investor's eye

Index

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
Aurobindo	28-May-07	684	**740**	914
Balaji Tele	9-July-07	231	**257**	303
Crompton	19-Aug-05	88	**259**	280
HDFC Bank	23-Dec-03	358	**1,231**	1355
M&M	1-Apr-04	232	**825**	913

Sharekhan Ltd
A-206, Phoenix House, 2nd Floor, Senapati Bapat Marg, Lower Parel, Mumbai - 400013, India.

NIIT Technologies

Ugly Duckling

Stock Update

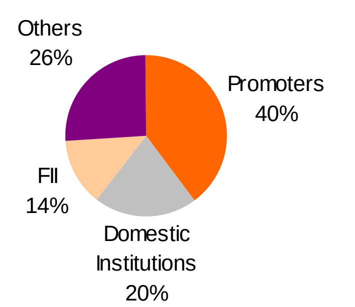
Annual report review

Buy; CMP: Rs510

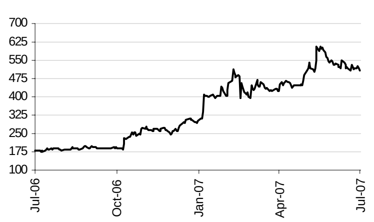
Company details

Price target:	Rs720
Market cap:	Rs1,972 cr
52 week high/low:	Rs638/172
NSE volume: (No of shares)	5.9 lakh
BSE code:	532541
NSE code:	NIITTECH
Sharekhan code:	NIITTECH
Free float: (No of shares)	2.3 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-6.6	19.9	68.9	187.5
Relative to Sensex	-12.7	3.7	56.2	105.7

The key takeaways from the recently released annual report (year 2006-07) of NIIT Technologies Ltd (NTL) are given below.

Key points

- NTL had an outstanding FY2007. It reported an exponential growth of 94.9% in its consolidated earnings, driven by a healthy growth of 45.8% in its revenues and an improvement of 140 basis points in its operating profit margin (OPM).
- The impressive performance is a reflection of the benefits of the efforts taken to restructure the business model to focus on key industry verticals. Moreover, the inorganic initiatives in terms of the acquisition of Room Solutions further aided the company's overall growth during the year.
- The outlook for FY2008 appears to be encouraging, given the healthy fresh order intake of $209 million in the last fiscal and the commencement of its joint venture with Adecco SA in FY2008.
- At the current price the stock trades at 12x FY2008 and 9.9x its FY2009 estimated earnings. We maintain our Buy call on the stock with a price target of Rs720.

Outstanding performance in FY2007

NTL reported a healthy growth of 45.8% in its consolidated revenues to Rs885.9 crore in FY2007. The information technology (IT) service business contributed 93.8% of the revenues and grew by 46.7% to Rs830.6 core. On the other hand, the business process outsourcing (BPO) division reported a growth of 33.5% to Rs55.4 crore.

The OPM improved by 140 basis points to 20.4% in spite of the consolidation of the low-margin business of Room Solutions. On a consolidated basis, the OPM of the IT service business was flat whereas the BPO division reported an OPM of 2.9% as compared with the negative margin of 15.7% in FY2006.

In addition to the improvement in the margins, the jump in the other income component to Rs14.8 crore (from Rs3.7 crore in FY2006) enabled the company to report an exponential growth of 94.9% in its consolidated earnings to Rs129.2 crore during the year. The other income was largely boosted by a foreign exchange (forex) fluctuation gain of Rs3.4 crore in FY2007 as against a forex loss of Rs2.9 crore in FY2006.

Key financials

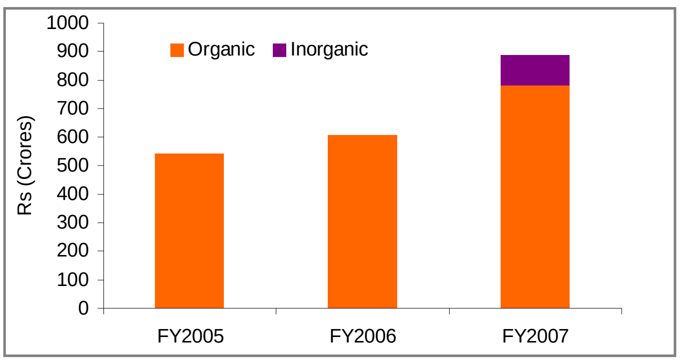
Particulars	FY2006	FY2007	FY2008E	FY2009E
Net sales (Rs cr)	607.5	885.9	1145.7	1432.6
Net profit (Rs cr)	66.3	129.2	166.1	200.9
No of shares (crore)	3.9	3.9	3.9	3.9
EPS (Rs)	17.2	33.0	42.5	51.4
% y-o-y change	*13.2*	*92.7*	*28.6*	*20.9*
PER (x)	29.7	15.4	12.0	9.9
Price/BV (x)	7.3	5.4	3.8	2.9
EV/EBIDTA(x)	16.1	10.2	7.5	5.7
Dividend yield (%)	1.18	1.27	1.37	1.47
RoCE (%)	25.9	38.7	38.7	37.3
RoNW (%)	30.3	41.2	35.7	31.3

Restructuring gains

NTL reported an outstanding performance in FY2007. The benefits of the efforts taken to restructure its business model after the latter's formation in June 2004 were clearly visible in the FY2007 performance and vindicate our key investment argument stated in the Stock Idea report on the company dated March 31, 2006.

