Index

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
Bharat Bijlee	29-Nov-04	192	**1,349**	1,425
Ceat	28-Nov-06	122	**137**	190
India Cements	28-Sep-06	220	**248**	315
Indo Tech Trans	28-Nov-06	199	**269**	280
Lupin	06-Jan-06	403	**576**	670

Wipro

Apple Green

Stock Update

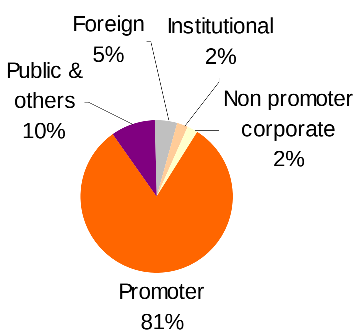
Price target revised to Rs700

Buy; CMP: Rs636

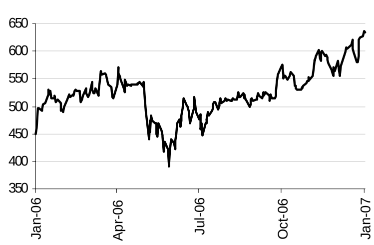
Company details

Price target:	Rs700
Market cap:	Rs90,344 cr
52 week high/low:	Rs670/382
NSE volume: (No of shares)	12.5 lakh
BSE code:	507685
NSE code:	WIPRO
Sharekhan code:	WIPRO
Free float: (No of shares)	27.5 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	12.9	11.7	30.0	39.9
Relative to Sensex	8.8	2.1	-2.1	-9.0

Result highlights

- Wipro's global information technology (IT) service business reported a growth of 6.2% quarter on quarter (qoq) and of 34.1% year on year (yoy) to Rs2,887 crore. The growth is largely in line with our expectations. In dollar terms, the revenues grew at a reasonably healthy rate of 8.8% sequentially to $640.5 million; the growth was contributed by an 8.9% growth in the IT service business and a 7.1% growth in the business process outsourcing (BPO) business. The sequential growth in the IT service business was driven by a 9.3% volume growth but the average realisation declined by 0.4%, resulting in a net growth of 8.9% sequentially. On the other hand, the sequential growth in the BPO business was purely driven by a 7% improvement in the average realisation with a flat growth in the volume.
- In terms of the operating profit margin (OPM), the adverse impact of the wage hikes (to part of the offshore work force in September 2006 and to the remaining in November 2006; a net impact of 180 basis points) and the rupee appreciation (a negative impact of 80 basis points) was partially mitigated by the higher employee utilisation, lower losses in the acquired entities and other cost efficiencies. This resulted in a net decline of 80 basis points in the OPM of the global IT service business.
- The revenue growth guidance of $685 million for Q4FY2007 implies a healthy sequential growth of close to 7% in the revenues of the global IT service business.

Result table (consolidated as per US GAAP) Rs (cr)

Particulars	Q3FY07	Q3FY06	Q2FY07	% yoy	% qoq
Net revenue	**3964.0**	**2773.4**	**3513.8**	**42.9**	**12.8**
Cost of revenue	2736.5	1830.6	2384.1	49.5	14.8
Gross profit	1227.5	942.8	1129.7	30.2	8.7
SG&A expenses	457.3	357.5	382.9	27.9	19.4
S&M expenses	219.2	171.3	216.0	28.0	1.5
G&A expenses	206.8	140.6	179.4	47.1	15.3
R&D expenses	7.6	5.2	7.1	47.0	8.1
Amortisation of intangibles	9.0	1.1	8.8	716.6	1.7
Forex gain/(loss)	(21.1)	(40.7)	0.2	-	-
Others, net	6.5	1.4	28.2	377.6	-95.2
Operating profit	770.3	585.3	746.8	31.6	3.1
Affiliate profit/(loss)	12.1	9.4	9.2	29.1	31.9
Other income	70.5	36.7	47.1	92.0	49.6
Profit before tax	852.9	631.4	803.2	35.1	6.2
Tax	108.0	99.0	106.8	9.0	1.1
PAT (before minority interest)	744.9	532.4	696.3	39.9	7.0
Minority Interest/adjustments	0.0	0.0	0.0	-	-
Net profit	**745.0**	**532.4**	**696.3**	**39.9**	**7.0**
Equity	285.8	284.1	285.1		
EPS (Rs)	5.21	3.7	4.9		
Margins (%)					
GPM	31.0	34.0	32.2		
OPM	19.4	21.1	21.3		
NPM	18.8	19.2	19.8		

The guidance does not include any contribution from the possible inorganic initiatives during the quarter. The management indicated that the overall outlook for the coming fiscal is also encouraging.

- On a consolidated basis, the revenues have grown by 12.8% qoq and 42.9% yoy to Rs3,964 crore under the US GAAP. The OPM has declined by 180 basis points to 19.4% on the back of a sequential decline of 80 basis points in the profitability of the global IT service business and a dip of 40 basis point in the OPM of the Indian IT service business. However, the sequential jump of 49.6% in the other income component (boosted partly by the sale of investments) and a lower tax rate (12.7% as compared with 13.3% in Q2) enabled the company to report a growth of 7% qoq and of 39.9% yoy in its earnings to Rs745 crore under the US GAAP.
- We have revised upwards Wipro's earnings estimates by 5.1% and 4.3% for FY2007 and FY2008 respectively. At the current market price the scrip trades at 31.7x FY2007 and 25.4x FY2008 estimated earnings. We maintain our Buy call on the stock with a revised price target of Rs700.

