investor's eye

Index

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
Grasim	30-Aug-04	1,119	**2,569**	3,853
ITC	12-Aug-04	69	**210**	247
Tata Chem	31-Dec-07	411	**331**	535
TCS	06-Mar-06	852	**974**	1,250
Thermax	14-Jun-05	124	**529**	850

HCL Technologies

Apple Green

Stock Update

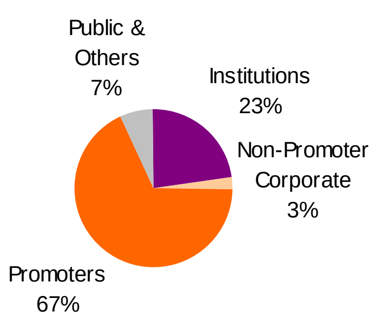
Price target revised to Rs318

Buy; CMP: Rs261

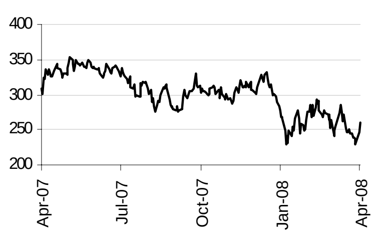
Company details

Price target:	Rs318
Market cap:	Rs17,688 cr
52 week high/low:	Rs366/180
NSE volume: (No of shares)	9.2 lakh
BSE code:	532281
NSE code:	HCLTECH
Sharekhan code:	HCLTECH
Free float: (No of shares)	10.5 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-7.7	-10.8	-19.7	-18.3
Relative to Sensex	-10.0	11.7	-5.5	-33.0

Result highlights

- HCL Technologies (HCL) has reported a revenue growth of 7.1% quarter on quarter (qoq) and 23.3% year on year (yoy) to Rs1,944.8 crore for the third quarter ended March 2008. In dollar terms, it has reported a sequential growth of 5.2% in its consolidated revenues to US$484.9 million. The sequential growth in the revenues was driven by a volume growth of 6.6% (a 5.3% growth in software service business, an 8.5% growth in Infrastructure Management Services [IMS] and a 4.5% growth in the business process outsourcing [BPO] business). The volume growth was partially mitigated by the adverse impact of an offshore shift (0.3%) and lower material billing in the IMS business (1.1%) during the quarter.
- The operating profit margin (OPM) improved by 88 basis points to 22.3% on a sequential basis. The margin improvement was aided by higher realisations (7 basis points), hedging gains (22 basis points), improved revenue mix (26 basis points) and efficiency gains (48 basis points). This positive affect was however partially offset by higher infrastructure expenses of around ten basis points.
- In terms of segments, the earnings before interest, tax, depreciation, and amortisation (EBITDA) margin of all the three business lines improved on a

Result table Rs (cr)

Particulars	Q4FY08	Q4FY07	Q3FY08	% yoy chg	% qoq chg
Revenue ($ mn)	484.9	362.4	460.9	33.8	5.2
Derived exchange rate (Rs/USD)	40.1	43.5	39.4	-7.9	1.8
Net sales	**1944.8**	**1577.1**	**1816.5**	**23.3**	**7.1**
Direct costs	1194.5	973.7	1125.8	22.7	6.1
Gross profit	750.3	603.4	690.8	24.3	8.6
SG&A	317.2	236.6	302.3	34.1	4.9
EBITDA	433.1	366.8	388.5	18.1	11.5
Depreciation & amortisation	77.3	65.9	72.4	17.3	6.8
EBIT	355.8	300.9	316.1	18.2	12.6
Forex gain/(loss)	-27.1	41.8	5.8	-	
Other Income	49.9	19.7	48.4	153.3	3.1
PBT	378.6	362.4	370.3	4.5	2.2
Tax provision	36.8	28.3	35.5	30.0	3.7
PAT	341.8	334.1	334.8	2.3	2.1
Share from equity investment/ of minority interest	0.7	-2.3	-2.1		
Net profit	**342.5**	**331.8**	**332.9**	**3.2**	**2.9**
Equity capital	135.8	137.4	136.4		
EPS (Rs)	5.0	4.8	4.9		
Margin (%)					
GPM	38.6	38.3	38.0		
OPM	22.3	23.3	21.4		
NPM	17.6	21.0	18.3		

sequential basis. The IMS and software service businesses reported a sequential margin improvement of 113 basis points and 93 basis points respectively. The BPO service business reported a 16 basis-point sequential improvement in its margin.

- However, the foreign exchange (forex) loss of Rs27.1 crore as compared with a forex gain of Rs5.8 crore in Q2FY2008 resulted in a relatively lower earnings growth of 2.9% qoq to Rs342.5 crore. This is largely in line with our estimate.
- In terms of operational highlights, the company signed deals worth $500 million during the quarter. However, it has maintained its full year revenue growth guidance of around 35%, implying a relatively muted sequential growth in Q4FY2008. This is largely due to a slowdown in the business from two of its top ten clients as a fallout of the scenario in the USA. Moreover, the company added just 1,848 employees in Q3FY2008 and has scaled down the recruitment target to 9,000 employees in FY2008 from 12,000 employees targeted earlier.
- We have lowered our earnings estimate for FY2008 and FY2009 by 1.4% and 8.9% respectively. We have also introduced the FY2010 estimate and factored in a higher tax rate and exchange rate assumption of Rs38.5 per dollar. At the current market price, the stock is trading at 12.2x FY2009 earnings estimate and 10.9x FY2010 earnings estimate. We maintain our Buy recommendation on the stock with revised price target of Rs318.

