May 7, 2013

YATRA CAPITAL

Company News

ANNOUNCEMENT FOR PUBLICATION OF CIRCULAR AND EGM OF YATRA CAPITAL LIMITED

Proposals to amend the Company's investment policy, investment management arrangements and amendments to the Company's memorandum and articles of association

EXECUTIVE SUMMARY

The Company has today published a Circular to Shareholders and notice convening an Extraordinary General Meeting on Wednesday, 19 June 2013.

The Circular is the culmination of considerable negotiation with stakeholders. The Board is seeking, *inter alia*, Shareholders' authority for a revised investment policy with the focus being on an orderly realisation of the Company's real estate assets and for a new investment management agreement. The Company has renegotiated the terms of its existing investment management agreement with IL&FS Investment Advisors LLC ("IIAL" or "Investment Manager") to better align the interests of the Investment Manager and Shareholders.

If Shareholders approve the Resolutions by the requisite majority (a simple majority for Resolution 1 and 2 and 66.67% for Resolution 3; Resolution 2 is also conditional on the passing of resolution 3) the Board believes it will have the following benefits:

1. Providing greater certainty as to the future of the Company and direction in respect of the Company's real estate investment portfolio;
2. A significant reduction in the annual base management fee payable to the Company's Investment Manager from 2% to 1.25% of Net Capital Commitments (which in turn is to be redefined to exclude cash and certain written-down assets);
3. Introduction of a revised incentive fee with specific realisation targets in the years to 31 March 2014 and 2015 to better align the interests of Shareholders and IIAL;
4. Introduction of clear Investment Management Agreement termination rights; and
5. Introduction of protections for Shareholders in respect of the Company's capacity to issue new Infrastructure Shares.

Recommendation

The Independent Directors consider that the Resolutions to be proposed at the EGM are in the best interests of the Company and Shareholders as a whole.

The Independent Directors unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the EGM.

The Board intends to vote in favour of the Resolutions in respect of their aggregate shareholdings of 20,967 Shares, representing 0.11% of the Company's share capital.

Further details are set out below and in the Circular to Shareholders.

Expected Timetable

17 June 2013 at 3:00 p.m.	Last date and time for Forms of Proxy to be returned
Wednesday, 19 June 2013 at 12:00 p.m.	Extraordinary General Meeting of the Company

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Introduction

The Board has today written to Shareholders to provide notice of a forthcoming extraordinary general meeting of Yatra to be held on Wednesday, 19 June 2013 at 12:00pm at the registered office of the Company, 43/45 La Motte Street, St Helier, Jersey JE4 8SD.

It is proposed that the Group cease making any new investments (though it will develop and, if incrementally profitable and in the Shareholders' interest, provide additional funds to complete existing investments) and will focus on realising the maximum value from its existing portfolio and returning the realisation proceeds to Shareholders. In parallel with, and to give effect to, this change of investment policy, the Board has concluded that Revised Investment Management Arrangements with IL&FS Investment Advisors LLC ("IIAL") are required in order to better align the interests of IIAL and Shareholders. The Board has agreed revised terms with IIAL, details of which are set out in the Circular and which will be put to Shareholders at the EGM.

The Board is therefore convening the EGM at which a number of resolutions will be proposed to approve the changes which are detailed below. In summary, the resolutions seek:

1. Shareholder confirmation that the investment policy of the Company's Real Estate Shares be amended to restrict new investments solely to support existing investments, for the purpose of protecting, preserving or enhancing such investments, including for completion of their development and to focus future investment management efforts on the realisation of the Group's portfolio and the return of surplus capital and realisation proceeds to Shareholders;

2. conditional upon approving Resolution 3 below, Shareholder approval of a revised Investment Management Agreement which embodies a closer alignment between the Investment Manager and Shareholders and revised remuneration and termination arrangements; and

3. Shareholder approval of changes to the Memorandum and Articles by introducing the ability to issue a new class of shares to invest in a portfolio of Indian infrastructure assets and also to introduce a number of other changes that seek to improve the corporate governance of the Company.

