprised the market by announcing a 50 bps hike in Repo Rate and a 25 bps hike in CRR in its first quarter review of the Annual Monetary Policy for FY09. The effect of the announcement was felt immediately in the rates market where the 10 Yr G-Sec yields spiked up to 9.54% from the previous day's close of 9.07%. The measure sent out a strong signal to the market about the central bank's growing discomfort with rising inflation. In this fiscal, the repo rate and the CRR have been increased by a cumulative of 125 bps and 150 bps respectively. RBI Governor said that the policy action was based on forward looking macro economic modelling.

RBI lowered its forecast for FY09 growth from 8.0-8.5% to around 8.0%. Additionally, RBI increased its target for the WPI inflation from the comfort range of 5.0- 5.5% earlier, to 7.0% by the end of this fiscal. Following are some of the factors highlighted in the policy:

- Inflation running at a 13-yr high being driven by unrelenting pressures from international commodity prices
- High growth in monetary and credit aggregates, which continue to run above their respective indicative policy levels, have contributed to an escalation in inflationary pressure
- Investment demand continues to remain strong and consumption demand appears to be reviving
- The excess of merchandise imports over exports reflects the pressure of domestic demand
- The expansionary fiscal policy (increase in subsidies, farm debt waiver scheme, 6th Pay Commission, etc.) would contribute to pressures on aggregate demand

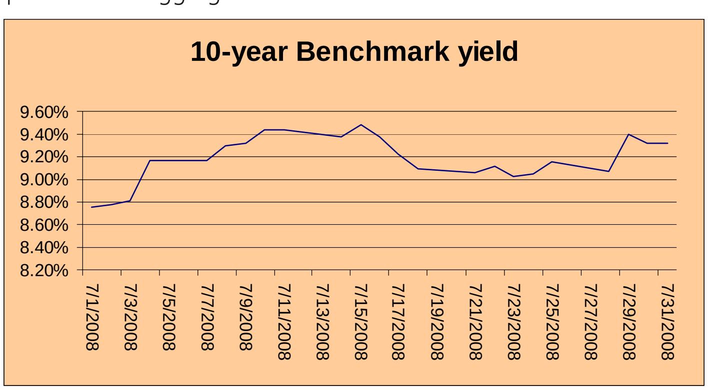
Particular	Policy Statement July 29, 2008	Policy Statement April 29, 2008
Bank Rate	6.00%	6.00%
Repo Rate	9.00%	7.75%
Reverse Repo Rate	6.00%	6.00%
Cash Reserve Ratio	9.00%#	8.25%
GDP Growth	8.00%	8.0-8.5%
WPI Inflation*	7.00%	5.50%
M3 Growth*	17.00%	16.5-17.0%

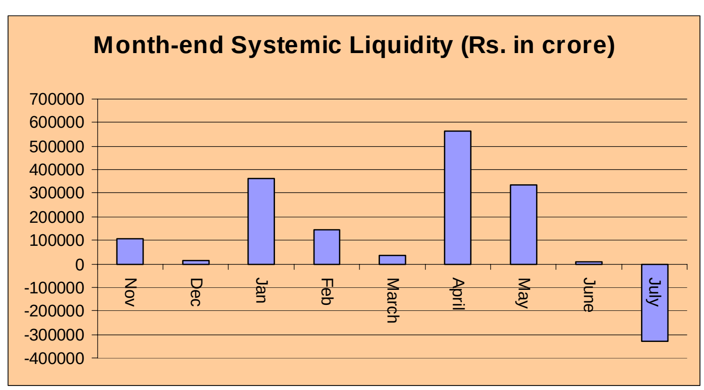
*Note - * Target of FY09, #CRR hike with effect from August 30, 2008.*

RBI has strongly urged the banks to renew their emphasis on credit quality with focus on stricter credit appraisals, monitor loan to value ratios and generally ensure the health of credit portfolios on a durable basis without encountering undue asset-liability mismatches. The monetary policy stance for the rest of the fiscal suggests that the RBI would remain vigilant regarding any worsening of inflationary expectations, and respond swiftly on a continuing basis. Further tightening would be contingent on the extent of pass through of international prices to domestic prices and also on the prevailing level of liquidity in the system.

G-sec Yield curve & spread as on 31-July-08

Year	G Sec Yields (%)	AAA Corp Yields (%)	AA+ Corp. Yields (%)
1 Yr	9.37	10.75	10.96
3 Yr	9.34	10.81	10.98
5 Yr	9.41	10.66	10.81
10 Yr	9.32	10.43	10.70
T BILL			
91 Days	9.36		
364 Days	9.56		





