investor's eye

Index

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
Aurobindo	28-May-07	684	**752**	914
BASF	18-Sep-06	220	**273**	300
Grasim	30-Aug-04	1,119	**2,432**	2,975
Infosys	30-Dec-03	689	**2,020**	2,440
JP Associates	30-Dec-03	125	**677**	850

BASF India

Ugly Duckling

Stock Update

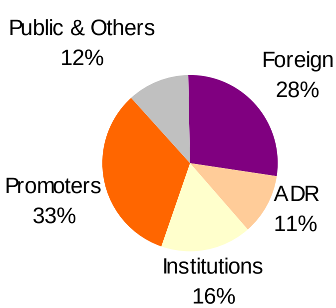
Q4FY2007 results: First-cut analysis

Buy; CMP: Rs273

Company details

Price target:	Rs300
Market cap:	Rs761 cr
52 week high/low:	Rs283/148
NSE volume: (No of shares)	36,573
BSE code:	500042
NSE code:	BASF
Sharekhan code:	BASF
Free float: (No of shares)	1.3 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	6.8	34.4	18.1	53.9
Relative to Sensex	4.9	24.0	10.4	-1.9

Result highlights

- BASF reported decent results for the fourth quarter of FY2007. Its top line grew by 10.7% to Rs160.7 crore. There was an extraordinary item pertaining to a voluntary retirement scheme (VRS) expenditure of Rs3.92 crore during the quarter. Adjusting for the same, the operating profit margin (OPM) grew by 40 basis points to 7.6% and the profits grew by 52.4% to Rs7.6 crore.
- Since BASF's business is seasonal in nature, it is more prudent to look at the yearly numbers of the company. Further, since the company transferred its plastic business to a subsidiary called BASF Polyurethanes India, it makes more sense to look at the consolidated numbers reported by the company. Its consolidated sales rose by 24% to Rs846.6 crore in FY2007. The OPM after adjusting for the VRS expenditures stood at 11.5% against 13.4% in FY2006. The margins were under pressure due to a high raw material cost, which rose from 50.5% in FY2006 to 53.5% in FY2007 as a percentage of sales. The net profit grew by 20.8% to Rs57.1 crore. For the current year, the exports rose by a strong 27% to Rs32 crore.
- All the segments of the company showed considerable improvement, with the agricultural product division reporting a growth of 16.1% mainly due to higher realisations and rationalisation measures undertaken during the year. The margins appear to be down because of the extraordinary item of the VRS expenditure, which was related to this segment. Adjusting for the same, the profit before

Result table Rs (cr)

Particulars	Q4FY07	Q4FY06	% yoy	FY2007	FY2006	% yoy
Net sales	160.70	145.19	10.7	768.53	682.57	12.6
Total expenditures	148.51	134.78	10.2	674.74	593.12	13.8
Raw material consumed	91.53	86.50		422.91	339.12	
Stock adjustment	1.74	-8.54		3.43	12.18	
Purchase of finished goods	15.83	14.18		71.17	81.89	
Employee expenses	16.48	14.88		68.41	57.15	
Other expenses	22.93	27.76		108.82	102.78	
Operating profits	12.19	10.41	17.1	93.79	89.45	4.9
Other income	0.88	1.43	-38.5	3.71	5.53	-32.9
EBIDTA	13.07	11.84	10.4	97.50	94.98	2.7
Interest	0.40	0.48		1.53	2.36	
Depreciation	2.59	2.91		10.87	22.05	
PBT	10.08	8.45	19.3	85.10	70.57	20.6
Tax	2.49	3.47		28.01	25.16	
PAT	7.59	4.98	52.4	57.09	45.41	25.7
Extraordinary	3.92	0.00		7.02	1.94	
Adjusted PAT	3.67	4.98	-26.3	50.07	43.47	15.2
EPS (Rs)	2.7	1.8		20.3	16.1	
OPM (%)	7.6	7.2		12.2	13.1	
PATM (%)	4.7	3.4		7.4	6.7	

interest and tax margin stood at 19.4% as against 17.5% in FY2006. The performance product division grew by 19.3% as the capacity utilisation in all the segments of the division improved during the year. The plastic division's top line grew by 44.9% during the year; its margin however declined to 6.6% from 9.6% in the previous year.

- The company has declared a dividend of 70% for the current fiscal. We are pretty positive on the prospects of the company considering the ongoing consumption boom in its user sectors, eg white goods, home furnishings, paper, construction and automobiles. We believe that this strong growth momentum in the user segments is sustainable, making the prospects very bright for a company like BASF. To cater to the resulting demand, BASF is also expanding its capacities in key products like expandable polystyrene and polymer dispersion, which are used in user segments like white goods and paper. Further, it also has access to the wide product portfolio of its parent company in various segments. Considering its growth prospects, we believe the company is trading at attractive valuations of 13.3x FY2007 earnings and 9.5x FY2008E earnings. We maintain our Buy recommendation on the stock with a price target of Rs300.

