investor's eye

Index

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
Aban Offshore	03-Mar-05	330.4	**3,709**	5,420
ITC	12-Aug-04	69	**213**	247
Tata Chem	31-Dec-07	411	**376**	535
TCS	06-Mar-06	852	**887**	1,079
Thermax	14-Jun-05	124	**522**	633

Ranbaxy Laboratories

Apple Green

Stock Update

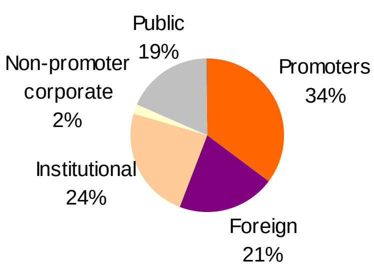
Q1CY2008 results: First-cut analysis

Buy; CMP: Rs487

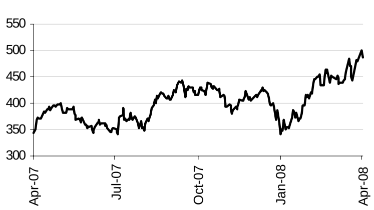
Company details

Price target:	Rs625
Market cap:	Rs18,174 cr
52 week high/low:	Rs502/297
NSE volume: (No of shares)	19.5 lakh
BSE code:	500359
NSE code:	RANBAXY
Sharekhan code:	RANBAXY
Free float: (No of shares)	24.3 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	10.8	37.0	20.6	46.1
Relative to Sensex	-0.7	43.9	26.3	20.2

Result highlights

- For Q1CY2008 Ranbaxy Laboratories (Ranbaxy) has reported a 3.9% growth in its consolidated revenues to Rs1,613.7 crore against our expectation of Rs1,777.1 crore. As expected, the revenue growth was affected by the appreciation in the rupee, as the growth in dollar terms was more robust at 15%.
- The revenue growth was driven by a 12% growth in the sales to the emerging markets and a 17% rise in the sales to the developed markets. The US business grew by 16% to $99 million during the quarter, while sales in Europe declined by 11% to $83 million. The growth in the emerging markets was led by India, the Commonwealth of Independent States and other countries in the Asia-Pacific region.
- The Romanian business reported a decline of 29% due to uncertainty in the regulatory scenario. The company expects the performance in Romania to improve in the coming quarters due to the regulatory changes which have been introduced from April 01, 2008.
- The reported operating profit margin (OPM) improved by 350 basis points year on year (yoy) to 15.8%. The margin improvement was due to a reduction in the raw material cost. On excluding the new drug discovery research (NDDR) related R&D expenses the OPM would have been 17%, up by 350 basis points yoy. Consequently, the reported operating profit of the company grew by 33.8% yoy to Rs255.20 crore.

Result table Rs (cr)

Particulars	Q1CY2008	Q1CY2007	% yoy change
Net sales	**1613.7**	**1553.5**	**3.9**
Other operating Income	84.9	28.6	196.9
Total operating income	1698.6	1582.1	7.4
Expenditure	1351.4	1310.2	3.1
Operating profit	**255.2**	**190.8**	**33.8**
Accrued Interest and other income	8.5	4.5	88.9
EBITDA	263.7	195.3	35.0
Interest	38.4	31.3	22.7
Foreign exchange effect	79.8	-55.9	-242.8
Depreciation	62.1	55.7	11.5
PBT	**83.4**	**164.2**	**-49.2**
Taxes	36.1	35.5	1.7
PAT (before extra-ordinary)	47.3	128.7	-63.2
Extraordinary items	-89.5	0.0	-
PAT (after extra-ordinary)	**136.8**	**128.7**	**6.3**
EPS (Rs)	3.7	3.5	6.2
OPM (%)	15.8	12.3	+350 bps
EBITDA margin (%)	16.3	12.6	+370 bps
Net profit margin (%)	8.5	8.3	+20 bps

- The reported net profit of the company stood at Rs136.5 crore, up by 6.3% yoy. The net profit was dragged down by a foreign exchange (forex) loss of Rs79.8 crore (as compared with a forex gain of Rs55.9 crore in Q1CY2007), it was boosted by an extraordinary income of Rs89.5 crore during the quarter on account of sale of land & buildings. The pre-exceptional net profit excluding the forex loss stood at Rs119.6 crore, up by 15% yoy. Further the net profit after adjusting for NDDR related R&D cost stood at Rs153 crore, up by 7% yoy.

- The process for the demerger and the subsequent listing of the NDDR division are on track, with the expected date of listing at the end of Q3CY2008. The effective date of the de-merger, however, remains January 1, 2008. The company is working on a research and development (R&D) deal for its NDDR business and is likely to make an announcement on the same in the next few weeks.

