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Take Five

| Scrip | Reco Date | Reco Price | CMP | Target |
|----------------|-----------|------------|-------|--------|
| ♦ Aban Loyd | 03-Mar-05 | 330 | 1,040 | 1,760 |
| ♦ BHEL | 11-Nov-05 | 1,203 | 2,181 | 2,650 |
| ♦ ICICI Bank | 23-Dec-03 | 284 | 590 | 750 |
| ♦ Infosys | 30-Dec-03 | 689 | 1,701 | 1,870 |
| ♦ Orient Paper | 30-Aug-05 | 214 | 410 | 675 |

Pulse Track

♦ Fed keeps interest rate unchanged—positive for equities

The Federal Open Market Committee (Fed) has kept its target Fed funds rate unchanged at 5.25% in its meeting held on August 8, 2006. Even though the Fed has ended its two-year series of interest rate increases, it has retained the option to resume the rate hikes in future if the inflation does not tame. We believe that the pause by the Fed will be positive (at least in the short term) for the emerging equity markets in general and the automobile and banking sectors in particular.

Moderate growth should help contain inflation

The US economy has shown signs of cooling down in Q2CY2006 as indicated by the leading US indicators. The growth in the US gross domestic product almost halved in Q2CY2006 to 2.5% from 5.6% in Q1CY2006 and was weaker than the market forecast of 3%. The new home sales for June 2006 were the lowest in the last three months. The Manufacturing Index was at its lowest in the last ten months. The gradual cooling of the economy shall help in containing the inflationary pressures.

"Economic growth has moderated from its quite strong pace earlier this year, partly reflecting a gradual cooling of the housing market and the lagged effects of increases in interest rates and energy prices..."

... inflation pressures seem likely to moderate over time, reflecting contained inflation expectations and the cumulative effects of monetary policy actions and other factors restraining aggregate demand."

- Federal Open Market Committee

The rental expenses on housing form a major part of the Consumer Price Index (CPI) in the USA. A steep rise in the same has pushed up the core CPI (CPI excluding food and energy) to its four and a half year high of 2.64%. The gradual cooling of the housing market may partially negate the pressure of the rising oil prices.

However the Fed keeps option open

However, for the medium term the outlook remains cautious as the oil prices are showing no signs of softening. The rising oil prices may threaten to push up inflation further and the Fed may have to resume the rate hike.

"Although the moderation in the growth of aggregate demand should help to limit inflation pressures over time, the Committee judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information."

- Federal Open Market Committee

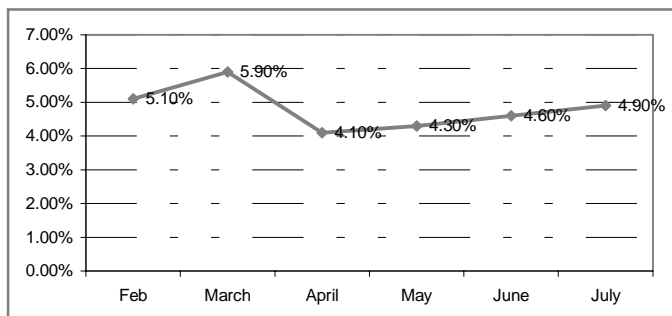
Telecom

Sector Update

Stay connected

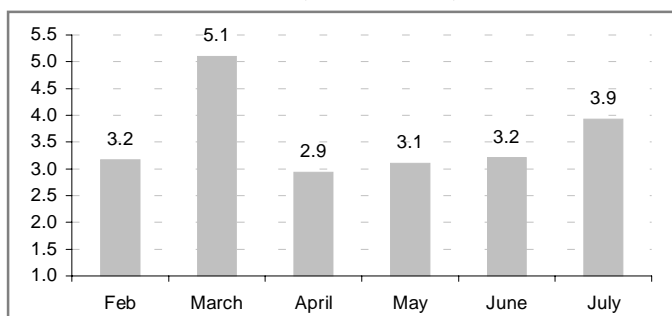
During the month of July, the Indian wireless telephony service operators added 5.4 million new users (a growth of 4.9% over June 2006), taking the total user base to 114.7 million. The GSM segment reported a healthy addition of 3.93 million subscribers (a growth of 5% over the subscriber base at the end of June 2006) taking the user base to 82.4 million. On the other hand, the CDMA operators added 1.46 million new users in July (a growth of 4.8% over June 2006) taking the user base to 32.2 million.

Mobile subscribers growth: Increasing trend from April



The falling tariffs and lucrative offers by the service providers continue to attract new mobile users. The strong growth of 5% month on month in the GSM segment was the highlight of the month, especially given the fact that the efforts to improve the customer verification process was expected to adversely affect the new subscriber addition. However, on the contrary the month-on-month growth rate has improved from the 4-4.6% range reported in the past three months.

GSM subscriber additions (million users)

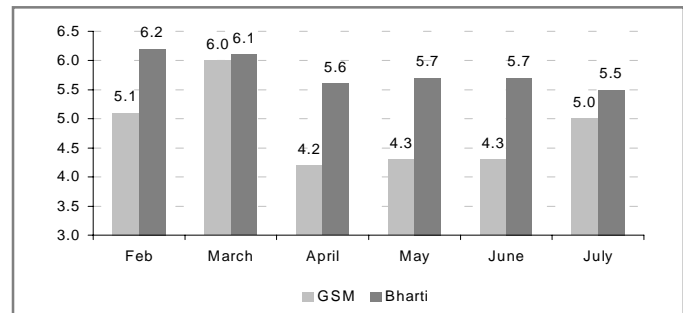


Bharti stays ahead, BSNL shines

Bharti Airtel continued to outperform the industry with a 5.5% month-on-month growth in July. Bharti continues with its leadership position and further consolidated its market

share by 10 basis points to 21.2% (of the total wireless subscriber base) in July.

Subscriber growth (%): GSM & Bharti



The other mobile operators that reported robust subscriber additions in July were the state-owned Bharat Sanchar Nigam (BSNL) and Idea cellular. During the month, BSNL added 0.7 million users which amounts to a month-on-month growth of 4.1%, much higher than the muted growth reported in the previous three months. Among the other players Idea managed to post a handsome growth of 6.8%, taking its user base to 9.2 million.

Reliance Communications added 1.1 million new users in July, a growth of 4.9% over its base at the end of June 2006. It added 0.9 million subscribers (a 4.6% growth) in the CDMA segment and 0.2 million subscribers (an 8.6% growth) in the GSM segment. Its user base stands at 23.6 million and is next to Bharti, with a market share of 20.6%.

Mobile subscribers: July 2006 (in million)

| | July-06 | June-06 | % Change | Additions | Market share (%) |
|--------------|--------------|--------------|------------|------------|------------------|
| Bharti | 24.3 | 23.1 | 5.5 | 1.3 | 21.2 |
| Reliance | 23.6 | 22.5 | 4.7 | 1.1 | 20.6 |
| BSNL | 19.0 | 18.3 | 4.1 | 0.7 | 16.6 |
| Hutch * | 18.3 | 17.5 | 4.3 | 0.8 | 15.9 |
| Idea | 9.1 | 8.5 | 6.8 | 0.6 | 8.0 |
| Tata Tele | 10.9 | 10.4 | 5.0 | 0.5 | 9.5 |
| Total | 114.7 | 109.3 | 4.9 | 5.4 | |

* Hutch + Aircel (excluding BPL)

Source: COAI, AUSPI, Sharekhan Research

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

Automobile

Sector Update

Higher sales despite monsoon

Even though it is usually a lean month due to the monsoons, the automobile sector registered a strong growth in July this year with a slight slowdown in the two-wheeler sales during the month. The overall automobile sales volume rose by 20.95% with the domestic and export sales rising by 17.9% and 19.4% respectively.