The company had adopted a strategy that focuses on building capabilities in offering a wide range of services to large-sized companies in a select few industry verticals, namely banking, financial services and insurance, transportation, retail and manufacturing. These verticals have grown at a healthy pace of 36.6% compounded annual growth rate (CAGR) over FY2005-07 and contributed 79% of the company's net revenues (up from 69% in FY2005). Consequently, NTL managed to report a healthy revenue growth of 45.8% in its consolidated revenues in FY2007, far superior than the subdued CAGR of 12% shown in the two-year period FY2004-06. The organic revenue grew by 28.3% with the incremental revenues from the inorganic initiative accounting for 17.5% (Rs106 crore) growth in its total turnover.

Revenue growth partially aided by inorganic initiatives



Healthy order backlog to support growth momentum

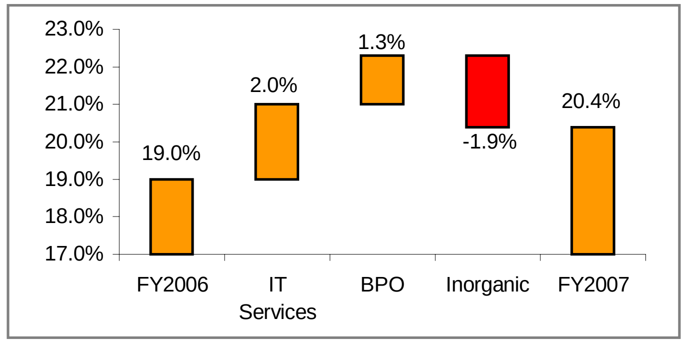
NTL has also showed an encouraging performance in terms of healthy fresh order intake of $209 million during FY2007, amounting to a jump of over 71% as against the order intake of $122 million in FY2006. Consequently, the order backlog executable over the next four quarters jumped to the highest figure ever of $103 million at the beginning of the current fiscal (ie as in April 2007), which provides a strong revenue growth visibility for the current year.

In addition to a healthy order backlog, the incremental revenues from the joint venture formed with Adecco SA during the last fiscal would aid the overall growth of the company. The 50:50 joint venture would commence operations from the second quarter of FY2008 and is expected to make a reasonable contribution to the top line in FY2008.

Margin firms up

The highlight of the performance was the 140-basis-point improvement in the OPM to 20.4% during the year. This is commendable given the fact that the low-margin business of Room Solutions, acquired in May 2006, was consolidated during the year. Room Solutions reported a margin of around 6% in FY2007, which essentially implies that the OPM of the organic business improved by 230 basis points to 22.3%. The improvement in the margin of the organic business was driven by better profitability of the organic IT service business (up from 21.6% in FY2006 to 23.8% in FY2007) and the turnaround in the BPO business.

Robust improvement in margins of the organic business



Other highlights

The company incurred capital expenditure (capex) of Rs97 crore during the year and the goodwill created on account of the acquisition of a 75% stake in UK-based Room Solutions is Rs59 crore. The capex is largely aimed at expanding the seating capacity to accommodate the net addition of 979 employees in FY2007 (a jump of 28.2% in its total employee base to 4,448). The company is making investments in setting up development facilities at a special economic zone in Greater Noida. It has earmarked capex of around Rs180 crore for the same over the next two years.

It had cash and cash equivalents of Rs238.8 crore on its balance sheet as in the end of March 2008. In addition to the planned capex, we expect part of its cash to be used to acquire the balance 25% stake in Room Solutions and to repay Rs10 crore of the non-convertible debentures due for payment in the current fiscal. The company has debt of Rs79 crore on its books as in March 2007.

Given the handsome growth in its revenues and the improvement in its margins, the return ratios improved considerably during the year. NTL reported a return on net worth of 37.4% (up from 30.3% in FY2006) and a return on capital employed of 33.2% (up from 25.9% in FY2006) in FY2007.

Valuation

At the current price the stock trades at 12x FY2008 and 9.9x its FY2009 estimated earnings. We maintain our Buy call on the stock with a price target of Rs720.

The author doesn't hold any investment in any of the companies mentioned in the article.

Marico

Apple Green

Stock Update

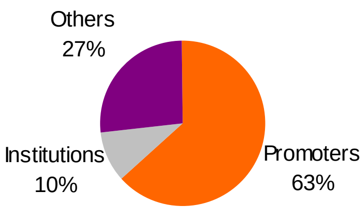
Price target revised to Rs70

Buy; CMP: Rs55.5

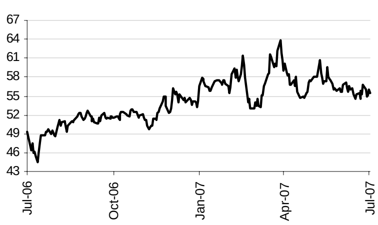
Company details

Price target:	Rs70
Market cap:	Rs3,341 cr
52 week high/low:	Rs67/43
NSE volume: (No of shares)	2.5 lakh
BSE code:	531642
NSE code:	MARICO
Sharekhan code:	MARICO
Free float: (No of shares)	22.3 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	0.8	-5.0	-0.1	15.6
Relative to Sensex	-5.8	-17.8	-7.6	-17.3

We recently met the management of Marico to discuss the company's growth plans. The key takeaways from the meeting are presented below.

