investor's eye

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Take Five

Scrip	Reco Date	Reco Price	CMP	Target
Aban Offshore	03-Mar-05	330	**1,237**	1,760
HLL	24-Nov-05	172	**241**	300
ICICI Bank	23-Dec-03	284	**604**	770
Orient Paper	30-Aug-05	214	**520**	675
UltraTech	10-Aug-05	384	**802**	1,000

Sharekhan Ltd
A-206, Phoenix House, 2nd Floor, Senapati Bapat Marg, Lower Parel, Mumbai - 400013, India.

Maruti Udyog

Apple Green

Stock Update

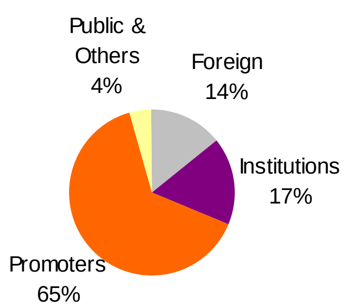
Exports to rise

Buy; CMP: Rs941

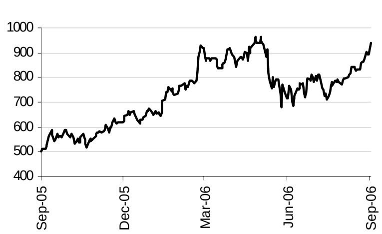
Company details

Price target:	Rs1,050
Market cap:	Rs27,301 cr
52 week high/low:	Rs974/495
NSE volume: (No of shares)	14.3 lakh
BSE code:	532500
NSE code:	MARUTI
Sharekhan code:	MARUTIUD
Free float: (No of shares)	10.3 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	6.6	30.3	11.1	80.8
Relative to Sensex	-3.0	6.4	-0.7	19.4

Maruti Udyog Ltd (MUL) has increased its investment outlay by Rs3,000 crore. It also plans to launch a new small car by 2008. We view these developments in positive light as the same reinforce Suzuki's focus on India and its endeavour to make it an outsourcing hub. As a result, we anticipate a surge in the company's exports in the coming years.

Lines up a further capex of Rs3,000 crore, focus on exports

MUL has announced that it would make an additional investment of Rs3,000 crore for setting up a new four-wheeler manufacturing facility at Manesar, Haryana. It also plans to launch a new small car by 2008, for both domestic and export markets. Code named A Under (A-), the car is expected to be priced at around Rs4 lakh with an engine capacity of 1,000-1,200cc.

The new four-wheeler manufacturing plant will have an overall capacity of 300,000 units. MUL will manufacture 100,000 units of its best-selling Swift in the plant. It also plans to produce 200,000 units of a new small car that it would launch by the end of 2008. The company will export 100,000 units of the new model per year to Europe and sell another 50,000 units in the domestic market. Another 50,000 units will be supplied to Nissan for exports.

Nissan collaboration likely to be extended

In June, Nissan Motor and Suzuki Motors had agreed to broaden their business plans to include the use of each other's manufacturing facilities in emerging markets such as India. Though the details are still being worked out, Suzuki Motors is considering setting up a new plant in India in collaboration with Nissan at an investment of Rs2,500 crore, largely for exports.

Also upgrading Gurgaon facility; increasing diesel plant capacity

MUL's diesel plant is expected to commence production by the end of this year. The plant is being set up with an initial capacity of 100,000 vehicles, which would be further scaled up to 300,000 vehicles. The company is already in the process of modernising and upgrading its facility at Gurgaon with an investment of Rs4,000 crore. Majority of the capital for the proposed expansions will be generated internally. As of now, the company has about Rs2,000 crore of cash in its books.

Valuation and view

We have a positive view on the stock considering that Suzuki Motors has firmed up its plans for India. We expect MUL's exports to receive a strong boost in the years to come and would be further enhanced with Nissan's agreement. At the current market price of Rs941, the stock is quoting at 15.3x its FY2008E and 4.8x on enterprise value/earnings before interest, tax, depreciation and amortisation basis. We reiterate our Buy call on the stock with a price target of Rs1,050.

Earnings table

Particulars	FY2005	FY2006E	FY2007E	FY2008E
Net sales (Rs crore)	10,962.4	12,052.2	14,108.7	17,040.1
Net profit (Rs crore)	762.7	1,189.0	1,450.1	1,782.3
% y-o-y change	*41.7*	*55.9*	*22.0*	*22.9*
EPS (Rs)	26.4	41.1	50.2	61.7
PER (x)	35.8	23.0	18.8	15.3
EV/EBIDTA (x)	14.7	12.0	8.6	4.8
RoNW (%)	20.4	24.7	29.2	40.5
RoCE (%)	27.0	37.8	40.5	69.8

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

Satyam Computer Services

Apple Green

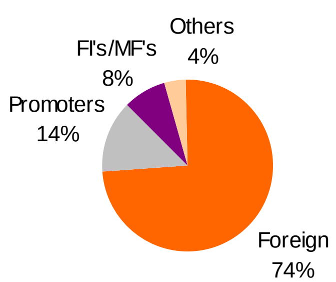
Stock Update

Growth on track

Buy; CMP: Rs797

Company details	
Price target:	Rs900
Market cap:	Rs25,859 cr
52 week high/low:	Rs890/515
NSE volume: (No of shares)	32.2 lakh
BSE code:	500376
NSE code:	SATYAMCOMP
Sharekhan code:	SATYAM
Free float: (No of shares)	27.9 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	8.7	30.4	2.1	51.5
Relative to Sensex	-1.1	6.5	-8.7	0.1

The key takeaways from the analyst meet of Satyam Computer Services are given below.