- ♦ **Passenger vehicles:** The car sales remained strong in July 2006, with a growth of 28.4% in the domestic market. The sales of utility vehicles (UVs) saw a growth of 21.3% in the domestic market. Mahindra and Mahindra (M&M) reported good numbers with a 37.2% growth in the domestic sales, which helped it to increase its market share by 340 basis points to 29.5%.
- ♦ **Commercial vehicles:** The commercial vehicle (CV) segment reported good numbers for July as well, with a 37.2% growth in the domestic market. Both the medium and heavy commercial vehicle (M&HCV) and light commercial vehicle (LCV) sub-segments reported a healthy growth. The M&HCV sub-segment has grown by 41.1% whereas the LCV sub-segment has grown by 31.6% in the domestic market. In the overall CV segment, Tata Motors increased its market share by 7.3% to 66% during the period.
- ♦ **Two-wheelers:** Two-wheeler sales saw a seasonal blip with the growth in domestic motorcycle sales slowing down to 13.4% in July. The scooter segment reported a superb performance in July, growing by 38.3%; the moped sales were flat for the month. The performer of the month in the scooter segment was Honda Motorcycle & Scooter India Pvt Ltd (HMSI), which saw a whopping growth of 241% in its scooter sales.
- ♦ **Three-wheelers:** The three-wheeler segment continued to do well with a growth of 19.7% in the domestic market. The passenger sub-segment grew by 8.6%, whereas the goods sub-segment grew by 40%. The market share of M&M improved from 4% to 8.4% on the back of the success of the new launches.
- ♦ The monsoon season has not had a dampening effect on the automobile numbers as yet. We expect lean numbers for the month of August due to heavy rains and flooding in many parts of the country. However, going forward, we believe that the strong economic growth and new product launches will drive the growth for the sector.

- ♦ The gainers of the month were Bajaj Auto, HMSI, Piaggio and Tata Motors.

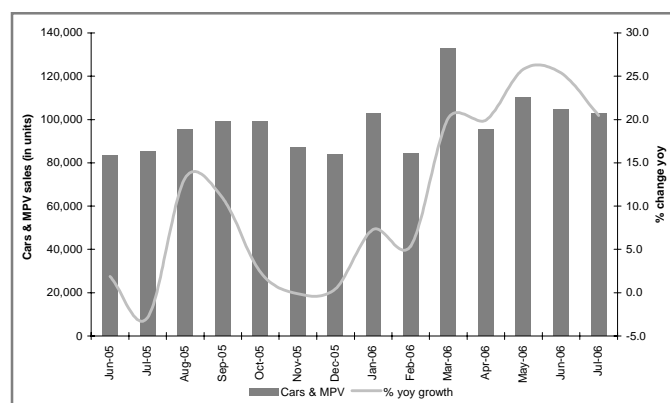
Industry statistics

| | Domestic sales | | | Exports | | |
|---------------------|----------------|---------|---------|---------|---------|---------|
| | Jul-06 | yoy (%) | YTD (%) | Jul-06 | yoy (%) | YTD (%) |
| Cars | 81,038 | 28.4 | 24.9 | 14,534 | -8.8 | 17.2 |
| UV/MPVs | 23,447 | 21.3 | 12.3 | 635 | 19.1 | 44.5 |
| Commercial vehicles | 32,623 | 37.2 | 40.8 | 4,142 | 20.0 | 32.2 |
| M&HCV | 19,144 | 41.1 | 43.0 | 0 | 0.0 | 0.0 |
| LCV | 13,503 | 31.6 | 37.6 | 2,828 | 21.1 | 29.6 |
| Two-wheelers | 557,466 | 15.4 | 17.8 | 63,677 | 78.3 | 34.1 |
| Scooters | 76,925 | 38.3 | 6.9 | 4,293 | -13.4 | -38.1 |
| Motorcycles | 453,152 | 13.4 | 20.6 | 55,843 | 106.0 | 59.1 |
| Mopeds | 27,819 | 0.5 | 1.3 | 3,541 | -2.9 | -13.5 |
| Three-wheelers | 34,587 | 19.7 | 23.8 | 11,375 | 62.2 | 60.7 |

Passenger vehicles

There was an impressive growth of 28.4% year on year (yoy) in car sales in the domestic market during the month. On a year-till-date basis, the domestic car sales have registered a growth of 24.9%. The A2 mid-size sub-segment continued its good performance and registered a growth of 35% for July 2006 while the A3 sub-segment witnessed a slowdown with a growth of only 6.4%. The A1 sub-segment marked a decline of 4% in July after a strong performance at the start of the fiscal following the excise duty cut for small cars. The A4 segment marked a staggering growth of 201.6% due to the strong performance of *Honda Siel* on the back of the launch of the latest Honda model, *Honda Civic*.

Growth in passenger cars segment



Segment-wise car sales

| Segment | July volumes | yoy (%) |
|--------------|--------------|---------|
| A1-Mini | 6040 | -4.0 |
| A2-Compact | 55,695 | 35.0 |
| A3-Mid Sized | 14,567 | 6.4 |
| A4-Executive | 4,319 | 201.6 |
| A5-Premium | 401 | -2.2 |
| A6-Luxury | 16 | 45.4 |

- Maruti Udyog's sales were low in July and grew by only 9.3% in the domestic market whereas its exports declined by 59.9% to 1,651 units. Maruti's growth in the A2 sub-segment slowed down to 15.1% as it lost market share to Tata Motors and Hyundai Motor. The A3 segment for Maruti reported a decline of 15.5%. Overall, Maruti's market share in the passenger cars declined from 48.6% to 41%. We expect the sales of Maruti cars to receive a boost from next month onwards as the company has recently launched *WagonR Duo*, which has received a very encouraging response from the market.
- Tata Motors delivered a stellar performance in the passenger car segment, registering an overall growth of 36.5%. *Indica* registered a strong growth of 62% in July with sales of 11,941 units while the *Indigo* family registered a decline of 16.5%. *Indica Xeta*, marking company's entry into the petrol segment, continues to perform well.
- Smaller players like Ford Motors, Honda Siel Cars India and General Motors, recorded a strong growth on the back of the success of their respective new launches during the recent months viz, *Ford Fiesta*, *Honda Civic* and *Chevrolet Aveo*.
- The overall domestic UV segment posted a growth of 21.3%. M&M registered a recovery in its UV sales with a growth of 37.2% in the domestic market as the *Scorpio* sales rose by 27%. Ford India registered a growth of 54.2%. Maruti reported a 14.4% growth in its domestic UV sales.

