YATRA CAPITAL

Quarterly Report

For the Quarter ended June 2012

As on August 1, 2012

Section I – Economic & Real Estate Current Status

The last few months have brought forth to focus the fragile nature of global growth. The global recovery, which was not strong to start with, has shown signs of further weakness. The most recent update to World Economic Outlook by International Monetary Fund (IMF) indicates that the financial market and sovereign stress in the euro area periphery have ratcheted up, close to end-2011 levels. On the back of weaker global demand, growth in a number of major emerging market economies has been lower than forecast. Increasing risk aversion and concerns about growth of emerging economies have impacted the capital inflows leading to pressure on exchange rates.

Recognizing the challenges to the global economy, IMF has projected that the global growth would drop from about 4% in 2011 to about 3.5% in 2012. But not for the better-than-expected first quarter of CY2012, the revision in expectations would have been more pronounced. These forecasts, however, are predicated on two important assumptions: that there will be sufficient policy action to allow financial conditions in the euro area periphery to ease gradually and that recent policy easing in emerging market economies will gain traction. In all, downside risks continue to loom large, importantly reflecting risks of delayed or insufficient policy action.

In India, GDP growth has moderated to 5.3% in Q4FY2012 on the back of global deceleration, high interest rates and inflation, the 6th straight quarter of a declining growth trend. The moderation was witnessed across all sectors. Performance in Q1FY2013 has not been encouraging as well. As per the recently released 'quick estimates', Industrial output declined by 1.8% in June 2012, third fall in four months. The Index of Industrial Production for the April-June 2012 quarter stood at a negative 0.1% as compared to a 6.9% growth in the same period last fiscal. Deficient monsoons are likely to add to pressure on growth and inflation.

The decline in Gross Fixed Capital formation is more ominous as it impacts the long term growth potential of the Indian economy. Corporate investment has been subdued with fewer new projects announced. With the government's fiscal deficit increasing on the back of higher subsidies, any increase in the government expenditure on capital formation is also unlikely. With continuing inflationary pressures, while further monetary easing is ruled out, the Reserve Bank of India did infuse liquidity by reducing the Statutory Liquidity Ratio by 100 bps. A revival in the economy would however require the interest rates to decline to promote demand and capital formation. Recent indications from the government point to renewed focus on economic reforms. The same are expected to play out in the next few quarters.

Section II – Economic & Real Estate Outlook

The year 2012 started off on a positive note for both the Indian and the Global economy. However fresh concerns in the Eurozone and slower growth expectations from the US have revived the challenges for the global economy.

India's GDP growth has been witnessing moderation due to both domestic and external factors. Domestically, a high interest environment and high fiscal deficit means limited investment from both private and government into capital formation. The interest rates have stabilized but given the high food inflation, they are not likely to come down soon.

Despite these challenges, India's fundamentals continue to be healthy in terms of strong domestic demand, favorable demographics, large investment requirements in infrastructure, high savings rate etc. A revival of the economy would however require the interest rates to decline to promote demand and capital formation. Recent indications from the government point to renewed focus on economic reforms that can address various concerns among the investors.

The residential sector saw decrease in new supply over the last quarter along with a lower absorption rate. The quarter has seen increase in the launch of premium projects which had reduced till the last quarter, primarily due to greater clarity in the revised Development Control guidelines in Mumbai. The overall supply was led by NCR- Delhi and Mumbai, whereas the demand came from NCR-Delhi and Chennai followed by Mumbai.

In the commercial office space sector total of 153.1 mn ft2 of office space is expected to become operational over the next three years till end-2014. While Mumbai and NCR-Delhi are projected to see supply of around 39 and 46 mn ft2 respectively in 2012-14, Hyderabad, Kolkata and Pune expect around 13 mn ft2 each. On the other hand, Bangalore and Chennai together are expected to add nearly 30 mn ft2. Against this supply, while NCR-Delhi and Mumbai are forecast to absorb 21-25 mn ft2 each in the same period, Chennai and Pune should see the take-up of over 10 mn ft2 each.