Resolutions 1 and 2 require a simple majority of Shareholders voting to approve them and Resolution 3 requires the approval of 66.67% of Shareholders voting to approve it. In addition, Resolution 2 is conditional on Resolution 3 being passed to become effective.

Investment Policy Change

The Board is proposing, as Resolution 1, to formalise the amendment of the investment policy of the Company's Real Estate Shares to restrict new investments solely to support existing investments, for the purpose of protecting, preserving or enhancing such investments, including for completion of their development, and to focus future investment management efforts on the realisation of the Group's portfolio and the return of surplus capital and net realisation proceeds to Shareholders.

It is proposed that this change will also be reflected in the investment policy of the Group's main investment holding subsidiary, K2. Under the proposed constitution of K2, because realisations of assets at the level of K2 constitute an amendment to K2's current investment policy, such an amendment would need to be approved by IIAL in its capacity as a holder of class C shares in K2. IIAL has agreed to this amendment to be effected by a revision to the constitution of K2 if the other resolutions being proposed at the EGM are approved by Shareholders. If the other resolutions are not approved by Shareholders but the investment policy change is approved, the investment policy of Yatra will change but there can be no certainty that it will be possible for this change to be fully implemented in K2 without the consent of IIAL.

Revised Investment Management Fee Arrangements

The Board has been conscious for some time that the management fee and carried interest arrangements for the Group did not align closely enough the interests of Shareholders and the Investment Manager. In particular, the Board is conscious that the current carried interest arrangements no longer act as an incentive for IIAL as the fall in the Indian real estate market since the global financial crisis of 2008/9 has meant that it is highly unlikely that any carried interest would be earned by IIAL. Similarly, the Board is also conscious that the current base investment management fee of 2% p.a. of Net Capital Commitments, albeit acceptable at the time of Yatra's launch, is now higher than is normal for comparable funds.

At the same time, the Board concluded that IIAL is best placed to continue to manage the Group's portfolio given the depth of its experience in Indian real estate and infrastructure investment management, its deep-seated knowledge of the Group's portfolio and of the Group's joint venture partners and the strong reputation and market position of the Investment Manager's group within the Indian market.

Accordingly the Board resolved to approach IIAL to seek to reduce the level of the base investment management fee and to restructure the carried interest to incentivise IIAL to focus upon achieving realisations from the portfolio so that cash can be returned to Shareholders.

Following extensive negotiations, IIAL has agreed to reduce the base investment management fee to which it is entitled from the current rate of 2% p.a. of Net Capital Commitments to 1.25% p.a. of Net Capital Commitments. IIAL has also agreed that the annual management fees should be computed after deduction, *inter alia*, from Net Capital Commitments of cash held within K2 and investments which have been written off or written down to a nominal sum (i.e. below 5% of original book cost) in K2's accounts. This reduced fee and revised basis for computation would be retrospective to 1 April 2013 if Shareholders approve Resolutions 2 and 3 at the EGM.

IIAL has also agreed to revise its carried interest (which replaces the existing carried interest arrangements) to better align its interests with those of Shareholders. Under the Revised Investment Management Arrangements, IIAL will be incentivised to optimise realisations from the Group's portfolio and to facilitate the return of realisation proceeds to Shareholders.

The proposed revised carried interest payable to IIAL will be a percentage of the Net Proceeds of realisation of investments received by K2, calculated as follows (payable partly as a catch up of foregone management fees under the Investment Management Agreement and partly as carried interest):

For investments which have not been written off/written down in K2's accounts, if the Net Proceeds represent:	
	Carried interest
Less than 85% of Base Case Valuation	*5%*
85% or more but less than 115% of Base Case Valuation	*7.5%*
115% or more of Base Case Valuation	*9%*
For investments which have been written off/written down to a nominal sum in K2's accounts, then on the amount realised on such divestment	*25%*