Global IT services

Pick-up in volume growth

The revenue of $640.5 million reported for the global IT service business was ahead of the $633 million guidance given at the beginning of the quarter. In dollar terms, the global IT service business grew by 8.8% qoq to $587.5 million. But in rupee terms the growth was limited to 6.2% qoq to Rs2,887 crore due to the adverse impact of the appreciation of the rupee against the dollar and the other major currencies.

Revenue break-up

Particulars	Q3FY07	Q2FY07	% qoq
Global IT services ($ mn)	**641.0**	**589.0**	**8.7**
- IT services (including acquisitions)	588.0	539.0	8.9
- BPO	53.0	50.0	7.1
Global IT services (Rs crore)	**2887.2**	**2717.9**	**6.2**
- IT services (including acquisitions)	2650.1	2487.6	6.5
- BPO	237.1	230.3	3.0

The IT service revenues grew by 8.9% qoq to $588 million (contributed by a 9.3% growth in the volumes and a 0.4% decline in the average realisation). The volume growth picked up substantially in Q3 as compared with the reported sequential growth of 5.5% in Q1 and that of 7.9% in Q2. The sequential growth in volumes is relatively higher than that of its peers in Q3: Infosys Technologies and Tata Consultancy Services reported sequential volume growth of 7.4% and 7.9% respectively. The same is also higher than Wipro's own sequential volume growth in the previous two quarters of FY2007. This is commendable given the fact that the sequential growth in the technology business (which constitutes telecom, product engineering service, and research and development verticals) showed a muted growth in Q3. The growth was muted in the third quarter due to customer specific issues, especially in the case of telecom equipment manufacturer Nokia due to the company's on-going integration with the recently acquired telecom business of Siemens. What's more, the revenue guidance of $685 million given by Wipro for the fourth quarter indicates that the growth momentum is expected to continue going ahead.

Margins dented by wage hikes and rupee appreciation

The OPM of the global IT service business declined by 80 basis points to 23.7%, largely due to the adverse impact of wage hikes (that were given to the offshore work force including the BPO employees and that brought down the margins by 180 basis points). The appreciation of the rupee also strip 80 basis points from the OPM. The impact of the wage hikes and rupee appreciation was partially mitigated by the better performance of the acquired entities (a loss of only Rs2.4 core in Q3 as compared with that of Rs9.4 crore in Q2), better employee utilisation and other cost efficiencies like a steep improvement in the realisations of the BPO business.

Margins (sequential comparison)

Particulars	Q3FY07	Q2FY07	% qoq
Global IT services	**683.3**	**665.3**	**2.7**
OPM (%)	*23.7*	*24.5*	
- IT services	630.7	610.9	3.2
OPM (%)	*23.8*	*24.6*	
- BPO	52.6	54.4	-3.2
OPM (%)	*22.2*	*23.6*	

Going forward, the OPM would be dented in Q4 from the full impact of the salary hikes effected in November 2006 and the wage hikes given to the onsite employees from January 2007. However, the management expects to curtail the impact of the same by other cost levers like lower overhead costs and better employee utilisation.

Employee addition continued to be strong

The company added close to 5,000 employees in the global IT service business in Q4, around 3,489 in the domestic IT service business and 1,508 in the BPO business. The strong net employee addition in the BPO business is encouraging given the fact that the company has been restructuring the business by exiting some low-margin processes and reducing the staff strength by 732 employees in the first half of FY2007. The other indicator of the better performance of the BPO business is the jump in the number of processes handled for the clients in Q3 to 115 from 101 in Q2.

We expect the company to add around 13,500 employees (a growth of 35.9% over the base at the end of FY2006) in the IT service business and 800 employees (a growth of just 5% over the base at the end of FY2006) in the BPO business during the current fiscal.

Other businesses

The higher than expected growth in the consolidated revenues was primarily driven by the exponential growth in the Indian IT service business and the other businesses during the quarter. Though part of the growth in the Indian IT service business was aided by the incremental revenues from the acquisition of 3D Networks (around Rs55 crore), but the organic business too grew at an impressive rate of 23.8% qoq and of 60% yoy to Rs619 crore. The organic business was boosted by the huge jump in the product revenues (a 54.5% growth qoq to Rs451 crore) during the quarter. The management indicated that the company is witnessing a ramp-up in some of the large orders bagged in the earlier quarters.

In case of the other businesses, the growth was largely contributed by the incremental revenues from the acquisition of Hydrauto and a good ramp-up in Wipro Infrastructure business division.

(Rs crore)	Q3FY07	Q3FY06	Q2FY07	% yoy	% qoq
Indian IT services	673.4	386.7	499.9	74.1	34.7
Consumer care/lighting	193.1	146.1	187.1	32.1	3.2
Others	209.9	87.8	108.9	139.1	92.7

Revising earnings estimates

We have revised upwards Wipro's earning estimates by 4.5% and 3.8% for FY2007 and FY2008 respectively. The revised earnings estimate for FY2007 implies a sequential earnings growth of 8.9% during Q4.

Valuation

At the current market price the scrip trades at 31.7x FY2007 and 25.4x FY2008 estimated earnings. We maintain our Buy call on the stock with a revised price target of Rs700 (28x FY2008).