Key points

- In the domestic fast moving consumer goods (FMCG) business, the flagship brand *Parachute*, which constitutes 35% of the total turnover, is expected to do well in FY2008. *Parachute* commands a market share of 48% in the hair oil market. The brand showed a volume growth of 12% in FY2007 and is expected to grow by 8% in this year.
- With growing health consciousness, the *Saffola* brand registered a volume growth of 18% in FY2007 despite the price hike taken during the year. The strong brand equity that *Saffola* enjoys helps it to maintain its leadership position. With the growing consciousness for a healthy lifestyle, we expect the brand to grow by 13-15% in FY2008.
- The company is adding new products to its pipeline every year which would fuel further growth. The new prototypes and roll-outs are primarily high-margin products that would boost its margins and drive its growth in the coming years.
- Kaya Skin Clinic, which has 48 outlets, reported a turnover of Rs75 crore in FY2007. This business broke even during FY2007 with a profit before tax (PBT) of Rs0.04 crore. With the addition of few clinics in FY2007 and better utilisation in the existing clinics, the company was able to turn PBT positive in FY2007. We believe that with better operational efficiency this venture would provide a fillip to the bottom line of Marico.
- We maintain our positive outlook on the company and expect its turnover to grow by 21% in the current financial year. The company has done acquisitions worth around Rs500 crore (*Nihar*, *Manjal*, *Fiancée* and *Hair Code*) which have been funded through debt and internal accruals. What's more, the company has been able to successfully integrate all these businesses. With a debt/equity ratio of 1.3 and the cash flow coming from its existing businesses, the company's appetite for further acquisitions remains unsatisfied which would fuel further

Earnings table (consolidated)

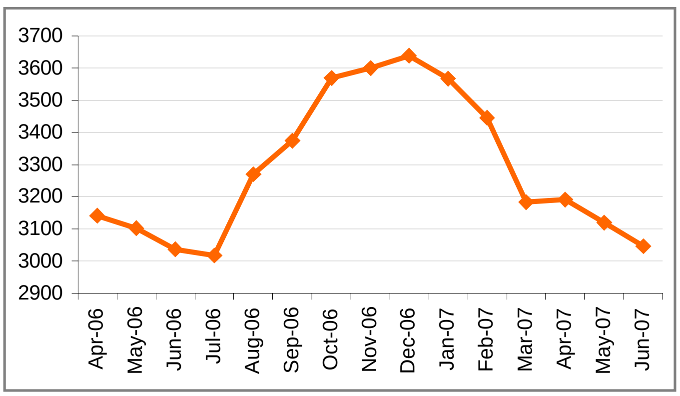
Particulars	FY2006	FY2007	FY2008E	FY2009E
Net profit (Rs cr)	86.26	112.85	160.81	203.15
Share in issue (cr)	58.00	60.90	60.90	60.90
EPS (Rs)	1.49	1.85	2.64	3.34
% y-o-y growth		*0.25*	*0.27*	*0.33*
PER (x)	37.82	30.36	21.30	16.86
Book value (Rs)	4.48	3.16	5.14	8.48
P/BV (x)	12.56	17.81	10.93	6.63
EV/EBIDTA (x)	25.87	17.49	13.59	11.14
RoCE (%)	26.09	35.87	47.97	45.11
RoNW (%)	33.20	58.66	51.33	39.34

growth. We are introducing our FY2009 estimates. The stock is trading at attractive valuations of a price/ earnings ratio of 16.8x FY2009E and enterprise value / earnings before interest, depreciation, tax and amortisation of 11x FY2009E. We maintain our Buy recommendation on the stock with a revised price target of Rs70.

Domestic FMCG business

In the domestic FMCG business, the flagship brand *Parachute*, which constitutes 35% of the total turnover, is expected to do well in FY2008. *Parachute* commands a market share of 48% in the hair oil market. The brand showed a volume growth of 12% in FY2007 and is expected to grow by 8% in this year. Currently copra prices are flat, however if the same move up, the management might raise the price of *Parachute*.

Copra prices (Rs)



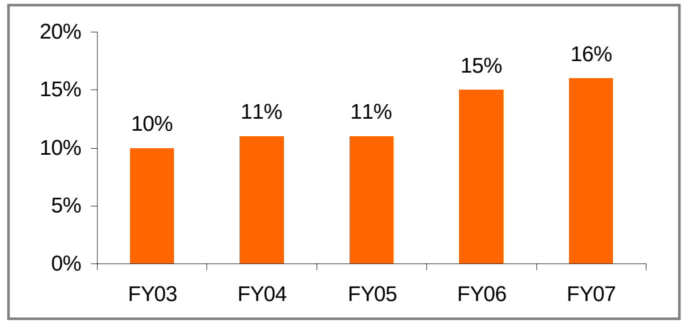
Source: Sharekhan Research

The perfumed hair oil segment, which includes *Parachute Jasmine*, *Shanti Badam Amla* and *Hair & Care*, grew by 21% in volumes in FY2007. The company had acquired *Nihar* in February 2006 and the brand clocked a turnover of Rs130 crore in FY2007. We expect the entire segment to show a strong growth of 13-15% in this year. With the acquisition of *Nihar*, the company has been able to consolidate its position in the northern markets where it had been virtually absent till now.