Consolidated segmental results

Rs (cr)	FY2007	FY2006	% yoy chg
Revenue			
a. Agricultural Products & Nutrition	2,236.3	1,926.9	16.1
b. Performance products	4,576.9	3,835.5	19.3
c. Plastics	2,364.3	1,632.0	44.9
Profit/ (Loss) before tax and interest			
a. Agricultural Products & Nutrition	364.1	337.4	7.9
b. Performance products	455.7	390.2	16.8
c. Plastics	155.2	157.0	-1.1
PBIT margin (%)			
a. Agricultural Products & Nutrition	16.3	17.5	
b. Performance products	10.0	10.2	
c. Plastics	6.6	9.6	

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

Television Eighteen India

Emerging Star

Stock Update

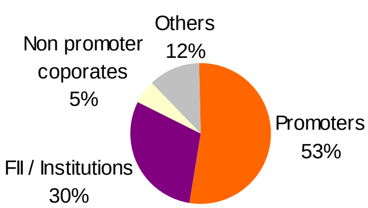
Price target revised to Rs967

Buy; CMP: Rs813

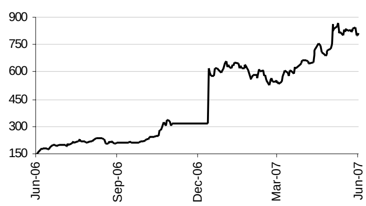
Company details

Price target:	Rs967
Market cap:	Rs4,598 cr
52 week high/low:	Rs975/316
NSE volume: (No of shares)	1.6 lakh
BSE code:	532299
NSE code:	TV18
Sharekhan code:	TV18
Free float: (No of shares)	2.7 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	11.8	45.0	-10.0	191.0
Relative to Sensex	9.9	33.8	-15.8	85.5

Result Highlights

- TV18 India (TV-18) reported good results for Q4FY2007 with revenues of Rs80.4 crore and adjusted net profit (pre-ESOP amortisation and extraordinary items) of Rs22.8 crore.
- During the quarter its top line grew by 50.2% and bottom line increased by 23.7% on a year-on-year (y-o-y) basis. Sequentially, its revenues increased by 24.1% whereas its net profit grew by 19.7%. However, the results are not strictly comparable with those of Q4FY2006, as the numbers of "Awaaz" were included (post-restructuring) in the reported results from Q2FY2007 onwards.
- The operating profit grew by a meagre 10.8% year on year (yoy) to Rs31.7 crore. The growth in the bottom line was lower than that in the top line on account of a drop in the operating profit margin (OPM). The OPM dropped by 1,400 basis points yoy and 590 basis points quarter on quarter (qoq). It declined because of the lower profitability of "Awaaz", which is still at a nascent stage, and the operating loss of Web-18, which is building up new growth avenues and investing in enhancing its existing offerings.
- With the depreciation charge increasing by 53% to Rs5.5 crore, the interest cost more than doubling to Rs2.0 crore and the tax outgo decreasing, the net profit (pre-ESOP charge) grew by 23.7% yoy in Q4FY2007.
- After acquiring CRISIL Market Wire and announcing its foray in the booming stock broking business with Ambit Capital and Centurion Bank of Punjab in Q3FY2007, TV18 acquired a majority stake in Bigtree Entertainment, a movie and entertainment ticketing company, in Q4FY2007. It also entered into a 50:50 joint venture with the business process outsourcing (BPO) division of Infosys Technologies to provide media process outsourcing services under the brand "Source 18".
- TV-18 raised Rs200 crore during the quarter through a qualified institutional placement (QIP) to fund its organic and inorganic growth plans in the media, television and Internet space.

Result table Rs (cr)

Particulars	Q4FY07	#Q4FY06	% yoy chg	Q3FY07	% qoq chg
Net sales	80.4	53.5	50.2	64.8	24.1
Total expenditure	48.7	24.9	95.4	35.4	37.6
Operating profit	31.7	28.6	10.8	29.4	7.8
Interest	2.0	0.8	138.2	4.1	-51.5
Depreciation	5.5	3.6	53.0	5.0	9.6
ESOP charge	3.9	3.4	12.7	2.9	34.6
Profit before tax	20.3	20.7	-2.0	17.4	16.7
Taxes	0.7	4.9	-86.5	0.8	-18.2
Profit after tax	19.7	15.8	24.1	16.6	18.4
Adj profit after tax (Pre-ESOP)	22.8	18.5	23.7	19.2	19.1
OPM (%)	39.4	53.4		44.3	

Q4FY2007 and Q4FY2006 are not comparable as numbers for 'Awaaz' consolidated with TV18 India only from Q2FY2007.

- At the current market price of Rs813, the stock quotes at 36.4x its FY2009E earnings per share (EPS) of Rs22.3 and 20.9x FY2009 enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA).

Break-up of revenues and profitability

Rs (cr)	Q4FY07	#Q4FY06	% yoy	Q3FY07	% qoq
Revenues					
News	71.9	48.7	47.8	58.0	23.9
Internet	8.5	4.9	74.7	6.7	26.1
Operating profit					
News	34.8	26.3	32.5	27.3	27.7
Internet	-3.2	2.3	-236.7	2.1	-248.7
OPM (%)					
News	48	54		47	
Internet	-37	47		32	

Q4FY2007 and Q4FY2006 are not comparable as the numbers of '"Awaaz" were included only from Q2FY2007.