Earnings table

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net sales (Rs cr)	8135.0	10611.0	14718.0	18644.0
Net profit (Rs cr)	1583.0	2027.0	2867.0	3581.0
No of shares (crore)	142.0	143.0	143.0	143.0
EPS (Rs)	11.1	14.2	20.1	25.0
(%) y-o-y change	-	*27.5*	*41.2*	*24.7*
PER (x)	57.1	44.8	31.7	25.4
Price/BV (x)	15.9	11.5	9.1	7.2
EV/EBIDTA (x)	49.1	39.5	28.4	22.5
Dividend yield (%)	0.8	0.8	0.9	1.1
RoCE (%)	25.8	23.5	26.3	26.3
RoNW (%)	27.9	25.7	28.7	28.4

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

NIIT Technologies

Ugly Duckling

Stock Update

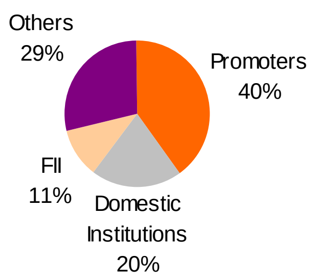
Price target revised to Rs474

Buy; CMP: Rs341

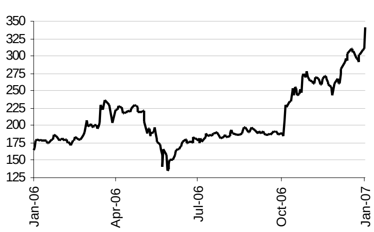
Company details

Price target:	Rs474
Market cap:	Rs1,319 cr
52 week high/low:	Rs353/131
NSE volume: (No of shares)	1.4 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	19.2	65.0	76.9	92.8
Relative to Sensex	14.8	50.9	33.3	25.4

Result highlights

- NIIT Technologies Ltd (NTL) reported a growth of 5.3% quarter on quarter (qoq) and 47.1% year on year (yoy) in its consolidated revenues to Rs231.5 crore during the third quarter. The organic revenues grew at a rate of 5% sequentially whereas the revenues of Room Solutions (acquired in May 2006) grew at a relatively higher rate of 7% qoq to Rs29.7 crore.
- The highlight of the performance was the steep improvement of 230 basis points in its operating profit margin (OPM) to 21.2% on a sequential basis. The margin improved in spite of the adverse impact of the appreciation of the rupee against the other major global currencies. The improvement was driven by multiple factors like the absence of the cost related to the integration and transition of Room Solutions (the same was around Rs1 crore in Q2), savings in the overhead cost, higher margins in the business process outsourcing (BPO) business and better profitability of Room Solutions.
- The increase in the other income (Rs3.3 crore as compared with Rs2.4 crore in Q2) and lower depreciation charges also aided the earnings growth during the quarter. Consequently, the consolidated earnings grew at an explosive rate of 28.6% qoq and 91.9% yoy to Rs34.6 crore. This is the second consecutive quarter of over 20% growth in earnings, which is a commendable performance in a tough quarter by a mid-sized information technology (IT) service company.
- In terms of the outlook, the company is expected to maintain the growth momentum on the back of the record order intake of $56 million during the quarter. The pending order backlog of $95 million (executable over the next one year) is one of the highest ever reported by the company. The management expects the margin to also improve with the improving profitability of the BPO business, the efforts taken to increase the proportion of the high-margin offshore revenues and other cost levers like a lower overhead cost. There is enough scope for further improvement with the overhead cost currently at 20% of its sales. Consequently, the earnings estimates have been revised upwards by 20.7% and 18.4% for FY2007 and FY2008 respectively.

Result table Rs (cr)

Particulars	Q3FY07	Q3FY06	Q2FY07	% yoy chg	% qoq chg
Net revenue	**231.5**	**157.4**	**219.9**	**47.1**	**5.3**
Operating expenses	182.4	126.8	178.4	43.8	2.2
Operating profit	49.1	30.5	41.5	60.8	18.3
Other income	3.3	0.1	2.4	-	37.5
Depreciation	10.5	9.3	11.2	12.9	-6.2
Profit before tax	41.9	21.3	32.7	96.8	28.1
Prov for taxation	6.8	3.0	5.2	125.2	30.8
Net profit	35.1	18.3	27.5	92.1	27.6
Minority share	0.5	0.2	0.6	103.3	-16.7
RPAT	**34.6**	**18.0**	**26.9**	**91.9**	**28.6**
Equity capital	38.7	38.7	38.7		
EPS (Rs)	8.9	4.7	7.0		
Margins (%)					
OPM	21.2	19.4	18.9		
NPM	14.9	11.5	12.2		

- At the current market price the stock trades at 11x FY2007 and 9.4x FY2008 estimated earnings. We re-iterate our Buy call on the stock with an upgraded price target of Rs474 (13x FY2008 earnings).

Revenue growth dented by rupee appreciation

In dollar terms, the consolidated revenues of NTL grew by 7.3% but the appreciation of the rupee limited the growth in rupee terms to 5.3% on a sequential basis. The growth was relatively lower compared with that in the previous two quarters due to a lesser number of working days in Q3 and the absence of incremental revenues from the consolidation of accounts of Room Solutions.

