MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC SCENARIO

India's real GDP growth marginally improved to 7.4% in the FY 2014-15 as compared to 6.9% in FY 2013-14. The Central Statistics Office has recently revised the national accounts aggregates by shifting to new base year of 2011-12 from earlier base of 2004-05. The GDP figures are hence in terms of the revised series. The overall investment climate still remains cautious. While slower growth is a major worry, inflation concerns have subsided with WPI inflation ranging at around 3-4% for the FY 2014-15, falling from around 7.4% for the FY 2013-14. While the CPI inflation which was running close to double-digits at 10.4% for the FY 2013-14 has declined to an average range of 4-5% for FY 2014-15. The Current Account Deficit (CAD) declined sharply from a record high of 4.7% of GDP to 1.9% of GDP in FY 2014-15. The primary reason for such an achievement were the continued steps taken by the Government and RBI in curtailing CAD. The forex reserve position of the country also improved to USD 330 bn at the end of FY 2014-15 from USD 300 bn at the end of FY 2013-14.

The new government under the leadership of Mr. Narendra Modi has been putting in efforts to improve the overall investment climate and there is lot of hope that the new policy framework would support the growth engine. Though there remains some major concerns and industry growth still being subdued. The food prices would need to be consistently watched, to not let the inflation element go out of control. The current situation indicates that there is likely to be a pick-up in consumption and investment, especially with a heavy thrust on infrastructure development and building capacities.

FINANCIAL MARKETS

Foreign Portfolio Investors (FPIs) made a net investment of over ₹ 1 lakh crore into equity markets during the fiscal ended 31st March, 2015. Mutual funds pumped in over ₹ 40,000 crore in equity markets in 2014- 15, making it their first net inflow in six years for an entire fiscal. Besides, fund managers invested a net amount of ₹ 5.87 lakh crore in debt markets in the past FY, which ended on 31st March. The huge inflows also helped the MF industry reach around ₹ 12 lakh crore mark in assets under management (AUM) at the end of the FY. In FY 2014-15, the country's 44 fund houses together saw a growth of 31% in their asset base vis-à-vis FY 2013-14, according to Association of Mutual Funds in India (AMFI). The AUM stood at ₹ 9.05 lakh crore in preceding fiscal and has been on the rise since FY 2011-12. The growth in asset base comes on the back of BSE Sensex surging around 25% in the past FY.

The Sensex was at 22,446 (1st April, 2014 opening) and closed at 27,957 (31st March, 2015), up 24.6%. In addition, the markets have been volatile, the current FY saw the Sensex at a high of 30,024 (4th March, 2015) and at a low of 22,295 (1st April, 2014).

OPPORTUNITIES AND THREATS

Opportunities

The sentiment in the Indian financial market has changed considerably over the past few years; the economic growth, though subdued for last couple of years, is likely to show positive momentum over the coming years. This has presented ongoing opportunities for financial intermediaries to spread and benefit from the investment culture across the country.

Following factors present specific opportunities across our businesses:

- Growing Corporate activities and related need for fund raising, re-organisation and acquisitions;
- Low penetration of financial services and products in India;
- Globalisation - corporates are looking at expanding in domestic/overseas markets through merger & acquisitions;
- Growing midsize segment of corporate activity where the need for customised solution Is particularly high;
- Regulatory reforms including policy framework aiding greater participation by all class of investors;
- Growing Financial Services industry's share of wallet for disposable income;
- Wealth management business is transforming from mere wealth safeguarding to growing wealth;
- Regulatory reforms would aid greater participation by all class of investors;
- Emerging technology to enable best practices and processes;
- Size of the Indian capital market and favourable demographics like huge middle class, Relatively large younger population with disposable income and investible surplus and risk taking abilities of the youth.

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

Macroeconomic scenario in India significantly improved during current year and the economy is in much better shape vis-à-vis previous few years – primarily driven by services sector as well as picking up industrial activity. This points to buoyancy in domestic consumption. With this sound footing, now the savings-investment dynamics will be crucial for the growth to strengthen further in the coming years

in addition to reversal of the subdued export performance being currently witnessed. The key will be the response of savings to improved price and financial market stability, and of investment, particularly in the crucial infrastructure sector, to reform efforts of the Government that are underway. With the government putting its act together to resolve issues related to mining and construction (read coal block auctions, etc.), that will provide much needed impetus to GDP as these two sectors have effect on quite a few industries. Better use of resources is critical to shore up productivity which is currently abysmal as reflected in current ICOR.

Globally, while some economies have shown resilience and improvement – Germany and USA, respectively, others like several European countries, Japan as well as China have shown slowing growth. Hence the global scenario is a mixed bag.

Considering the improving domestic macroeconomic parameters supported by benign crude prices and Government's commitment to reforms, the outlook for Indian economy looks positive, though the uncertainties arising from increasing rate scenario in US and situation prevailing in Eurozone could have an impact in the coming year. Given the above and assuming normal monsoons, growth of around 8.5% looks possible in 2015-16.

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 publicity 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 : - 03.09.2015

Sd/-

ASUTOSH B. RAULO

MANAGING DIRECTOR

DIN: 1589574