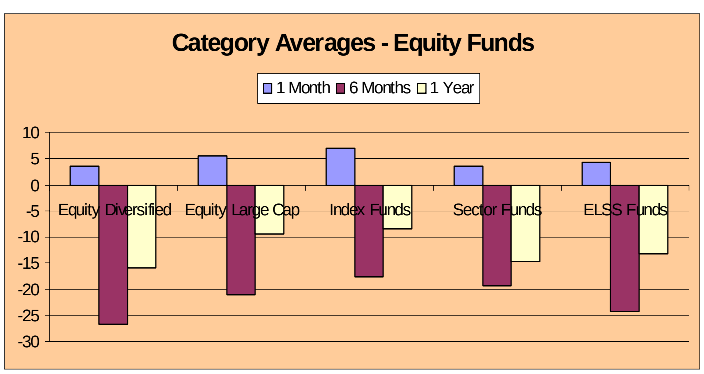
overview of equity funds

July 08 was a roller coaster month of the Indian Equity market where the market swung both ways on the back of various events. Crude oil breaching yet another all time high of USD 146 per barrel, domestic political instability, high domestic numbers and dismal industrial production numbers caused the equity market to tank during initial days of the month. Among the sectoral indices the major gainers were CNX PSU Bank (31.03%), CNX Bank Nifty (21.07%) & BSE Realty (20.47%). FII were the net sellers to the tune of 1837.10 cr, whereas Domestic Mutual Funds were the net buyers of 1412.40 cr.

In the Equity Diversified category Reliance RSF - Equity topped the chart with 1- yr absolute returns of 7.43% whereas DWS Investment Opportunity Fund stood 2nd with 1-yr absolute returns of 6.07%. Among the Index funds ICICI Prudential Index Fund & Franklin India Index Fund - NSE Nifty Plan stood 1st generating 1-yr absolute returns of (-2.33%) & (-5.15%) respectively. Sector Funds showed diversity in returns with Reliance Diversified Power Fund (1-yr absolute of 18.85%) topping the charts. In the Equity Linked Saving Scheme category Sundaram BNP Paribas Taxsaver & Tata Tax Advantage Fund topped the charts with 1-yr absolute returns of 1.60% & -4.77% respectively.

The month of July saw debut of only 1 equity scheme, namely lotus India Banking Fund which opened at Rs. 9.51.

Category	1 Month Absolute	6 Months Absolute	1 Year CAGR
Equity Diversified	3.62	(26.78)	(15.82)
Equity Large Cap	5.65	(21.00)	(9.50)
Index Funds	7.16	(17.64)	(8.61)
Sector Funds	3.69	(19.28)	(14.58)
ELSS Funds	4.31	(24.20)	(13.26)



<1 yrs Absolute, >1 CAGR

overview of debt funds

The month of July 2008 saw yield on the Benchmark 10 yr Gsec harden from 8.75% to 9.32% levels at the end of the month. There was slight reprieve during the mid of the month owing to sharp fall in the oil prices & the ruling UPA government winning the trust vote, which took the 10 Yr Gsec yield to 9.02% (23rd July 08). However it was short lived on the back of rigid stance adopted by the RBI in its 1st quarterly review meet taking the 10 Yr yield to an intra month high of 9.40% on closing basis (July 29th 08)

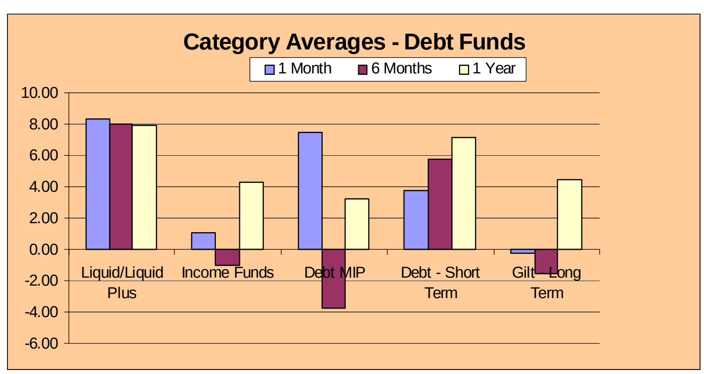
In the month of July 08, longer maturity debt funds like Income Funds & Gilt - Long Term showed better performance compared to the previous month. Income funds delivered an SAGR of (1.05%) v/s (-6.06%) for 1 mth whereas Gilt - Long Term delivered an SAGR of (-0.26%) v/s (-5.95%) over the same period. However DEBT MIP category was the outperformer as compared to previous month. It delivered a 1 mth SAGR (7.48%) whereas in the previous month it delivered a 1 mth SAGR (-34.74%). Better performance was due to a rally in the equity market.

Among the Debt Indices the major losers were I-Sec Li-BEX (-2.34%), I-Sec Mi-BEX (-1.62%) & IBEX (- 1.53%). The top gainers among the Debt Indices were Crisil MIP Blended Index (1.51%) & I-Sec Si-BEX (0.82%).

Liquid/Liquid Plus category delivered 1 mth SAGR of 8.31% where as Debt - Short Term category registered a 1 mth SAGR of 3.75%.