Revenue break-up

Particulars	Q3FY07	Q2FY07	% qoq
Organic software services	187.6	178.2	5.2
Room Solutions	28.7	27.8	7.0
BPO	14.2	13.9	2.2
Total revenues	**231.5**	**219.9**	**5.3**

The company continues to witness strong traction in revenues from the three chosen industry verticals (namely BSFI, transportation and manufacturing & retail). The revenues from these verticals contributed 81% of the total revenues (up from 75% in FY2006 and 69% in FY2005) and reported a growth of 6.6% qoq and 67.2% yoy.

Strong uptick in margins

Despite the adverse impact of the appreciation of the rupee, the company reported a steep sequential improvement of 230 basis points in its margins during the quarter. Sequentially, the company benefited from the completion of the integration and transition of Room Solutions, as it didn't have to bear the additional expenses related to the same during the quarter. Moreover, the OPMs of Room Solutions and the BPO business also improved sequentially. The OPM of Room Solutions improved by 220 basis points whereas that of the BPO business rose by 210 basis points, resulting in a combined positive impact of around 30 basis points on the margins. In addition to this, the company gained from a saving of 33 basis points in the selling, general and administration (SG&A) cost as a percentage of sales.

Outlook is encouraging

NTL does not provide any specific growth guidance, however while announcing the Q2 results the management had sounded quite confident of maintaining the growth momentum going forward. The strategy to focus on the key verticals is not only resulting in a better revenue growth but has also enabled NTL to significantly improve its employee productivity (revenue per employee) over the past couple of quarters.

In terms of margins, the management expects the OPM to improve in the coming quarters. The three key levers of margin improvement are going to be the improvement in the contribution from the offshore revenues (36% of total turnover in Q2), the leverage in the SG&A expenses (the SG&A expenses are relatively high at 20% of the turnover) and further improvement in the profitability of the BPO business.

Given the exponential growth in the last two quarters, the healthy order intake and the encouraging outlook, we have revised upwards the earnings estimates by 20.7% and 18.4% for FY2007 and FY2008 respectively.

Other highlights

The fresh order intake of $56 million is one of the highest reported in any quarter. Consequently, the pending order backlog executable over the next four quarters has increased to $95 million (up from $87 million reported as on September 2006). The order intake and order backlog do not include the multi-million multi-year contracts bagged in the BPO business recently. The company added five new clients during the quarter.

NTL added only 51 employees during the quarter (down from around 300 in each of the previous two quarters). The net addition of 129 employees in the software service business was in line with the earlier trend and as per expectations. However, the company reduced its BPO headcount by 84 employees as part of the restructuring programme. Going forward, the company expects to maintain an average recruitment rate of around 250 employees per quarter.

The joint venture announced with Adecco has been formed in the last quarter and is likely to commence operation in the current quarter. The company expects the joint venture to make a reasonable contribution to the overall growth in FY2008. We have not factored the same in our estimates yet and would wait for more details to do so.

Valuation

At the current market price the stock trades at 11x FY2007 and 9.4x FY2008 estimated earnings. We re-iterate our Buy call on the stock with an upgraded price target of Rs474 (13x FY2008 earnings).

Earnings table

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net sales (Rs cr)	543.2	607.5	891.0	1100.5
Net profit (Rs cr)	58.6	66.3	120.8	141.0
No of shares (crore)	3.9	3.9	3.9	3.9
EPS (Rs)	15.2	17.2	31.3	36.5
% y-o-y change	-	*13.2*	*82.2*	*16.7*
PER (x)	22.4	19.8	11.0	9.4
Price/BV (x)	5.7	4.8	3.5	2.7
EV/EBIDTA(x)	12.7	10.4	6.6	5.2
Dividend yield (%)	1.62	1.76	1.91	2.06
RoCE (%)	23.2	25.9	40.5	37.0
RoNW (%)	32.7	30.3	37.6	31.9

Mutual Gains

Mutual Fund

Sharekhan's top equity fund picks

The year 2006 was the fifth consecutive year of positive returns for the Indian capital markets. While the Sensex moved in a wide range of 8,900-14,000, it rose 47% during the year to close at 13,787.

The Indian capital markets have been attracting strong inflows from both the foreign and local investors. Despite the market's not so cheap valuations, as many as 170 new FIIs registered with the SEBI in 2006, taking the total number of registered FIIs to more than 1,000. FIIs have invested funds to the tune of $7.9 billion into the Indian equity markets in 2006. The domestic mutual funds too have made significant contributions to the market rally, having made investments to the tune of $3.4 billion into the equity markets in 2006, as compared with $3 billion in 2005. What's more, brimming with the funds mobilised from the recent new fund offerings, the domestic mutual funds are also sitting on a war chest of over Rs12,000 crore and would continue to provide stability to the market.

The long-term outlook for the Indian economy continues to remain bright. The gross domestic product (GDP) grew by an impressive at 9.1% in H1FY2007 as compared with 8.5% for H1FY2006. India's corporate sector is a beehive of activity, with every company going on an expansion binge. Flush with funds after quarters of healthy earnings growth, companies are building capacities and aggressively participating in the global merger and acquisition (M&A) wave.

However, the rising inflation rate remains a key risk to the economy. Though it is within the government's targeted range of 5.0-5.5%, the same has risen too high for comfort in the recent times. The inflation rate was 5.43% in the Indian economy for the week ended December 16, 2006 caused by a surge in the prices of food items. The good news is that the seasonal drop in the prices of agricultural produce after the harvest season and the large-scale imports of food grains are expected to moderate inflation in the months to come.