Full year guidance maintained, implies muted growth in Q4FY2008

HCL has maintained its FY2008 revenue guidance of 35% growth yoy (in dollar terms). This is despite the fact that the company has achieved a 38.0% growth yoy in M9FY2008 and won deals worth US$500 million during the third quarter. This implies a muted sequential growth in Q4FY2008. We have factored in a sequential growth of 3.5% in Q4FY2008. This is largely due to a drop in the information technology (IT) budget of two of its top ten clients in CY2008 as a fallout of the financial crisis in the USA. The lower IT budget of its clients could restrict HCL's revenue growth in the coming quarter. Moreover, the company added just 1,848 employees in Q3FY2008 and has scaled down its recruitment target to 9,000 employees in FY2008 compared with 12,000 employees targeted earlier.

Segmental performance

EBIDTA of core software service business improved by 93 basis points

The 6.5% sequential growth in the core software service business (in dollar terms) was driven by a 5.3% volume growth and a 1.6% higher realisation sequentially. However, the change in the service mix partially offset the growth. The improved utilisation coupled with the better realisation also led to a 93-basis-point improvement in the EBITDA margin to 22.5%.

Reduction in low-margin business improved IMS business' EBITDA significantly

The IMS business registered a 1.5% sequential growth (in dollar terms) due to a ramp-down in the low-margin material business (a 25.4% decline in Q4FY2008). On the positive side, the high-margin service business (forming 80% of the segmental revenues) grew by 11.5% in dollar terms. The higher contribution from the high-margin business also led to an impressive 113-basis-point improvement in the EBITDA margin to 17.9% during the quarter.

BPO top line grew 1.9% despite negative currency impact

The revenues of the BPO business grew by 1.9% qoq (in dollar terms) primarily driven by an impressive 4.5% volume growth. However, this was partially offset by a 2.6% decline in the realisation caused by the dollar's appreciation against the British Pound. Despite the negative realisation, the EBITDA margin improved by 16 basis points to 26.1% during the quarter.

Segmental results Rs (cr)

	Q3FY08	Q3FY07	Q2FY08	% yoy	% qoq
Software services	1430.9	1142.1	1319.8	25.3	8.4
BPO	226.5	216.4	218.3	4.7	3.8
Infrastructure management	287.5	218.6	278.3	31.5	3.3
Total revenues	1944.9	1577.1	1816.5	23.3	7.1
EBITDA					
Software services	322.4	270.9	285.1	19.0	13.1
Margins (%)	*22.5%*	*23.7%*	*21.6%*		
BPO	59.1	57.4	56.6	2.9	4.4
Margins (%)	26.1%	26.5%	25.9%		
Infrastructure management	51.6	38.5	46.8	34.0	10.3
Margins (%)	*17.9%*	*17.6%*	*16.8%*		
Total EBITDA	**433.1**	**366.8**	**388.6**	**18.1**	**11.5**
Margins (%)	*22.3%*	*23.3%*	*21.4%*		

Aggressive hedging strategy

HCL continues to follow an aggressive hedging strategy. The company intends to cover the revenues in dollars for the next ten quarters and those in British Pounds and euros for the next four quarters. HCL's forex position stood at around US$2.7 billion at the end of the third quarter, up from US$2.45 billion in the previous quarter. The hedging is purely in the form of forward cover with a bulk of it against the US Dollar (US$2.7 billion). The company has an unrealised gain of US$37 million on its forex hedges.

Valuation

We have revised our exchange rate assumption to Rs40 per dollar for FY2008 and to Rs39.5 per dollar for FY2009. This has led to a downward revision of 1.4% and 8.9% in our earnings estimate for FY2008 and FY2009 respectively. We have also introduced our FY2010 estimate in this note. We have considered an exchange rate assumption of Rs38.5 per dollar and an effective tax rate of 15.0% in FY2010 due to the withdrawal of the Software Technology Parks of India. At the current market price, the HCL stock is trading at 12.2x FY2009 earnings estimate and 10.9x FY2010 earnings estimate. We maintain our Buy recommendation on the stock with a revised price target of Rs318.

Valuation table

Particulars	FY2007	FY2008E	FY2009E	FY2010E
Net sales (Rs cr)	6033.7	7505.8	9222.4	11167.3
Net profit (Rs cr)	1258.1	1250.9	1484.7	1681.4
Nos. of equity shares	68.4	68.7	69.4	70.1
EPS (Rs)	18.4	18.2	21.4	24.0
% chg yoy	*52.9*	*-1.1*	*17.5*	*12.1*
PER	14.2	14.4	12.2	10.9
OPM (%)	22.2	21.8	21.2	20.7
Dividend (Rs)	8.0	8.0	8.0	8.0
Dividend yield (%)	3.1	3.1	3.1	3.1