With growing health consciousness, the *Saffola* brand registered a volume growth of 18% in FY2007 despite the price hike taken during the year. The strong brand equity that *Saffola* enjoys helps it to maintain its leadership position. With the growing consciousness for a healthy lifestyle, we expect the brand to grow by 13-15% in FY2008.

The company is adding new products to its pipeline every year which would fuel further growth. Marico has entered into the hair gel and hair cream market, which has a size of Rs80 crore and is growing at 40%. In this segment the company launched *Parachute After Shower Hair gel* in FY2007. In the same year it also added *Saffola Atta Mix*, *Parachute Advansed Hair Perfect* and *Revive Liquid Stiffener* to its portfolio. The new prototypes and roll-outs are primarily high-margin products that would boost its margins and drive its growth in the coming years.

Share of new products to sales



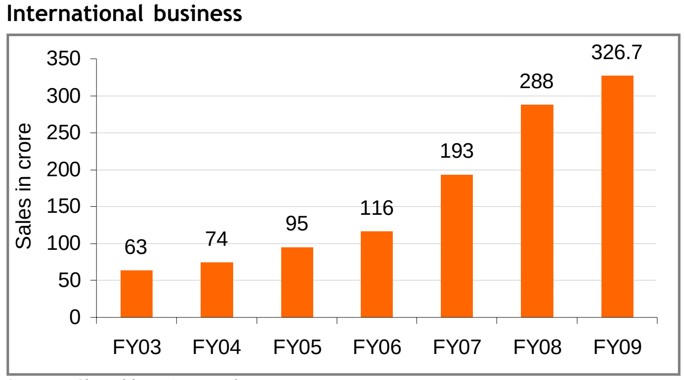
Source: Sharekhan Research

Date	Product	Status
Q2FY06	*Sparsh*	Prototype
Q2FY06	*Saffola Atta Mix*	Rolled Out
Q4FY06	*Parachute Jasmine*	Prototype
Q3FY07	*Parachute Adv. After Shower*	Rolled Out
Q1FY07	*Parachute Advanced Hair Perfect*	Rolled Out
Q4FY07	*Revive Liquid Stiffener*	Prototype

International business

The international business is also expected to do well in the coming years. This segment excluding Egypt grew by 41% in FY2007 to Rs165 crore. In H2FY2007 the company acquired two new Egyptian brands, *Fiancée* and *Hair Code*, which contributed Rs28 crore to the top line with a margin of around 20% during the year. These two brands command 60% of the Rs170-crore hair cream and gel market of Egypt. With these acquisitions Marico would be able to strengthen its foothold in the Egyptian market while more product launches from its existing basket would help it to penetrate this market further. The management expects these two brands to contribute Rs90 crore to the top line in FY2008 whereas the organic growth in the remaining business is expected to be in the range of 20% in FY2008.

International business



Source: Sharekhan Research

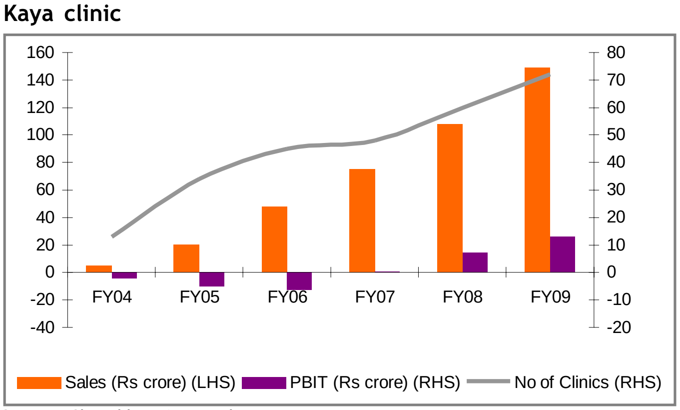
Kaya Skin Clinic

Kaya Skin Clinic, which has 48 outlets (43 in India and five in the Middle East), reported a turnover of Rs75 crore in FY2007. This business broke even during FY2007 with a PBT of Rs0.04 crore. Fifteen more such clinics are expected to come up in FY2008 and the company is planning to make an investment of Rs65 crore for the same in the next three years. A new health clinic, Kaya Life, has been launched in Mumbai which would be providing customised solutions to customers for diet and nutrition. We expect Kaya Skin Clinic to record a turnover of Rs108 crore with an addition of 12 clinics in the current financial year.

As against a share of about 10% in Q4FY2006, Kaya products constituted about 14% of Kaya Skin Clinic's top line in Q4FY2007 and efforts are being made to improve the contribution further. Earlier the company used to import the Kaya products from the UK but now these products are being manufactured in India itself. Marico now has started marketing these products by putting up kiosks in malls. New clinics and new product launches are expected to fuel the company's growth in the coming years.

The company is working at an average utilisation rate of about 50% and is now focusing on increasing the capacity utilisation levels to 60-65%. With few additions of clinics in FY2007 and better utilisation in the existing clinics, the company was able to turn PBT positive in FY2007. We believe that with better operational efficiency this venture would provide the fillip to the bottom line of Marico.

Kaya clinic



Source: Sharekhan Research

Sundari

In the Spa skin care product business, Sundari has been focusing on Tier-1 spas in the USA and Asia-Pacific countries. According to the management, the business would take longer to reach a critical mass and is expected to remain in the investment phase in FY2008.