Crude oil prices and the US economy were the two other main worries of the market in 2006 and both these global factors are expected to remain benign in 2007. Expectations of increased supplies and a milder than expected winter in the USA has brought crude prices down below the $60 per barrel levels. The US economy, on the other hand, is expected to achieve a soft landing. The latest US data, such as consumer confidence, jobs added and retail sales, show that the economy is growing at a modest rate. The softening crude prices have already contained inflation in the USA, fuelling expectations of a Fed rate cut in mid 2007.

With a strong growth story for India, Inc, a comfortable liquidity situation and favourable global cues, we remain bullish on the market in the long term. For the short-term, a favourable Union Budget and impressive third quarter results of Indian companies may act as strong catalysts in the market's upward rally.

We have identified the best equity-oriented schemes available in the market today based on the following 3 parameters: the past performance as indicated by the returns, the Sharpe ratio and Fama (net selectivity).

The past performance is measured by the returns generated by the scheme. Sharpe indicates risk-adjusted returns, giving the returns earned in excess of the risk-free rate for each unit of the risk taken. The Sharpe ratio is also indicative of the consistency of the returns as it takes into account the volatility in the returns as measured by the standard deviation.

FAMA measures the returns generated through selectivity, ie the returns generated because of the fund manager's ability to pick the right stocks. A higher value of net selectivity is always preferred as it reflects the stock picking ability of the fund manager.

We have selected the top 10 schemes upon ranking on each of the above 3 parameters and then calculated the mean value of each of the 3 parameters for the top 10 schemes. Thereafter, we have calculated the percentage underperformance or over performance of each scheme (relative performance) in each of the 3 parameters vis a vis their respective mean values.

For our final selection of schemes, we have generated a total score for each scheme giving 50% weightage to the relative performance as indicated by the returns, 25% weightage to the relative performance as indicated by the Sharpe ratio and the remaining 25% to the relative performance as indicated by the FAMA of the scheme.

All the returns stated below, for less than one year are absolute and for more than one year the returns are annualised.

We present below our recommendations in the equity-oriented mutual fund category.

Aggressive Funds

Mid-cap Category

Scheme Name	NAV	Returns as on December 29, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
Sundaram BNP Paribas Select Midcap	92.56	11.68	24.95	60.98	61.27	52.19
Prudential ICICI Emerging STAR Fund	28.41	19.17	36.85	40.43	54.50	--
Reliance Growth	266.74	13.60	33.69	41.27	54.43	50.31
Indices						
BSE Sensex	13786.91	10.70	29.95	46.86	44.65	33.20

Opportunities Category

Scheme Name	NAV	Returns as on December 29, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
Prudential ICICI Dynamic Plan	65.81	17.89	38.90	58.51	58.61	42.71
DSP ML Opportunities Fund	56.23	13.74	30.50	44.11	47.05	41.21
Kotak Opportunities Fund	28.37	11.28	25.43	38.83	48.54	--
Indices						
BSE Sensex	13786.91	10.70	29.95	46.86	44.65	33.20

Equity Diversified/Conservative Funds

Scheme Name	NAV	Returns as on December 29, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
SBI Magnum Global Fund 94	44.28	21.82	43.21	56.83	67.22	67.60
SBI Magnum Multiplier Plus 93	54.03	16.80	36.03	50.00	59.89	49.67
HDFC Equity Fund	145.39	8.65	27.73	35.98	48.84	41.31
DSP ML Equity Fund	46.03	15.24	34.22	47.25	50.15	43.10
Birla SunLife Equity Fund	180.72	14.06	38.34	42.98	48.62	47.05
Indices						
BSE Sensex	13786.91	10.70	29.95	46.86	44.65	33.20

Thematic/Emerging Trend Funds

Scheme Name	NAV	Returns as on December 29, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
Prudential ICICI Infrastructure Fund	18.50	14.27	42.97	58.73	--	--
Tata Infrastructure Fund	24.00	15.75	35.74	60.53	--	--
DSP ML Tiger Fund	32.77	15.97	38.34	52.61	53.18	--
Sundaram BNP Paribas CAPEX Opportunities	17.42	16.85	35.51	56.34	--	--
SBI Magnum Sector Umbrella - Contra	37.50	12.17	29.35	50.65	60.58	61.81
Indices						
BSE Sensex	13786.91	10.70	29.95	46.86	44.65	33.20

Balanced Funds

Scheme Name	NAV	Returns as on December 29, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
Tata Balanced Fund	49.33	11.28	22.64	35.06	33.21	28.24
Kotak Balance	23.59	7.25	15.21	30.54	36.78	32.65
Franklin India Balanced Fund	35.25	9.13	26.30	32.97	31.68	26.03
FT India Balanced Fund	32.64	9.12	26.31	32.93	31.68	25.96
SBI Magnum Balanced Fund	35.37	10.98	22.94	34.03	40.74	38.53
Indices						
BSE Sensex	13786.91	10.70	29.95	46.86	44.65	33.20

Tax Planning Funds

Scheme Name	NAV	Returns as on December 29, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
SBI Magnum Tax Gain Scheme 93	55.65	17.75	37.04	45.10	68.82	63.62
HDFC Taxsaver	146.51	11.26	27.18	34.23	53.31	51.93
HDFC Long Term Advantage Fund	91.72	7.73	23.72	23.07	38.48	41.06
Sundaram BNP Paribas Taxsaver	27.85	16.66	32.90	32.07	45.28	44.73
PRINCIPAL Tax Savings Fund	80.71	17.88	34.40	43.50	44.80	41.87
Indices						
BSE Sensex	13786.91	10.70	29.95	46.86	44.65	33.20

Every individual has a different investment requirement, which depends on his financial goals and risk-taking capacities. We at Sharekhan first understand the individual's investment objectives and risk-taking capacity, and then recommend a suitable portfolio. So, we suggest that you get in touch with our Mutual Fund Advisor before investing in the best funds.