- The management has re-affirmed its guidance of an 18-20% growth in the top line in US Dollar terms and stated that it expects to ramp up growth in the coming quarters in order to achieve the said guidance.

- Pursuant to the acquisition of a 14.7% stake in Orchid Chemicals, Ranbaxy has entered into a strategic business alliance with the former. The alliance involves multiple geographies and therapies for both finished dosage formulations and active pharmaceutical ingredients. The company will disclose further details of the alliance over the next few weeks. We believe this alliance would be a win-win arrangement for both the companies. Ranbaxy would benefit from Orchid Chemicals' niche product portfolio, particularly in the sterile injectables space, and state-of-the-art manufacturing capabilities. On the other hand, Orchid Chemicals would gain from Ranbaxy's global scale and market reach.

- At the current market price of Rs487, Ranbaxy is discounting its CY2008E base earnings (excluding the first-to-file opportunities) by 22.8x and its CY2009E base earnings by 19.9x. We maintain our Buy recommendation on the stock with a sum-of-the-parts price target of Rs625 (Rs490 per share for the base business and Rs135 per share for the first-to-file opportunities: Imitrex, Valtrex, Nexium, Flomax and Lipitor).

Valuation table

Particulars	CY05	CY06	CY07	CY08E	CY09E
Net sales (Rs cr)	5103.6	6017.0	6590.4	7428.4	8369.0
Net profit (Rs cr)	261.7	515.4	790.1	854.7	980.3
No of shares (cr)	37.2	37.3	37.3	40.0	40.0
EPS (Rs)	7.0	13.8	21.2	21.4	24.5
PER (x)	69.3	35.2	23.0	22.8	19.9
EV/Ebidta (x)	62.6	23.4	21.5	17.4	14.8
P/BV (x)	7.4	7.0	6.0	5.6	4.7
Mcap/sales	3.6	3.0	2.8	2.6	2.3
RoCE (%)	4.8	11.2	15.2	15.5	16.1
RoNW (%)	10.7	19.9	26.3	24.4	23.8

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

Tata Consultancy Services

Evergreen

Stock Update

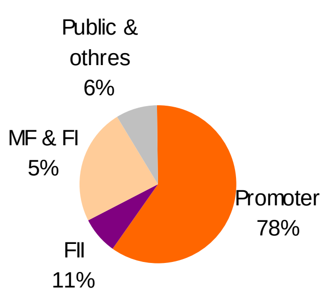
Price target revised to Rs1,079

Buy; CMP: Rs887

Company details

Price target:	Rs1,079
Market cap:	Rs86,769 cr
52 week high/low:	Rs1,300/730
NSE volume: (No of shares)	9.6 lakh
BSE code:	532540
NSE code:	TCS
Sharekhan code:	TCSCONS
Free float: (No of shares)	21.9 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	22.4	19.9	-9.9	-20.0
Relative to Sensex	9.7	26.0	-5.6	-34.2

Result highlights

- Tata Consultancy Services (TCS) has reported a growth of 2.9% quarter on quarter (qoq) and of 18.4% year on year (yoy) in its consolidated revenues to Rs6,094.7 crore for Q4FY2008. The sequential revenue growth was contributed by a volume growth of 4.8% and rupee depreciation of 1.1%. However, the revenues during the quarter were adversely affected by a 1.6% decline in the blended realisation and a 1.4% decline due to a change in the revenue mix (following a higher offshore proportion).
- The operating profit margin (OPM) declined by 118 basis points to 25.5% sequentially. The OPM was dented by lower blended realisation (a 1.6% sequential decline) and an increase in the overhead cost as a percentage of sales (up 70 basis points to 21.1% of the sales). On the other hand, a favourable offshore-onsite mix and a 320-basis-point improvement in the utilisation rate (including trainees) to 75.8% partially cushioned the pressure on the OPM. Consequently, the operating profit declined by 1.7% qoq to Rs1,552.4 crore.
- The other income declined sharply by 25.4% qoq to Rs78.1 crore. Moreover, the company's effective tax rate increased to 13.5% in Q4FY2008 from 12.7% in Q3FY2008. Consequently, the net income fell by 5.6% qoq to Rs1,255.9 crore, which was below our expectation of Rs1,377.7 crore.