In the Gilt Long term category Templeton India GSF - LTP topped the chart with 1-Yr annualized returns of 9.23%, whereas in case of Income funds the topper was Birla Sun Life DBF with 1-Yr annualized returns of 10.76%. In the Debt MIP category DBS Chola Monthly Income Plan topped the chart with 1-Yr annualized returns of 23.40%.

Category	1 Month SAGR	6 Months SAGR	1 Year CAGR
Liquid/Liquid Plus	8.31	7.99	7.95
Income Funds	1.05	(1.03)	4.34
Debt MIP	7.48	(3.76)	3.26
Debt - Short Term	3.75	5.80	7.14
Gilt - Long Term	(0.26)	(1.57)	4.43



<1 yrs simple annualised, >1 CAGR

PERFORMANCE OF KEY SCHEMES AS ON 31ST JULY 2008

Scheme Name	Returns (P2P %)					Daily Rolling returns (1 Yr)	2 Yrs SIP Returns (%)
	6 Months	1 Yr	2 yrs	3 Yrs	5 Yrs		
EQUITY DIVERSIFIED - LARGE CAP							
HSBC Equity Fund - G	-17.35	2.57	22.93	26.60	41.46	0.05	5.74
DSP Merrill Lynch Top 100 Equity Fund - G	-14.91	-1.40	22.85	29.36	38.17	0.03	4.32
Kotak 30 - G	-20.84	-1.76	21.03	27.66	39.33	0.05	3.22
Sundaram BNP Paribas Select Focus - G	-15.72	5.49	24.40	31.46	38.73	0.07	7.30
Tata Pure Equity Fund - G	-20.52	-6.76	17.82	24.02	38.41	0.02	-0.47
Templeton India Growth Fund - G	-10.08	2.28	22.91	24.66	35.15	0.06	6.91
EQUITY DIVERSIFY FUNDS							
Birla Sun Life Frontline Equity Fund - G	-18.12	-7.34	20.65	26.06	34.48	0.03	0.46
ICICI Prudential Dynamic Plan - G	-14.42	-6.30	20.03	27.19	38.29	0.03	0.76
Kotak Opportunities Fund - G	-25.81	0.60	22.99	26.76	--	0.07	4.21
Reliance Growth - G	-18.78	-2.05	28.01	28.17	48.58	0.04	6.13
Reliance RSF - Equity - G	-25.57	7.43	30.48	24.79	--	0.10	9.86
Sundaram BNP Paribas CAPEX Oppor. Fund - G	-28.05	-11.65	22.71	--	--	0.02	-2.23
UTI Equity Fund - G	-15.84	-3.82	14.16	17.63	30.25	0.03	-0.94
THEMETIC-INFRASTRUCTURE							
DSP Merrill Lynch India Tiger Fund - G	-27.26	-10.31	23.16	30.17	--	0.04	-1.37
ICICI Prudential Infrastructure Fund - G	-17.41	7.47	35.24	--	--	0.09	14.09
Tata Infrastructure Fund - G	-23.08	-3.59	26.71	32.86	--	0.04	4.62
GLOBAL							
PRINCIPAL Global Opportunities Fund - G	2.32	-4.47	11.01	13.68	--	0.02	2.26
ELSS							
Fidelity Tax Advantage Fund - G	-19.83	-10.45	18.20	--	--	0.02	-1.73
Sundaram BNP Paribas Taxsaver - G	-19.63	1.60	22.85	25.36	41.10	0.05	3.59
Birla Sun Life Tax Relief 96 - D	-32.88	-18.74	15.96	19.77	31.22	0.00	-9.22
INDEX							
Franklin India Index Fund - NSE Nifty Plan - G	-15.62	-5.15	17.11	23.13	--	0.04	-0.20
ICICI Prudential Index Fund (Nifty Plan)	-14.18	-2.33	18.99	25.55	31.05	0.05	2.22
UTI Master Index Fund - G (Sensex Plan)	-18.43	-8.05	15.29	23.32	30.79	0.04	-2.59
BALANCED							
DSP Merrill Lynch Balanced Fund - G	-10.59	1.86	19.22	22.30	28.26	0.04	5.72
Tata Balanced Fund - G	-19.39	-5.68	16.67	19.16	28.52	0.01	-0.23
SBI Magnum Balanced Fund - G	-17.84	-5.75	13.69	18.77	32.96	0.03	-2.13