Zee News

Emerging Star

Stock Update

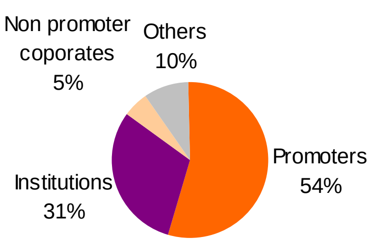
On a roll

Buy; CMP: Rs55.6

Company details

Price target:	Rs79
Market cap:	Rs1,333 cr
52 week high/low:	Rs92/38
NSE volume: (No of shares)	11.3 lakh
BSE code:	532794
NSE code:	ZEENEWS
Sharekhan code:	ZEENEWS
Free float: (No of shares)	11.0 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	28.3	-21.0	-1.3	41.2
Relative to Sensex	25.1	-1.0	16.2	15.9

Result highlights

- Zee News Ltd (ZNL) has delivered a blow-out performance for Q4FY2008. Beating our and the consensus estimates, the revenues from its operations grew by a robust 59.1% year on year (yoy) to Rs113.1 crore in the quarter. The net profit after minority interest zoomed multifold to Rs15.3 crore during the same period.
- The advertising revenues soared by 84% yoy to Rs86 crore, while the subscription revenues that had grown by a meagre 7.6% in M9FY2008 grew by 49.7% yoy and 36.3% quarter on quarter (qoq) to Rs22 crore. A break-up of its channels into existing and new businesses shows that the revenues from the existing businesses grew by a handsome 53% yoy, whereas the new businesses recorded a 153% growth in their revenues.
- The operating profit margin (OPM) for the quarter stood at 23.7% against -1.3% for Q4FY2007. Hence the operating profit grew to Rs26.8 crore against an operating loss of Rs0.9 crore in Q4FY2007. The improvement in the margins of the existing businesses continued and stood at 37.2% for the quarter. The operating loss for the new businesses declined from Rs15.3 crore in Q4FY2007 to Rs10.1 crore.
- *Zee Marathi* and *Zee Bangla*, which are number one channels in their respective genres, increased their gross rating points (GRPs) by 35.7% and 18.5% respectively over Q4FY2007, whereas *Zee Telugu* and *Zee Kannada*, which form a part of the new businesses, increased their GRPs by 74.3% and 123.4% respectively and have thus increased their market share to ~10.5% against 6% and 4.5% earlier. We believe that with the continuous gain in viewership the new businesses (excluding *Zee Tamil*) would break even by the end of FY2009.
- The company will launch *Zee Tamil* by the end of July 2008 against which it has charged Rs1.39 crore as expenses in the quarter. The south Indian regional entertainment diaspora is highly competitive. However, considering the Zee group's established track record in entertainment and the size of this market,

Result table (consolidated) Rs (cr)

Particulars	Q4FY08	Q4FY07	% chg	FY08	FY07	% chg
Net operating revenue	113.1	71.1	59.1	367.1	240.5	52.6
Total operating exp	86.3	72.0	19.9	296.7	232.8	27.4
EBIDTA	26.8	-0.9	-	70.4	7.7	814.2
other income	0.4	3.8	-88.5	1.1	13.1	-91.8
Interest	0.1	1.1	-93.7	0.6	5.1	-88.6
Depreciation	2.1	1.4	46.9	7.6	5.2	45.3
PBT	25.0	0.3	-	63.3	10.4	506.4
Tax	9.7	0.8	-	24.3	4.6	425.5
PAT	15.3	-0.5	-	39.0	5.8	570.6
Minority interest	0.0	-0.7	-	-0.5	-1.7	-70.9
Net Profit	15.3	0.2	-	39.5	7.5	428.9
OPM (%)	23.7	-1.3		19.2	3.2	

we remain positive on Zee News' prospects in these markets. We believe that its entertainment channels in the southern regional languages remain the key drivers of its growth in the longer term.

- At the current market price of Rs55.6, ZNL discounts its FY2009E and FY2010E earnings per share (EPS) by 23.7x and 18.1x respectively. We maintain a Buy recommendation on the stock with a price target of Rs79.

Q4FY2008 performance

ZNL's Q4FY2008 numbers outperformed our and street expectations. The operating revenues grew by a handsome 59.1% yoy to Rs113.1 crore led by a strong 84% year-on-year (y-o-y) growth in advertising revenues to Rs86 crore and a 49.1% y-o-y (36.3% quarter-on-quarter) increase in subscription revenues to Rs22 crore. Pay revenue contribution by Telugu and Kannada channels during this quarter led to this hefty increase. The OPM stood at 23.7% against -1.3% in Q4FY2007 as the margins in existing businesses increased by 1,210 basis points yoy to 37.2% and the loss from new businesses got reduced to 10.1 crore from 15.3 crore. Thus the overall operating profit grew to Rs26.8 crore against an operating loss of Rs0.9crore. Reflecting gains on the operating front the net profit registered a multifold jump and stood at Rs15.3 crore (above our estimate of Rs12.9 crore) against Rs0.21 crore in Q4FY2007.

Gains all around

While ZNL continues to maintain its position in the Hindi news genre, *Zee Marathi* and *Zee Bangla*, the genre leaders in Marathi and Bengali regional entertainment space, registered impressive viewership gains. *Zee Marathi* increased its GRPs by 35.7%, whereas *Zee Bangla's* GRPs rose by 18.5% compared with Q4FY2007. *Zee Telugu* and *Zee Kannada* registered sharp gains in viewership with their GRPs increasing by 74.3% yoy and 123.4% yoy respectively. This helped the two channels increase their market share to ~10.5% against 6% and 4.5% earlier. We expect ZNL's advertisement revenues to sustain traction as a result of monetisation of gains in the viewership of these channels.