Result table (consolidated US GAAP) Rs (cr)

Particulars	Q4FY08	Q3FY08	Q4FY07	% qoq chg	% yoy chg
Revenue	**6094.7**	**5924.1**	**5146.4**	**2.9**	**18.4**
Development cost	3258.7	3138.4	2717.7	3.8	19.9
Gross profit	2836.0	2785.7	2428.8	1.8	16.8
SG&A expenses	1283.6	1206.8	972.0	6.4	32.1
Operating profit	**1552.4**	**1578.9**	**1456.8**	**(1.7)**	**6.6**
Depreciation	162.5	147.5	139.5	10.1	16.4
EBIT	1389.9	1431.4	1317.3	(2.9)	5.5
Other income	78.1	104.8	89.8	(25.4)	(13.0)
Profit before tax	1468.1	1536.2	1407.1	(4.4)	4.3
Tax	198.8	194.7	218.8	2.1	(9.1)
PAT	1269.3	1341.5	1188.3	(5.4)	6.8
Affiliates earnings	(0.1)	0.3	0.4		
Minority interest	13.3	11.0	15.8	21.0	(16.2)
RPAT	**1255.9**	**1330.8**	**1172.8**	**(5.6)**	**7.1**
Adj PAT	1255.9	1330.8	1116.8	(5.6)	12.5
Equity capital	195.8	195.7	97.9		
EPS (Rs)	6.4	6.8	12.0		
Margins (%)					
GPM	46.5	47.0	47.2		
OPM	25.5	26.7	28.3		
EBIT	22.81	24.2	25.6		
NPM	20.3	22.1	22.4		

- The performance was largely dented by a slowdown in the business from two of its top clients (from the banking and financial services domain) and project delays in the other verticals in the last quarter. The decline in the blended realisation was largely on account of pre-transition of a large deal (ie TCS put employees on a project but didn't charge it to the client). As a result, a 4.8% sequential volume growth didn't completely translate into higher revenues and improved margins. The stock is expected to under-perform in the near term.
- Given the sluggish demand in the banking, financial services and insurance (BFSI) vertical, the management is cautiously optimistic on the demand environment. The scenario is expected to improve, moving ahead.
- The company closed six large deals during the quarter. The deal pipeline is also healthy (25 deals with the run rate of over US$50 million) and the management expects the growth to improve in the coming quarters. TCS has set a target of 30,000-35,000 gross employee additions in FY2009.
- To fine-tune our earnings estimate and to factor in an exchange rate assumption of Rs39.5 per dollar for FY2009, we have revised our earnings estimate for FY2009 down by 5.0%. We have also introduced our FY2010 earnings estimate in this note and expect the company's earnings to grow at 6.4% during the fiscal. At the current market price, the stock is trading at 14.9x FY2009 earnings estimate and 14.0x FY2010 earnings estimate. We maintain our Buy recommendation on the stock with a revised price target of Rs1,079.

Healthy order pipeline and employee hiring targets

TCS added 35,672 employees in FY2008. The company has also guided to an addition of 30,000 to 35,000 employees in FY2009. In line with this, the company has already made approximately 22,500 campus offers. Moreover, TCS plans to add ~40,000 seats infrastructure in India in FY2009.

Furthermore, the company won six large deals in Q4FY2008, taking the total to 26 large deals in FY2008. The company has also mentioned that it has a healthy pipeline of deals (25 deals of more than US$50 million).

TCS has also mentioned that it is not witnessing the cancellation of any deals from its clients except for one ten-year deal of US$70 million from the Chile government.

The decline in the blended realisation in the quarter was primarily due to the ramping-up of certain clients where the company did some pre-transition. Moving ahead, pricing from the existing clients is expected to remain stable at the Q4FY2008 level with a positive bias for the new clients.

Other highlights

- Revenues from the USA stood at 55.2% in Q4FY2008 compared with 54.2% in the previous quarter.
- The BFSI vertical grew at 0.7% sequentially, which is one of lowest sequential growth in the last eight quarters.
- TCS' hedge position stood at US$4.5 billion in Q4FY2008 compared with US$3.1 billion in Q3FY2008.
- TCS added 53 new clients during the quarter and the number of active clients increased to 904 from 857 in the previous quarter.
- TCS has guided for a salary hike in the range of 8-10% for the offshore employees and of 3-4% for the onsite employees.
- The attrition rate increased to 12.6% from 12.2% in the previous quarter.

Valuation

To fine-tune our earnings estimate and to factor in the exchange rate assumption of Rs39.5 per dollar for FY2009, we have revised our earnings estimate for FY2009 downward by 5.0%. We have also introduced our FY2010 earnings estimate in this note. We have assumed an exchange rate of Rs38.5 per share and a higher effective tax rate of 20% for FY2010 and factored the same in our FY2010 estimate. Hence, we expect TCS' earnings to grow by 6.4% in FY2010. At the current market price, the stock is trading at 14.9x FY2009 earnings estimate and 14.0x FY2010 earnings estimate. We maintain Buy recommendation on the stock with a revised price target of Rs1,079.