Industry scenario

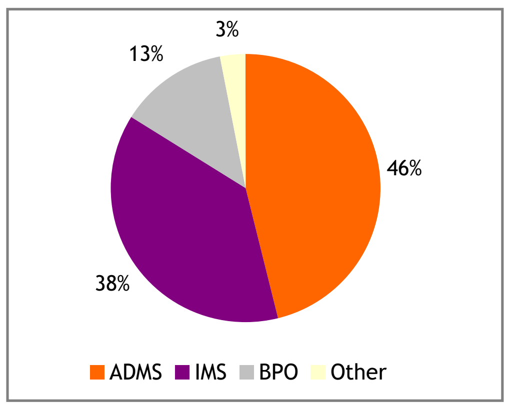
Strong growth visibility

The management reiterated that the demand environment is encouraging. The information technology (IT) budgets (spending by the large global corporations) would continue to grow in the range of 4% to 7% annually. This coupled with the fact that the share of offshore outsourcing would increase further provides a robust volume growth outlook in the coming couple of years.

The huge opportunity in terms of the renewal of the large outsourcing deals would add to the incremental growth in the volumes. The large Indian vendors have formed a dedicated team to tap the $100 billion worth of opportunities emerging from the expected renewal of the large outsourcing deals over the next 24 months. The unbundling of the mega deals into several large-sized contracts that are distributed among various vendors have considerably increased the addressable opportunity for the Indian vendors.

In terms of competing with the global majors, the management believes that the Indian vendors still have a cost advantage due to the high level of offshore-based cost structure. Satyam estimates that this cost advantage is sustainable for the next 10-15 years in spite of the wage pressures. However, the Indian vendors are also making efforts to move up the value chain by investing in building domain knowledge and industry-specific solutions and enhancing the range of their service offerings.

Break-up of large deals to be renewed over the next 24 months



Supply side constraints—a key challenge

The availability of quality manpower, retention and wage inflation are the key concerning issues for the Indian IT services companies. The management indicated that the recruitment and training engine built by the large Indian vendors would meet most of their needs for manpower resources. In addition to this, the IT services companies would have to increasingly depend on recruiting non-engineers (like science graduates) and scale up in other low-cost destinations like China, Brazil, Vietnam, and some East European countries.

In terms of retention and wage inflation, the attrition is higher in the junior level category (employees with 1-3 years of experience) and the wage pressure is the highest in the middle management level. Through the wage hikes have been attractive, the attrition levels are still reasonably high.

Specific to Satyam

The key messages specific to Satyam's performance are given below.

Large deals

With the formation of a dedicated team to focus on the large deals (the Strategic Deal Group is led by an expat Hetzel Folden), Satyam's pipeline of opportunities has increased nearly by four times. About half of the pipeline is through third party advisors like TPI, Neo IT etc. In terms of its strategy, the management is quite selective in bidding for the large deals and is not keen on the deals that involve the transfer of physical assets or large number of manpower. The large deals are not expected to adversely impact the margins.

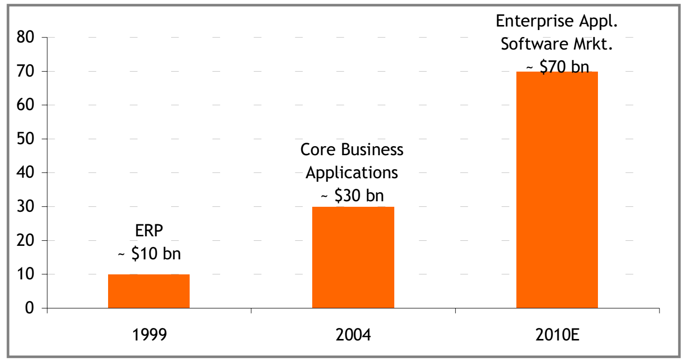
Enterprise solutions business is an important growth driver

The consulting and enterprise business solutions (CEBS) have grown at a healthy pace and it contributes about 39% to the total turnover. Satyam has a strong positioning in this segment and expects to maintain the edge over its peers by continuously investing in developing industry-specific solutions and penetrating newer markets.

In terms of the outlook, the management indicated that the consolidation among the vendors (for example, Oracle's acquisition of Peoplesoft) and better product offering is resulting in an increased preference for packaged solutions/ products as compared to customised application development. Thus, the $16.3 billion package solution market is estimated to grow by 4% annually. Satyam stands to benefit from the trend due to its strong association with the two largest product vendors SAP and Oracle. In fact, Satyam has one of the largest teams in SAP implementation (3,000 plus associates) among the Indian vendors.

The addressable market and the opportunity for Satyam are also growing on the back of the efforts by package product vendors like SAP to enhance the range of products. For example, the package solutions revenues of SAP are estimated to grow from $30 billion in 2004 to $70 billion in 2010. Satyam, on its part, is investing in building competencies in the newer technologies and solutions that are introduced by product vendors like SAP.