Strong revenue growth continues

TV-18's operating revenues grew handsomely by 50.2% yoy and 24.1% qoq to Rs80.4 crore in Q4FY2007. However the numbers are not strictly comparable with those of Q4FY2006 as "Awaaz" was merged with TV-18 India in Q2FY2007. We believe "Awaaz" would have contributed approximately Rs11 crore to the top line, excluding which the organic growth of TV-18 would be ~29.7%.

Revenues from the news segment were up 47.8% yoy and 23.9% qoq. Excluding "Awaaz" the growth would be approximately 25.2% yoy. The revenues from its Web portals grew strongly by 74.7% yoy and 26.1% qoq as it continued to enhance its web offerings.

Operating profit grows by a meagre 10.8% yoy

The operating profit growth was muted as the OPM dipped by a sharp 1,400 basis points yoy on account of "Awaaz", which is at a nascent stage, and the Rs3.2-crore operating loss of Web-18, which is building up new growth avenues and investing in enhancing its existing websites and launching new web sites. Though the depreciation and interest costs were considerably higher yoy, the same were more than offset by a very low tax outgo. Thus the adjusted net profit was up by 23.7% yoy during the quarter.

We believe Web-18 has gone into an investment mode and its profitability should remain subdued at least for the next couple of quarters. However we expect a significant increase in the profitability of "Awaaz" in the next fiscal as it stabilises and gains traction.

New initiatives

Bigtree Entertainment

Web-18 acquired a majority stake in Bigtree Entertainment, the industry leader in movie and entertainment ticketing, in Q4FY2007. Bigtree Entertainment provides backend services to cinema exhibitors. Thus it sells tickets to end consumers and provides the necessary software, processes, systems, door delivery options, cash collection, warehousing and accounting services. While its software and services find applications in live entertainment, sports and live shows apart from cinema, Bigtree Entertainment is expected to significantly benefit from the exponential growth in the multiplex industry.

Source 18

To leverage its media expertise and latch on to the opportunities available in global outsourcing of media processes, TV-18 entered into a strategic tie-up with the BPO division of Infosys Technologies. The 50:50 joint venture to be called "Source 18" will provide a full spectrum of services in the content re-purposing and media process outsourcing (MPO) space. While TV-18 will contribute its domain expertise in the media space the BPO division of Infosys Technologies would bring to the table its technological know-how and process expertise. The size of the MPO market is difficult to quantify, however we believe it offers tremendous opportunity. More so, given the cost advantage (without sacrificing the quality of delivery) and the huge size of the global media and entertainment industry, which is expected to cross $2 trillion soon.

Funds raised to strengthen future growth

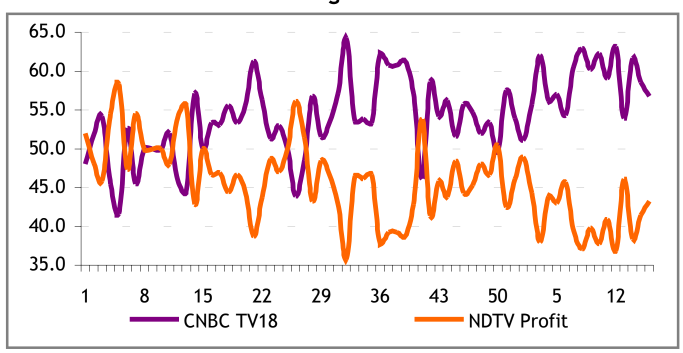
TV-18 raised Rs200 crore in Q4FY2007 via a QIP to further accelerate its organic and inorganic growth in the media, television and Internet space. While the specific purpose of raising these funds has not been made clear, we believe apart from using part of the funds to scale up its existing businesses the company could invest a substantial portion of the same in new avenues. As it has significant presence in the television and Internet space, we believe the company should complete its media portfolio by entering into print media.

Operational performance

CNBC-TV18 and "Awaaz" dominate the business news genre

While CNBC maintains and consolidates its dominance in the English business news genre, "Awaaz", the consumer oriented business news channel, dominates the Hindi business news space with a market share of ~70%, which far exceeds the market share of the only other competitor Zee Business.

Market share—business news genre



Source: Tam Media, Sharekhan Research

Key growth drivers

Revolutionary changes in distribution space to boost subscription revenues

Of late the television distribution space has been witnessing revolutionary changes. The broadcasting industry has for long been suffering substantial loss of subscription revenues due to under-declaration of subscriber numbers by the local cable operators. After implementing the conditional access system (CAS) in select parts of Mumbai, Delhi and Kolkata w.e.f January 1, 2007 the government is contemplating its extension to cover all major cities. This opens up an opportunity for broadcasters to garner big pay revenues over the long term with addressability infused in the system. Apart from this rapid growth seen in alternative distribution platforms such as direct-to-home and Internet Protocol TV will lead to further improvement in pay revenues.

We believe that the subscription revenues are going to be a big revenue and profitability booster for TV-18 going forward. TV-18 with its two leading channels is well set to reap the benefits of improved addressability, more so as these additional revenues do not require any extra cost and add straight to the bottom line. We expect TV-18's subscription revenues to grow at a compounded annual growth rate (CAGR) of ~45% over the next couple of years. However further clarity would emerge on success of CAS and its expansion to other cities, and pick-up in DTH subscriptions, as the existing DTH operators gain penetration and new players join them.