Risk-Return analysis

The charts on the following pages give you a snapshot of how the mutual funds have performed on the risk-return parameters in the past. We have used the bubble analysis method to measure their performances on three parameters viz risk, return and fund size. The risk is measured by standard deviation, which measures the average deviation of the returns generated by a scheme from its mean returns. We have tried to explain the same with the help of a diagram, which is divided into four quadrants, with each quadrant containing funds of a particular risk-return profile. The size of the bubble indicates the size of the fund.

The funds in the **high-risk high returns** quadrant follow a very aggressive approach and deliver high absolute returns compared to the peers albeit at a higher risk.

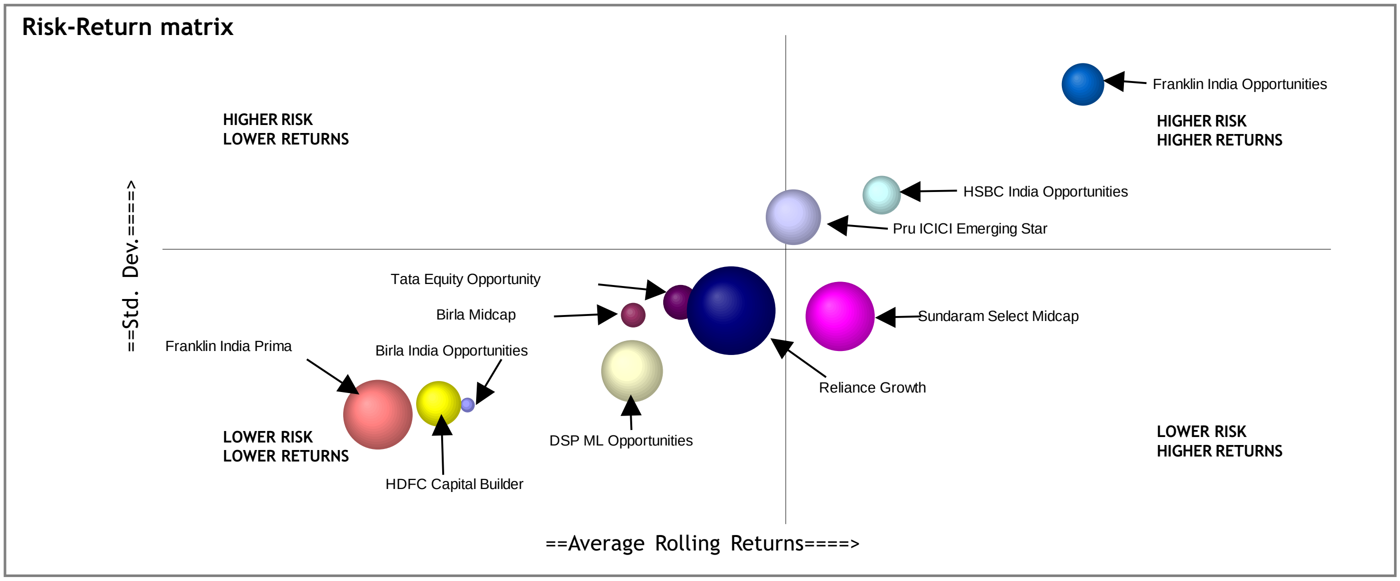
The funds in the **low-risk high returns** quadrant outperform the peer group on the risk-adjusted returns basis as they deliver higher returns compared to the peers without exposing the portfolio to very high risk.

The funds in the **low-risk low returns** quadrant are not very aggressive and provide lower absolute returns, taking lower risks.