Valuation table

Particulars	FY2007	FY2008	FY2009E	FY2010E
Net revenue (Rs cr)	18633	22862	27956	32737
Net profit (Rs cr)	4132	5019	5844	6221
Number of shares (cr)	97.9	97.9	97.9	97.9
EPS(Rs)	42.2	51.3	59.7	63.6
% y-o-y chg	*41.9*	*21.5*	*16.4*	*6.4*
PER (x)	21.3	17.5	14.9	14.0
OPM (%)	24.9	23.5	23.1	22.8
RoNW (%)	45.2	38.2	32.5	26.8
RoCE (%)	39.5	34.7	30.6	28.0

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

UltraTech Cement

Ugly Duckling

Stock Update

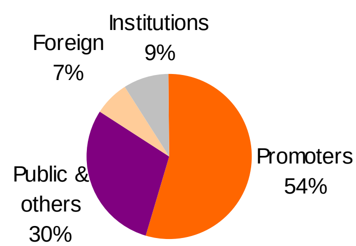
Q4FY2008 results: First-cut analysis

Buy; CMP: Rs824

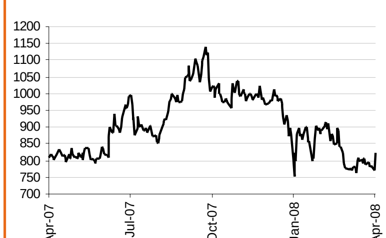
Company details

Price target:	Rs1,100
Market cap:	Rs10,270 cr
52 week high/low:	Rs1,165/731
NSE volume: (No of shares)	83,950
BSE code:	532538
NSE code:	ULTRACEMCO
Sharekhan code:	ULTRACEM
Free float: (No of shares)	5.7 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-1.4	-3.8	-23.5	-8.5
Relative to Sensex	-11.7	1.0	-19.9	-24.8

Result highlights

- UltraTech Cement's (UltraTech) Q4FY2008 results were in line with our expectation. The company reported a top line growth of 9.3% year on year (yoy) at Rs1,601.6 crore against our expectation of Rs1,588.4 crore. This was mainly on account of higher realisation during the quarter, which stood at Rs3,282 per tonne against Rs3,047 per tonne a year ago, implying an increase of 7.7% yoy. Volumes for the quarter stood at 4.88 million metric tonne (MMT) against 4.81 MMT a year ago, implying an increase of 1.5% yoy.
- The operating profit margin (OPM) for the quarter improved by 260 basis points yoy to 30.5%. The OPM improved mainly on account of higher cement prices. The earnings before interest, depreciation, tax, and amortisation (EBIDTA) per tonne for the quarter stood at Rs1,001, higher by 17.8% yoy. However, on a sequential basis EBIDTA per tonne was down 7.9%, as the increase in the cost of manufacturing cement was higher compared to the rise in the cement prices.
- For the quarter ended, the company reported a profit after tax (PAT) of Rs282.8 crore, up 22.2% yoy. However, this was marginally lower than our expectation of Rs295 crore. The lower-than-expected PAT could be attributed to higher tax rate of 34.4% against our assumption of 32%.
- The cost of raw material per tonne of cement during the quarter ended shot up by 38.4% yoy to Rs326. The cost of power and fuel per tonne of cement also was higher by 15.5% yoy to Rs756.5. This was mainly on account of higher domestic and imported coal prices. Imported coal prices were up almost 100% yoy.
- For the quarter ended, the freight and handling expense per tonne of cement was lower by 10.6% yoy at Rs578.7. However it was marginally up on a sequential

Result table (standalone) Rs (cr)

Particulars	Q4FY2008	Q4FY2007	% yoy	FY2008	FY2007	% yoy
Net sales	1601.6	1465.5	9.3	5509.2	4910.8	12.2
Total expenditure	1113.2	1057.0	5.3	3789.2	3493.0	8.5
Operating profit	**488.4**	**408.5**	**19.6**	**1720.1**	**1417.8**	**21.3**
Other income	27.0	19.5	38.6	99.8	61.5	62.4
EBIDTA	515.4	428.0	20.4	1819.9	1479.3	23.0
Interest	19.3	20.3	-4.8	75.7	86.8	-12.8
PBDT	496.1	407.7	21.7	1744.2	1392.5	25.3
Depreciation	65.0	60.1	8.2	237.2	226.3	4.8
PBT	**431.1**	**347.6**	**24.0**	**1507.0**	**1166.2**	**29.2**
Tax	148.3	116.1	27.7	499.4	383.9	30.1
Reported profit after tax	282.8	231.5	22.2	1007.6	782.3	28.8
Margins (%)						
OPM	30.5	27.9		31.2	28.9	
EBIDTA	31.6	28.8		33.0	30.1	
PAT	17.4	15.6		18.3	15.9	
Tax	34.4	33.4		33.1	34.0	

basis. The increase in freight and handling cost sequentially can be attributed to the diesel price hike in February 2008.