Bouquet of Web offerings—to enhance value

We view TV-18's Internet business as one of the prominent growth drivers. It has been continuously enhancing its web offerings in terms of their content and frequently adding new innovative Web properties to its portfolio. moneycontrol.com is one of the premier financial web portals. Expanding its web universe it launched *tech2.com*, an end-to-end personal technology website, during Q3FY2007. *commoditiescontrol.com* is the undisputed leader in the commodities information space. Within one year of its launch *poweryourtrade.com* has already crossed 50,000 subscribers. Apart from these, Web-18 offers *ibnlive.com*, *easymf.com*, *yatra.com*, *jobstreet.com* and compareindia.com. The grand valuations enjoyed by Info Edge (India) (trades at ~16x FY2007 sales), the owner of *naukri.com*, also hints at the embedded value of Web-18. The new businesses of Crisil Market Wire (renamed as Newswire-18), e-ticketing (acquired Bigtree Entertainment) and broking (in joint venture with Ambit Capital and Centurion Bank of Punjab) will enhance the shareholder value. We expect Web-18's revenues to grow at a CAGR of 80% till FY2009, though the profitability may remain subdued in FY2008 as it aggressively spends on improving its portals and marketing them. However after FY2008 we expect the margins to gain momentum. We see great value in Web-18 and expect it to be a very high-margin business as and when it stabilises.

Valuation and view

We expect TV-18's top line to grow at a CAGR of 35.1% in FY2007-09E to Rs437.9 crore and its bottom line to grow at a CAGR of 42.7% to Rs126.1 crore over the same period. While Web-18's profitability is expected to be subdued for FY2008 as it gets in investment mode, the profitability of "Awaaz" should improve as we expect it to post a good growth of 34.2% from FY2007-09 in its top line. While the near-term financials remain impressive even with several businesses at nascent stage (and more in the offing), what lures us more is a comprehensive media business model that is getting ready to reap the benefits of the long-term India growth story. The astute management that is adding scaleable businesses also impresses us. This makes TV-18 our preferred pick in the media space. At the current market price of Rs813, the stock quotes at 36.4x its FY2009E EPS of Rs22.3 and 20.9x FY2009E EV/EBIDTA. We maintain our Buy recommendation on the stock with our some-of-the-parts (SOTP) price target of Rs967 per share.

SOTP valuation

Properties	Value (Rs cr)	Comments
News business	3,043	Based on 30x FY09E earnings
85% in Web-18	1,058	Based on 15x FY09E Revenues
Stake in GBN	469	
Newswire-18, Source 18 & broking JV	350	
Cash on books	552	
Total value	**5472**	
Nos of shares (cr)	5.7	
Value per share (Rs)	**967**	

Valuation table

Particulars	FY05	FY06	FY07	FY08E	FY09E
Net profit (Rs cr)	32.9	37.2	60.8	85.1	126.1
Shares in issue (cr)	1.7	2.1	5.7	5.7	5.7
EPS (Rs)	19.5	17.7	11.0	15.1	22.3
% y-o-y growth	*160.0*	*-9.1*	-	*37.4*	*48.0*
PER (x)	46.0	50.6	74.0	53.9	36.4
Book value (Rs)	66.9	113.5	63.9	78.1	99.6
P/BV x)	13.4	7.9	12.7	10.4	8.2
EV/EBITDA (x)	35.0	27.9	46.6	31.0	20.9
RoNW (%)	29.1	21.2	20.7	21.2	25.1
RoCE (%)	18.4	19.4	13.9	16.0	21.3

What's In—What's Out

Mutual Fund

Fund Analysis: June 2007

Favourite stock picks in the portfolios of equity and mid-cap funds

An analysis has been undertaken on equity and mid-cap funds' portfolios, indicating the favourite picks of fund managers for the month of May 2007. Equity funds comprise of all diversified, index, sector and tax planning funds, whereas mid-cap funds include a universe of 18 funds such as Reliance Growth, Franklin India Prima Fund, HDFC Capital Builder, Birla Mid-cap Fund etc.

What's in

Top new stocks added to the equity funds' portfolios

Company name	No of shares	Mkt value (Rs cr)
A D F Foods	159725	0.67
Ador Welding	1814078	6.98
Anand Engine Components	3518	0.03
Asahi Songwon Colors	150385	14.02
Caprihans India	415000	5.08
Fedders Lloyd Corporation	105537	1.58
Flat Products Equipments (India)	109569	3.90
Innosoft Technologies	366345	0.85
Kamla Dials & Devices	42261	0.41
Kotak Mahindra Primus	250000	14.31
Magnasound	--	0.00
MIC Electronics	1056025	41.75
Nitin Fire Protection Ind	29218	4.59
Pioneer Embroderies	300000	5.13
Ruby Mills	7078	0.44
Shaw Wallace & Company	9181	0.16
Shreeram Urban Infra	21902	0.83
Shreyas Intermediates	114625	0.73
W S Industries (India)	200871	0.98