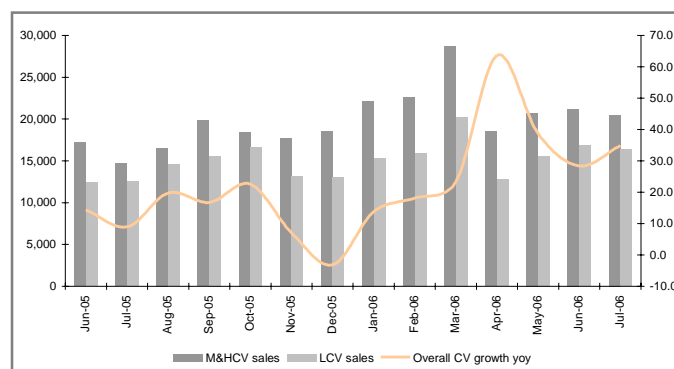
Passenger vehicle sales

| Segment | July-06 | Total sales yoy (%) | YTD (%) | Domestic market share (%) |
|------------------------|---------------|------------------------|-------------|---------------------------------|
| Cars | 95,572 | 20.9 | 23.5 | |
| Maruti Udyog | 39,159 | 1.9 | 15.1 | 46.3 |
| Tata Motors | 16,385 | 36.5 | 27.7 | 17.9 |
| Hyundai Motors | 24,581 | 28.3 | 27.3 | 20.0 |
| Honda Siel Cars India | 5,845 | 62.3 | 20.7 | 7.2 |
| Ford India Ltd | 5,442 | 10.9 | 10.6 | 3.5 |
| UV/MPVs | 24,082 | 21.2 | 12.8 | 0.0 |
| M&M | 7,174 | 34.8 | 12.7 | 29.5 |
| Maruti Udyog | 7,255 | 14.6 | 13.4 | 30.5 |
| Toyota Kirloskar Motor | 3,415 | 5.1 | 1.0 | 14.6 |
| Tata Motors | 3,976 | 47.8 | 27.7 | 15.8 |
| General Motors India | 1,302 | 4.2 | 12.5 | 5.6 |

Commercial vehicles

- The CV segment posted a domestic growth of 37.2% in July 2006 with both the M&HCV and the LCV sub-segment contributing to the growth. The LCV sales recorded a growth of 31.6%, whereas the M&HCV sales too reported a good growth of 41.1% in the domestic market.
- Tata Motors continued to report a strong performance with a 54.3% growth in its domestic sales for July. The sales of its M&HCVs grew by 51.5% year on year (yoy) whereas that of its LCVs registered a strong growth of 58% yoy.
- Ashok Leyland performed well with an overall growth of 29.5% in the domestic market, led mainly by a strong growth of 69.3% in the goods carrier segment.
- Among the other players, Eicher Motors has also reported good growth numbers while Swaraj Mazda reported a decline of 18.2%.

Growth in commercial vehicles sales



Commercial vehicle sales

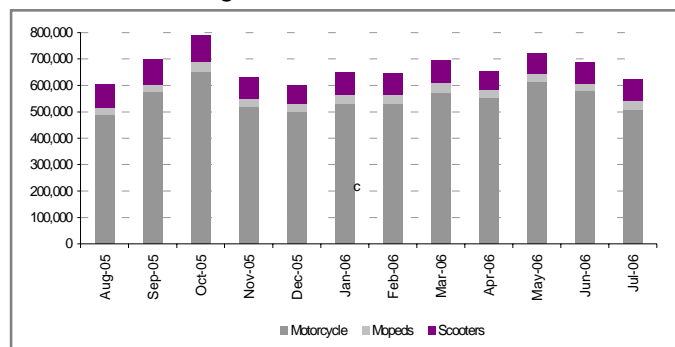
| Segment | Jul-06 | % yoy chg | %YTD chg | Domestic market share (%) |
|-----------------------|---------------|--------------|-------------|---------------------------------|
| Ashok Leyland | 5,231 | 22.1 | 26.7 | 15.2 |
| Eicher Motors | 2,160 | 23.4 | 18.3 | 6.1 |
| Swaraj Mazda | 903 | -13.3 | -23.3 | 2.5 |
| Tata Motors | 24,695 | 49.9 | 60.8 | 66.0 |
| Volvo India Pvt | 61 | -6.2 | -33.1 | 0.2 |
| Tatra Trucks India | 5 | -64.3 | -63.0 | 0.0 |
| Bajaj Tempo | 650 | 2.8 | -3.4 | 1.8 |
| Mahindra and Mahindra | 3,060 | 2.9 | -1.0 | 8.1 |
| Total | 36,765 | 35.0 | 39.9 | |

Two-wheelers

- The two-wheeler sales slowed down in July—there was an overall growth of only 15.4% in the domestic market. Recent new model launches in the scooter segment boosted sales volumes as the scooter segment reported a strong growth of 38.3%. The motorcycle sales slowed down due to the start of the monsoons and grew by only 13.4% in the domestic market. The moped sales remained flat for the month at 27,819 units.

- Hero Honda reported disappointing numbers in July as the total sales grew by just 2.3%. In fact, the domestic motorcycle sales for the company marked a decline of 2.1% while exports grew by 50.8% in July.
- Bajaj Auto reported excellent numbers with an overall growth of 35.8% in its two-wheeler sales. Its overall motorcycle sales (including exports) rose by 48.5% with the domestic sales registering a growth of 30.1%. Its two-wheeler exports have reached the highest ever level, marking a growth of 302%.
- TVS Motors reported good numbers with its overall two-wheeler volumes rising by 19.8% yoy, led by a 28.4% growth in the motorcycle sales, a 9.6% growth in the scooter sales and a 16.4% growth in the moped sales. Its premium segment bike *Apache* has already been ranked as the Number 2 bike. The volumes from *Star* continue to be strong. Its exports have reached the highest level ever with sales of 10,382 units.
- HMSI continues to report very strong numbers, registering a whopping 1,936% growth in its motorcycle sales and a brilliant 209.5% growth in its scooter sales. This was because its production was not at full capacity due to labour troubles at its Manesar plant last July.

Two wheeler sales growth



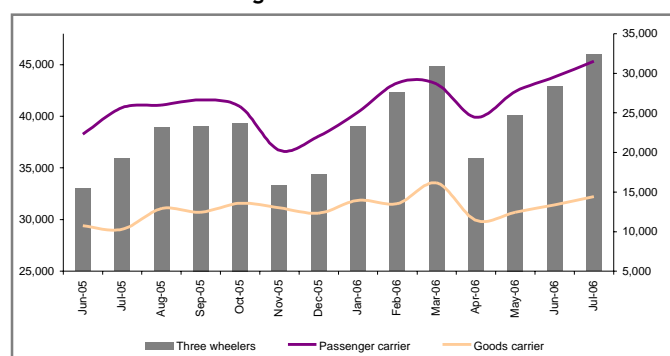
Two wheeler sales

| Segment | Jul-06 | % yoy chg | %YTD chg | Domestic market share (%) |
|--------------------|----------------|-------------|-------------|---------------------------|
| Scooters | 81,218 | 34.1 | 2.3 | |
| HMSI | 42,706 | 209.5 | 27.0 | 52.2 |
| TVS Motor Co | 25,356 | 4.6 | 2.5 | 32.2 |
| BAL | 2,043 | -83.3 | -75.5 | 1.8 |
| Hero Honda | 6,392 | NA | NA | 8.1 |
| Kinetic Motor | 4,291 | -45.7 | -38.0 | 5.1 |
| Kinetic Engg | 430 | NA | -57.2 | 0.6 |
| Motorcycles | 508,995 | 19.2 | 23.1 | |
| Hero Honda | 228,922 | -0.5 | 13.3 | 48.2 |
| Bajaj Auto | 171,115 | 48.5 | 37.3 | 31.0 |
| TVS Motor Co | 68,335 | 28.4 | 31.5 | 13.2 |
| Yamaha | 23,075 | 11.9 | 32.3 | 3.8 |
| HMSI | 12,196 | 1936.1 | 35.4 | 2.7 |
| Mopeds | 31,360 | 0.1 | -0.6 | |
| TVS Motor Co. | 27,771 | 16.2 | 15.7 | 94.4 |
| Kinetic Engg | 2,173 | -27.4 | -22.1 | 4.7 |
| Majestic Auto | 1,416 | -68.1 | -62.6 | 0.9 |