The schedule of Base Case Valuations has been established in Indian rupees and is, in aggregate, 8.7% above the IFRS fair value of K2's investment portfolio as at 30 September 2012. The carried interest will be calculated separately with respect to each investment, without any averaging across the portfolio, and will be payable as a single percentage of the overall proceeds of realisation of the investment in question. By way of example, if the proceeds of realisation of an investment which has not been written off/written down are 115% of the Base Case Valuation, the carried interest will be 9% on the entire 115% (not 5% on the first 84.99%, 7.5% on the next tranche up to 114.99% and 9% on the excess from 115% and upwards). Where there are partial realisations or other interim distributions in relation to an investment these will attract an interim carried interest payment at 5%, 7.5% or 9% depending on whether the investment realisations represent less than 85%, at least 85% or 115% or more, respectively, of the entire Base Case Valuation of the investment, with a balancing payment, if necessary, out of the final realisation proceeds of the investment concerned. The revised carried interest will be payable with respect to all investments held in the portfolio as at 1 April 2013 (excluding proceeds pending to be received by K2 from an investment previously disposed), provided that the Shareholders approve Resolutions 2 and 3 at the EGM.

Revised Termination Provisions

When Yatra was launched in December 2006, it structured its investment into Indian real estate through its subsidiary, K2. Yatra intended that its investment in K2 would have a limited life terminating after a period of seven years, with the seventh anniversary falling in January 2014 (the portfolio attributable to that equity issue being referred to as the "A Share portfolio"). Yatra launched a secondary offering in late 2007 and used the proceeds of this issue to subscribe for further capital in K2. This investment also was intended to have a limited life of seven years, with the seventh anniversary falling in January 2015 (the portfolio attributable to that equity issue being referred to as the "B Share portfolio").

In each case, Yatra anticipated that there would be a “run-off period” of up to 12 months after the seventh anniversary in which the A Share portfolio or the B Share portfolio would be realised. It was also open to the Board to agree to extend the life of each portfolio by up to two further periods of 12 months each, at its sole discretion.

It has become apparent to the Board that many of the Group’s investments will not be fully realised by the seventh anniversary of the respective Yatra equity issue. The Board has therefore agreed with IIAL to amend the provisions concerning the maturity of the underlying A Share and B Share portfolios to enable IIAL to manage the realisation of the Group portfolio for the benefit of Shareholders.

It is, therefore, proposed that the Investment Management Agreement be amended as follows:

- IIAL will continue to manage the A Share portfolio beyond its current wind up date of 16 January 2014 until a new wind up date of 30 September 2016;

- IIAL will continue to manage the B Share portfolio beyond its current wind up date of 7 January 2015 until a new wind up date of 30 September 2016;

- if K2 has not received Net Proceeds from portfolio realisations of at least €10 million in the financial year ending 31 March 2014, and an aggregate of €30 million in the two financial years ending 31 March 2015, the entitlement of IIAL to manage the A and B Share portfolios until 30 September 2016 may be terminated at the discretion of the K2 board. If such termination occurs, the Investment Management Agreement permits K2 to terminate IIAL’s appointment as investment manager with immediate effect for the A Share portfolio and with effect from 7 January 2015 for the B Share portfolio (or with immediate effect if the right to terminate is triggered after 7 January 2015); and

- with effect from the termination of the Investment Management Agreement, the right of IIAL to receive further carried interest payments in respect of future sales of Group assets will cease except in respect of sales contracted prior to termination where such sales proceeds are received by K2 within 12 months of the date of termination.

A summary of the revised Investment Management Agreement is set out in Part II of the Circular.

Infrastructure Share class

As part of the restructuring of the management arrangements described above, it is proposed that the Articles be amended to permit, in certain circumstances, the issue of a new class of shares, Infrastructure Shares, by the Company. It is anticipated that the Infrastructure Shares would be issued to new investors seeking exposure to a portfolio of infrastructure assets in India, managed by IIAL. The Board and IIAL have no current expectations as to the timing of any future issue of Infrastructure Shares and no such issue is planned.