Top new stocks in the mid-cap funds' portfolios

Company name	No of shares	Mkt value (Rs cr)
3M India	110460	21.26
ABG Shipyard	101071	4.22
Asahi Songwon Colors	--	5.20
Chennai Petroleum Corporation	77255	1.92
Cipla	100092	2.18
Corporation Bank	418500	13.86
Era Constructions (India)	26055	0.96
Financial Technologies	15247	3.42
Fortis Healthcare	2828618	24.79
IPCL	1235000	44.02
Maruti Udyog	926042	75.67
McDowell Holdings	16000	0.38
MIC Electronics	52834	2.09
Nitin Fire Protection Ind	12211	1.09
Patni Computer Systems	810001	43.12
Ruby Mills	7078	0.44
Solar Explosives	43499	0.55
Titan Industries	105529	11.87
United Breweries Holdings	128800	8.81
Yes Bank	271500	4.55

What's out

Complete exits in the equity funds' portfolios

Company name
Gati Corporation
IL&FS Investsmart
Raipur Alloys & Steel
Suven Life Science
C M C

Complete exits in the mid-cap funds' portfolios

Company name	
Bannari Amman Sugars	Tamil Nadu Newsprint & Papers
Eicher Motors	Thirumalai Chemicals
Essar Steel	Vardhman Spinning Mills
Indian Oil Corporation	M&M Financial Services
MRF	Aventis Pharma India
Pidilite Industries	Mcleod Russel India
Power Finance Corporation	Everest Kanto Cylinder
Precot Mills	GVK Power & Infrastructure
Samtel Color	Sical Logistics
Satyam Computer Services	Sun TV
Sundaram Finance	

Favourite picks for the month

Top additions to the existing holdings of equity funds' portfolios

Company name	No of shares added	Mkt value added (Rs cr)
Maruti Udyog	4524133	369.92
HDFC Bank	2655437	302.65
NTPC	15864662	251.30
Infosys Technologies	1084649	208.28
Patni Computer Systems	2708325	144.20
GVK Power & Infrastructure	2475257	104.83
Steel Authority of India	6683628	93.64
Reliance Petroleum	8971892	90.12
Reliance Communication Ventures	1675832	84.64
Punj Lloyd	3836604	82.97
Bharat Petroleum Corporation	2040113	73.40
Carborundum Universal	4257644	69.12
UTV Software Communication	1119126	59.46
Welspun Gujarat Stahl Rohren	3272040	58.50
Birla Corporation	2065682	50.58
Dishman Pharmaceuticals	1827567	50.35
Ador Welding	1814078	44.34
Federal Bank	1617300	43.18
Fortis Healthcare	4594852	40.25
Petronet Lng	7113547	36.85

Top additions to the existing holdings of mid-cap funds' portfolios

Company name	No of shares added	Mkt value added (Rs cr)
Maruti Udyog	926042	75.72
Tata Tea	515969	47.52
Federal Bank	1718859	45.89
IPCL	1235000	43.62
Patni Computer Systems	810001	43.13
Bharat Petroleum Corporation	1182801	42.56
IDBI	3530987	33.54
Union Bank Of India	2375999	28.64
UTV Software Communication	474999	25.24
Fortis Healthcare	2828618	24.78
Balaji Telefilms	1118008	24.51
Gateway Distriparks	1288675	23.29
Tata Chemicals	825724	21.15
Jain Irrigation Systems	397792	18.61
Welspun Gujarat Stahl Rohren	991987	17.74
Oriental Bank of Commerce	724956	16.58
IVRCL Infrastructure & Projects	456827	16.03
Gammon India	405958	15.70
Redington India	612811	15.00
Corporation Bank	418500	13.83

Popular stocks in mid-cap funds

Company name	No of shares	Mkt value (Rs cr)
Aditya Birla Nuvo	1025683	144.01
Bank of Baroda	4643051	128.01
Bharat Earth Movers	1663510	173.66
Crompton Greaves	4802334	118.09
Deccan Chronicle Holdings	6270311	131.42
Divis Laboratories	282734	140.66
Federal Bank	4817838	128.51
India Cements	6143984	110.22
India Infoline	1902524	125.65
Jain Irrigation Systems	3477355	163.99
JaiPrakash Associates	3267622	226.39
Jindal Saw	4210634	241.59
Jindal Steel and Power	377187	120.92
JSW Steel	2855280	172.76
Lupin	1986070	141.27
Maharashtra Seamless	2984124	167.89
MICO	367006	163.37
NIIT Technologies	2353990	141.85
Reliance Industries	925260	162.73
Welspun Gujarat Stahl Rohren	7483989	133.74

Exclusive stocks

Some stocks held by only one fund

Scrip Name	Fund House
Balmer Lawrie Investments	PRINCIPAL Mutual Fund
Bharat Seats	UTI Mutual Fund
Forbes Gokak	ICICI Prudential Mutual Fund
Gujarat Pipavav Port	UTI Mutual Fund
IL&FS Investsmart	UTI Mutual Fund
JBF Industries	Tata Mutual Fund
JBM Auto Components	Canbank Mutual Fund
Piramyd Retial	SBI Mutual Fund
Sanjivani Paranteral	Tata Mutual Fund
State Bank of Bikaner & Jaipur	UTI Mutual Fund

Cash rich funds: Top 10 funds having more cash compared to the others

Birla Index Fund, Birla Sunlife Long Term Advantage Fund - Series 1, DBS Chola hedged Equity Fund, ING Vysya Dynamic Asset Allocation Fund, LIC Taxplan and Reliance Long Term Equity Fund are some of the cash rich equity diversified funds waiting for right valuations to invest.