<1 yrs Absolute, >1 CAGR • *Source: MFI Explorer*

" – " means no history

PERFORMANCE OF KEY SCHEMES AS ON 31ST JULY 2008

Scheme Name	Returns (P2P %) 2 Wks	1 Mth	3 Mths	6 Mths	1 Yr	Daily Rolling Return (1 Yr)
MIP AGGRESSIVE						
DSP Merrill Lynch Savings Plus - Aggressive Fund - Growth	1.39	1.36	-0.32	1.01	3.39	0.0083
PRINCIPAL M I P Plus - Growth	1.84	1.37	-1.54	-2.53	10.65	0.0400
MIP CONSERVATIVE						
PRINCIPAL M I P - Growth	1.30	0.79	-1.74	-1.96	8.65	0.0302
HSBC MIP - Regular Plan - Growth	0.30	-0.16	-3.31	-3.19	3.02	0.0086
SHORT TERM						
Birla Sun Life Short Term Fund - Growth	0.32	0.69	1.95	3.83	7.94	0.0200
HDFC HIF - S T P - Growth	0.21	0.57	1.62	3.83	9.27	0.0234
Reliance Short Term Fund - Growth	0.32	0.40	1.16	3.07	7.75	0.0196
INCOME FUND						
Birla Sun Life Income Plus - Growth	0.26	0.65	0.03	-1.18	7.53	0.0204
Kotak Bond Regular Plan - Growth	0.04	0.09	0.01	-1.55	5.98	0.0144
Reliance Income Fund - Retail - G P - Growth	-0.16	-0.21	-0.86	-2.30	4.98	0.0096
LIQUID FUND						
Reliance Liquid Fund - TP - Retail - Growth	0.33	0.72	2.08	4.08	8.00	0.0210
UTI Liquid Fund - Cash Plan - Growth	0.32	0.71	2.07	4.13	8.23	0.0217
LIQUID IP						
Tata Liquid Fund - SHIP - Growth	0.35	0.75	2.16	4.22	8.43	0.0222
Reliance Liquid Fund - TP - IP - Growth	0.34	0.74	2.16	4.24	8.34	0.0219
GILT						
Birla Sun Life GPRP - Growth	0.26	0.66	1.05	-1.81	8.03	0.0250
Templeton India GSF - LTP - Growth	0.55	1.03	1.36	1.19	9.23	0.0229
FLOATING RATE FUNDS						
Tata FRF - ST - Growth	0.34	0.75	2.17	4.30	8.49	0.0223
PRINCIPAL Floating Rate Fund - SMP - Growth	0.34	0.74	2.13	4.24	8.43	0.0222

<1 yrs simple annualised, >1 CAGR • *Source: MFI Explorer*

" – " means no history

HSBC Equity

The scheme was launched on 03rd December 2002 and over 5+ years of its existence it has generated CAGR of 45.47%. The scheme seeks to generate long-term capital growth from a diversified portfolio of equity and equity related securities of companies across market capitalizations, with a preference for medium and large companies. Mihir Vora & Jitendra Sriram together manage the fund since July 06. The fund managers adopt a combination of top down & bottom up approach. In selecting a particular script the investment team focus on the fundamentals of the business, the industry structure, the quality of management, sensitivity to economic factors, the financial strength of the company and the key earnings drivers.

Since January 08, the fund has an average Debt & Cash allocation of 16.29% of its corpus. This has helped the fund to outperform its benchmark during the period. However in June 2008 the fund had a Debt & Cash allocation of 20.14%, which has caused the underperformance of the fund in comparison to its benchmark. Scripts like BHEL, Reliance Industries, Jain Irrigation Systems Ltd, etc have been in the portfolio since February 06.

The scheme has a Beta of 0.79 & Standard Deviation of 1.59 & Sharpe ratio of 0.019 (31st July 08).

The scheme has a diversified equity portfolio of 32 scripts. Top 10 equity scripts accounts for 39.76% of the portfolio with highest allocation of 6.36% to Reliance Industries Ltd. The top 3 sector accounts for 31.58% of the portfolio with highest allocation of 15.10% to Oil & Gas, Petroleum & Refinery. Investors with a long - term view on the equity can invest in this scheme.

Period	Returns (%)
3 Months	(13.55)
6 Months	(17.35)
1 Year	2.57
2 Years	22.93
3 Years	26.60

Sector Name (TOP 5) As on June 30, 2008	Allocation (%)
Oil & Gas, Petroleum & Refinery	15.10
Telecom	8.94
Computers - Software & Education	7.54
Banks	7.37
Tobacco & Pan Masala	4.37

Scrip Name (TOP 10) As on June 30, 2008	Allocation (%)
Reliance Industries Ltd	6.3633
Infosys Technologies Ltd	5.4808
Bharti Airtel Ltd	4.7188
ITC Ltd	4.3677
Other Equities	4.1082
Larsen & Toubro Limited	3.2678
Housing Development Finance Corporation Ltd	3.0393
Reliance Petroleum Ltd	2.9893
Cairn India Ltd.	2.9313
Glaxo Smithkline Consumer Ltd	2.4971

ICICI Prudential Dynamic Plan

The scheme was launched on 18th October 2002 and since its inception has generated CAGR of 39.84%. The scheme aims to invest primarily in equities and for defensive consideration in fixed income securities including money market instruments with the aim of generating capital appreciation. The actual percentage of investments in will be decided after considering the prevailing market and economic conditions. Sankaran Naren & Amit Mehta together manage the fund. ICICI Prudential Dynamic is a growth oriented fund that invests across market capitalization and sectors with a bottom up approach of investing.