As was anticipated, ZNL is prepared for the launch of its Tamil channel by the end of July 2008. The region being a Sun TV stronghold is also the largest regional entertainment market in India. Considering the Zee group's established track record in entertainment and its recent ramp up of the Telugu and Kannada channels we remain positive on ZNL's prospects in these markets.

In FY2008, ZNL registered a strong traction in its advertising revenues with most of the channels improving their share of eyeballs and the size of the television advertisement market growing as a whole. The subscription revenues that had grown at a meagre 7.6% yoy for the first nine months of the year picked up in the last quarter growing by 49.7% yoy. While the delay in the rollout of conditional access system (CAS) to newer areas has delayed the substantial inflow of pay revenues to ZNL, the prospects of CAS and direct to home (DTH) in India make us confident that the pay revenue growth would kick in, though with a delay.

Revenue break up Rs cr

	Q4 FY08	Q4 FY07	% chg	FY08	FY07	% chg
Ad revenues	86.0	46.7	84.1	283.7	170.6	66.3
Subscription revenues	22.0	14.7	49.5	66.7	58.4	14.2
other sales and services	2.3	7.6	-70.3	7.4	11.4	-35.1

The existing business that comprises *Zee News*, *Zee Business*, *Zee Marathi*, *Zee Bangla*, *Zee Gujarati* and *Zee Punjabi* put up an impressive 53% y-o-y growth in the revenues during the quarter to Rs98.3 crore. This is on account of the hefty increase in the advertising revenues driven by strong viewership gains for most of the channels. The margins in the existing businesses continue to be robust at 37.2% for the quarter. Though the revenues from new businesses (*Zee Telugu*, *Zee Kannada*, *Zee 24 Taas*) increased by an unparallel 153% yoy, the same remains relatively small at Rs12 crore. The operating loss in the new businesses at Rs10.1 crore has reduced from Rs15.3crore with an increase in the revenues. We expect the Telugu and Kannada channels to breakeven by the end of FY2009, as viewership gains are followed up by a ramp-

Existing and new business performance

	Q4 FY2008			Q4 FY2007			% chg		
	Existing business	New business	Total	Existing business	New business	Total	Existing business	New business	Total
Revenue	98.3	12.0	110.2	64.3	4.7	69.0	53	153	60
Expenses	61.7	22.0	83.7	48.2	20.0	68.2	28	10	23
Operating profit	36.6	-10.1	26.5	16.1	-15.3	0.8	127	34	3098
OPM (%)	37.2	-	24.1	25.1	-	1.2			

up in the advertising revenues. Though we view the foray in the Tamil entertainment market as a step in the right direction, the start up losses from the launch would impact the near-term profitability to a certain extent.

Revising estimates

We have revised our revenue and earning estimates for FY2009 and FY2010. Our estimates factor in the operational losses from *Zee Tamil* scheduled for launch in July 2008.

Particulars	FY2009E	FY2010E
Net operating revenue	470.9	568.3
% chg over previous estimates	*5.8*	*5.8*
Net Profit	56.3	73.8
% chg over previous estimates	*4.7*	*1.8*

Valuation and view

ZNL is a proxy play on the Indian regional entertainment diaspora. We are positive on ZNL on two counts. First, ZNL has witnessed sustained traction in advertising revenues on account of a mix of new and established channels with the added advantage of a well diversified portfolio of channels. Second, the revenue flows are expected to grow on account of pay revenues considering that eight of the ten channels owned by the company are pay channels.

With net profits expected to register an impressive compounded annual growth rate (CAGR) of 36.7% over FY2008-10E we maintain our positive outlook on the stock. At the current market price of Rs55.6 ZNL discounts its FY2009E and FY2010E EPS by 23.7x and 18.1x respectively. We maintain a Buy recommendation on the stock with price target of Rs79.

Valuation table

Particulars	FY2007	FY2008	FY2009E	FY2010E
Net operating revenue (Rs cr)	240.5	367.1	470.9	568.3
Net profit (Rs cr)	5.8	39.5	56.3	73.8
No of shares (cr)	24.0	24.0	24.0	24.0
EPS (Rs)	0.2	1.6	2.3	3.1
% y-o-y change	-	*570.5*	*44.2*	*31.1*
PER (x)	228.9	34.1	23.7	18.1
Price/BV (x)	7.4	6.0	4.8	3.8
EV/EBIDTA(x)	172.5	18.9	14.1	10.4
RoCE (%)	8.4	30.3	33.4	35.0
RoNW (%)	3.2	19.4	22.6	23.5

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

Mutual Gains

Mutual Fund

Sharekhan's top equity fund picks

The going was not easy for the market last month. Besides having to grapple with the ever-deepening global financial market crisis, it also had to deal with a sudden surge in inflation in domestic economy and the unearthing of huge foreign exchange derivatives losses of Indian corporates. Poor macro numbers, especially a drop in industrial production, compounded the market's misery no doubt. Liquidity was also hard to come by, what with foreign institutional investors (FIIs), the main drivers of the market in the current bull run, continuing to sell. The FIIs were net sellers of equities worth Rs879 crore in March this year, while the domestic mutual funds offloaded equities worth Rs1,848 crore in the month. The market lost 1,033 points or11% in March.