Good quality malls in prime central locations will continue to show good absorption and strengthening of rentals. Recently, the government has allowed 100% FDI in single brand retail with a clause stating that 30% of the stock must be sourced from Indian Small and Medium Enterprises (SMEs). This move has received a mixed reaction from international retailers.

The Indian hospitality sector is expected to witness high growth over the long term. The next one or two years may be a phase of building before the high growth trajectory emerges. Domestic travel is expected to be the primary driver of the sector's growth. High disposable income and the advent of better locations are driving this growth. As the economic scenario improves, business travel and MICE are expected to be the possible growth segments.

Section III – Yatra Portfolio

Yatra is proactively working to ensure that the portfolio is in tune with the changing needs of the current market. The objectives of the Company and the Fund Manager have been to preserve value through the downturn and position the portfolio for the present markets. Two of the key changes that have come about by this exercise are- first the transition of the portfolio from a retail led to a residential led portfolio, which is self liquidating in nature, and second, the restructuring of development planning and construction to ensure minimal amounts of debt are drawn down and that none of the projects are burdened with debt which they cannot service.

Portfolio Snapshot

Project Name	Asset Class	Partner	Equity Committed € million	Equity Stake	Financial Closure Achieved	Land Acquisition	Planning Approvals	Pre - Construction Activities	Construction Status	Leasing/ Sales Status
Market City, Bangalore #	Residential	Phoenix Mills	28.07	30.00%	n/a	●	◔	◑	○	○
Batanagar, Kolkata	Residential	Hiland Group	20.28	50.00%	n/a	●	◑	◑	◔	◔
Market City Retail, Pune	Retail Mall	Phoenix Mills	17.05	24.00%	88%	●	●	●	●	◕
Forum IT SEZ, Kolkata	Office	Forum Group	16.68	49.00%	76%	●	●	●	◔	○
Residential Project, Pune	Residential	Kolte Patil	15.88	49.00%	100%	●	◕	◕	◔	◔
Treasure Market City, Indore	Mixed-use	TWDPL	10.94	28.90%	37%##	●	●	●	◕	◑
City Centre Mall, Nashik	Retail Mall	Sarda Group	10.42	50.00%	100%	●	●	●	●	◕
Saket Engineers, Hyderabad	Enterprise Level	Saket Group	10.13	27.25%	100%	n/a	n/a	n/a	n/a	n/a
Treasure City, Bijalpur	Residential	TWDPL	7.71	40.00%	100%	●	◕	●	◑	◑
Mixed Use, Bhavnagar	Retail Mall	Modi Developers	6.24	50.00%	100%	●	●	●	◑	◑
Taj Gateway, Kolkata	Hospitality	Jalan Group	4.64	40.00%	82%###	●	●	●	◕	n/a
Market City Hospitality, Pune	Hospitality	Phoenix Mills	4.58	20.00%	n/a	●	●	●	◑	n/a
Phoenix United Mall, Agra	Retail Mall	Big Apple	4.04	28.00%	n/a	●	n/a	n/a	n/a	n/a
The Phoenix Mills	Enterprise Level	Phoenix Mills	3.73	0.44%	n/a	n/a	n/a	n/a	n/a	n/a

 # includes two SPVs

incorporates current estimates of anticipated increase in costs, principal repayments and interest on incremental loan; could change depending on when the financing is arranged by the company

Manager's latest estimate accounting for opening budget; yet to be confirmed

● Complete / Almost complete ◑ Advanced stage ○ Yet to commence

◕ Significantly complete ◔ Initial stage

Section IV – Yatra Financial position

The capital commitments of Yatra towards the Indian Portfolio Companies as on date is EUR 160.39 mn and the amount disbursed towards these is EUR 158.45 mn. The company has sufficient cash to honour its outstanding capital commitments.

Disbursements during the Quarter

The disbursement in the April 12-June 12 quarter was Nil

Cash Flow summary for the Quarter

The cash flow summary of the Company for this quarter is below :

Particulars	**Amount (Eur mn)**
Opening balance as on April 1, 2012	**27.33**
Add : Bank interest received during the period	0.22
Add : Interest of CCD's received during the period	0.16
Total Receipts	27.71
Less : Expenses	0.61
Disbursements	-
Closing balance as on June 30, 2012	**27.10**