YATRA CAPITAL

Quarterly Report

For the Quarter ended June 2013

As on August 18, 2013

Section I – Economic & Real Estate Current Status

As we write this Report, global growth prognosis appears to be weaker than before. In the past, this weakness was attributable largely to the ails of the advanced economies. However, more recently, anemic domestic demand has impacted growth in several key emerging market economies as well. The possibility of tighter liquidity conditions arising from the anticipated tapering of the monetary stimulus in the United States may further accentuate risk to global growth, presently expected a*t ~3% for 2013.* Market expectations of a Quantitative Easing (QE) taper and the consequent increase in real interest rates in the US have translated into a host of challenges for the emerging economies – capital outflows, sell off in the financial markets, rising yields and currency depreciation. The World Economic Outlook (WEO) Update for July 2013 references to the tradeoff many emerging markets face between macroeconomic policies to support weak activity and those to contain capital outflows. As an outcome of these challenges, WEO expects growth in emerging markets to evolve at a more moderate pace of 5% for 2013, 25 bps lower compared to its April 2013 forecast. Within Asia, the Asian Development Bank's Outlook in July 2013 also notes the knock-on effects being faced by East Asian economies on account of slower growth in China

In India, slowing fixed capital formation and weak industrial activity are weighing on the economy. Industrial production declined 1.1% during April-June. In fact, the month of June witnessed a decline of 2.2%, spread across all constituent sub-sectors, barring electricity generation. Capital goods production continues to contract, reflecting deteriorating investment conditions. Growth in services and exports is also expected to stay sluggish. Thus, despite a normal monsoon, the Reserve Bank of India (RBI) has revised downward the growth projection for FY2013, from 5.7% to 5.5%

The announcement of the QE taper has had an immediate and substantial impact on the Indian currency – the Rupee has depreciated ~10% since the announcement in May 2013. This significant depreciation poses a key risk to the Indian macroeconomic outlook. With a view to curb volatility in the foreign exchange market, the RBI instituted liquidity tightening measures. However, with an eye on encouraging growth, the RBI also opted to keep repo rate and Cash Reserve Ratio unchanged in its First Quarter Monetary Policy announced in July 2013. The RBI notes that "India is currently caught in a classic 'impossible trinity' trilemma"; that the monetary policy going forward will have to be shaped by considerations of supporting growth, anchoring inflation expectations and maintaining external sector stability

The Indian real estate sector has witnessed subdued trends on the supply side (due to existing supply overhang, liquidity concerns of developers and depressed demand) across sub-sectors during the quarter. However, the latent demand for quality space (i.e. reputed developer, delivery visibility, superior amenities/finishes) in established markets is steady. Q2 CY2013 has witnessed muted growth in the residential market and it is expected that 2013 is likely to follow subdued trends. Given the increase in unsold inventory, the prices should remain stable. Thus, this trend is expected to result in developers pricing their projects judiciously to increase volumes. Given that interest rate cuts are unlikely, the trend of creative marketing strategies, such as the 80:20 subvention schemes, pre-EMI offers, pre-launch pricing differentials, free home furnishing accessories etc are likely to continue as developers look to attract buyers The office space sector is expected to enter an initial growth phase with signs of growth in the IT/ITeS segment. A supply of 109 mn ft2 is expected during the next three years. Almost 71% of this supply is being developed as IT/ IT SEZ projects. Mumbai and NCR will continue to be the leading cities in terms of supply till 2015. The overall vacancy rate is likely to increase in the future as supply will continue to be higher than demand. NCR-Delhi and Mumbai are expected to absorb 20 mn ft^2 and 15.8 mn ft^2, respectively, in the same period, and Chennai and Bangalore together should see take-up of 23.2 mn ft^2.

During the quarter, retailers in cities such as NCR-Delhi, Mumbai and Bangalore continued to actively lease space in superior quality malls due to the limited availability of new malls and the low vacancy rates in existing prime malls. Though FDI in single and multi-brand retail was expected to drive growth, the response so far has been below expectations. The supply-demand mismatch will continue in the short to medium term, increasing vacancy rate. The rentals continue to be under pressure due to polarization of good quality malls and poor quality malls. In addition, occupiers are gradually moving towards a revenue sharing model. Hence, realizations for developers are linked to actual sales, which will continue to be depressed till the overall economic scenario improves. Entry of international retailers due to FDI in single and multi brand retail would be the major demand driver in the next 2-3 years