The financial crisis sparked by the collapse of the USA's subprime mortgage market seems to be getting worse with the biggest of global financial companies continuing to announce credit losses/ writedowns. Bear Stearns Co had to be sold to JPMorgan Chase & Co for a fraction of its value when a run on it wiped out its cash reserves in two days. On the other hand, even after reporting huge writedowns, firms like UBS AG and Lehman Brothers announced plans to raise capital, thus diminishing concerns that these institutions might also meet a fate similar to that of Bear Stearns Co. Many are even thinking that the end of the financial turmoil that began last year may be nigh.

As for the US economy, the financial mess there is now being compared with the Great Depression of the 1930s. US Federal Reserve (Fed) chief, Ben Bernanke, has finally admitted that the USA might be going into recession. The Fed is trying everything possible to rejuvenate the US economy and reduce the damages from the collapse of the subprime mortgage market by announcing aggressive rate cuts and injecting liquidity into the financial system. It is hoped that the rate cuts along with the other measures would help promote growth over time.

Meanwhile, due to the depreciation in the US Dollar against the other major global currencies, commodity prices have been rallying globally for the past two months as investors are buying commodities as a hedge against inflation. Thus crude oil remains perched above $100 levels, though its fundamentals don't appear bullish.

In India, inflation has risen to 7.41% for the week ended March 29, 2008, the highest in three years. Given that the country is going to the polls next year, we can expect the government to leave no stone unturned in its attempt to rein in inflation. In fact, the battle against inflation has already begun and the government has announced several measures to bring down prices like banning the export of cement and steel and reducing the import duty on edible oil. Further tightening of the central bank's monetary policy also cannot be ruled out. In fact, the market is already rife with expectations of a hike in the cash reserve ratio and/or repo rates. Tightening of the monetary policy would further moderate the growth in the economy.

Growth in the economy has already moderated due to the persistently high cost of funds, as cited by the slowdown in the industrial production, which rose by 9% in the April 2007-February 2008 period (as against an 11.2% rise in the comparable period last year). Many economists and global institutions have scaled down India's gross domestic product growth estimate for FY2009 to the 7.5-8% range from the earlier 8-8.5%. Unfortunately, the government seems prepared to sacrifice growth at the altar of inflation.

On the other hand, things may not have to come to such a pass for past trends show that inflation usually spikes in March when the money supply is high and subsides in the subsequent months. We might get some respite from the soaring prices of vegetables, fruits and other food items in the latter part of April once the fresh rabi crop hits the market. However, inflation cannot be conquered as long as commodity prices in global markets remain high. Well, the global commodity market has been rallying for the past few months and could witness unwinding on profit bookings. That's because the inflationary expectations are likely to mellow, given the severe downturn in the world's largest economy.

The fourth quarter results of Indian companies to be announced this month would be equally critical. Following a change in accounting norms companies now need to disclose their losses arising out of derivatives contracts. These losses are estimated at $3 billion. Looking at the brighter side of things, according to the finance ministry, in the fourth quarter tax collections of the top 100 companies rose by 35% to around Rs20,000 crore. Buoyant advance tax collections show companies' profitability improved significantly in the fourth quarter and they are likely to report good results for the period. If corporates manage to report an 18-20% earnings growth as expected, it would be quite satisfactory given the market's current valuation of 15x. Any lower than expected earnings would however depress sentiments further.

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 one and two year returns, the Sharpe ratio and Fama (net selectivity).

The past performance is measured by the one and two year 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 4 parameters and then calculated the mean value of each of the 4 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 4 parameters vis a vis their respective mean values.

For our final selection of schemes, we have generated a total score for each scheme giving 30% weightage each to the relative performance as indicated by the one and two year returns, 30% weightage to the relative performance as indicated by the Sharpe ratio and the remaining 10% 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 Mar 31, 08 (%)		
		3 Months	1 Year	2 Years
Standard Chartered Premier Equity Fund	20.04	-27.97	53.35	24.93
Reliance Growth	333.74	-29.25	28.41	20.49
Birla Mid Cap Fund	79.67	-30.54	32.51	17.85
Sundaram BNP Paribas Select Midcap	100.76	-33.27	16.86	15.54
SBI Magnum Midcap Fund	24.36	-35.66	16.18	13.00
Indices				
BSE Sensex	15644.44	-22.88	19.56	17.74

Opportunities category

Scheme Name	NAV	Returns as on Mar 31, 08 (%)		
		3 Months	1 Year	2 Years
Kotak Opportunities Fund	37.72	-30.39	34.75	20.66
Standard Chartered Imperial Equity Fund	14.64	-19.98	28.19	17.31
Fidelity Equity Fund	24.15	-25.36	17.28	16.28
ABN AMRO Opportunities Fund	23.94	-30.36	22.16	15.21
Tata Equity Opportunities Fund	71.25	-30.44	28.62	15.17
Indices				
BSE Sensex	15644.44	-22.88	19.56	17.74

Equity diversified/conservative funds

Scheme Name	NAV	Returns as on Mar 31, 08 (%)		
		3 Months	1 Year	2 Years
HDFC Growth Fund	62.15	-22.87	36.48	22.73
DWS Alpha Equity Fund	65.55	-23.36	35.43	21.15
Birla SunLife Frontline Equity Fund	61.62	-24.24	24.54	23.27
DSP Merrill Lynch Top 100 Equity Fund	70.83	-25.03	28.11	21.38
HSBC Equity Fund	88.38	-23.09	30.06	20.43
Sundaram BNP Paribas Select Focus	75.86	-30.24	32.10	21.14
Indices				
BSE Sensex	15644.44	-22.88	19.56	17.74