- For the year ended FY2008, on a standalone basis the net sales stood at Rs5,509.22 crore, up 12.2% yoy. The operating profit stood at Rs1,720.06 crore, up 21.3% yoy and the PAT stood at Rs1,007.61 crore, up 28.8% yoy.
- For the year ended FY2008, on a consolidated basis the net sales stood at Rs5,623.82 crore, up 13.2% yoy and the PAT was reported at Rs1,010.05 crore, up 28.7% yoy.
- For the year ended FY2008, realisation stood at Rs3,192 per tonne from Rs2,821 a year ago, which is an increase of 13.2% yoy. EBIDTA per tonne for the year ended FY2008 stood at Rs997 per tonne against Rs814 during FY2007, implying an increase of 22.4% yoy.
- The company has announced a dividend of Rs5 per share.
- At the current market price of Rs825, UltraTech Cement is trading at 10.6x its FY2009E earnings per share (EPS) and at an enterprise value/tonne of $137. We maintain a Buy recommendation on the stock with a price target of Rs1,100.

Per tonne analysis

Particulars	Q4FY08	Q4FY07	% yoy	Q3FY08	% qoq
Realisation	3282	3047	7.7	3207	2.3
Expenditure	2281	2197	3.8	2120	7.6
EBIDTA	1001	850	17.8	1087	-7.9
Cement volumes (MMT)	4.88	4.81	1.5	4.31	13.2

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

Industry Update

Mutual Fund

MFs feel the global heat; caution continues

Industry news

- **RBI increases overseas investment limit to $7 billion:** The Reserve Bank of India (RBI) has increased the overseas investment limit for mutual funds (MFs) to $7 billion from the earlier limit of $5 billion. This translates into an increase of $150 million per fund house.

- **MF industry saw Rs39,000 crore loss in March:** The mutual fund asset industry has shrunk considerably, suffering a loss of Rs39,000 crore in March; the assets under management (AUM) currently stand at about Rs5.27 lakh crore. This has been due to mark-to-market (MTM) losses of Rs 25,000 crore, clubbed with liquid fund redemptions of about Rs20,000 crore.

- **Robeco Group picks 49% stake in Canara Bank's AM arm:** The Robeco Group has finally marked its presence in India's MF sector. The bank has picked up a 49% stake in Canara Bank's asset management (AM) arm.

- **SEBI to issue guidelines on real estate MFs:** Market regulator Securities and Exchange Board of India (SEBI) is likely to issue guidelines for real estate MFs (REMFs) that will enable the investors in the market to access the realty sector, which has witnessed an impressive growth in the last few years. The REMFs will attract tax treatment akin to a normal MF.

Highlights

- The AUM of equity MFs stood at Rs181,776 crore in March 2008, down by 11.8% from February 2008. However, on adjusting for the net inflows, the fall was steeper at 14.5%. This was more than the market decline of 11%.

- Fund managers made purchases worth Rs15,548 crore and turned net sellers to the tune of Rs1,971 crore during the month.

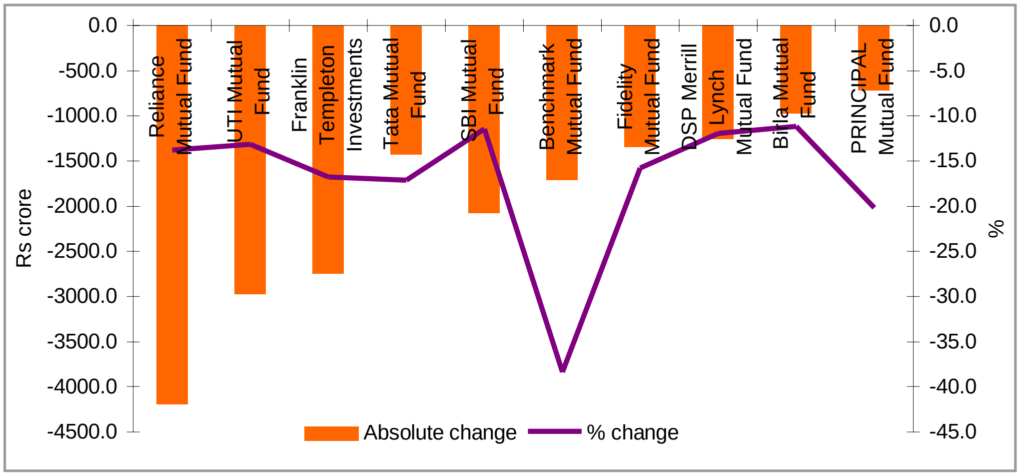
- Fund flows into equity MFs were marginally lower at Rs6,102 crore during March 2008 (as compared with Rs6,903 crore in February 2008). The 11.6% fall in the overall fund flow was due to the 31% reduction in the amounts mobilised through new fund offerings (NFOs) coupled with a 27% rise in the redemption volumes.