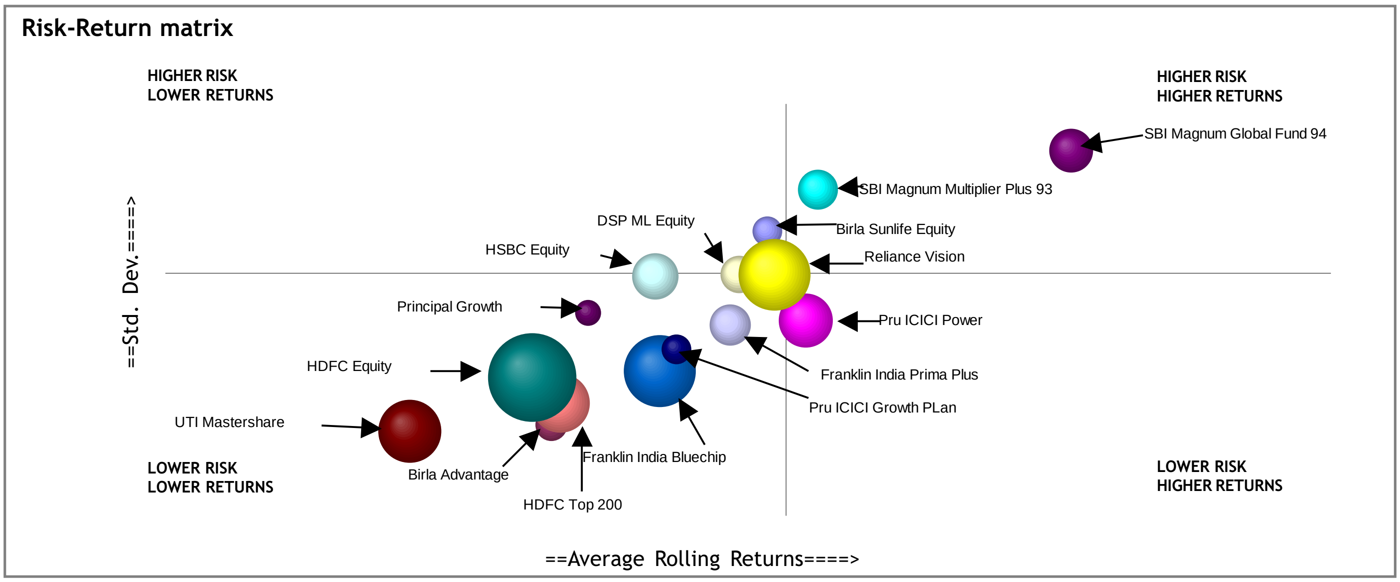
The funds in the **high-risk low returns** quadrant underperform the peers on the risk adjusted returns basis as they adopt a high-risk strategy but the returns fail to compensate the risk taken by the fund.

For aggressive, conservative and tax planning funds, risk is measured in terms of two years' volatility while returns are measured as two years' average rolling returns as on December 29, 2006. For thematic and balanced funds, risk is measured in terms of one year's volatility while returns are measured as one year's average rolling returns as on December 29, 2006.