Scheme	Equity (%)	Debt (%)	Cash & equivalent (%)
Birla Index Fund	0	12.77	87.23
Birla Sunlife Long Term Advantage Fund - Series 1	24.37	0	75.63
Taurus INFRA TIPS	33.06	0	66.94
DBS Chola Hedged Equity Fund	53.98	0	46.02
UTI Capital Protection Oriented Scheme- Series I - 3 Yrs	10.93	53.45	35.62
ING Vysya Dynamic Asset Allocation Fund	29.19	35.82	34.99
LIC Tax Plan	67.04	0	32.96
ICICI Prudential Blended Plan - Option A	65.73	6.49	27.78
ICICI Prudential Fusion Fund - Series II	72.26	0	27.74
Reliance Long Term Equity Fund	72.37	0	27.63

Industry Update

Mutual Fund

Growth in equity AUMs overtakes the rise in the market

Industry news

- **AMFI demands tax break for mutual funds (MFs) investing abroad:** The Association of Mutual Funds in India (AMFI) has made a representation to the government asking for tax exemption for investors on investments made abroad. Presently, tax exemption is available to investors if the MF concerned has made at least 65% investment in Indian companies. If government comes out with a clarification with regard to tax exemption, MFs can launch dedicated schemes for investing in foreign countries.

- **UTI MF to come out with an IPO:** UTI MF is planning to come out with an initial public offering (IPO). The IPO will make UTI MF the first ever listed asset management company (AMC) in India. The valuation exercise for the IPO will include the value of the UTI brand and the four verticals that UTI MF runs. The IPO will target at least Rs1,250 crore, with 49% of the sponsors' equity being sold to the public and 51% controlling stake being retained by them.

- **MFs won't be loaded with service tax:** Fund houses will not be required to pay service tax on charges levied on investors at the time of purchase and sale of MF units. Had the tax been imposed, it would have been passed on to the investors by way of an increase in fees. The Central Board of Excise & Customs has said that the entry load and exit loads charged from investors by fund houses should not attract service tax.

- **Reliance MF assets cross Rs50,000 crore mark:** Reliance MF has become the country's first AMC to cross the Rs50,000 crore mark in assets under management (AUM), cementing its position as India's largest fund house. The AMC's AUM grew by over 21% in May 2007, touching Rs59,143 crore.

- **Insurer Max NY Life eyes mutual fund foray:** Insurance company Max New York Life is looking to enter the mutual fund business in India. The move is part of the company's strategy to diversify from its existing line of business. The company may even consider an Indian listing of the entity after the next two years.

Highlights

- The AUM for equity funds rose by 5.9% to Rs156,577 crore in May 2007. The rise in the AUM was above the market movement of 4.8%.

- Fund managers made purchases worth Rs14,551 crore and remained net buyers to the tune of Rs1,803 crore during the month.

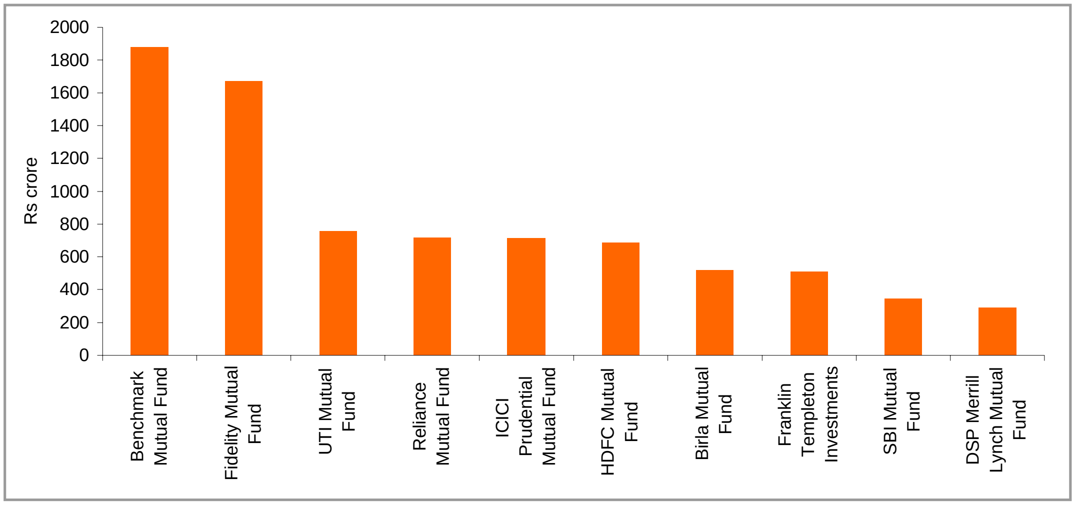
- Despite higher new fund offering (NFO) collections, MFs registered a net outflow of Rs204 crore from equity funds in May 2007. The relatively lower amounts mobilised by the existing MFs coupled with the higher redemption volumes caused the reversal in the fund flow in May 2007.

- MFs are sitting on Rs12,293 crore of cash that is waiting to be deployed in the market. Of this, Rs10,367 crore lies with the existing MFs while the remaining Rs1,926 crore has been mobilised through NFOs.

- Amongst all sector funds, banking funds have generated the highest returns in May 2007. Banking, fast moving consumer goods (FMCG) and pharma funds have outperformed the Sensex, whereas funds in the automobile and technology sectors have underperformed the Sensex.