SAP—expanding the addressable market



Engineering services is an attractive emerging opportunity

Satyam showcased its capabilities in the engineering services space that have been built to ride the wave of offshoring expected in this segment. According to a recent report by NASSCOM-Booz Allen Hamilton, the global spend on engineering services (that encompasses product engineering services, manufacturing support services and product lifecycle management) would grow to $1.1 trillion by 2020. The global outsourcing potential is estimated to be in the range of $150-225 billion of which India's share is likely to be in excess of $40 billion.

Currently, Satyam accrues around 7% of its revenues from the engineering services segment and expects to leverage its strong existing client base in the manufacturing space and domain knowledge to ramp up the business. The focus industry verticals are consumer products, aerospace, automotive and semiconductor/telecom.

Wage adjustment is over

After the aggressive annual salary hikes in the last two years, the company has adjusted the wage differential for a large section of its employees. Earlier the company used to focus only on 30-35% of top performing employees that were given compensation in line with or even higher than the industry standards. However, the salaries have been realigned for a much large section of the employees over the past two years. The attrition rate is likely to decline in the coming quarters on the back of the salary realignment and various non-wage initiatives taken by the management.

Margin management

The management reiterated its guidance of around a 100-basis-point decline in the operating margins during the current fiscal. This would be largely contributed by the cumulative impact of the wage hikes (40 basis points) and the non-cash charges related to the restricted stock units (RSU; 60 basis points). Going forward, the company expects to utilise the various margin levers (such as SG&A cost as a percentage of sales, better management of fixed priced projects, employee productivity and performance of its subsidiaries) to maintain the margins in a relatively narrow range.

Valuation

To sum up, the management was quite confident of maintaining the strong growth momentum shown in the past couple of years, due to the robust demand environment, strong positioning in fast growing enterprise solution business, incremental revenues from the large deals and tapping the emerging opportunity in newer service offerings (like BPO, infrastructure management and engineering services). The cost pressures would continue but the management has levers to cushion the impact on the overall profitability so that the margin stabilises going forward.

At the current price the stock trades at 19.4x FY2007 and 16x its FY2008 estimated earnings. We maintain our Buy recommendation with price target of Rs900.

Key financials

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net revenue (Rs cr)	3521	4793	6430	8166
Net profit (Rs cr)	712	982	1352	1655
Shares in issue (cr)	31.9	32.4	32.9	33.2
EPS (Rs)	22.3	30.3	41.1	49.8
% y-o-y change	-	*36.0*	*35.7*	*21.2*
PER	35.8	26.3	19.4	16.0
OPM (%)	24.7	24.3	24.2	23.5
Dividend (Rs)	5.0	7.0	8.0	9.0
Dividend yield (%)	0.6	0.9	1.0	1.1

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

NIIT Technologies

Ugly Duckling

Stock Update

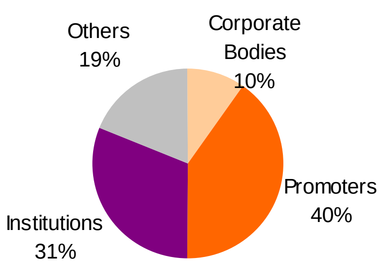
A joint venture with Adecco

Buy; CMP: Rs196

Company details

Price target:	Rs296
Market cap:	Rs756 cr
52 week high/low:	Rs242/131
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	7.3	28.8	12.8	15.1
Relative to Sensex	-2.4	5.1	0.8	-23.9

NIIT Technologies Ltd (NTL) has announced a joint venture with Switzerland-based Adecco SA. The joint venture would be known as Adecco-NIIT Private Ltd and will be based in India. It would have an equity capital of $3 million with equal participation from both the partners (ie 50% holding each).

Adecco is a Fortune 500 company with annual revenues of around 18 billion euros. It is a global leader in human resource (HR) services that involves providing flexible staffing and career resources to a large client base across 70 countries globally.

Purpose of the joint venture

Adecco has diversified into providing information technology (IT) services to its large global client base over the past couple of years. The IT services are currently provided through its development centres based in Spain and the company has been looking at setting up offshore development facilities in low-cost developing countries. The joint venture will serve that purpose by providing offshore development facilities to the IT service operations of Adecco globally. NTL would essentially provide the delivery capabilities for the joint venture.

Impact on estimates

The joint venture is expected to get operational only by the first quarter of FY2008 and would not have any impact on the current year's financial performance. Even in FY2008 we expect a few quarters of transition phase before the joint venture could make any meaningful contribution. Moreover, the exact details of the joint venture have still not been specified. Thus we are keeping our estimates unchanged.

However, for the long term, we believe that the joint venture is a positive development for NTL. Especially since Adecco has a strong client base of large corporations in 70 countries globally, which provides enough scope of scalability to the joint venture. The management indicated that they have an internal target of achieving $100 million revenues in the joint venture by the fifth year of operations.

Valuation

At the current price the stock trades at 8.9x FY2007 and 7.1x FY2008 estimated earnings. We maintain our Buy recommendation on the stock with a price target of Rs296.