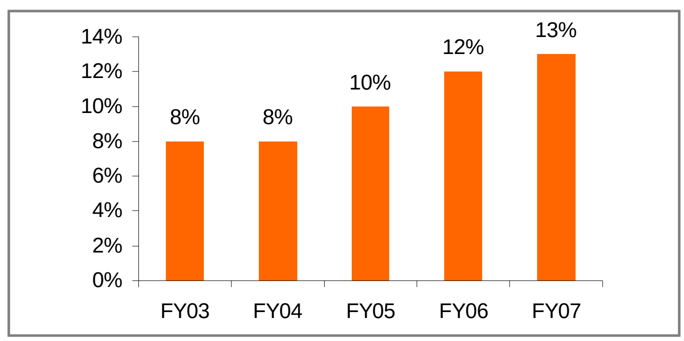
Depreciation to come down

During FY2007, Marico carried out financial restructuring under which intangible assets amounting to Rs448.15 crore and related deferred tax adjustment of Rs139.06 crore were adjusted against the balance in the capital redemption reserve to the extent of Rs180 crore and securities premium account to the extent of Rs129.09 crore. With this financial restructuring, the company has been able to reduce the depreciation charge by Rs28 crore, which would help it to improve its profitability. However higher tax rates in FY2008 compared with that in FY2007 would neutralise the impact of the financial restructuring to some extent.

Outlook

Currently copra prices are flat, however if the same move up, the management might raise the price of *Parachute*. Its advertising cost continues to remain at 13% of its net sales owing to the launch of new products; the advertising spend on the new products constitutes around 70% of its total advertising spend. The management does not see any margin expansion in the current financial year as was the case in the past two years due to an aggressive advertising spend and firm input prices. But with the increased contribution from the high-margin products and with Kaya Skin Clinic achieving operational efficiency, the consolidated margins are expected to expand by 79 basis points in FY2008 to 14.1% and by 54 basis points in FY2009 to 14.7%.

ASP: Sales



Source: Sharekhan Research

The company plans to do capital expenditure (capex) of around Rs175 crore in the next three years; of this Rs40 crore would be normal capex, Rs65 crore would be set aside for the Kaya Skin Clinic business and Rs70 crore would be earmarked for the corporate office.

We maintain our positive outlook on the company and expect its turnover to grow by 21% in the current financial year. The company has done acquisitions worth around Rs500 crore (*Nihar*, *Manjal*, *Fiancée* and *Hair code*) which have been funded through debt and internal accruals.

What's more, it has been able to successfully integrate all these businesses. With a debt/equity ratio of 1.3 and cash flow coming from its existing businesses, the company has an unquenchable appetite for further acquisitions which would fuel further growth. We are introducing our FY2009 estimates. The stock is trading at attractive valuations of a price/earnings ratio of 16.8x FY2009E and enterprise value /earnings before interest, depreciation, tax and amortisation of 11x FY2009E. We maintain our Buy recommendation on the stock with a revised price target of Rs70.

Peer comparison

Company	CMP	EPS	P/E	EV/EBIDTA*
ITC	155	8.0	19.4	12.2
HLL	202	8.6	23.5	21.7
Godrej Consumer	136	6.9	19.6	16.4
Nestle	1140	41.0	27.8	17.5
Colgate	381	17.3	22.0	17.4
Marico	55.5	2.6	21.0	13.4