Three-wheelers

- The three-wheeler segment continued to grow well in July 2006 with the overall volumes growing by 28% for the month. The passenger sub-segment grew by 23% and the goods sub-segment grew by 40.5% during the month.
- Bajaj Auto's overall sales grew by 18.1% led mainly by a strong 61.1% growth in the export volumes. In the domestic market, Bajaj has lost its market share to Piaggio and M&M; its share has come down from 54.3% to 44.9%.
- M&M registered a strong overall growth of 151.6% led by a 169% growth in the goods carrier segment.
- Piaggio increased its domestic market share by 540 basis points to 34.9%. It reported a strong 59% growth in the passenger carrier segment and a 25% growth in the goods carrier segment.

Three wheelers sales growth



Three wheelers sales

| Segment | Jul-06 | % yoy chg | %YTD chg | Domestic market share (%) |
|----------------------|---------------|-------------|-------------|---------------------------|
| Atul Auto | 1,405 | 6.8 | 7.3 | 4.1 |
| Bajaj Auto | 26,663 | 18.1 | 28.5 | 44.9 |
| Bajaj Tempo | 1,229 | -10.2 | -22.0 | 3.5 |
| Mahindra & Mahindra | 2,919 | 151.6 | 93.3 | 8.4 |
| Piaggio Vehicles Pvt | 12,311 | 42.5 | 41.3 | 34.9 |
| Scooters India | 1,435 | 70.0 | 19.1 | 4.1 |
| Total | 45,962 | 28.0 | 30.9 | |

Sharekhan auto universe

| Company | CMP (Rs) | EPS | | PER | | EV/EBIDTA | |
|------------------|----------|-------|-------|------|------|-----------|------|
| | | FY07 | FY08 | FY07 | FY08 | FY07 | FY08 |
| Bajaj Auto | 2681 | 138.0 | 162.8 | 19.4 | 16.5 | 13.1 | 10.8 |
| TVS Motor | 90 | 6.2 | 9.6 | 14.4 | 9.4 | 9.0 | 5.7 |
| Maruti Udyog | 798 | 50.2 | 61.7 | 15.9 | 12.9 | 10.6 | 7.7 |
| M&M | 614 | 30.6 | 34.6 | 20.1 | 17.8 | 11.3 | 9.7 |
| Tata Motors | 792 | 47.0 | 54.6 | 16.8 | 14.5 | 10.2 | 8.9 |
| Ashok Leyland | 37 | 3.1 | 3.8 | 12.3 | 9.9 | 6.8 | 5.5 |
| Omax Auto | 89 | 14.9 | 20.8 | 6.0 | 4.3 | 4.3 | 3.3 |
| Sundaram Clayton | 925 | 54.5 | 74.7 | 17.0 | 12.4 | 14.4 | 10.1 |

Mutual Gains

Mutual Fund

Sharekhan's top equity fund picks

July was an eventful month for the market. From the rains, riots and serial blasts to rate hikes, results and reforms, the market was a witness to all. But what hogged its attention were the first quarter results of the Indian companies. The earnings of the Sensex companies grew by a good 22.8% in the first quarter compared with our expectation of a 19.1% growth. Thus overall, the first quarter results were above our expectations and very encouraging.

Even as the Bank of Japan and the European Central Bank are tightening their monetary policies to contain inflation in their economies, the US Federal Reserve (Fed) has taken a pause in its rate hike exercise in view of the benign US data released in July. However with global crude prices showing no signs of softening, a possibility of further hikes in the Fed rate cannot be ruled out completely.

The Reserve Bank of India (RBI) has already increased the repo and reverse repo rates twice in less than two months following the hike in the global interest rates. Even as the higher interest rates might affect corporate performance by disrupting their expansion plans, we believe that if corporates are planning to spend hundreds of crore of rupees on capacity expansions, their huge investment outlays are unlikely to be affected by a marginal increase in the cost of funds. Additionally, corporate India is flush with funds arising out of the high profits earned in the previous quarters. With a huge war chest of cash, a growing number of companies are financing their capital expenditure (capex) plans through internal accruals. That the underlying capex theme remains strong is also confirmed by the strong growth of 21% in the Index of Capital Goods. Considering all this, we don't expect any major delay in the implementation of the expansion plans of the cash-rich companies.

However, the lower-than-expected monsoon might affect the rural demand, thus denting the earnings of the fast moving consumer goods (FMCG) and automobile companies. According to the latest data, July received a cumulative rainfall of 90% of the long period average, 7% less than the expected 97%. However it is early days yet to say if the monsoon may play a spoilsport, as the complete data for July is not yet out.

The market's other concern is liquidity. Foreign institutional investors (FIIs) were net sellers to the tune of Rs200 crore in July. Even the domestic mutual funds (MFs), which had propped up the market, have turned sellers of late. In July they were net sellers to the tune of around Rs80 crore. However we believe that the MF industry, which is sitting on huge cash reserves will switch to the buy mode as soon as they come across a better buying opportunity. Besides, the price/earnings multiple in our market has come down to reasonable levels after an extensive correction, which will continue to attract foreign funds.

Going forward, the direction of the market is likely to be determined by external factors such as the crude oil prices, the next Fed meeting and the monsoons. Since the Fed has kept the rates unchanged in the last meeting, our short-term outlook for the market is positive. For the medium term, we would like to err on the side of caution, as the uncertainties with regard to crude and hence inflation persist. As for the long term, we remain positive since there has been no change in the fundamentals.

We have identified the best equity-oriented schemes available in the market today based on the following 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. 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.

For our selection of funds, we have given 50% weightage to the past performance as indicated by the returns, 25% weightage to the Sharpe ratio of the fund and the remaining 25% to the FAMA of the fund.

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 July 31, 2006 (%) | | | | |
|------------------------|----------|---------------------------------|----------|--------|---------|---------|
| | | 3 months | 6 months | 1 year | 2 years | 3 years |
| Sundaram Select Midcap | 73.22 | -12.62 | 17.21 | 58.61 | 72.48 | 73.54 |
| Birla Mid Cap Fund | 49.12 | -17.76 | -2.89 | 30.62 | 48.90 | 51.82 |
| Reliance Growth | 193.62 | -23.07 | -4.58 | 28.49 | 59.31 | 64.11 |
| Indices | | | | | | |
| S&P Nifty | 3143.20 | -11.65 | 4.73 | 35.71 | 38.70 | 38.35 |
| BSE Sensex | 10743.88 | -10.78 | 8.31 | 40.45 | 44.08 | 41.45 |