Thematic/Emerging trend funds

Scheme Name	NAV	Returns as on Mar 31, 08 (%)		
		3 Months	1 Year	2 Years
ICICI Prudential Infrastructure Fund	26.92	-24.57	52.17	34.63
Tata Infrastructure Fund	31.88	-27.93	44.50	26.10
Sundaram BNP Paribas CAPEX Opportunities Fund	22.67	-31.64	43.68	23.28
JM Basic Fund	26.42	-33.64	40.72	23.62
SBI Magnum COMMA Fund	20.65	-30.96	43.42	20.77
DSP Merrill Lynch India Tiger Fund	41.31	-31.07	30.78	22.84
Indices				
BSE Sensex	15644.44	-22.88	19.56	17.74

Balanced funds

Scheme Name	NAV	Returns as on Mar 31, 08 (%)		
		3 Months	1 Year	2 Years
DSP Merrill Lynch Balanced Fund	46.60	-19.95	25.27	16.91
SBI Magnum Balanced Fund	40.67	-22.50	20.06	13.72
FT India Balanced Fund	37.89	-18.61	17.85	15.98
Tata Balanced Fund	59.16	-22.80	21.68	14.90
Birla SunLife 95	202.17	-23.78	17.06	14.36
Indices				
Crisil Balanced Fund Index	2842.64	-14.71	19.48	14.38

Tax planning funds

Scheme Name	NAV	Returns as on Mar 31, 08 (%)		
		3 Months	1 Year	2 Years
Principal Personal Taxsaver	87.27	-31.15	31.75	19.01
Fidelity Tax Advantage Fund	14.58	-25.59	19.76	16.29
Sundaram BNP Paribas Taxsaver	33.32	-28.95	27.19	15.2
PRINCIPAL Tax Savings Fund	90.12	-34.32	23.73	15.03
Indices				
BSE Sensex	15644.44	-22.88	19.56	17.74

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 its 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 its peers without exposing the portfolio to very high risk.

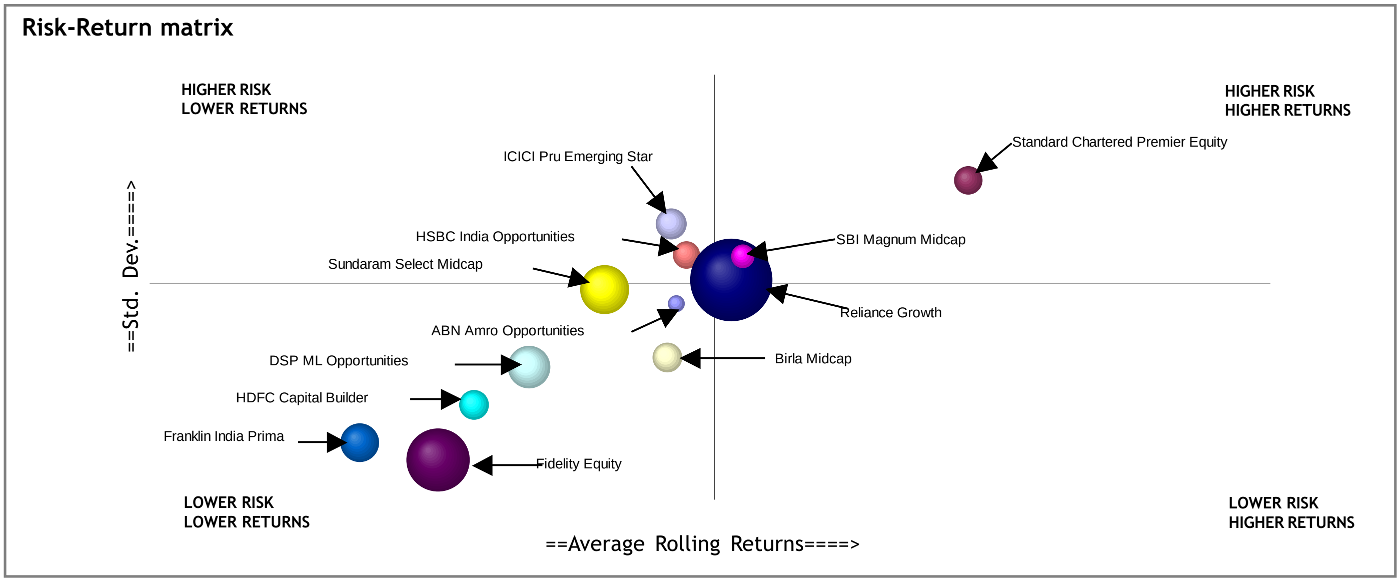
The funds in the **low-risk low returns** quadrant are not very aggressive and provide lower absolute returns, taking lower risks.

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.