*FY2008E

Industry Update

Mutual Fund

Rally in equity AUMs continues

Industry news

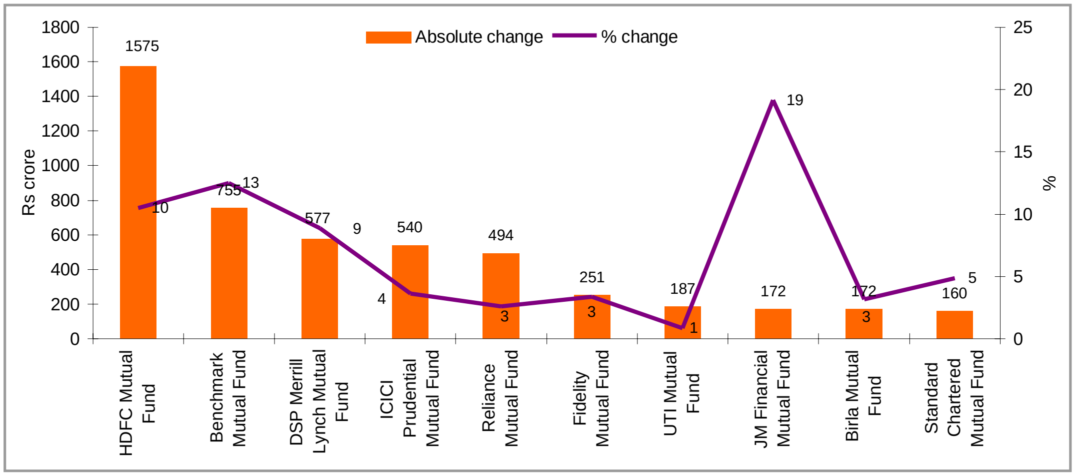
- **LIC, banks to sell stake in UTI AMC issue:** India's leading investment institution Life Insurance Corporation of India (LIC) and three major banks-State Bank of India, Punjab National Bank and Bank of Baroda-will jointly divest 50% of their holdings in UTI Asset Management Company (AMC) in the forthcoming initial public offering (IPO) of the fund house. Going by current valuations, the divestment of just half of their original equity holding in the AMC will enable these entities to realise well over Rs1,236 crore, the amount they had paid to the government to take control of the firm in 2005.
- **SBI MF AUM crosses Rs20,000 crore:** SBI Mutual Fund (MF) has achieved a new milestone by crossing the Rs20,000-crore assets under management (AUM) mark at the end of June 2007. According to the official numbers released to AMFI, the AUM of SBI MF was placed at Rs20,272 crore as on June 30, 2007. The fund house is now ranked sixth among the existing fund houses.
- **MFs stop accepting application without PAN:** MF houses have stopped accepting new applications from investors without Permanent Account Number (PAN) or evidence of having applied for the number in the wake of the directions from market regulator Securities and Exchange Board of India (SEBI). According to SEBI orders, investors must have a PAN for putting money in MFs from July 2 onward. However, the regulator has relaxed this order till December 2007 but asked investors without PAN to submit proof that they have applied for the number.
- **Prudential close to picking partner for Indian AMC:** US Life insurer Prudential Financial is in the final stages of picking an Indian company to form an asset management joint venture to break into the market. If it goes ahead, the venture will be its fifth Asian unit after the ones in Japan, South Korea, China and Taiwan, and it will join the other insurers that have been ramping up operations in India.
- **IDBI Bank to join MF club again:** IDBI Bank is planning to re-enter the MF business, three years after it sold its stake in the earlier AMC to joint venture partner Principal of the USA. The bank plans a joint venture with its own subsidiary IDBI Capital. IDBI Bank would hold a 65% equity stake while IDBI Capital would hold the balance equity of 35% in the company.

Highlights

- The AUM for equity funds rose by 3.8% to Rs162,553 crore in June 2007. The rise in the AUM was above the market movement of 0.9%.
- Fund managers made purchases worth Rs15,432 crore and remained net buyers to the tune of Rs1,953 crore during the month.
- Fund flows into equity funds rebounded sharply, registering a net inflow of Rs2,328 crore in June 2007. The relatively higher amounts mobilised through new fund offerings (NFOs) coupled with the lower redemption volumes caused the reversal in the fund flow in June 2007.
- MFs are sitting on Rs14,238 crore of cash that is waiting to be deployed in the market. Of this Rs10,685 crore lies with the existing MFs while the remaining Rs3,553 crore has been mobilised through NFOs.
- Amongst all sector funds, banking funds have generated the highest returns in May 2007. Banking and pharma funds have outperformed the Sensex, whereas funds in the auto, fast moving consumer goods (FMCG) and technology sectors have underperformed the Sensex.
- MFs have slashed their exposure to auto, information technology and oil & gas companies, and have bought stocks in the housing & construction, finance and telecom sectors.

- **Major movers for June 2007**

The AUM of equity MFs rose by 3.8% from Rs156,577 crore in May 2007 to Rs162,553 crore in June 2007. The rise in the AUM was above the market movement of 0.9%. The AUM of the equity-diversified funds rose by 2.9%, whereas that of the tax planning and sector funds increased by 4.4% and 9.1% respectively. The AUM of index funds rose by a massive 11.7% in June 2007.



JM Financial MF saw the largest rise of 19%, amounting to an increase of Rs172 crore in its AUM. Benchmark MF and HDFC MF followed JM Financial MF and recorded increases of Rs755 crore and Rs1,575 crore respectively in their equity AUM. On the other hand, Sundaram MF reported a reduction of over 2%, amounting to Rs96 crore, in its equity AUM.

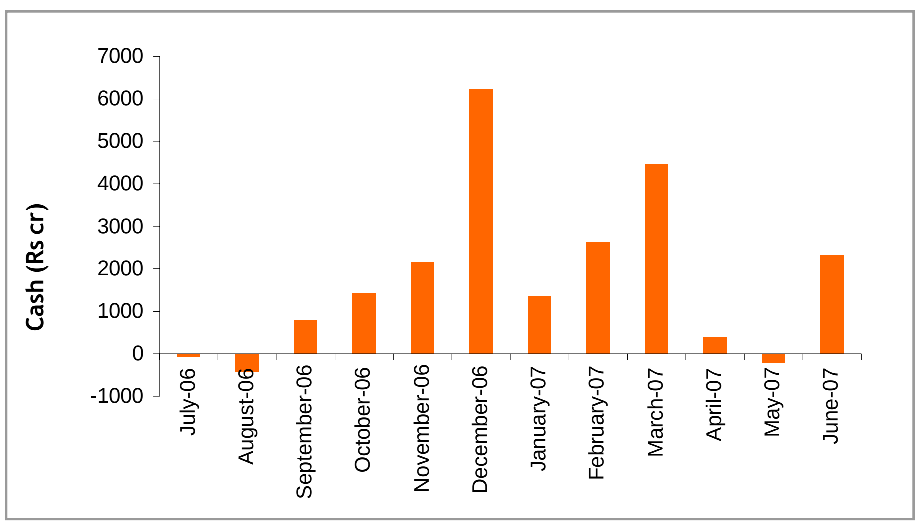
- **Stock market activities for mutual funds**

Mutual funds turned net sellers of equities in June 2007.