Opportunities Category

| Scheme Name | NAV | Returns as on July 31, 2006 (%) | | | | |
|-------------------------------|----------|---------------------------------|----------|--------|---------|---------|
| | | 3 months | 6 months | 1 year | 2 years | 3 years |
| Prudential ICICI Dynamic Plan | 47.77 | -17.15 | 7.31 | 42.75 | 62.58 | 51.98 |
| DSP ML Opportunities Fund | 43.26 | -13.81 | 3.42 | 41.94 | 50.61 | 55.24 |
| Indices | | | | | | |
| S&P Nifty | 3143.20 | -11.65 | 4.73 | 35.71 | 38.70 | 38.35 |
| BSE Sensex | 10743.88 | -10.78 | 8.31 | 40.45 | 44.08 | 41.45 |

Equity Diversified/Conservative Funds

| Scheme Name | NAV | Returns as on July 31, 2006 (%) | | | | |
|-------------------------------|----------|---------------------------------|----------|--------|---------|---------|
| | | 3 months | 6 months | 1 year | 2 years | 3 years |
| SBI Magnum Global Fund 94 | 30.76 | -20.15 | 0.33 | 45.41 | 73.22 | 77.93 |
| SBI Magnum Multiplier Plus 93 | 40.37 | -16.37 | 2.10 | 46.39 | 66.11 | 65.31 |
| HDFC Equity Fund | 115.67 | -11.44 | 2.31 | 42.47 | 53.14 | 53.77 |
| DSP ML Equity Fund | 34.46 | -16.44 | 3.20 | 37.78 | 54.17 | 54.53 |
| Birla SunLife Equity Fund | 132.24 | -16.62 | -2.03 | 31.13 | 54.12 | 57.71 |
| Indices | | | | | | |
| S&P Nifty | 3143.20 | -11.65 | 4.73 | 35.71 | 38.70 | 38.35 |
| BSE Sensex | 10743.88 | -10.78 | 8.31 | 40.45 | 44.08 | 41.45 |

Thematic/Emerging Trend Funds

| Scheme Name | NAV | Returns as on July 31, 2006 (%) | | | | |
|-------------------------------------|----------|---------------------------------|----------|--------|---------|---------|
| | | 3 months | 6 months | 1 year | 2 years | 3 years |
| SBI Magnum Sector Umbrella - Contra | 28.76 | -18.16 | 6.20 | 44.45 | 70.37 | 74.91 |
| DSP ML Tiger Fund | 23.83 | -18.14 | 0.89 | 45.36 | 50.00 | -- |
| Tata Infrastructure Fund | 17.55 | -19.26 | 4.55 | 46.01 | -- | -- |
| HDFC Core & Satellite Fund | 20.61 | -19.20 | -0.01 | 39.13 | -- | -- |
| Prudential ICICI Discovery Fund | 22.27 | -18.57 | 1.23 | 32.12 | -- | -- |
| Indices | | | | | | |
| S&P Nifty | 3143.20 | -11.65 | 4.73 | 35.71 | 38.70 | 38.35 |
| BSE Sensex | 10743.88 | -10.78 | 8.31 | 40.45 | 44.08 | 41.45 |

Balanced Funds

| Scheme Name | NAV | Returns as on July 31, 2006 (%) | | | | |
|----------------------------|---------|---------------------------------|----------|--------|---------|---------|
| | | 3 months | 6 months | 1 year | 2 years | 3 years |
| HDFC Prudence Fund | 90.01 | -6.23 | 2.49 | 28.15 | 41.13 | 39.97 |
| JM Balanced | 18.83 | -12.30 | 6.81 | 34.57 | 31.57 | 27.33 |
| DSP ML Balanced Fund | 31.53 | -10.63 | 3.38 | 28.67 | 31.86 | 34.67 |
| Kotak Balance | 21.23 | -13.18 | 4.33 | 30.01 | 43.03 | 40.18 |
| SBI Magnum Balanced Fund | 28.68 | -13.80 | 2.54 | 29.59 | 46.06 | 47.60 |
| Indices | | | | | | |
| Crisil Balanced Fund Index | 2096.63 | -6.40 | 4.07 | 22.60 | 23.40 | 24.36 |

Tax Planning Funds

| Scheme Name | NAV | Returns as on July 31, 2006 (%) | | | | |
|-------------------------------|----------|---------------------------------|----------|--------|---------|---------|
| | | 3 months | 6 months | 1 year | 2 years | 3 years |
| SBI Magnum Tax Gain Scheme 93 | 41.44 | -15.24 | 2.36 | 33.95 | 82.35 | 83.48 |
| HDFC Tax saver | 114.65 | -19.08 | -1.64 | 30.15 | 63.83 | 64.97 |
| Prudential ICICI Taxplan | 74.43 | -23.96 | -2.41 | 23.27 | 62.15 | 61.10 |
| Sundaram Tax saver | 20.59 | -22.74 | -10.40 | 30.51 | 55.44 | 54.75 |
| HDFC Long Term Advantage Fund | 73.23 | -16.80 | -6.28 | 25.26 | 46.98 | 56.46 |
| Indices | | | | | | |
| S&P Nifty | 3143.20 | -11.65 | 4.73 | 35.71 | 38.70 | 38.35 |
| BSE Sensex | 10743.88 | -10.78 | 8.31 | 40.45 | 44.08 | 41.45 |

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.

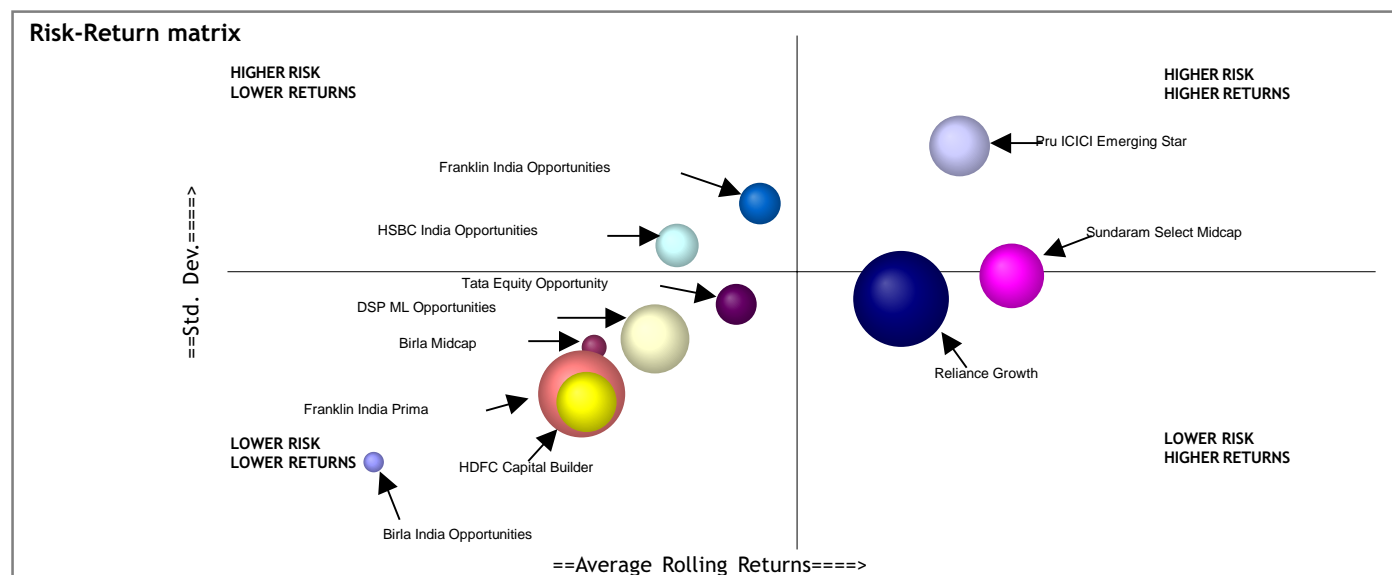
The funds in the **low-risk high returns** quadrant outperform the peer group on the risk-adjusted returns basis as they deliver higher returns compared to the peers without exposing the portfolio to very high risk.