Key financials

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net sales (Rs cr)	543.2	607.5	779.8	927.4
Net profit (Rs cr)	58.6	66.3	84.7	106.1
No of shares (cr)	3.9	3.9	3.9	3.9
EPS (Rs)	15.2	17.2	21.9	27.5
% y-o-y change	-	*13.2*	*27.8*	*25.2*
PER (x)	12.9	11.4	8.9	7.1
Price/BV (x)	3.3	2.8	2.3	1.8
EV/EBIDTA(x)	7.0	5.6	4.5	3.5
Dividend yield (%)	2.8	3.1	3.6	4.1
RoCE (%)	23.2	25.9	29.5	30.2
RoNW (%)	32.7	30.3	29.9	28.5

Monsoon Watch

Monsoon deficiency at 2%

Monsoon status as of August 30, 2006

The recent wet spell in parts of central and western India has given excess rains in these areas. However, the overall monsoon situation remains more or less the same as last week. The cumulative rainfall for the season was deficient by 2%, as of August 31, 2006. During the week August 24 to August 30, the rainfall deficiency stood at 24%.

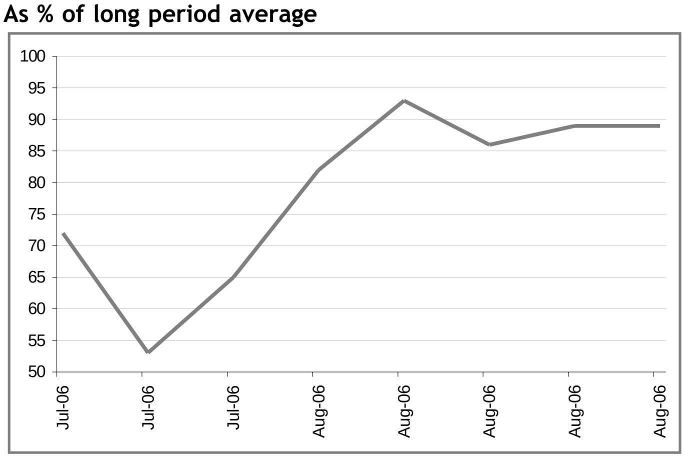
Rainfall during the week ending on August 30, 2006

For the week August 24 to August 30, the rainfall was excess/normal in 12 sub-divisions and deficient/scanty in 24 sub-divisions out of the 36 meteorological sub-divisions. The actual rainfall was recorded to be 38.7mm. This is a deviation of -24% from the normal of 50.7mm.

Cumulative rainfall (June1 to August 30)

The total rainfall for the season was excess/normal in 23 sub-divisions and deficient in 13 sub-divisions out of the 36 meteorological sub-divisions. Against the normal rainfall for the season at 710.9mm, the actual rainfall was recorded to be 699.1mm. This is a departure of -2% for the ongoing season.

As % of long period average



Summary of the quantum of rainfall received for the last five years from June 1

	29-Aug 2001	28-Aug 2002	27-Aug 2003	01-Sep 2004	31-Aug 2005	30-Aug 2006
Actual	696.3	565.6	716.3	656.4	675.8	699.1
Normal	713.3	715.6	698.8	725.5	717.9	710.9
Deviation	-2	-21	+3	-10	-6	-2

11% of rain dependent area receives deficient rainfall

The crop area dependent solely on the monsoon is about 135 million hectares in the country out of the total crop area of 186 million hectares. As of August 30, 11% of the rain dependent area had received deficient rainfall. The situation has remained unchanged from last week.

Sowing status as of August 31, 2006

The sowing progress data reveals that rice has been sown on 33.2 million hectares, up from 32.6 million hectares in the same period last year. The acreage under coarse grains has witnessed a decline this season. Compared to 20.2 million hectares sown last year, the sown area this season has been recorded at 19.8 million hectares.

Sowing of *kharif* pulses had earlier displayed a positive picture. However, the progress has slowed down in the last few weeks. As a result the total sown area this year now stands at 10.6 million hectares compared to 10.7 million hectares sown in the same period last year.

Area in million hectares

Crop	2006-07	2005-06	% y-o-y chg
Rice	33.2	32.6	1.8
Coarse grains	19.8	20.2	-2
Soybean	8	7.7	4.6
Groundut	4.5	5.6	-18
Total oilseeds	15.7	16.8	-6.7
Sugarcane	4.4	4.3	4.6
Cotton	8.6	8.1	6.2
Total Pulses	10.6	10.7	-0.9

The overall oilseed acreage has seen a decline mainly due to a shortage in groundnut sowing. The total sown area under oilseeds has been 15.7 million hectares as against 16.8 million hectares sown last year. The total sown area under groundnut this year is down to 4.5 million hectares compared to 5.6 million hectares last year. The dry spell in the early part of the monsoon season is the primary cause for the fall in the sown area. However, the situation has improved from earlier weeks due to the rains received in Gujarat recently.

The coverage of soybean has been much higher this season compared to the last season. As of August 25, 2006 the sown area stood at 8 million hectares compared to 7.7 million hectares last year.

The sowing of sugar cane is over in almost all the cane producing states. The sown area this year stands at 4.4 million hectares vis-à-vis 4.3 million hectares last year.

Farmers in Gujarat have opted to dedicate a higher area to cotton this year. Compared to last year's acreage of 8.1 million hectares, the sown area this year is higher by 1.8% at 8.6 million hectares.

Conclusion

With the sowing season at the fag end, the overall crop situation looks satisfactory at this stage. The rainfall for the season has improved considerably since the dry spell witnessed in June. Some parts of Maharashtra and Gujarat experienced floods, but the extent of damage to the crops is too early to be ascertained. At this stage, however, the overall picture points towards a normal *kharif* season.