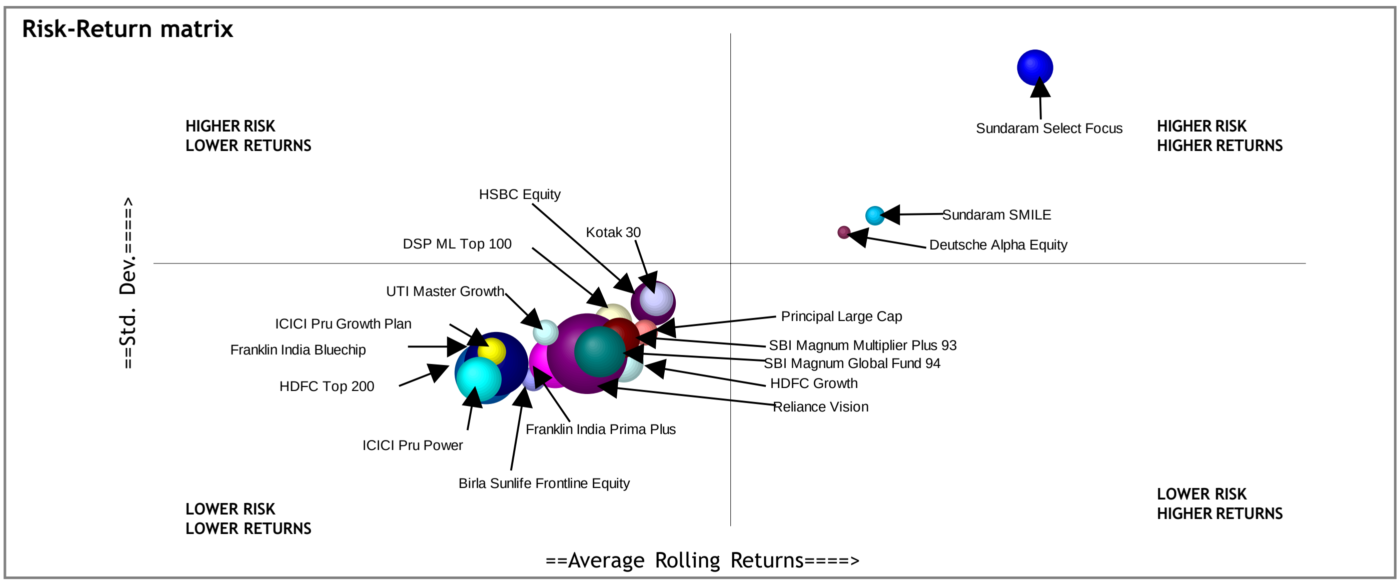
For aggressive, conservative and tax planning funds, risk is measured in terms of two years' volatility while returns are measured as two years' average rolling returns as on March 31, 2008. For thematic and balanced funds, risk is measured in terms of one year's volatility while returns are measured as one year's average rolling returns as on March 31, 2008.

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.