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

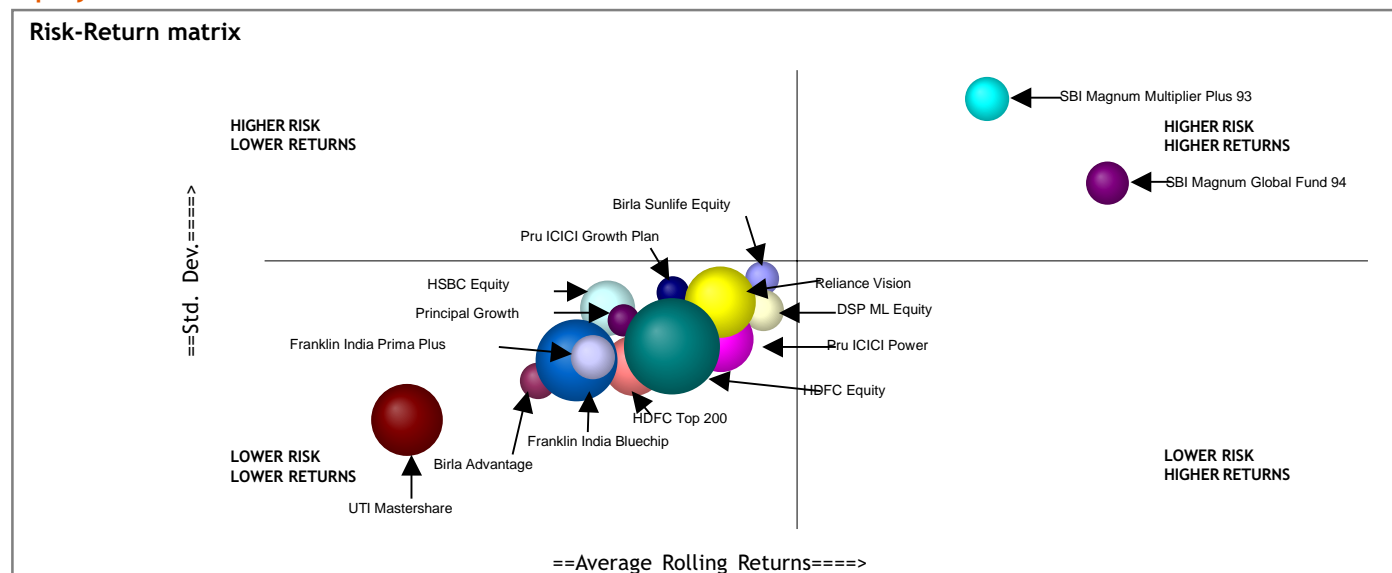
The funds in the **high-risk low returns** quadrant underperform the peers on the risk adjusted returns basis as they adopt a high-risk strategy but the returns fail to compensate the risk taken by the fund.

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 July 31, 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 July 31, 2006.