- MFs are sitting on Rs23,545 crore of cash that is waiting to be deployed in the market. Of this Rs19,214 crore lies with the existing MFs, while the remaining Rs4,331 crore has been mobilised through the NFOs.

- In line with the sharp fall in equity markets, all sector funds have generated negative returns in February 2008. Fast moving consumer goods (FMCG) funds gave the highest returns in February 2008, followed by pharmaceutical and automobile funds.

- MFs have slashed their exposure to banks, power and housing & construction companies and have bought stocks in pharmaceutical, telecom and oil & gas sectors.

- **Major movers for March 2008**



The AUM of equity MFs stood at Rs181,776 crore in March 2008, down by 11.6% from February 2008. However, on adjusting for the net inflows, the fall was steeper at 14.5%. This was more than the market decline of approximately 11%. The AUM of the equity-diversified funds declined by 11.8%, whereas that of the index funds and tax planning funds plunged by 40% and 10% respectively. The massive reduction in the AUMs of index funds was led by the sharp fall in the AUMs of UTI Nifty Fund (down by 60%), LIC Index Fund (down by 46%) and Bank BeES (down by 45%). On the other hand, the AUM of sector funds advanced by 4%, largely due to the robust collections of HDFC Infrastructure Fund.

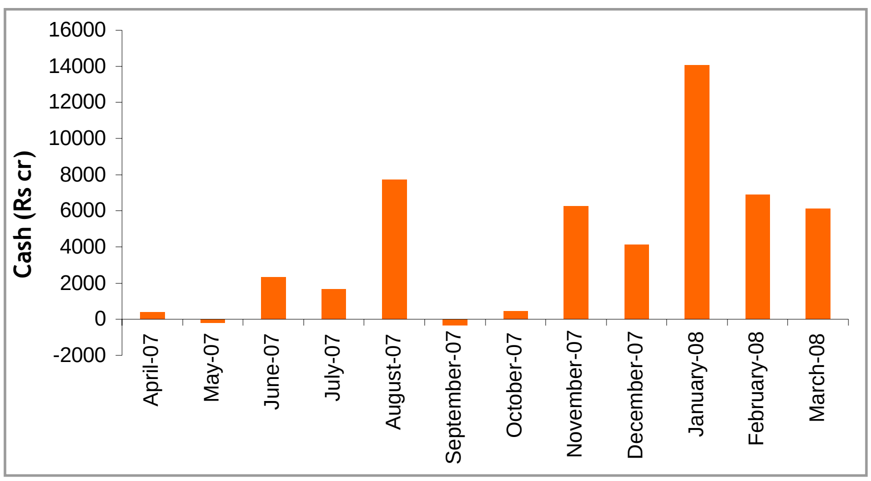
Reliance Mutual Fund saw the largest fall of Rs4,193 crore in its AUM, followed by UTI Mutual Fund and Franklin Templeton Mutual Fund. On the other hand, Sundaram Mutual Fund recorded a sharp increase of Rs1,290 crore in its AUM, driven by the success of its NFO, Sundaram Energy Opportunities Fund.

- **Stock market activities for mutual funds**

MFs turned net buyers of equities in March 2008

Month	Purchase (Rs cr)	Sales (Rs cr)	Net (Rs cr)
March 2008	15,547.9	17,519.1	-1,971.3