Mutual Gains

Mutual Fund

Sharekhan's top equity fund picks

August was a good month for the markets. Strong corporate earnings, continued capital investments by Indian companies and buoyant global sentiments cheered the Sensex and the Nifty up by almost 9% each. The market saw the Sensex successfully crossing the 11,000 mark and thereafter rising way above the 11,500 level.

Currently nearing the 12,000 mark, the Indian market, as represented by the Sensex appears fairly valued at 16x FY2007E earnings. However, even though the market may seem reasonably valued, with most of the positives already priced in, not all companies in the market may be fairly valued. The trick is to identify and invest in the undervalued companies with good growth prospects.

India's growth story continues to remain strong as the economic indicators continue to reflect the buoyancy in the economy. The Index of Industrial Production, for instance, grew by a strong 10.1% year on year for the first quarter of FY2007. Even the manufacturing sector grew by 11.2% during the same period. The Infrastructure Index, on the other hand, grew by 6.3% for the April-June period.

The capital expenditure spree of Indian companies too, continues unabated. Investments worth Rs500,000 crore have been lined up by India Inc in various sectors. Driven by the expansion activities of Indian companies as well as the growing consumer demand owing to the rising salary levels, increasing employment and rising savings rate in the country, the earnings of the corporate sector should continue to grow in the quarters ahead.

Trading activities of mutual funds (MF) and foreign institutional investors (FIIs) too, reflect the positive sentiment in the market. Mutual funds have been net buyers to the tune of Rs1,000 crore in the previous one month and of Rs12,000 crore during the current year. Retail investors are also returning to the market, as is evident from the surge in the BSE Mid-Cap index and the BSE Small-Cap index, which typically mirror retail activity in the market. In August the two indices rose by 12% and 13% respectively.

Encouraged by the decision of the US Federal Reserve (Fed) to take a break from the rate hike exercise as well as the ceasefire in the Middle East and the resulting softening of crude oil prices, FIIs too are slowly coming back to the markets. In the past one month they have bought Indian equities worth over Rs3,000 crore, reaffirming their faith in the India story. The FIIs are still net buyers of equities worth Rs1,764.3 crore in our markets in the year till date.

Going forward, the direction of the market in the short-term is likely to be determined by global cues. Even though it seems that the Fed is done with its rate hike exercise for the present, it is not clear as to whether the Fed's pause is temporary or the rate hikes may resume again. Even though the US housing market and employment data is indicating that the US economy might be cooling off, the inflation level in the USA still remains above the Fed's comfort level of 1-2%. This might prompt the Fed to hike rates once again, which will lead to immense volatility in the market. Hence we advise caution in the mid term. However with the domestic economy going great guns, the outlook for the long term remains bullish.

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 August 31, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
Sundaram Select Midcap	77.40	-4.04	17.22	54.09	69.15	67.89
Birla Mid Cap Fund	52.99	-0.53	4.79	28.77	49.94	50.80
Reliance Growth	215.98	-2.07	4.98	28.93	60.30	61.56
Indices						
S&P Nifty	3413.90	11.16	11.03	43.16	44.64	35.91
BSE Sensex	11699.05	12.51	12.81	49.88	50.11	40.08

Opportunities Category

Scheme Name	NAV	Returns as on August 31, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
Prudential ICICI Dynamic Plan	52.84	4.79	14.31	42.88	67.90	50.00
DSP ML Opportunities Fund	46.84	6.17	7.70	43.50	54.12	50.85
Indices						
S&P Nifty	3413.90	11.16	11.03	43.16	44.64	35.91
BSE Sensex	11699.05	12.51	12.81	49.88	50.11	40.08

Equity Diversified/Conservative Funds

Scheme Name	NAV	Returns as on August 31, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
SBI Magnum Global Fund 94	33.85	-4.19	6.98	40.87	74.40	75.39
SBI Magnum Multiplier Plus 93	44.04	3.28	6.79	45.30	68.94	63.13
HDFC Equity Fund	127.40	10.56	9.03	50.00	57.14	50.33
DSP ML Equity Fund	37.66	3.78	8.75	39.59	58.80	51.43
Birla SunLife Equity Fund	146.67	6.21	5.15	35.55	57.76	55.99
Indices						
S&P Nifty	3413.90	11.16	11.03	43.16	44.64	35.91
BSE Sensex	11699.05	12.51	12.81	49.88	50.11	40.08

Thematic/Emerging Trend Funds

Scheme Name	NAV	Returns as on August 31, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
DSP ML Tiger Fund	26.25	3.75	7.32	46.08	56.19	--
Tata Infrastructure Fund	19.20	0.58	10.35	47.16	--	--
SBI Magnum Sector Umbrella - Contra	31.43	2.75	10.55	43.45	71.63	72.93
HDFC Core & Satellite Fund	22.42	2.38	5.95	42.75	--	--
Templeton India Growth Fund	57.67	6.46	9.08	34.43	42.58	41.33
Indices						
S&P Nifty	3413.90	11.16	11.03	43.16	44.64	35.91
BSE Sensex	11699.05	12.51	12.81	49.88	50.11	40.08