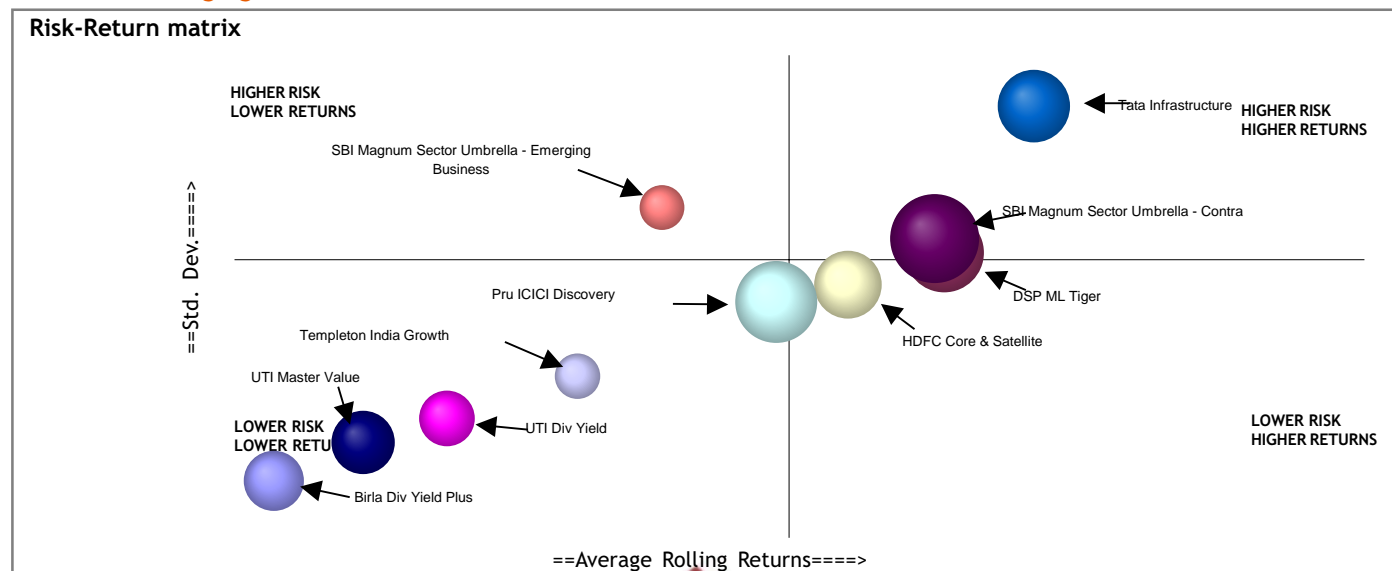
Aggressive Funds



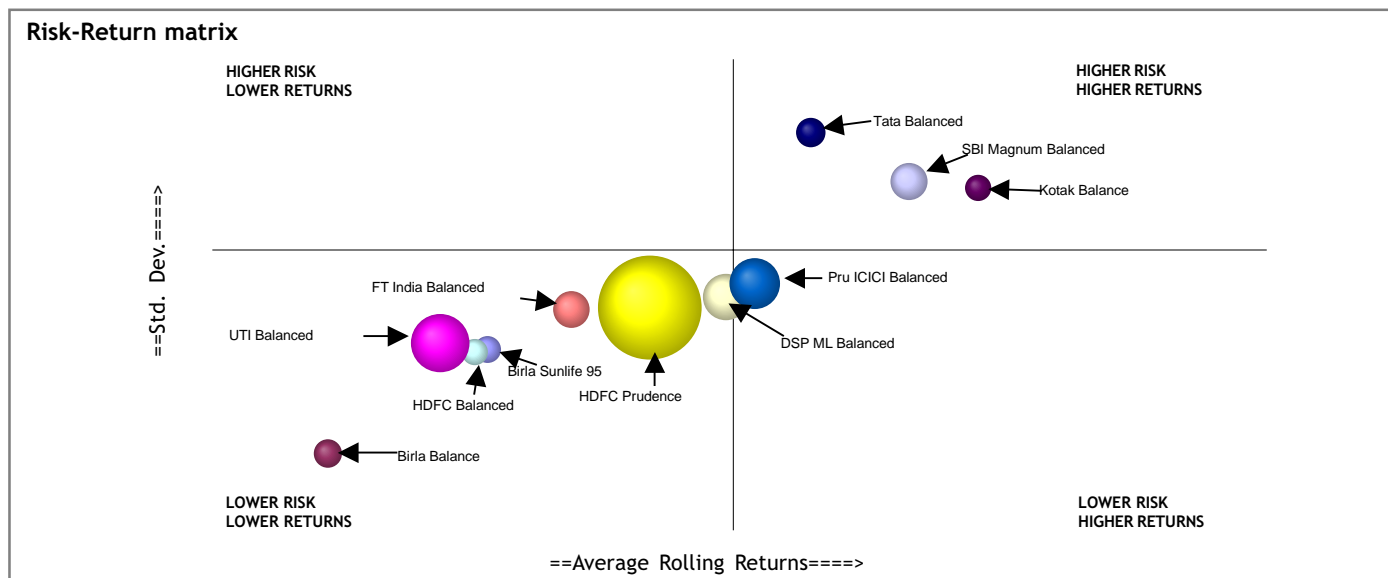
Equity Diversified/Conservative Funds



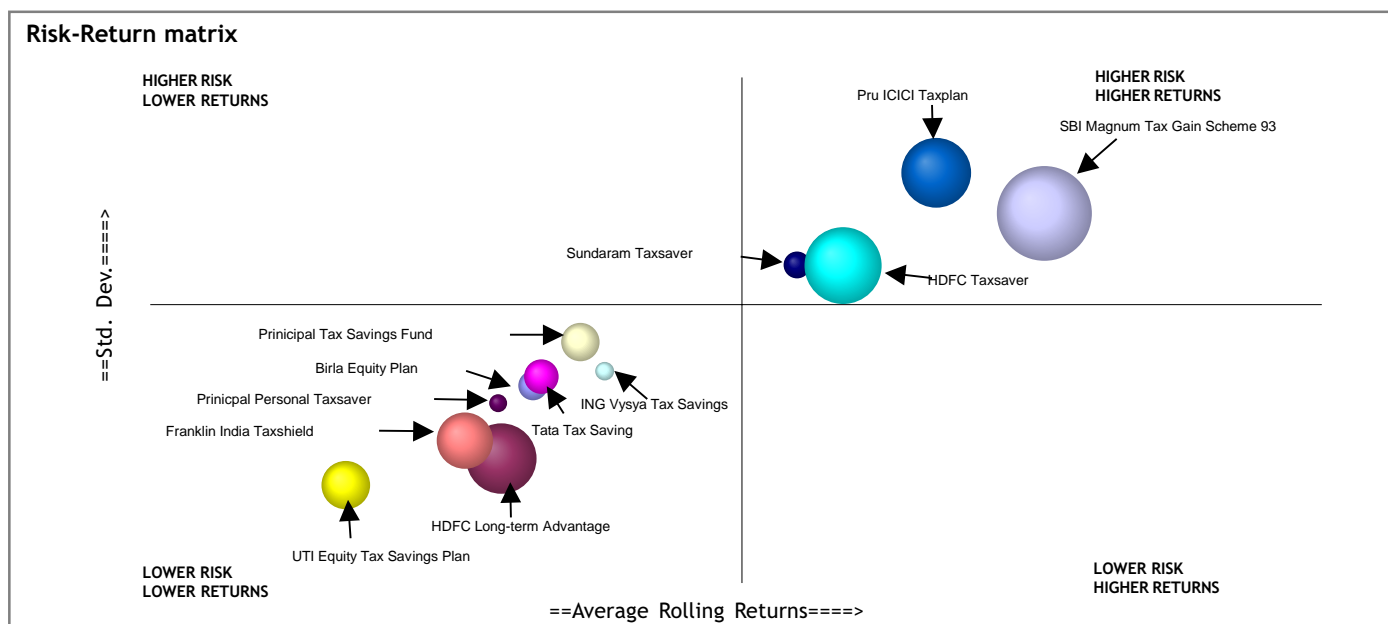
Thematic/Emerging Trend Funds



Balanced Funds



Tax Planning Funds



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What's In—What's Out

Mutual Fund

Fund Analysis: August 2006

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

An analysis has been undertaken on equity and mid-cap funds' portfolios, indicating the favourite picks of fund managers for the month of July 2006. Equity funds comprise of all diversified, index, sector and tax planning funds, whereas mid-cap funds include a universe of 17 funds such as Reliance Growth, Franklin India Prima Fund, HDFC Capital Builder, Birla Mid-cap Fund etc.

What's in

Top new stocks added to the equity funds' portfolios.

| Company name | No of shares | Mkt value (Rs cr) |
|--------------------------------|--------------|-------------------|
| Ampersand Software Application | -- | -- |
| Eimco Elecon (India) | 45072 | 1.21 |
| Grabal Alok Impex | -- | 10.41 |
| Nagarjuna Fertilizers | 350047 | 0.37 |
| Principal Index Fund | -- | 0.24 |
| SIP Technologies | -- | -- |
| Spentex Industries | 398151 | 2.45 |
| Tezapore Tea Company | 9800 | 0.04 |

Top new stocks in the mid-cap funds' portfolios.

| Company name | No of shares | Mkt value (Rs cr) |
|----------------------|--------------|-------------------|
| Allahabad Bank | 199691 | 1.29 |
| Champagne Indage | -- | 7.17 |
| Escorts | 2699998 | 21.15 |
| Grasim Industries | 60450 | 12.58 |
| HT Media | 94304 | 4.44 |
| Infosys Technologies | 36100 | 5.98 |
| Maruti Udyog | 342036 | 26.95 |
| Spentex Industries | 245179 | 1.51 |

What's out

Complete exits in the equity funds' portfolios.

| Company name |
|------------------------------------------|
| Birla Global Finance |
| Siyaram Silk Mills |
| S Kumars Nationwide |
| Willamson Tea Assam |
| National Mineral Development Corporation |

Complete exits in the mid-cap funds' portfolios.

| Company name | Company name |
|-------------------------------|----------------------------|
| Assam Company | Sasken Communication |
| Govind Rubber | Siyaram Silk Mills |
| IDBI Bank | SREI International Finance |
| Polaris Software Lab | Sun TV |
| Prithvi Information Solutions | Tata Motors |
| PTC Industries | Tube Investments of India |
| Punj Lloyd | United Breweries Holdings |
| Ram Krishna Forgings | Willamson Tea Assam |
| S Kumars Nationwide | |

Favourite picks for the month

Top additions to the existing holdings of equity funds' portfolios.

| Company name | No of shares added | Mkt value added (Rs cr) |
|-----------------------------------|--------------------|-------------------------|
| Amtek Auto | 1285326 | 34.95 |
| Apollo Tyres | 1129622 | 28.61 |
| Century Textiles & Industries | 1168428 | 45.15 |
| Cipla | 3246238 | 76.61 |
| Gammon India | 1551603 | 50.31 |
| Gujarat Ambuja Cements | 8474688 | 88.73 |
| HCL Technologies | 999751 | 52.01 |
| I-Flex Solutions | 230076 | 30.57 |
| India Cements | 6324673 | 116.12 |
| Indian Petrochemicals Corporation | 1660618 | 41.08 |
| IDFC | 5747016 | 31.55 |
| JK Paper | 115950521 | 520.62 |
| Jaiprakash Associates | 1724500 | 63.50 |
| Mphasis BFL | 3353061 | 51.86 |
| NTPC | 8743889 | 100.77 |
| Reliance Capital | 2254092 | 94.24 |
| Reliance Energy | 7641815 | 345.98 |
| Reliance Industries | 1900306 | 186.04 |
| Sintex Industries | 2013674 | 27.84 |
| Tata Tea | 515576 | 42.91 |