Equity fund flow



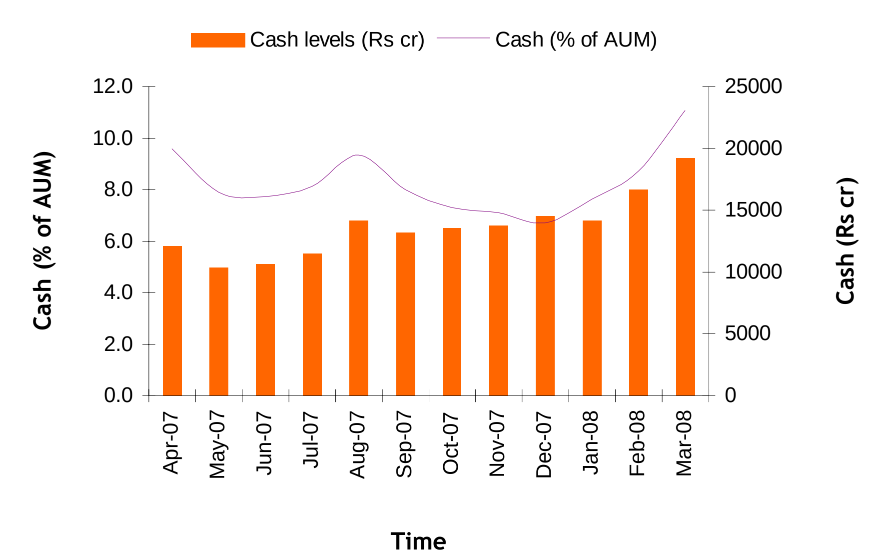
Fund flows into equity MFs were marginally lower during March 2008; net inflows stood at Rs6,102 crore in March 2008 as compared with Rs6,903 crore in February 2008. The 11.6% fall in the overall fund flow was due to the 31% reduction in the amounts mobilised through NFOs coupled with a 27% rise in the redemption volumes. The amount mobilised through NFOs stood at Rs4,331 crore in March 2008 (as compared with Rs6,266 crore in February 2008). The NFO collections include the amounts raised by JM Core 11 Fund, Lotus India Agile Tax Fund, Standard Chartered Small & Midcap Equity Fund, Lotus India Mid & Small Cap Fund, HDFC Infrastructure Fund, ICICI Prudential Fusion Fund - Series III, Reliance Equity Linked Savings Fund, SBI Tax Advantage Fund - Series I, HSBC Small Cap Fund and Birla Sunlife Pure Value Fund. The same, however, do not include the amounts collected by Birla Sunlife Tax Relief 96, Mirae Asset India Opportunities Fund, Morgan Stanley A.C.E. Fund, Tata Growing Economies Infrastructure Fund, UTI Long Term Advantage Fund, JM Tax Gain Fund and DSP Merrill Lynch Natural Resources and New Energy Fund. These funds were launched in March 2008 but did not close in the month, as the allotment of units for these funds has not been completed. The collections made by these funds will be reflected in the next month's fund flow figures.

Cash levels

Liquidity

Cash levels continued their upward trend in March 2008 as MFs shored their cash levels in the midst of global uncertainties and negative sentiments. The absolute cash levels for all the existing equity funds rose by 15.5% to Rs19,214 crore in March 2008 from Rs16,642 crore in February 2008. Even the cash as a percentage of the total corpus increased to 11.1% in March 2008 from 8.7% in February 2008.

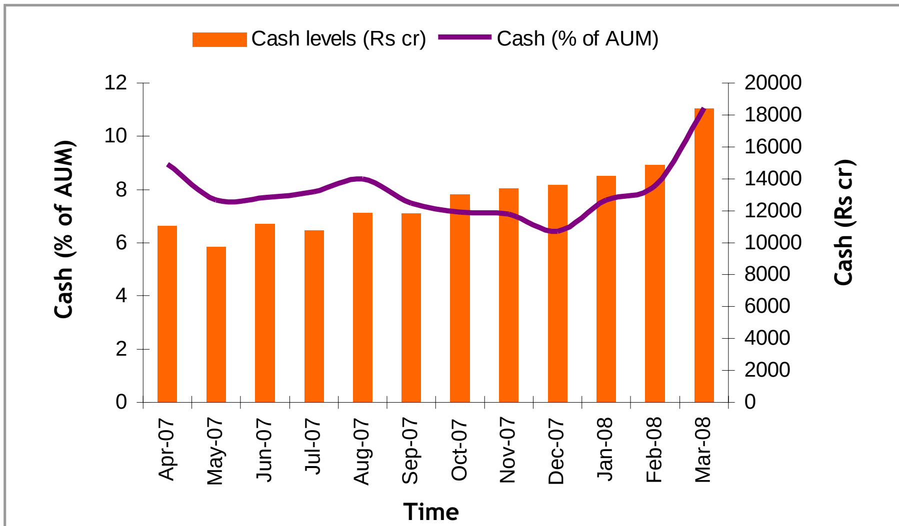
Further, the total cash sitting with the MFs, including the cash mobilised through the recently launched NFOs (Rs4,331 crore), stands at a healthy Rs23,545 crore. Flush with cash, MFs are well placed to maintain the buying interest and propel the market forward.



Note: Includes all equity funds in the industry launched before March 2008

Sentiments

The cash level for all funds more than three months old also showed a similar trend, rising to 11.1% of the total corpus in March 2008 (from 8.2% of the total corpus in February 2008). This once again reflects the cautious stance adopted by MFs.