The proposed New Articles contain a number of safeguards to protect the rights of existing Shareholders with respect to the Infrastructure Shares Class. These include:

- a prohibition on the marketing and launch of the Infrastructure Shares until distributions to Yatra Real Estate Shareholders amount to a return of capital of at least 50% of the average market capitalisation of the existing Yatra shares as measured over the five business days preceding 6 May 2013, the business day immediately preceding the publication of the Circular; and

- any Infrastructure Shares issued will have no voting rights (including the right to vote on the appointment or removal of Yatra Directors) (save where changes are proposed to the rights of those shares) until 85% of the Company's net asset value as at 31 March 2013 has been realised and the proceeds returned to Real Estate Shareholders.

A summary of the changes proposed in the New Articles is set out in Part III of the Circular and a copy of the proposed New Articles is available on the Company's website with the changes proposed highlighted in the draft. The web address for the draft Articles is www.yatracapital.com/. A copy of the proposed New Articles will also be available for inspection at the EGM.

If the required majority of Shareholders do not vote in favour of the authorisation of the Infrastructure Shares (Resolution 3), the proposal will lapse and the Revised Investment Management Arrangements, including the reduction in management fee and the introduction of the new carried interest, will not be implemented. For the Infrastructure Share Class to be approved at the EGM, it requires to be voted for by 66.67% of the Shareholders present and voting at the meeting.

What happens if the proposals are not approved at the EGM?

If the proposals are not approved by Shareholders at the EGM, the current investment management agreement will continue in force at the current management fee, which is considerably higher than the level of investment management fee proposed. Further, IIAL will have no financial incentive to achieve realisations from the Group's portfolio. However, Yatra will be able to withdraw its capital by requiring that K2 distribute, in specie, those assets that comprise the A Share portfolio after January 2014 and those that comprise the B Share portfolio after January 2015.

Shareholders should note that the Board anticipates that by January 2014 and January 2015, the A Share and B Share portfolios will still largely comprise investments in Indian real estate and not cash or liquid securities. Whilst these investments may be withdrawn from K2 and effectively therefore from the management of IIAL, the Board will still need to arrange for these assets to be managed on the Group's behalf, possibly by a new investment manager. There can be no certainty that such a new investment manager can be found or terms agreed for them to assume the management of the A Share and B Share portfolios, or that the terms such investment manager proposes would be acceptable to the Board and Shareholders or more cost effective than those agreed with IIAL and being put before Shareholders at the EGM. Securing the services of an appropriate manager on acceptable terms may be even more challenging if the A Share and B Share portfolio are of a reduced size, for example, as a result of successful realisations.

The Board anticipates that before taking any steps to withdraw the A Share and B Share portfolios from K2, they would convene a further Yatra extraordinary general meeting at which proposals would be made. There can be no certainty at this time as to the nature and shape of such proposals or whether they would command the requisite level of Shareholder support at the time.

As well as believing that the Revised Investment Management Arrangements represent the best way forward for the Group and Shareholders, it is the heightened level of uncertainty over the Group's future management arrangements from January 2014 that reinforces the Board's views that continuing with the status quo is the least attractive option for the Company.

Risk Factors

Revised Investment Management Arrangements

Even if Shareholders approve the revised Investment Management Agreement there can be no certainty that the Investment Manager will be able to realise the Group's portfolio at the current valuations or at valuations which the Company would find attractive. Nor can there be any assurance as to the timing of any realisations.

The Revised Investment Management Arrangements are designed to encourage the Investment Manager, and reinforce the Board's continuing efforts to direct IIAL, to arrange for assets to be sold in a timely manner. The Board will be endeavouring to optimise shareholder value through a prudent realisation process. All such sales will require the Board's prior consent, but to avoid early termination of its appointment under the Investment Management Agreement, the structure of this arrangement may encourage IIAL to seek to sell assets at prices that do not reflect their true value at the time of sale or their potential value if the sale was to be deferred.

The revised carried interest arrangements pay out on an asset by asset basis and IIAL may generate high levels of carried interest on certain assets that do not counter balance the low levels of carried interest payable on other assets when they are sold. The aggregate amount of carried interest paid in such circumstances may be more than if the Revised Investment Management Arrangements included a carried interest payable on the realisation of the Group's entire portfolio and not on an asset by asset basis.

