

HARMONY CAPITAL SERVICES LTD.

(CIN: L67120RJ1994PLC008796)

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC SCENARIO

After the domestic as well as Global crisis the recent reform action by the government, regulatory initiatives, certain positive news flows and easing in manufacturing inflation have helped to provide short term boosts of optimism in second half of FY 2014.

Government's decision in relation to LPG subsidy, Easing FDI norms, Disinvestment Programme, De-regulation of petrol and diesel prices, further easing of monetary policy, regular co-ordination with the other regulators by government are giving some positive outlook for coming years.

But another side of Indian economy is giving downside risk to the growth. GDP growth rate fell below 5% the lowest in the decade, current account deficit and inflation is increasing like the mouth of SURSA, policy slowdown, declining in gross domestic savings as a percentage of GDP, increasing demand of gold and real estate. All these are giving pressure and not the positive signal for Indian economy.

India has been able to limit the adverse impact of this slow down on our economy. It is also a fact that in any cross-country comparison, India still remains among the front runners in economic growth. However, with agriculture and services continuing to perform well, India's slowdown can be attributed almost entirely to weak industrial growth. Numerous indicators suggest that the economy is now turning around. There are signs of recovery in coal, fertilizers, cement and electricity sectors. These are core sectors that have an impact on the entire economy. Indian manufacturing appears to be on the cusp of revival.

FINANCIAL MARKETS

The turmoil in the global financial markets had a significant adverse impact on India's balance of payment (Bop) position. This impact was manifested by the reversal of FII inflows and the decline in the long term and short term debt flows. On the other hand, NRI inflows improved and FDI inflows resilient.

OPPORTUNITIES AND THREATS

Opportunities

Being Part of India's Growth story

Recovery of capital Markets

Increasing awareness of various types of financing activities among the sme's & the Mid- Cap Segment

Relaxation in FDI Norms by the Government and increased inflow of money through FII's in INDIA

Threats

Volatile Capital markets

Increasing fiscal deficit

Intense competition from Indian and multinational investment banks

High Attrition rate of young, dynamic and experienced Professionals

Internal control

The Company has adequate system of internal controls for business processes with regard to operations, financial reporting, fraud control, compliance with applicable laws and regulation etc. Regular internal audit and checks ensure that responsibilities are executed effectively. The Audit committee of the board of directors actively reviews the adequacy and effectiveness of the internal control system and suggests improvement for strengthening the existing control system in view of changing business needs from time to time.

Human Resource

The human resource assets are integral to your Company's ongoing plans and will enable the company to deliver better performance in order to optimize the contribution of the employees to the company's business, several training and development programme at all levels are being conducted. Further, the company is also exploring other avenues to keep the employee morale at the highest level to enable them to optimally utilize their strengths for maximum benefit to your company.

Risk & Concerns

Risks are integral aspects of business. Evaluation of risk and its management becomes more important in the global scenario especially when the company is trying to penetrate the global markets. The management of your company consistently analyzes the various risks associated with the business and adopts relevant risk management practices to minimize the adverse impact of these risks both external and internal developments are assessed regularly. Fund raising both in the form of debt syndication, IPO, Rights, FCCB, ECB and other forms is dependent upon government policies,

performance of capital markets, and central banks decisions. Also in this era of liquidity crunch and volatile capital markets, there is fair amount of liquidity and financial risk from the clients.

Future Outlook

The global economic scenario that was filled with uncertainties during FY 2014, seems to be stabilizing. Many analysts believe that it is safe to say that the worst is finally over. Although, this does not imply that the global economies will resume the rapid growth that they showed over the 2005-08 period, it definitely provides a hope of better times to come. With Central governments world wide lowering interest rates and announcing enormous economic stimulus packages and moderating commodity prices we expect those in emerging economies like India, will resume their growth momentum albeit at a slightly moderate pace as compared to the previous Bull Run.

Cautionary Statement:

Statement in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

The Company is not under obligation to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.

BY ORDER OF THE BOARD

For HARMONY CAPITAL SERVICES LTD.

PLACE: - MUMBAI.

DATE : - 03.09.2014

Sd/-

CHAIRMAN & MANAGING DIRECTOR

DIN: 01589574