Since January 08, the fund has an average Debt & Cash allocation of 13.09% of its corpus. This has helped the fund to outperform its benchmark during the period. Scripts like Deccan Chronicle Holdings Ltd, Reliance Industries, Texmaco Ltd, etc have been in the portfolio since February 06.

The scheme has a Beta of 0.79 & Standard Deviation of 1.60 & Sharpe ratio of 0.009 (31st July 08).

The scheme has a well diversified portfolio of 45 scripts. Top 10 scripts accounts for 48.84% of the portfolio with highest allocation of 12.57% to Reliance Industries Ltd. The top 3 sector accounts for 39.98% of the portfolio with highest allocation of 15.57% to Oil & Gas, Petroleum & Refinery. Investors with a medium to long term view of the equity market can invest in this scheme.

Period	Returns (%)
3 Months	(12.91)
6 Months	(14.42)
1 Year	(6.30)
2 Years	20.03
3 Years	27.19

Sector Name (TOP 5) As on June 30, 2008	Allocation (%)
Oil & Gas, Petroleum & Refinery	15.57
Banks	14.25
Computers - Software & Education	10.16
Engineering & Industrial Machinery	6.73
Telecom	4.85

Scrip Name (TOP 10) As on June 30, 2008	Allocation (%)
Reliance Industries Ltd	12.57
ICICI BANK LTD.	8.50
Infosys Technologies Ltd	4.90
Federal Bank Ltd	4.11
Mahindra & Mahindra Financial Services	3.55
Bharti Airtel Ltd	3.28
Satyam Computer Services Ltd	3.08
Oil & Natural Gas Corpn Ltd	3.00
Deccan Chronicle Holdings Ltd	2.99
Bharat Heavy Electricals Ltd	2.85

ING OptiMix Global Commodities Fund

NFO Period: 29th-July-08 till 25-August-08

Fund Manager: Mr. Arvind Bansal

Investment Objective: The primary objective of the Scheme is to achieve long-term capital growth by investing primarily in units of global mutual funds which invest in commodity related securities. However, there can be no assurance that the investment objective of the scheme will be achieved.

Structure: An open ended Fund of Funds scheme

Instruments	% Of Net Assets
Global mutual funds which invest in commodity related securities.	65-100
Debt funds, liquid funds, money market funds	0-25
Money Market Securities	0-10

Benchmark: 40% Dow Jones World Basic Materials Index + 40% Dow Jones World Oil and Gas Index + 20% MSCI AC World

Entry Load: For investment of less than Rs. 5 crores : 2.50% of the applicable NAV

For investment of Rs. 5 crores and above : Nil

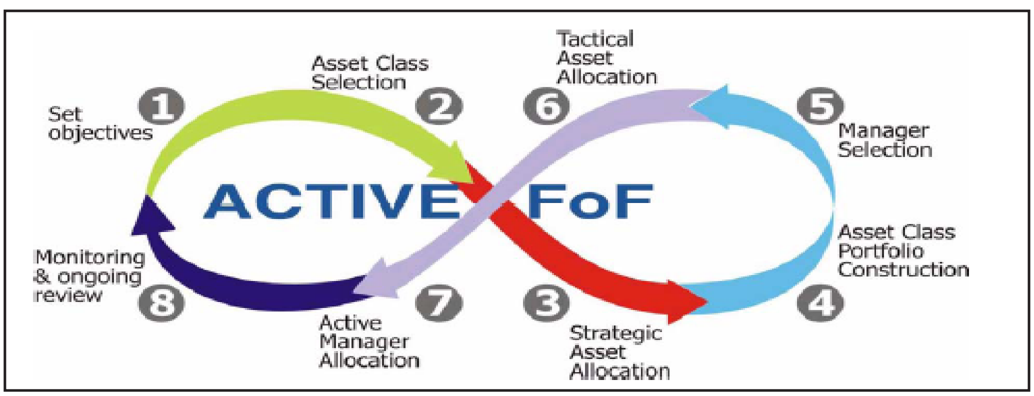
Exit Load: Nil

Minimum Investment: Retail Option - Rs.5000/- and in multiple of Re. 1 hereafter.

Plans & Options: The Scheme offers Dividend Option and Growth Option. The Dividend option offers Dividend Payout and Dividend Reinvestment facilities.

Key Features:

1. The Scheme will invest in units of global mutual funds which invest in commodity related securities. These funds will be selected with a view of out performing the investment objective of the fund (benchmark).
2. The fund selection process seeks to look at combining/blending funds together to create a risk-adjusted solution which is optimal for investors in this asset class.
3. The key determinants in fund selection are Track record of the fund relative to its benchmark, Appropriateness of the fund relative to ING Optimix Global Commodity Fund's objective, Quality of the fund management team and Reputation of the AMC which has launched the scheme.
4. Multi Manager investment process uses tactical allocation across asset classes to capture opportunities in changing market conditions, as well as actively managing the allocations to individual underlying schemes of mutual funds to ensure that it takes advantage of investment styles that are likely to endure secular, cyclical or fundamental weakness.