Many of the Group's investments are minority interests in underlying real estate developments which have yet to be completed. As such, the Group and IIAL may be unable to control or influence the management and realisation of those assets in the manner they would wish and to their preferred timing.

Changes to the legal, regulatory or tax environment in one or more of the jurisdictions in which the Group operates may impact on the Group's ability to manage its assets or adversely affect the value of the Group's portfolio.

Infrastructure Share Class

Although the draft New Articles contain provisions which prevent holders of Infrastructure Shares having any economic rights to the assets attributed to Real Estate Shares and vice versa, it is not possible to ensure that all non-contractual creditors such as tax authorities, regulators, and litigants with non-contractual claims cannot have recourse to all of the assets of the Company (irrespective of which share class they are attributed to). The Board does, however, intend to arrange the affairs of the Company and each share class such that potential liability relating to investments is limited at each stage through the use, where possible, of limited liability special purpose vehicles. Further, the Board will also have power to reallocate assets between the share classes in the event that one share class bears a liability that should properly have been borne by another.

Important Considerations

You are reminded of the need to obtain advice from your financial adviser if you are in any doubt about the action you should take in relation to the Circular. In view of the voting requirements it is important that you exercise your voting rights by providing a Written Confirmation (as described in the Circular) and, if necessary, completing a delegate proxy form (as set out in the Circular) and returning it to the address specified therein.

Recommendation

The Independent Directors consider that the Resolutions to be proposed at the EGM are in the best interests of the Company and Shareholders as a whole.

The Independent Directors unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the EGM.

The Board intends to vote in favour of the Resolutions in respect of their aggregate shareholdings of 20,967 Shares, representing 0.11% of the Company's share capital.

DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

Articles	the articles of association of the Company
Board	the board of Directors of the Company
Circular	the circular to Shareholders dated 7 May 2013
Company or **Yatra**	Yatra Capital Limited
EGM	the extraordinary general meeting of the Company to consider the Resolutions, convened for 12:00pm on Wednesday, 19 June 2013
Group	Yatra together with its subsidiaries, including K2 and its subsidiaries
IIAL or **Investment Manager**	IL&FS Investment Advisers LLC
Infrastructure Shareholders	holders of Infrastructure Shares
Infrastructure Shares	a potential new class of shares in the Company which may, should certain conditions be satisfied, be issued through a new fundraising with an investment strategy focusing on infrastructure in India
Investment Management Agreement	investment management agreement between K2 and IIAL dated on or around 6 May 2013 as amended from time to time
K2	K2 Property Limited

Net Capital Commitments	pursuant to the Revised Investment Management Arrangements at the relevant date of determination, the aggregate of all investments held by K2, assessed at the Original Book Cost (as defined in the Investment Management Agreement) of such investments, provided that (i) where an investment has been written off in K2's accounts (or written down in K2's accounts to a nominal sum which for this purpose shall mean 5% or less of the Original Book Cost of such investment determined in Euros) it shall be treated as if it is no longer held by K2 for the purpose of calculating Net Capital Commitments, and (ii) where an investment has been partially disposed of or realised by K2 the Original Book Cost of such investment shall be treated as being reduced to reflect the proportion of the investment disposed of or realised (whether through a sale of shares or assets)
Net Proceeds	the unencumbered net proceeds of an investment actually received by K2 in cash (or as otherwise agreed by the board of directors of K2 and the Investment Manager) after deduction of all expenses associated with the disposal of such investment
New Articles	the proposed amended memorandum and articles of association of the Company as summarised in Part III of the Circular and available for inspection at www.yatracapital.com/
Resolutions	the shareholder resolutions being proposed at the EGM
Revised Investment Management Arrangements	the arrangements with the Investment Manager, as reflected in the revised Investment Management Agreement and the revised constitution of K2
Shareholders or **Real Estate Shareholders**	the shareholders of the Company from time to time, other than Infrastructure Shareholders
Shares or **Real Estate Shares**	the ordinary share capital of Yatra as at the date of this document