Balanced Funds

Scheme Name	NAV	Returns as on August 31, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
DSP ML Balanced Fund	33.77	5.70	6.77	32.90	35.00	33.66
HDFC Prudence Fund	97.93	8.46	9.47	32.55	43.65	39.13
JM Balanced	19.87	2.69	7.87	34.08	34.40	27.35
Kotak Balance	22.31	-0.33	3.45	30.57	43.38	37.92
SBI Magnum Balanced Fund	30.67	2.13	7.43	29.63	48.17	45.57
Indices						
Crisil Balanced Fund Index	2209.15	7.37	8.05	26.65	26.84	22.93

Tax Planning Funds

Scheme Name	NAV	Returns as on August 31, 2006 (%)				
		3 months	6 months	1 year	2 years	3 years
SBI Magnum Tax Gain Scheme 93	44.72	5.15	6.99	30.00	78.44	79.87
HDFC Taxsaver	125.08	3.31	7.70	31.81	66.03	61.56
Prudential ICICI Taxplan	85.41	1.36	9.53	27.92	64.01	59.88
Birla Equity Plan	48.05	1.26	5.79	30.47	51.23	48.87
HDFC Long Term Advantage Fund	80.08	1.42	1.17	25.23	47.35	56.81
Indices						
S&P Nifty	3413.90	11.16	11.03	43.16	44.64	35.91
BSE Sensex	11699.05	12.51	12.81	49.88	50.11	40.08

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.

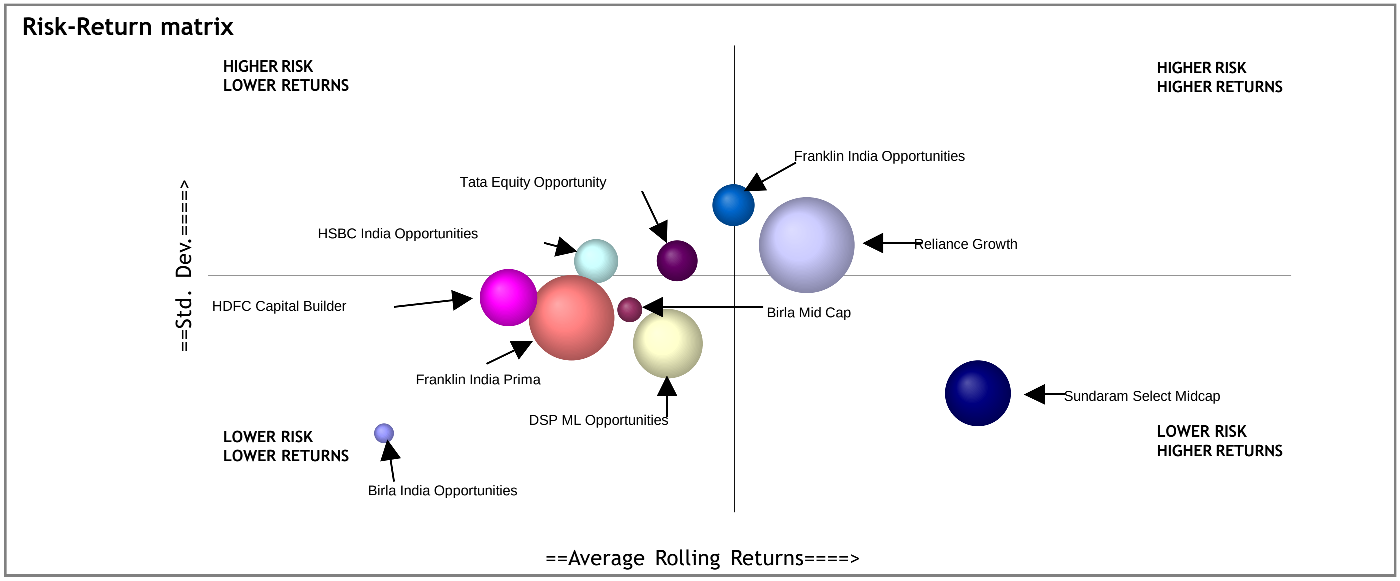
The funds in the **low-risk high returns** quadrant outperform the peer group on the risk-adjusted returns basis as they deliver higher returns compared to the peers without exposing the portfolio to very high risk.