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

| Company name | No of shares added | Mkt value added (Rs cr) |
|------------------------------|--------------------|-------------------------|
| Bank of Baroda | 350003 | 7.77 |
| Bank of India | 370364 | 4.11 |
| Bharat Earth Movers | 55213 | 5.11 |
| Birla Corporation | 198387 | 5.16 |
| EID Parry (India) | 553206 | 10.33 |
| Esab India | 205409 | 6.49 |
| Escorts | 2699998 | 21.14 |
| Gammon India | 1644866 | 53.33 |
| Grasim Industries | 60450 | 12.55 |
| HCL Technologies | 171058 | 8.90 |
| Hinduja TMT | 119734 | 6.07 |
| HT Media | 94304 | 4.40 |
| India Cements | 3095535 | 56.83 |
| Kesoram Industries | 616469 | 18.54 |
| Lloyd Electric & Engineering | 332988 | 3.96 |
| Maruti Udyog | 342036 | 26.90 |
| McLeod Russel India | 570000 | 5.63 |
| Mphasis BFL | 1088187 | 16.83 |
| Sintex Industries | 1023795 | 14.15 |
| Tata Tea | 58857 | 4.90 |

Popular stocks in mid-cap funds

| Company name | No of shares | Mkt value (Rs cr) |
|--------------------------------|--------------|-------------------|
| Aditya Birla Nuvo | 1750056 | 127.16 |
| Bank of Baroda | 3201845 | 71.18 |
| Bharat Earth Movers | 1400704 | 129.05 |
| Container Corporation of India | 411258 | 68.33 |
| Crompton Greaves | 1114219 | 111.32 |
| Cummins India | 3373047 | 78.32 |
| EID Parry (India) | 4275952 | 80.02 |
| Fag Bearings India | 1592019 | 82.77 |
| Gammon India | 2942308 | 95.27 |
| Goodlass Nerolac Paints | 1206202 | 95.71 |
| India Cements | 6942441 | 127.6 |
| IPCA Laboratories | 2702885 | 88.17 |
| Jaiprakash Associates | 5648163 | 207.99 |
| Jindal Steel and Power | 564554 | 84.03 |
| JSW Steel | 297057 | 87.7 |
| Maharashtra Seamless | 2825150 | 94.53 |
| Matrix Laboratories | 3655499 | 92.31 |
| MICO | 323000 | 87.22 |
| Reliance Industries | 1025543 | 100.38 |
| State Bank of India | 900000 | 72.92 |

Exclusive stocks

Some stocks held by only one fund.

| Company | Fund house |
|-----------------------------------|-------------------------------|
| Apollo Fibres | UTI Mutual Fund |
| Bag Films | UTI Mutual Fund |
| Balmer Lawrie Investments | PRINCIPAL Mutual Fund |
| Bharat Seats | UTI Mutual Fund |
| Central India Polyesters | UTI Mutual Fund |
| City Online Services | DSP Merrill Lynch Mutual Fund |
| Dhunseri Tea & Industries | PRINCIPAL Mutual Fund |
| DIC India | UTI Mutual Fund |
| Disa India | Kotak Mahindra Mutual Fund |
| Ennore Foundries | PRINCIPAL Mutual Fund |
| JK Pharmachem | UTI Mutual Fund |
| Kenna Metal | Kotak Mahindra Mutual Fund |
| National Steel Industries | UTI Mutual Fund |
| Photoquip | PRINCIPAL Mutual Fund |
| Piramyd Retial | SBI Mutual Fund |
| Sanghi Polyesters | UTI Mutual Fund |
| Sanjivani Paranteral | Tata Mutual Fund |
| Sona Steering Systems | UTI Mutual Fund |
| Zicom Electronic Security Systems | SBI Mutual Fund |

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

Sundaram Rural India Fund, JM Emerging Leaders Fund, Sundaram Select Midcap, Templeton India Equity Income Fund and Reliance Equity Fund are some of the cash rich equity diversified funds waiting for right valuations to invest.

| Scheme | Equity (%) | Debt (%) | Cash & equivalent (%) |
|---------------------------------------|------------|----------|-----------------------|
| Sundaram Rural India Fund | 46.27 | 0 | 53.73 |
| JM Emerging Leaders Fund | 61.03 | 0 | 38.97 |
| Principal Resurgent India Equity Fund | 65.62 | 0 | 34.38 |
| Sundaram Select Midcap | 65.61 | 0.02 | 34.37 |
| Cangrowth Plus | 67.04 | 0 | 32.96 |
| Templeton India Equity Income Fund | 69.08 | 0 | 30.92 |
| Reliance Equity Fund | 69.42 | 0 | 30.58 |
| JM Hi Fi Fund | 72.41 | 0 | 27.59 |
| Can Emerging Equities | 73.3 | 0 | 26.7 |
| SBI Magnum Midcap Fund | 75.35 | 0 | 24.65 |

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Evergreen

HDFC Bank
Infosys Technologies
Reliance Industries
Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
Associated Cement Companies
Bajaj Auto
Balrampur Chini Mills
Bharat Bijlee
Bharat Heavy Electricals
Corporation Bank
Crompton Greaves
Elder Pharmaceuticals
Godrej Consumer Products
Grasim Industries
Hindustan Lever
Hyderabad Industries
ICICI Bank
Indian Hotels Company
ITC
Mahindra & Mahindra
Marico Industries
Maruti Udyog
MRO-TEK
Lupin
Nicholas Piramal India
Omax Auto
Ranbaxy Laboratories
Satyam Computer Services
Sintex Industries
SKF India
State Bank of India
Sundaram Clayton
Tata Motors
Tata Tea
Unichem Laboratories
Wipro

Cannonball

Cipla
Gateway Distriparks
International Combustion (India)
JK Cement
Madras Cement
Shree Cement
Transport Corporation of India

Emerging Star

3i Infotech
Aarvee Denims and Exports
Aban Loyd Chiles Offshore
Alok Industries
Alphageo India
Cadila Healthcare
KSB Pumps
Marksans Pharma
Navneet Publications (India)
New Delhi Television
Orchid Chemicals & Pharmaceuticals
ORG Informatics
Solelectron Centum Electronics
Television Eighteen India
Thermax
Tube Investments of India
TVS Motor Company
UTI Bank
Welspun Gujarat Stahl Rohren
Welspun India

Ugly Duckling

Ashok Leyland
Deepak Fertilisers & Petrochemicals Corporation
Genus Overseas Electronics
HCL Technologies
ICI India
Jaiprakash Associates
JM Financial
KEI Industries
NIIT Technologies
Punjab National Bank
Ratnamani Metals and Tubes
Sanghvi Movers
Saregama India
Selan Exploration Technology
Subros
Sun Pharmaceutical Industries
Surya Pharmaceuticals
UltraTech Cement
Union Bank of India
Universal Cables
Wockhardt

Vulture's Pick

Esab India
Nelco
Orient Paper and Industries
WS Industries India

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