Month	Purchase (Rs cr)	Sales (Rs cr)	Net (Rs cr)
Jun-07	15431.6	13478.2	1953.4

Equity fund flow

Fund flows into the equity MFs rebounded sharply in June 2007, registering a net inflow of Rs2,328 crore as compared with a net outflow of Rs204 crore. The fund flow improved due to a relatively higher amount (Rs3,553 crore) mobilised through NFOs in June 2007 as compared with only Rs1,926 crore in May 2007 coupled with lower redemption volumes. The NFO collections include the amounts raised by AIG India Equity Fund, DSP Merrill Lynch Micro Cap Fund, JP Morgan India Equity Fund and HDFC Mid Cap Opportunities Fund. The same, however, do not include the collections made by SBI Infrastructure Fund and Franklin India High Growth Companies Fund. These funds were launched in June 2007 but did not close in the month, as the allotment of the units for these funds has not been completed. The collections made by these funds (approximately Rs500 crore) will be reflected in the next month's fund flow figures.

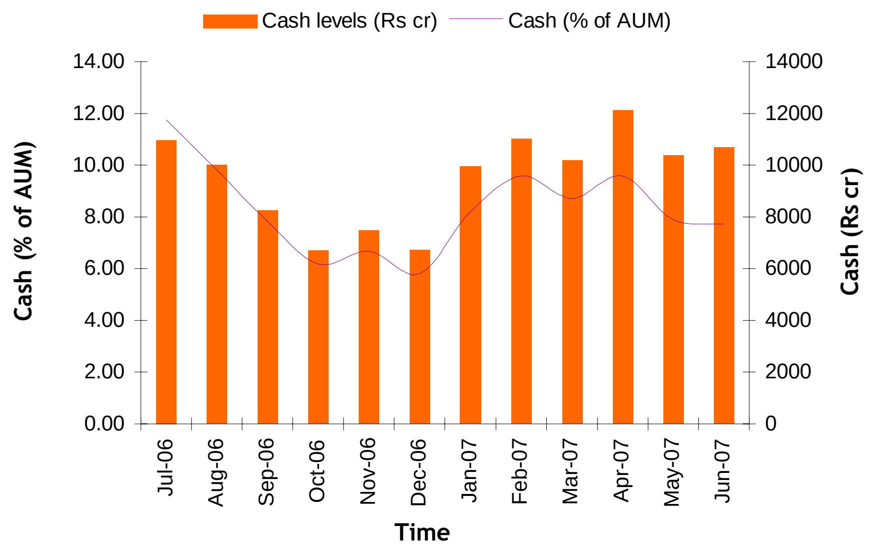


Cash levels

Liquidity

The absolute cash levels for all equity funds launched before June 2007 remained more or less flat at Rs10,685 crore (Rs10,367 crore in May 2007). The cash as a percentage of the total corpus also followed a similar trend, declining only marginally from 7.9% of the total corpus in May 2007 to 7.7% in June 2007.

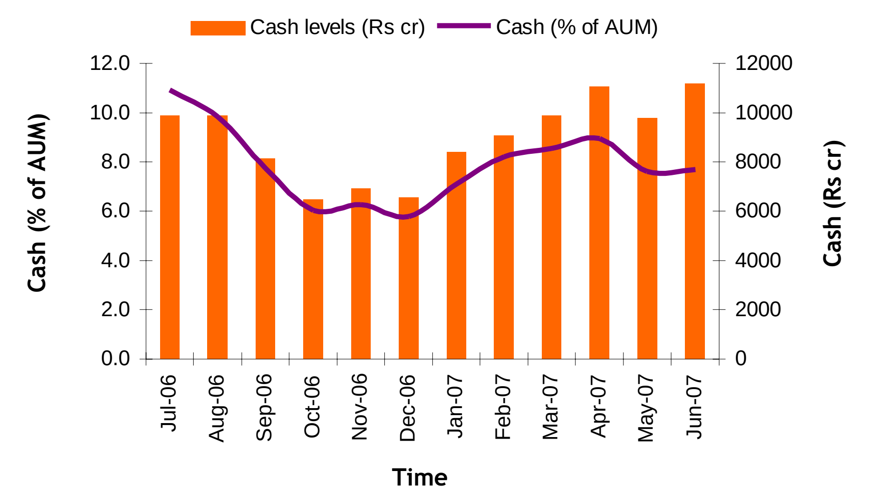
Further, the total cash sitting with the MFs, including the cash mobilised through the recently launched NFOs (Rs3,553 crore), stands at a healthy Rs14,238 crore. Flush with cash, MFs are well placed to maintain the buying interest and propel the market forward.



Note: Includes all equity funds in the industry launched before June 2007

Sentiments

Cash levels for all funds more than three months old has also remained flat at 7.7% of total corpus in June 2007.



Note: Includes all equity funds in the industry with a NAV track record of three months+.