5. The Multi Manager investment process begins with the more strategic stages of the investment process (steps 1-5) that are reviewed and monitored on a less frequent basis. Steps 6-8 represent the more active stages of the investment process and are reviewed and monitored more frequently.

Overview

The month started with continued fear of higher oil prices and lower rainfall on the western side of India. Crude oil peaked at $147 in the first fortnight. This high oil price fear was followed by double-digit inflation of 11.90% and poor IIP data at 3%. Along with these data, the markets were not enthused with the results of Infosys. Infosys fell 14% in a span of 3 days while Nifty was down 8% to 3816 in 5 days.

Market had few positives toward the end of 2nd week like crude oil declining from $147 to $125, government winning the vote of confidence leading to expectation of faster reforms in banking & insurance sector. In last 1 week government has fasten the launch of 3G reforms in telecom sector which will generate revenues of ~Rs 30,000 - 40,000crs to exchequer which will keep fiscal deficit under control. The above development coupled with renewed monsoons saw huge short covering in the latter fortnight of the month with the broader indices (Sensex & Nifty) jumping from 12525 to 15175 (21%) in a matter of 6 days. After sharp rise in the markets there was nasty surprise from RBI, which increased the CRR by 0.25% to 9% (1st time since 1999) and Repo by 0.50%. This move was clearly towards taming inflation ruling at 12%. RBI is confident of lowering the inflation to single digits in the 4QFY09, provided it gets the support of the monsoons and lower crude oil.

On the global front, it was clear that money was getting out of commodities. Divergence was clear with commodity-based earnings led markets of Brazil and Russia falling 7% and 15% respectively, while India and China, which were sold heavily due to higher commodity prices, closed positive 6% and 7% respectively.

On results front, double-digit inflation and increase in PLR by all leading banks has started pinching corporate profitability. Slowdown is reflected from the poor IIP figures, slowdown in the auto sales, air passenger loads, cement dispatches & squeeze in margins. 128 companies in our Universe have reported June 08-quarter results. Overall growth has been inline with estimates. Sales growth is 38.5% (vs est of 38.7%), EBIDTA growth is 21.4% (vs est of 18.1%) and PAT growth is 14% (vs est of 9.5%). While the aggregate earnings are marginally better than estimates, few large companies such as ONGC, Tata Steel etc, have influenced the aggregates.

We have increased the portfolio exposure to Banking and Financial Services Sectors by adding Oriental Bank of Commerce in Value portfolio. Indian Oil Corporation has also been added recently. Results of all the companies in portfolio have been in line with expectation, only exception being Bharat Electrical Limited.

In Bulls Eye Portfolio during the month, we made good profits in some of our investments like Bank of India, Axis Bank, HDFC and Hero Honda. We have also introduced some new stocks in the portfolio like LIC Housing Finance, Alphageo India, IRB Infrastructure and Ranbaxy Laboratories. At the same time we have reduced stake in Jindal Photo and Mercator Lines Ltd.

During the last month in Next Trillion Dollar Opportunity Portfolio, we have completely exited Yes Bank, Maruti Suzuki Limited and IDFC while we have reduced exposure in Asian Paints and Ultratech Cement. We have restructured the portfolio post 1QFY09 results update and also based on the guidance and interaction with the company management. In this process we have added BEL and LIC Housing Finance while we have topped up our holding in Sujana Towers Ltd.

Bharat Electrical Limited, historically, books only 3-10% of full year profits in Q1 due to seasonality of the business and award of contracts from Government of India. Similarly the company reported 5.93% fall in total income to Rs.445.08 cr in Q1 June 08 over Q1 June 07. Company reported 90.42% fall in net profit to Rs.2.52 cr in Q1 June 08 over Q1 June 07.

The company is engaged in designing, developing and manufacturing state of the art products in the field of radars, defense communications, telecommunications, sound and vision broadcasting, opto electronics, solar systems, IT products and electronic components.

We expect BEL to report full year EPS of Rs.110 in FY09 and Rs.138 in FY10, which is growth of 20% CAGR over FY08-10. BEL has ROE of 26%.We are very positive about the prospects of the BEL, as GOI has already cleared the new Defense policy in which there will be 30% offset clause which will have positive for BEL in terms of future orders flow and new JV with foreign companies for defense equipment manufacturing and procurement.

