

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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### GLOBAL ECONOMIC

During 2015-16, global economic growth continued at a slow pace leaving the world economy more exposed to risks. Some of the factors for the lacklustre growth include a sharper-than-expected slowdown in China; return of financial turmoil in emerging markets; waning political solidarity in Europe and a persistent slump in oil prices. The Eurozone's economic recovery continued although overall growth remained subdued. Solid domestic data continued to drive the recovery while the external sector dragged on the economy's performance. The Japanese economy is struggling for growth against structural headwinds including a declining and aging population, weakening productivity, low return on capital, and high debt levels.

### INDIAN ECONOMY

In 2015-16, the Indian economy emerged as one of the few large economies with an encouraging outlook. The factors contributing to this positive outlook were controlled inflation, rise in domestic demand, and increase in investments, decline in oil prices and the boost to reforms, among others. According to the IMF, India is set to become the world's fastest-growing major economy by 2016, ahead of China.

The economic fundamentals are showing healthy trends, which corroborates the expected growth in the economy. Inflation has been largely tamed. The investment cycle in India is showing positive growth and expenditure on consumption is increasing, although in a fluctuating trend. This growth is likely to be sustainable considering government's focus on industrial activities, infrastructure development and ease of doing business.

Budget 2016 is a good indicator of the government's intentions and plans. With the global economy fraught with uncertainties, it is commendable that the Indian Government is sticking to its fiscal deficit target while pursuing the growth agenda. Government targets to narrow the central fiscal deficit to 3.5% in 2016-17, after having comfortably met its 3.9% target for 2015-16. While public investment and urban consumption were the major drivers for growth last fiscal year, a reinforcement of private investment and rural consumption is critical if growth is to remain strong in 2016-17 and 2017-18

# HARMONY CAPITAL SERVICES LIMITED

(CIN: L67120RJ1994PLC008796)

## 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:

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- Growing corporate activities and related need for fund raising, re-organization and acquisitions;
- Low penetration of financial services and products in India;
- Globalization - corporates are looking at expanding in domestic/overseas markets through merger & acquisitions;
- Growing midsize segment of corporate activity where the need for customized 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 favorable 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

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## Internal control

Your Company has put in place adequate internal financial controls with reference to the financial statements, some of which are outlined below.

Your Company has adopted accounting policies which are in line with the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006 that continue to apply under Section 133 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and relevant provisions of the Companies Act, 1956, to the extent applicable. These are in accordance with generally accepted accounting principles in India.

Your Company operates in an ERP system, and has many of its accounting records stored in an electronic form and backed up periodically. The ERP system is configured to ensure that all transactions are integrated seamlessly with the underlying books of account. Your Company has automated processes to ensure accurate and timely Updation of various master data in the underlying ERP system.

Your Company has a robust financial closure self-certification mechanism wherein the line managers certify adherence to various accounting policies, accounting hygiene and accuracy of provisions and other estimates.

Your Company in preparing its financial statements makes judgments and estimates based on sound policies and uses external agencies to verify/ validate them as and when appropriate.

The Management periodically reviews the financial performance of your Company against the approved plans across various parameters and takes necessary action, wherever necessary.

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## 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.

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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 2016-17.

## **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 : - 02.09.2016**

Sd/-

**ASUTOSH B. RAULO**  
**MANAGING DIRECTOR**  
**DIN: 1589574**