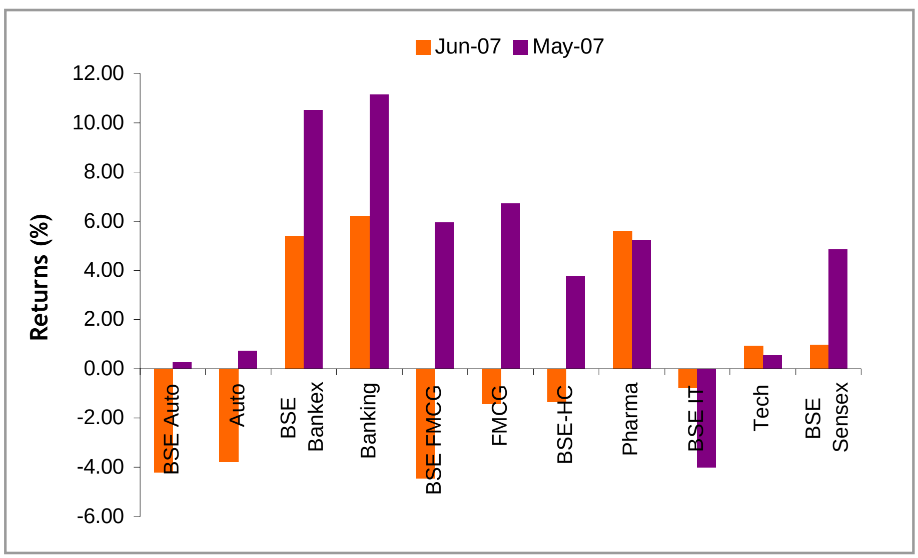
Sector allocation

Major shifts in the sector allocation for the equity-diversified category are as under:

Sector name	June 2007		May 2007		%
	Amount (Rs cr)	% of net assets	Amount (Rs cr)	% of net assets	chg
Increase in exposure					
Housing & Construction	4344.8	4.3	3731.8	3.7	0.6
Finance	2871.3	2.9	2352.6	2.4	0.5
Telecom	6200.7	6.2	5715.2	5.7	0.5
Miscellaneous	4318.1	4.3	3894.9	3.9	0.4
Power Generation, Transmission & Equip	3041.5	3.0	2690.6	2.7	0.3
Mining & Minerals	687.2	0.7	498.4	0.5	0.2
Decrease in exposure					
Auto & Auto ancillaries	4775.7	4.8	5581.2	5.6	-0.8
Diversified	12411.8	12.4	13087.3	13.1	-0.7
Computers - Software & Education	9477.1	9.5	9966.8	10.0	-0.5
Oil & Gas, Petroleum & Refinery	4131.1	4.1	4462.7	4.5	-0.3
Tobacco & Pan Masala	961.9	1.0	1088.6	1.1	-0.1
Pharmaceuticals	5669.7	5.7	5760.9	5.8	-0.1

Performance of sector funds

Most fund categories except for pharma and technology funds have generated lower returns in June 2007 as compared with May 2007. Banking and pharma funds have outperformed the Sensex, whereas funds in the auto, FMCG and technology sectors have underperformed the Sensex. Additionally, all the sector funds have outperformed their respective benchmark indices in June 2007. Banking funds gave the highest returns in June 2007, followed by pharma and technology funds.



Disclaimer: mutual fund investments are subject to market risk. Please read the offer document carefully before investing. Past performance may or may not be sustained in the future.

Sharekhan Stock Ideas

Evergreen

HDFC Bank
Infosys Technologies
Reliance Industries
Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
ACC
Apollo Tyres
Bajaj Auto
Bank of Baroda
Bank of India
Bharat Bijlee
Bharat Electronics
Bharat Heavy Electricals
Bharti Airtel
Canara Bank
Corporation Bank
Crompton Greaves
Elder Pharmaceuticals
Grasim Industries
HCL Technologies
Hindustan Unilever
ICICI Bank
Indian Hotels Company
ITC
Mahindra & Mahindra
Marico
Maruti Udyog
Lupin
Nicholas Piramal India
Omax Autos
Ranbaxy Laboratories
Satyam Computer Services
SKF India
State Bank of India
Sundaram Clayton
Tata Motors
Tata Tea
Unichem Laboratories
Wipro

Cannonball

Allahabad Bank
Andhra Bank
Cipla
Gateway Distriparks
International Combustion (India)
JK Cement
Madras Cement
Shree Cement
Tourism Finance Corporation of India
Transport Corporation of India

Emerging Star

3i Infotech
Aban Offshore
Alphageo India
Balaji Telefilms
Cadila Healthcare
Federal-Mogul Goetze (India)
KSB Pumps
Marksans Pharma
Navneet Publications (India)
Network 18 Fincap
New Delhi Television
Nucleus Software Exports
Orchid Chemicals & Pharmaceuticals
ORG Informatics
Tata Elxsi
Television Eighteen India
Thermax
UTI Bank

Ugly Duckling

Ahmednagar Forgings
Ashok Leyland
Aurobindo Pharma
BASF India
Ceat
Deepak Fertilisers & Petrochemicals Corporation
Genus Power Infrastructures
Hexaware Technologies
ICI India
India Cements
Indo Tech Transformers
Jaiprakash Associates
JM Financial
KEI Industries
NIIT Technologies
Punjab National Bank
Ratnamani Metals and Tubes
Sanghvi Movers
Saregama India
Selan Exploration Technology
South East Asia Marine Engineering & Construction
Subros
Sun Pharmaceutical Industries
Surya Pharmaceuticals
UltraTech Cement
Union Bank of India
Universal Cables
Wockhardt
Zensar Technologies

Vulture's Pick

Esab India
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