ready reckoner - portfolio management schemes

	Value Portfolio	Bull's Eye Portfolio	Next Trillion Dollar Opportunity Portfolio	Focused Portfolio Series I
Theme	Value Investment	Opportunities	Beneficiaries of India's GDP growth	Focused Bet
Portfolio Manager	Raamdeo Agrawal	Sachin Abhyankar	Sachin Abhyankar	Satish Bhatt
Objective	The scheme aims to deliver superior wealth creation by way of long term compounding effect, with investments in good businesses run by great business managers.	The scheme aims to deliver returns in the short to medium term by investing in fundamentally sound stocks coupled with active profit booking.	The product aims to deliver superior returns by investing in small & mid-cap ideas that are part of the next trillion dollar GDP growth opportunity.	The portfolio will aim to invest in fundamentally sound companies that can benefit from a re-rating. To increase the prospects for out performance, the portfolio will exhibit a preference for companies that may have been overlooked or are out of favour.
Investor profile	Investors who like to invest with a long-term wealth creation view.	Investors with a short-term horizon (1 year) combined with a process of active profit booking.	Investors who like to invest in high growth, undervalued stocks and emerging themes with a long-term wealth creation view.	Investors who like to increase return rather than reduce risk
Investment Horizon	3 Years +	1 Year (To capture market cycles effectively)	2 Years	2 Years

review and outlook

Commodities witnessed significant correction during last month and further expected to correct. Reuters/Jefferies CRB index fell 10% since June 30, the biggest drop since 1980 making July the worst month in 28 years for CRB index. Energies, base Metals, Precious metals, oilseeds and grains witnessed correction during last month. IMF is forecasting that global GDP will slowdown from about 4.9% to 3.7%, higher crude oil prices have fuelled inflation across the globe, which in turn have affected the global growth.

Gold: (Lost around 2% in last month)

Related News

- Gold prices traded firm during first half of July month due to firm crude oil prices and geo political tension between Iran and Israel.
- Investment demand in Gold remained robust during 1st half of the month, but later holdings of Street Tracks ETF went down from 702.5 tonnes to 674.02 tonnes.
- Sharp correction in crude oil price, dented gold's appeal as hedge against inflation and stronger dollar stance by Federal Reserve triggered selling in precious metals .
- Domestic demand in India and UAE went down due to higher prices and slack season

Outlook For the month of July

- After making all time high on MCX, Gold prices went down and further correction in crude oil prices can trigger further selling gold.

Crude Oil: (Lost around 17% in last month)

Related News

- IEA forecasts global oil demand growth of 1.03m b/d, compared with 2.11m b/d at the beginning of the year. U.S. Cumulative vehicle miles travelled in the United States are down 2.1% so far this year as gasoline hit $4.10/gallon.
- U.S. crude oil futures fell after Hurricane Dolly slowly steamrolled across the Texas coast, cutting but missing most offshore oil and natural gas production facilities in the Gulf of Mexico.
- Slower economic growth and high prices have slowed crude oil demand in the U.S. During summer driving season demand for gasoline in U.S. went down by 3.5% as compared to last year.
- The clearest illustration of how expensive oil has affected behavior is probably large pick-up and SUV sales, which are down a whopping 30% compared to six months ago. Americans are beginning to react to the hefty hikes in oil prices by buying smaller more fuel-efficient cars and travelling less.

Outlook For the month of July

- Geopolitical tensions between Israel and Iran can trigger some spurt in crude oil but fundamentally crude oil prices should correct further.

Lead: (Lost around 11 % in Last month)

Related News

- China is the largest producer of this metal. Lower Lead prices have forced many smelters and refiners in China to cut their productions. Chinese smelters have reduced their output by about 40% especially in an around Yunnan province of China.
- Chinese refined lead exports have dropped by 92.53 percent in the month of June and 76.76 percent in the 1st five months of this year. In coming weeks we expect Global demand for this metal to improve, which could once again squeeze the availability of this metal from the International market.
- Lead LME stocks have declined by around 10 percent in past couple of weeks, which suggests that low prices of recent weeks have sparked significant offtake of the metal.

Outlook for the month of July

- Lead prices have gained significantly in last month so prices could consolidate at current levels but the upward momentumis expected to continue in this month as well.

Jeera: (Gained around 8% in Last month)

Related News

- Exports of Jeera have soared up by 280% during April-June,08 to 15,000 tonnes as compared to 3,950 tonnes during April-June,08.
- Indian ending stock of Jeera has declined sharply from 88000 tonnes to 16500 tonnes nearly by 80% due to sustained bull run in spice during last one and half year
- Global production of Jeera(cumin seed) is expected to be 1,66,700 tonnes where as global consumption of Jeera is 1,87,000 tonnes leaving deficit by 20,300 tonnes.
- Turkey and Syria's production is expected to be less by 10-15%.
- Jeera domestic demand continues to remain sluggish due to ongoing monsoon season. Domestic demand is likely to pick up later during the month.

Outlook for the month of July

- We expect sugar prices to gain by around 4-5 percent in near term on back of higher possibilities of exports and lower release of quota for near month

technical snapshot:

Gold:

Gold prices have been consistently falling for the 3rd straight week. The price has taken support at the trend line support. It is

evident from the chart that there has been lot of consolidation in the 12500 - 12100 range with the price taking supports above the trend line and facing resistance below the resistance line. The MACD is indicating further bear run in the prices, which can take support at the lower trend line and bounce form there. We look to buy in the range of 12100 - 12000 Stop 11700 Target 12900 - 13200

Crude oil:

Crude oil has been moving in a brief consolidation phase from its recent sell off. The price trading below the short term and the long-

term moving averages is a bearish sign. The support comes in at 5200 and then at 4900 where as the resistance is placed at 5380 and then at 5600. The prices are most likely to make their way to their next support or resistance levels on a successive closing of the same. As per the holistic picture we look to sell in the range of 5550 - 5600 Stop 5750 Target 5000 - 4900.