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

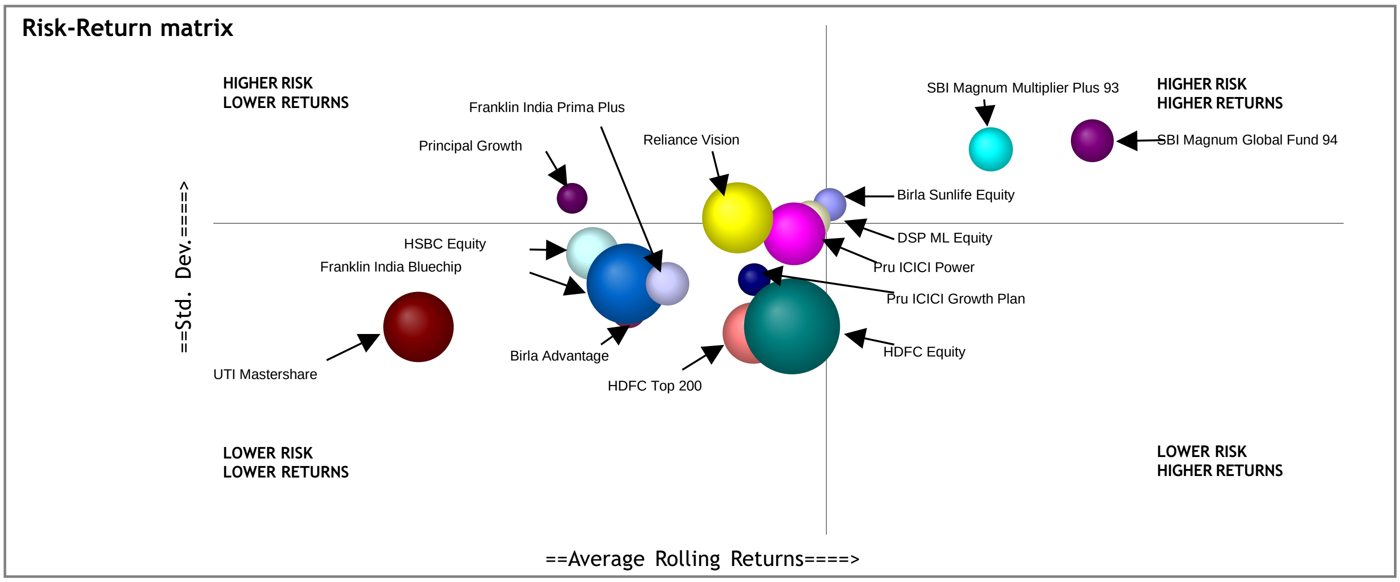
The funds in the **high-risk low returns** quadrant underperform the peers on the risk adjusted returns basis as they adopt a high-risk strategy but the returns fail to compensate the risk taken by the fund.

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 August 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 August 31, 2006.