Section II – Economic & Real Estate Outlook

Post the announcement of the potential tapering of the quantitative easing, Indian markets have seen significant turmoil. Investors have started moving money out of riskier emerging markets and into developed markets. The primary casualty of the exodus has been the Indian rupee, which saw all time lows. RBI has taken steps to curb speculation by draining liquidity form the markets. The Government has also taken various initiatives to attract FDI into the country. Further liberalization of the FDI regime in multi brand retail, telecom, and the airlines is part of this initiative

On the positive side, India has witnessed above normal monsoons during this season. This is expected to improve the agricultural growth for the year. Higher agricultural output improves the rural purchasing power, which in turn supports other sectors of the economy. Core inflation has come under control. Once the currency stabilizes, the benefits of low inflation would be felt in the economy.

Q2 CY2013 has witnessed muted growth in residential market and it is expected that 2013 is likely to follow subdued trends. Given the increase in unsold inventory, the prices should remain stable. Further, this should result in developers pricing their projects judiciously to increase volumes. Given the interest rate cuts are unlikely, the trend of creative marketing strategies, such as the 80:20 subvention schemes, pre-EMI offers, pre-launch pricing differentials, free home furnishing accessories etc are likely to continue as developers look to attract buyers. The office space sector is expected to enter an initial growth phase with signs of growth in the IT/ITeS segment. A supply of 109 mn ft2 is expected during the next three years. Almost 71% of this supply is being developed as IT/ IT SEZ projects. Mumbai and NCR will continue to be the lead cities with supply of 24 mn ft^2 and 28 mn ft^2 respectively till 2015. The overall vacancy rate is likely to increase in the future as supply will continue to be higher than demand. NCR-Delhi and Mumbai are expected to absorb 20 mn ft^2 and 15.8 mn ft^2, respectively, in the same period, and Chennai and Bangalore together should see take-up of 23.2 mn ft^2. The supply-demand mismatch in the retail sector will continue in the short to medium term, increasing vacancy rate. The rentals continue to be under pressure due to polarization of good quality malls and poor quality malls. In addition, occupiers are gradually moving towards revenue sharing model. Hence, realizations for developers are linked to actual sales, which will continue to be depressed till the overall economic scenario improves. Entry of international retailers due to FDI in single and multi brand retail would be the major demand driver in the next 2-3 years

Section III – Yatra Portfolio

The Board of Yatra Capital along with the Fund Manager continue to be focused on active asset management with an intent to optimise the value, structure and exit timing of the investments.

Portfolio Snapshot for development of Phase I across projects

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%	100%	●	◕	◕	◔	◑
Residential Project, Pune	Residential	Kolte Patil	15.88	49.00%	n/a	●	●	●	◕	◕
Treasure Town, Bijalpur	Residential	TWDPL	7.71	40.00%	100%	●	●	●	◕	●
Batanagar, Kolkata	Residential	Riverbank Developers	20.28	50.00%	n/a*	●	●	●	◑	●
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
Market City Retail, Pune	Retail Mall	Phoenix Mills	17.05	24.00%	100%	●	●	●	●	◕
Taj Gateway, Kolkata	Hospitality	Jalan Group	4.64	40.00%	100%	●	●	●	◕	●
Market City Hospitality, Pune	Residential	Phoenix Mills	4.58	20.00%	Yet to tie-up	●	◔	◕	◔	n/a
Phoenix United Mall, Agra	n/a	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
Forum IT SEZ, Kolkata	Office	Forum Group	16.68	49.00%	Uncertain^	●	●	●	Uncertain outcome	○
Treasure Market City, Indore	Mixed-use	TWDPL	10.13	27.90%	Uncertain^	●	●	●	Uncertain outcome	◑
Mixed Use, Bhavnagar	Retail Mall	Modi Developers	5.11	50.00%	n/a	●	●	●	◑	◑

includes two SPVs

* Financial closure status of merged entity shall be presented post approval of proposed merger from the High Court. Project progress shown is only for current Phase 1

^ Development in these projects has considerably slowed down; hence no visibility on financial closure

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

◕ ◔

Section IV – Yatra Financial position

The net capital commitments of Yatra towards the Indian Portfolio Companies as on 30 June 2013 is EUR 148.38 mn and is fully disbursed.

Disbursements during the Quarter

None

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, 2013	**14.57**
Add : Bank interest received during the period	0.01
Add : Proceeds from share disposal and share buy back of Portfolio Companies	3.40
Total	17.98
Less : Expenses (including share buy back)	1.45
Disbursements	-
Closing balance as on June 30, 2013	**16.53**