Lead:

Lead prices gave up the gains after coming closer to the triple digit figure. The RSI and MACD are indicating a positive divergence, which

is a bullish sign. The price trading above the bollinger band has been pushed down by the previous resistance of the consolidation phase. We expect the prices to be pressured in the near term towards the 85 - 83. we look to buy in the range of 84 - 83 Stop 78 Target 95 - 100.4

Jeera:

Jeera prices have shown a descending triangle break out which are likely to test the 12500 - 12300 mark for the near term. A classic

distribution pattern has been witnessed with the price most likely to bounce from the support of 12500 - 12300 to the resistance level of 12900 - 13200.

The MACD is adding fuel to the negative sentiments of the market. We look to buy in the range of 12300 - 12200 Stop 11900 Target 12900 - 13200.

The above views are based on Technical analysis and could differ from our fundamental views.
For further ideas on Technicals contact: Commoditiesresearch@motilaloswal.com Tel.: +91 22 30896643

For further details : Call your **Relationship Manager** or

Contact us: +91 (022) 3089 6680 SMS: MOSL <Type Your Query> to 575753 Email : info@motilaloswal.com

Regd. Office: Motilal Oswal Securities Ltd., Palm Spring Centre, 2nd floor, Palm Court Complex, New Link Road, Malad (W), Mumbai - 64.

Disclaimer: This report is for the personal information of the authorized recipient and should not be construed as any investment, legal or taxation advice. Motilal Oswal Securities Limited (hereinafter referred as MOSt) is not soliciting any action based upon this report. This report or any part thereof is not for public distribution and has been furnished to the authorized recipient solely for its information and should not be reproduced or redistributed to any other person in any form. This report is not intended to be published or made available to any person in any jurisdiction where doing so would result in contravention of any applicable laws or regulations. Persons into whose possession this report may come are required to observe these restrictions.

The material/ charts contained in this document are based on information that is publicly available, including information developed in-house. The report is based upon information that MOSt considers reliable, however, MOSt does not represent that it is accurate or complete, and it should not be relied upon as such. Further MOSt does not warrant the accuracy, reasonableness and/or completeness of any information. For data reference to any third party in this report, no such party will assume any liability for the same. The report / recommendations/ trading calls/ opinions contained in the report are the personal views and opinions of the author and are not to be construed as advice. MOSt takes no responsibility for any loss made in investment in any product/ instruments, whether or not made pursuant to the opinions / recommendations/ trading calls / information contained in this report. MOSt or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOSt or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. MOSt and any of its officer, directors, personnel, employees and affiliates shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, as also any loss of profit in any way arising from the use of this report in any manner. The recipient alone shall be responsible for any decision taken on the basis of this report. The recipients of this report should rely on their own investigations, seek appropriate professional advice, before dealing and or transacting in any of the products/ instrument referred to in this report. No investors in any product / instrument are being offered any guaranteed or assured returns. Any decision to purchase or sell as a result of the opinions expressed in his report will be the full responsibility of the person authorizing such transactions. The products/instruments discussed in this report may not be suitable for all investors. Any person subscribing to or investing in any product/instruments should do so on the basis of and after verifying the terms attached to such product/ instrument. Products/Instruments are subject to market risks and returns may fluctuate depending on various factors. Past performance of the products/instruments does not indicate the future prospects & performance thereof. Such past performance may not be sustained in future. The investors understand that the investment in any product/instrument including but not limited to Derivatives, Commodities, Securities and Mutual Funds are subject to market and other risks, which may not have been covered in the report. The investors shall obtain, read and understand the risk disclosure documents, offer documents and/or any other relevant documents before making any decision for investment.

MOSt and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities/commodities and other investment products mentioned in this report.

MOSt and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the securities/commodities and other investment products mentioned in this report. Further, MOSt and / or its Investment Banking Arm (Motilal Oswal Investment Advisors Private Limited) may have broking and / or investment banking relationship with the Compnies covered in this report.

Disclosure of Interest Statement: The MOSt group and its Directors own shares in the following companies covered in this report:Aventis Pharma, Bharat Electronics, Bharti Airtel, Birla Corporation,

GSK Pharma, Hero Honda, IOC, Marico, Pfizer, Ranbaxy Labs., Siemens, State Bank, Tata Motors and Tata Steel.

MOSt has broking relationships with a few of the companies covered in this report.

MOSt is engaged in providing investment-banking services in the following companies covered in this report: Alok Industries, Great Offshore and Karnataka Bank

This information is subject to change without any prior notice. MOSt reserves the right to make modifications and alternations to this statement as may be required from time to time. Nevertheless, MOSt is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.