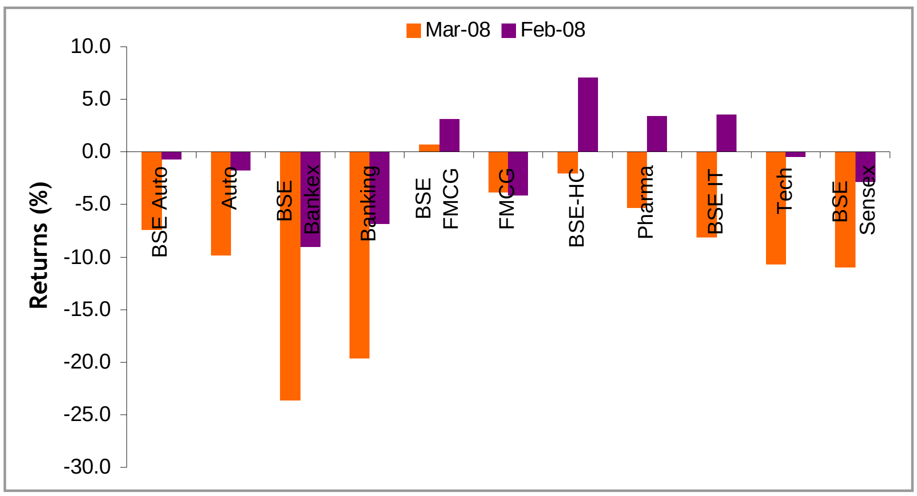
Note: Includes all equity funds in the industry with a NAV track record of three months+.

Sector allocation

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

Sector name	March 2008		February 2008		%
	Amount (Rs cr)	% of net assets	Amount (Rs cr)	% of net assets	chg
Increase in exposure					
Pharmaceuticals	6457.6	5.1	6837.0	4.5	0.6
Telecom	6421.0	5.1	6793.7	4.5	0.6
Oil & Gas, Petroleum & Refinery	13704.5	10.9	15752.8	10.5	0.4
Technology	6921.4	5.5	7723.9	5.1	0.4
Electricals & Electrical Equipments	5510.0	4.4	6040.1	4.0	0.4
Tobacco & Pan Masala	1835.2	1.5	1654.3	1.1	0.4
Decrease in exposure					
Banks	12300.8	9.7	16419.2	10.9	-1.1
Power Generation, Transmission & Equip	4765.4	3.8	6227.5	4.1	-0.4
Housing & Construction	7532.6	6.0	9478.1	6.3	-0.3
Miscellaneous	6319.4	5.0	7978.7	5.3	-0.3
Steel	6655.1	5.3	8358.6	5.5	-0.3
Electronics	1416.7	1.1	2013.4	1.3	-0.2

Performance of sector funds



The massive crash in the equity markets took its toll on sector funds during March 2008. All sector funds have generated negative returns in March 2008, continuing the trend seen in February 2008. The banking funds were the worst hit, as high inflation data leading to expectations of monetary tightening affected the sentiment towards the banking stocks. Automobile, FMCG, pharmaceutical and information technology funds outperformed the Sensex whereas funds in the banking sector underperformed the Sensex. Additionally, automobile, FMCG, pharmaceutical and technology funds underperformed their respective benchmark indices (the BSE Auto, the BSE FMCG, the BSE Healthcare and the BSE IT Index respectively), while the funds in the banking sector outperformed the BSE Bankex. FMCG funds gave the highest returns in February 2008, followed by pharmaceutical and automobile funds.

Sharekhan Stock Ideas

Evergreen

Housing Development Finance Corporation
HDFC Bank
Infosys Technologies
Larsen & Toubro
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 Suzuki India
Lupin
Nicholas Piramal India
Punj Lloyd
Ranbaxy Laboratories
Satyam Computer Services
SKF India
State Bank of India
Tata Motors
Tata Tea
Wipro

Cannonball

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

Emerging Star

3i Infotech
Aban Offshore
Alphageo India
Axis Bank (UTI Bank)
Balaji Telefilms
BL Kashyap & Sons
Cadila Healthcare
Jindal Saw
KSB Pumps
Navneet Publications (India)
Network 18 Fincap
Nucleus Software Exports
Orchid Chemicals & Pharmaceuticals
Patels Airtemp India
Television Eighteen India
Thermax
Zee News

Ugly Duckling

Ashok Leyland
Aurobindo Pharma
BASF India
Ceat
Deepak Fertilisers & Petrochemicals Corporation
Genus Power Infrastructures
ICI India
India Cements
Indo Tech Transformers
Ipca Laboratories
Jaiprakash Associates
KEI Industries
Mahindra Lifespace Developers
Mold-Tek Technologies
Orbit Corporation
Punjab National Bank
Ratnamani Metals and Tubes
Sanghvi Movers
Selan Exploration Technology
SEAMEC
Shiv-Vani Oil & Gas Exploration Services
Subros
Sun Pharmaceutical Industries
Surya Pharmaceutical
Tata Chemicals
Torrent Pharmaceuticals
UltraTech Cement
Union Bank of India
Unity Infraprojects
Wockhardt
Zensar Technologies

Vulture's Pick

Esab India
Orient Paper and Industries
WS Industries India