- MFs have slashed their exposure to auto, cable and cement companies, and have bought stocks in the banks, media & entertainment and pharmaceutical sectors.

- **Major movers for May 2007**



The AUM of equity MFs rose by 5.9% from Rs147,848 crore in April 2007 to Rs156,577 crore in April 2007. The rise in the AUM was above the market movement of 4.8%. The AUM of the equity-diversified funds rose by 4.5%, whereas that of the tax planning and sector funds increased by 7.3% and 6.2% respectively. The AUM of index funds rose by a massive 40.6% in May 2007.

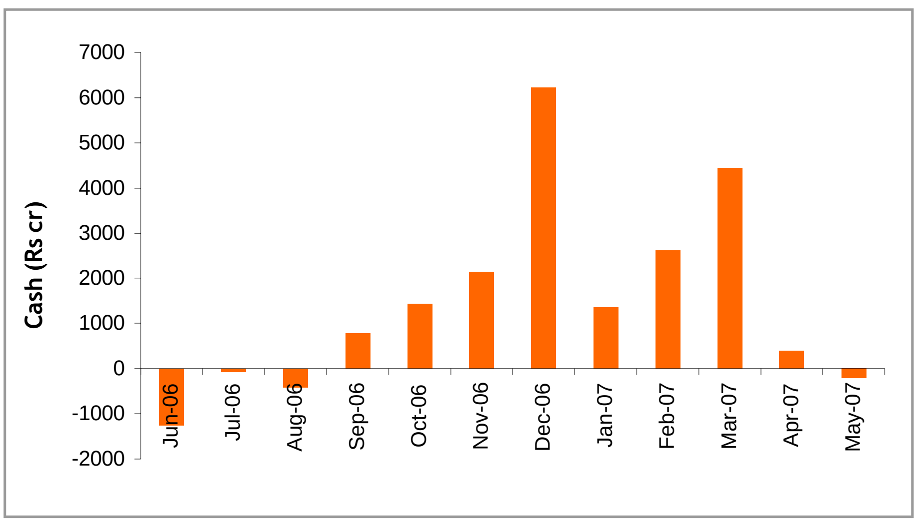
Benchmark MF saw the largest rise of 45%, amounting to an increase of Rs1,880 crore in its AUM. Fidelity MF and UTI MF followed Benchmark MF and recorded increases of Rs1,671 crore and Rs756 crore respectively in their equity AUM. On the other hand, ING Vysya reported a reduction of over 5%, amounting to Rs46 crore in its equity AUM.

- **Stock market activities for mutual funds**

Mutual funds turned net sellers of equities in May 2007.

Month	Purchase (Rs cr)	Sales (Rs cr)	Net (Rs cr)
May-07	14550.8	12748.3	1802.5

Equity fund flow



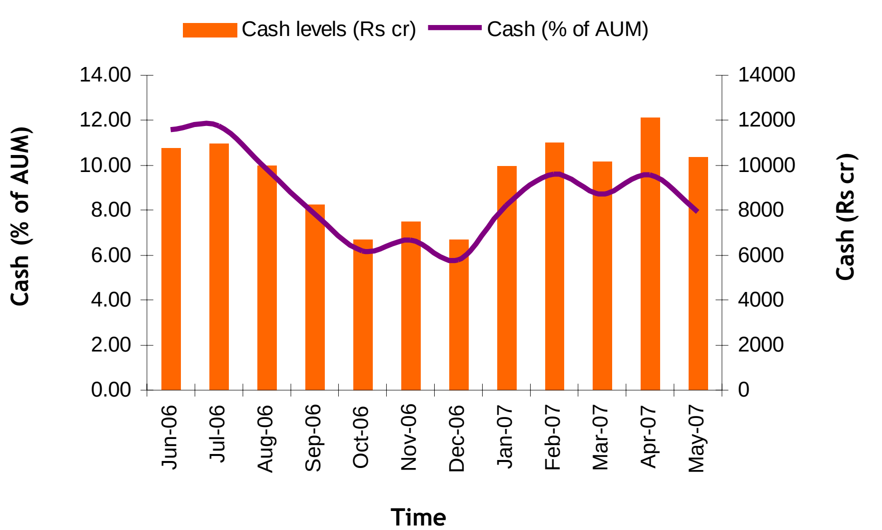
Fund flows into the equity MFs declined substantially in May 2007, with the equity MFs registering a net outflow of Rs204 crore in May 2007 as compared with an inflow of Rs399 crore in April 2007. Despite the collections made by the NFOs more than doubling in May 2007 (Rs1,926 crore in May 2007 as compared with only Rs856 crore in April 2007), the net fund flow declined sharply due to lower amounts flowing into the existing equity schemes coupled with higher redemption volumes seen in May 2007 as compared with April 2007. The NFO collections include the amounts raised by Fidelity International Opportunities Fund and Birla Sunlife Long-term Advantage Fund - Series 1. The same, however, do not include the collections made by JP Morgan India Equity Fund, DSP Merrill Lynch Micro Cap Fund and AIG India Equity Fund. These funds were launched in May 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 Rs1,800 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 May 2007 declined from Rs12,112 crore in April 2007 to Rs10,367 crore in May 2007. The cash as a percentage of the total corpus also followed a similar trend, falling from 9.6% of the total corpus in April 2007 to 7.9% in May 2007. The reduction in the cash levels was predominantly due to the large purchases made by fund houses during May 2007 in a booming market.