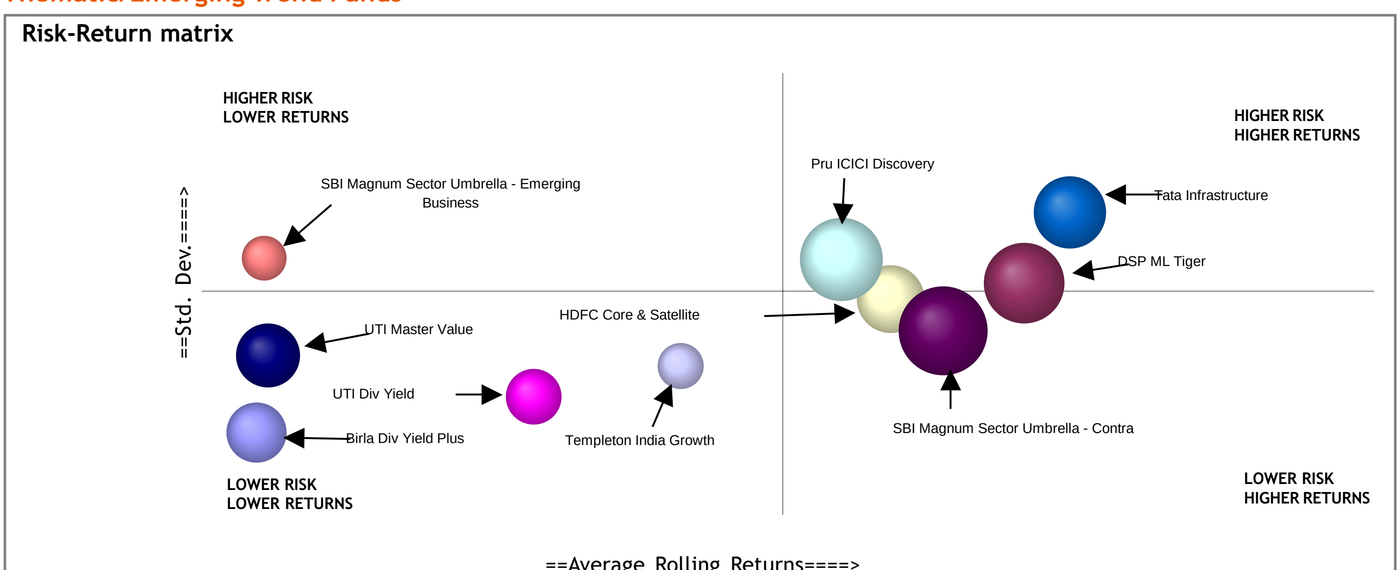
Aggressive Funds



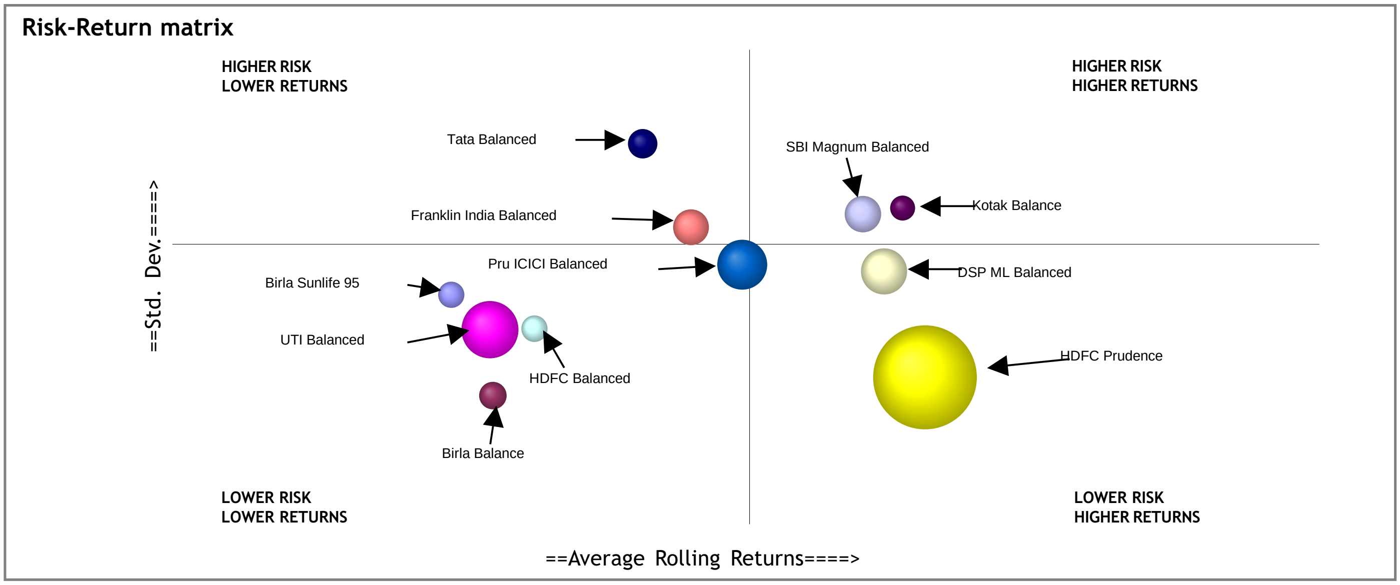
Equity Diversified/Conservative Funds



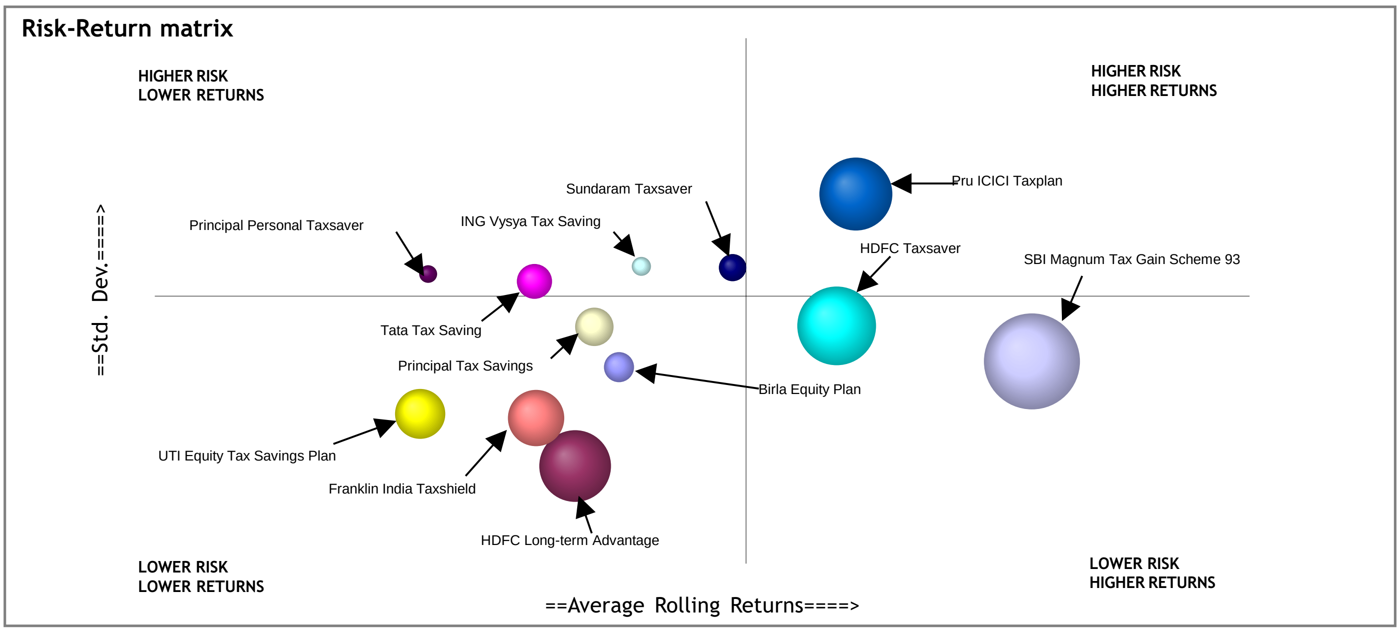
Thematic/Emerging Trend Funds



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.

Evergreen

- HDFC Bank
- Infosys Technologies
- Reliance Industries
- Tata Consultancy Services

Apple Green

- Aditya Birla Nuvo
- Associated Cement Companies
- Bajaj Auto
- Balrampur Chini Mills
- Bank of Baroda
- Bank of India
- Bharat Bijlee
- Bharat Heavy Electricals
- Canara Bank
- 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
- 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
- Cadila Healthcare
- KSB Pumps
- Marksans Pharma
- Navneet Publications (India)
- New Delhi Television
- Orchid Chemicals & Pharmaceuticals
- ORG Informatics
- Solectron Centum Electronics
- Television Eighteen India
- Thermax
- TVS Motor Company
- UTI Bank
- Welspun Gujarat Stahl Rohren

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
- Orient Paper and Industries
- WS Industries India

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