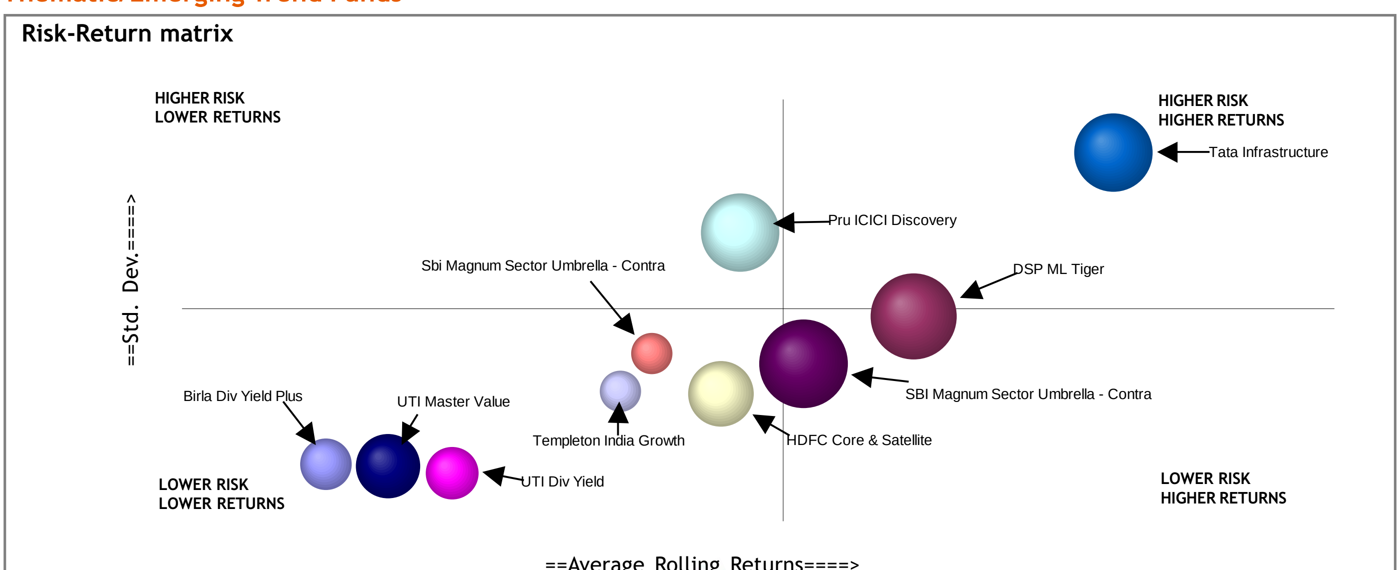
Aggressive Funds



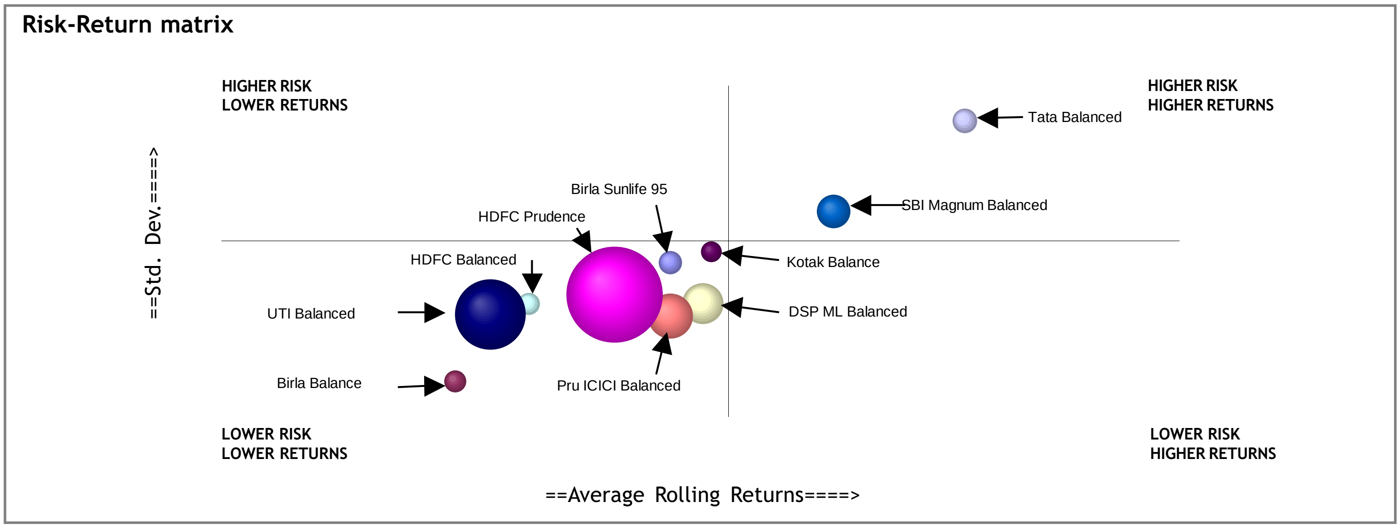
Equity Diversified/Conservative Funds



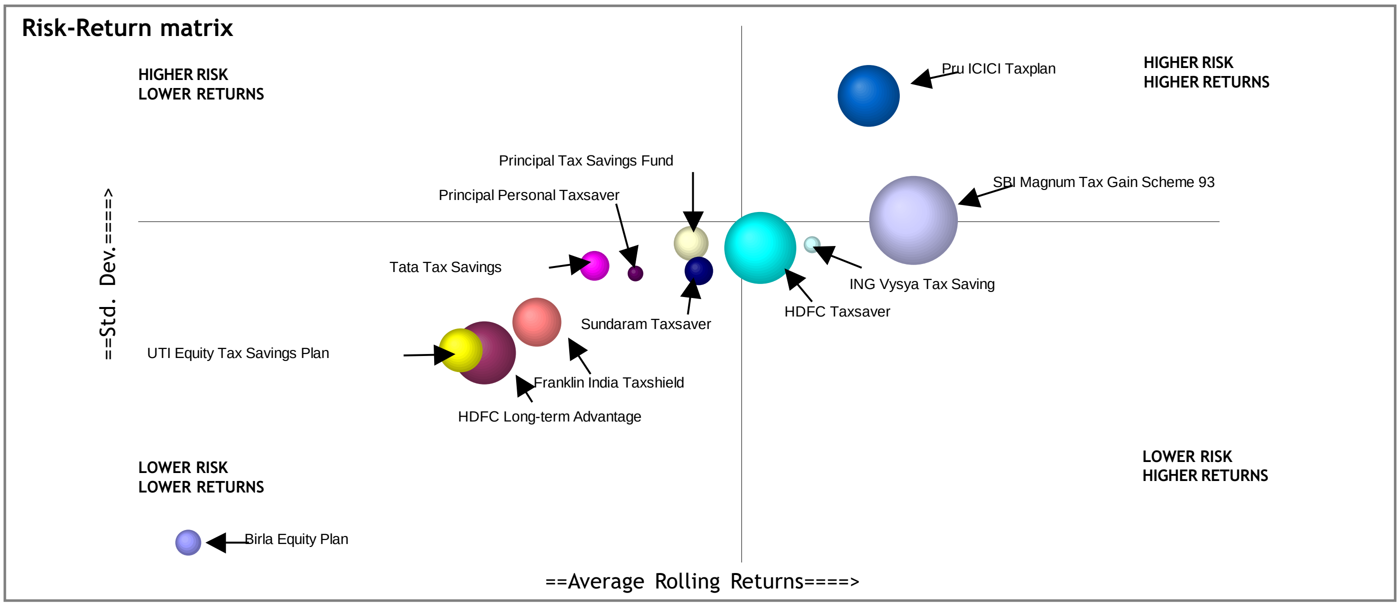
Thematic/Emerging Trend Funds



Balanced Funds



Tax Planning 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
Balrampur Chini Mills
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
Hindustan Lever
Hyderabad Industries
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
Transport Corporation of India

Emerging Star

3i Infotech
Aban Offshore
Alphageo India
Cadila Healthcare
KSB Pumps
Marksans Pharma
Navneet Publications (India)
New Delhi Television
Nucleus Software Exports
Orchid Chemicals & Pharmaceuticals
ORG Informatics
Solectron Centum Electronics
Tata Elxsi
Television Eighteen India
Thermax
TVS Motor Company
UTI Bank

Ugly Duckling

Ahmednagar Forgings
Ashok Leyland
BASF India
Ceat
Deepak Fertilisers & Petrochemicals Corporation
Fem Care Pharma
Genus Overseas Electronics
HCL 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

Vulture's Pick

Esab India
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