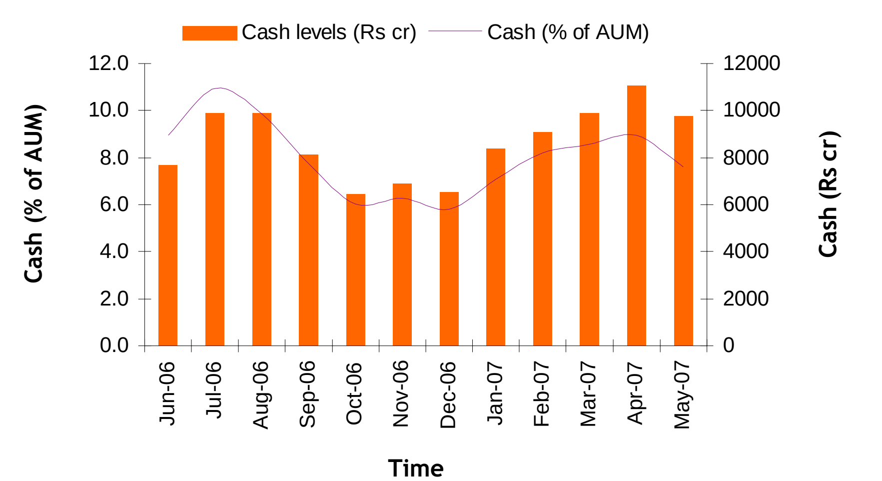
Further, the total cash sitting with the MFs, including the cash mobilised through the recently launched NFOs, stands at a healthy Rs12,293 crore. Flush with cash, MFs are well placed to maintain the buying interest and propel the market forward.



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

Sentiments

The cash level for all funds more than three months old has decreased from 9.0% of the total corpus in April 2007 to 7.6% of the total corpus in May 2007, with mutual funds being in a strong investment mode.



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

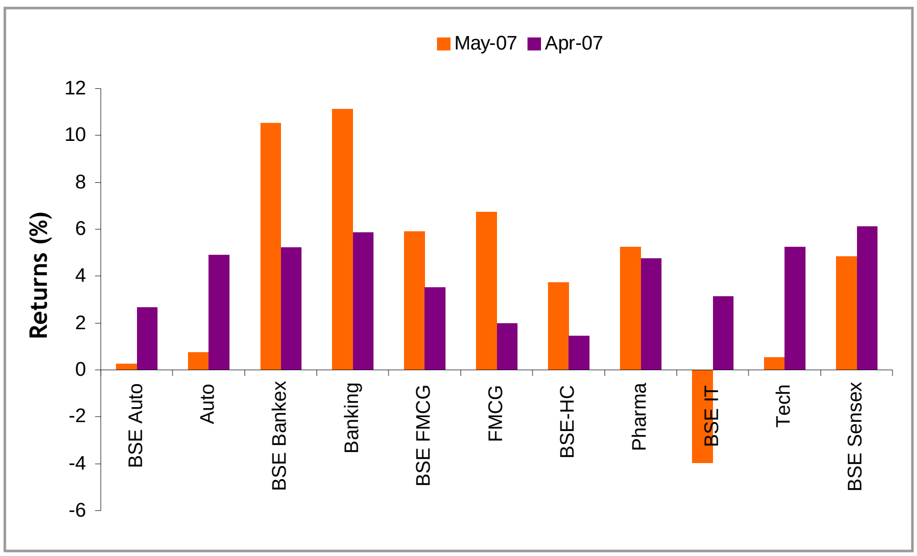
Sector allocation

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

Sector name	May 2007		April 2007		%
	Amount (Rs cr)	% of net assets	Amount (Rs cr)	% of net assets	chg
Increase in exposure					
Banks	9098.10	9.59	7959.14	8.74	0.84
Finance	2232.97	2.35	1773.31	1.95	0.40
Entertainment	3474.94	3.66	3014.37	3.31	0.35
Pharmaceuticals	5313.93	5.60	4880.94	5.36	0.24
Diversified	12498.55	13.17	11822.14	12.99	0.18
Electronics	2156.88	2.27	1931.25	2.12	0.15
Decrease in exposure					
Auto & Auto ancillaries	5371.67	5.66	5347.58	5.88	-0.22
Cable	146.36	0.15	157.74	0.17	-0.02
Cement	1329.31	1.40	1574.05	1.73	-0.33
Chemicals	1319.66	1.39	1312.52	1.44	-0.05
Computers - Software & Education	9272.57	9.77	9580.77	10.53	-0.76
Edible Oil & Vanaspati	95.97	0.10	98.56	0.11	-0.01

Performance of sector funds

Most fund categories except for auto funds and technology funds have improved their performance in May 2007, in line with the strong gains seen in the equity markets. Banking FMCG and pharma funds have outperformed the Sensex, whereas funds in the auto and technology sectors have underperformed the Sensex. Additionally, all the sector funds have outperformed their respective benchmark indices in May 2007. Banking funds gave the highest returns in May 2007, followed by FMCG and pharma 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.

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