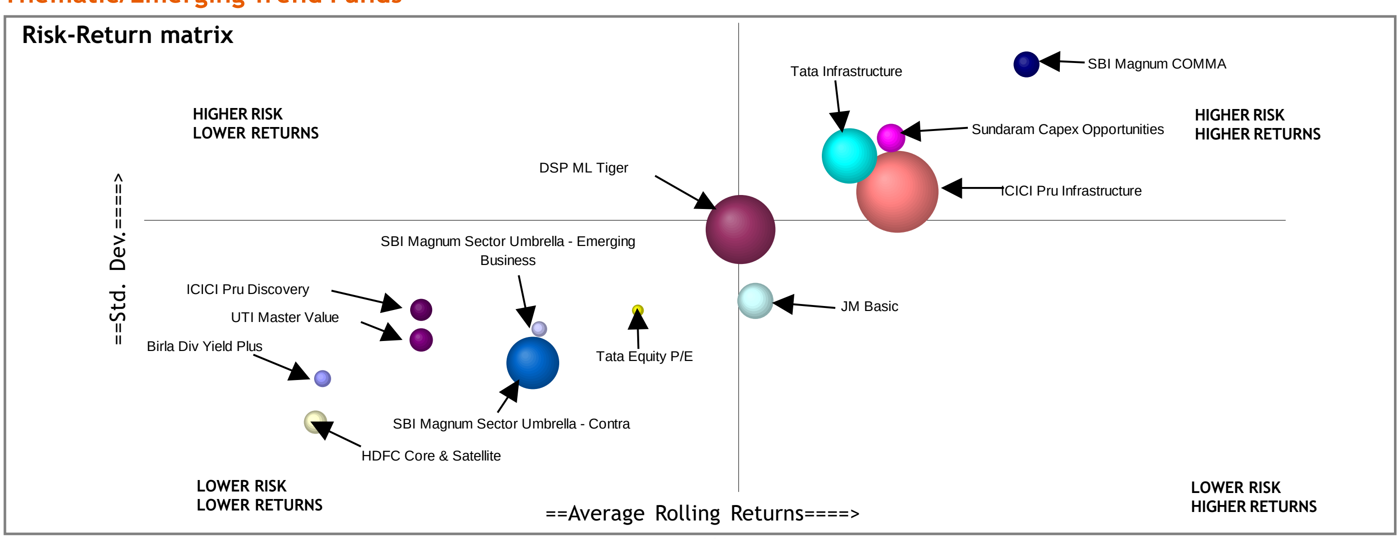
Aggressive Funds



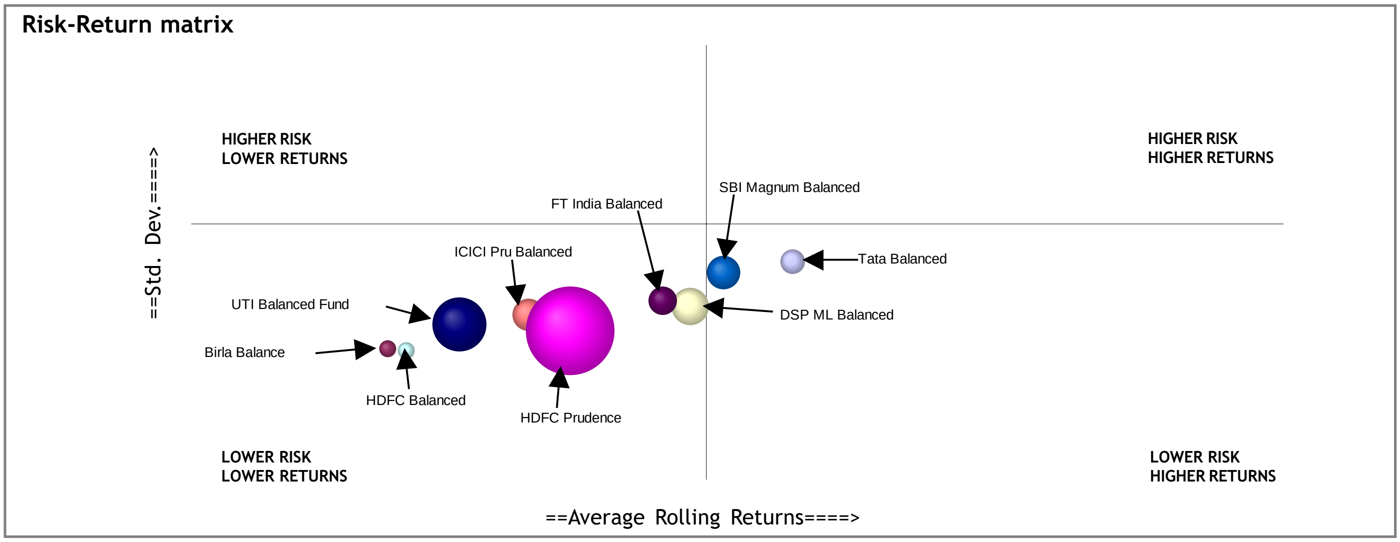
Equity Diversified/Conservative Funds



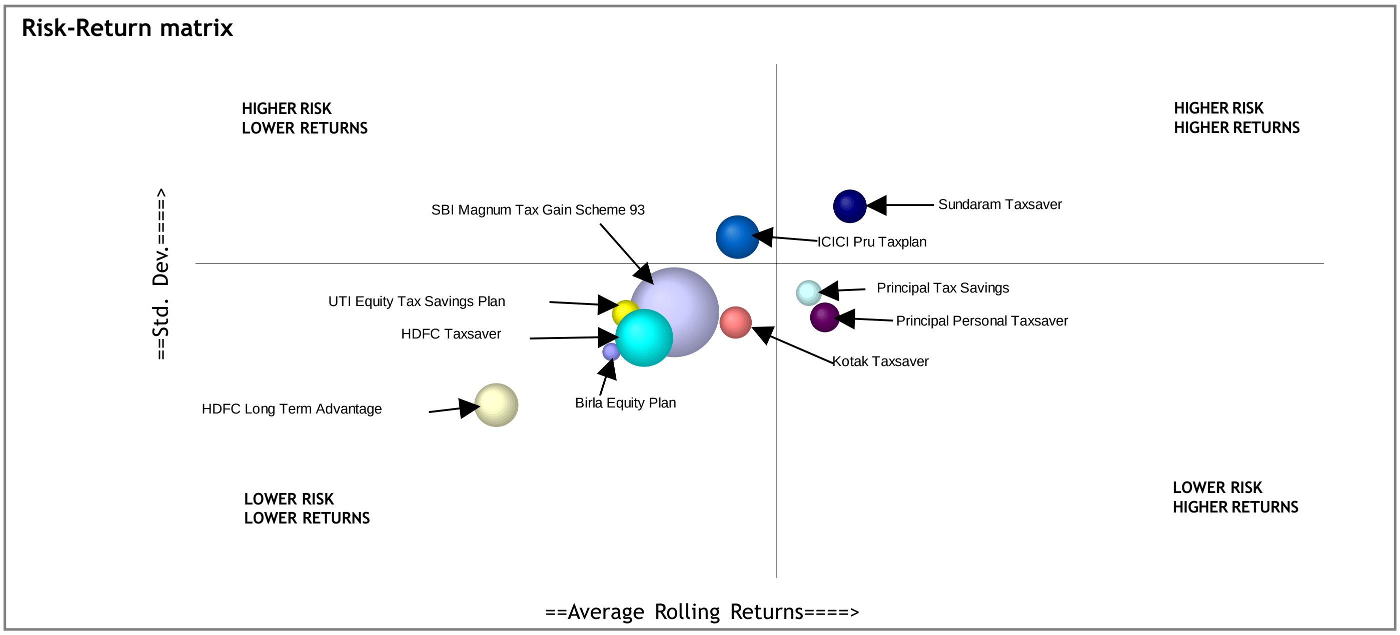
Thematic/Emerging Trend Funds



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

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