YATRA CAPITAL

Quarterly Report

October 2009 to December 2009

As on December 31, 2009

Section I - Economic Outlook

Growth – Getting back to a higher trajectory

Contrary to earlier expectations of collateral damage from the global crisis and the drought taking a toll on domestic growth, FY10 GDP growth is likely to come at 7% levels. While industry numbers have been aided largely by stimulus measures (both monetary and fiscal), the rising share of non-crops (i.e. horticulture,livestock, fisheries and forestry) in agri GDP and relatively healthy trends in the winter crop appear to have offset the 17% decline in summer output.

Key Growth Drivers

A look at the key drivers that enabled India to move to a higher growth trajectory indicate that India has the potential to move back again to the 8-9% growth path. We expect growth in FY11 to come in at ~8.4% levels.

Investments – The headwinds witnessed during 2008 and 2009, namely (i) higher cost of capital, (ii) slowing demand, (iii) limited fiscal maneuverability and (iv) election issues that impacted the investment cycle and resulted in single-digit investment growth, are all easing. This, coupled with the need to close the existing infrastructure deficit and high capacity utilization ratio in many key industries, bodes well for a recovery in the investment cycle.

Consumption - Similar to the investment story, the headwinds that impacted the consumption story (particularly discretionary spending), including (i) credit availability and (ii) job losses/wage freezes across sectors, are again receding. This, coupled with the pay revision and the on-going National Rural Employement Guarantee (NREGA) scheme, will likely result in an uptick in consumption

Outsourcing – The global recession, along with a focus on job creation in the home markets, took its toll on this growth driver – particularly in the information technology segment. However, recent data are encouraging, with most sector participants suggesting that they expect IT budgets/spends to improve in the coming months.

Additional Growth Drivers – Apart from the above, we expect the government's initiatives on inclusive growth(Employment Guarantee Scheme, healthcare, education, and urban infrastructure) to be key over the next decade. Other growth-enablers include innovation and land reforms.

Indian Corporates exhibit strong results

The financial results for the December 2009 quarter, over the corresponding period in the previous fiscal, were expected to be one of the best in years in terms of growth rate. The growth in demand kicked in as government stimulus measures announced over a year ago had their effect on the economy. Profitability has been pulled up by lower cost of credit compared to the peak of the bull run when interest rates shot through the roof. A bigger sample of companies that form part of the BSE 500 index show that mid-sized companies have performed much better in growing profits compared to the large cap ones.

The group of 29 Sensex firms who have announced results for the three months period ended December 2009 have reported total net profit (adjusted for one-time extraordinary items) growth of 20%, the best in at least two years. The revenue growth of these companies has risen (in double digits) after four straight quarters of sub 10% increase over the corresponding periods a year ago. This indicates how demand growth has started to be reflected in corporate results. Although profit margins had improved over the past three quarters, companies' net sales growth remained muted. It had been a concern for overall growth as investors and economist alike have been banking on the revival of domestic demand to take forward the economic recovery process which had received an initial push from government's fiscal stimulus through tax cuts. This has been led by strong earnings growth by auto giants Tata Motors, Hero Honda, M&M and Maruti Suzuki besides commodity majors Grasim, Tata Steel and Sterlite.

The real push to bottomline performance is coming from lower interest cost, which has shrunk after eight straight quarters of double-digit increase. But what may become a concern for manufacturing firms is the change in raw material costs as commodity prices have started moving up in line with global signals of recovery.. After four straight quarters of decline or single-digit growth in raw material costs, the Sensex firms have seen a 67% jump in input costs.

A bigger sample of 400 of BSE 500 companies, excluding PSU oil marketing firms, have together reported 45% jump in net profit.

Section II – Real Estate Outlook

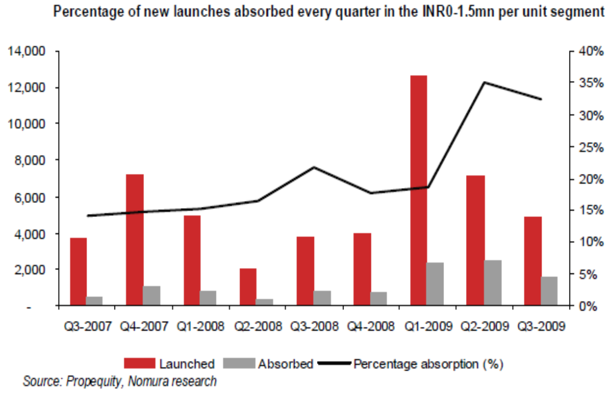
Real Estate Markets

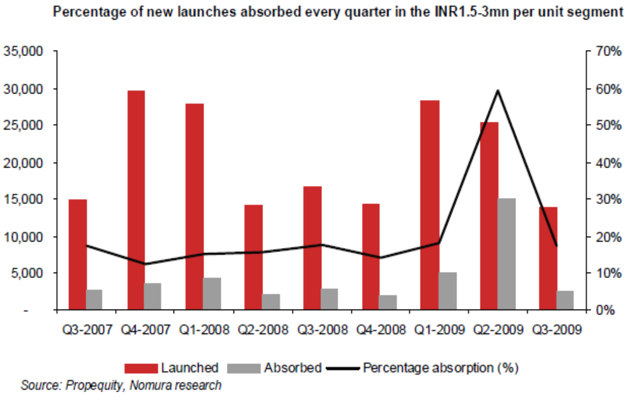
Residential demand and inventory

In spite of the talk about demand recovery in the residential segment, Mumbai and NCR are the only two regions among the top six to have shown a significant recovery in transaction volumes. Bangalore and Chennai's residential markets are still struggling to recover from the lowdown, while Hyderabad and Kolkata continue to suffer. Until all major regions of India show volumes higher than the current levels, one cannot call it a satisfactory recovery. If volumes do not move up from current levels, concerns about the cash flow situation of developers are likely to increase yet again, given that debt repayments would be coming up in FY11. In such a scenario, developers will be conscious that price rises t could hurt sales.

On the other hand residential inventory across all regions, except Hyderabad and Noida, has shown large and constant declines which have the potential to support prices at current levels. Thus, analysts see a period of price consolidation of at least six months in most markets. The inventory decline is because the pace and size of new launches have come down over the past 18 months as developers have focussed on existing projects.

The average size of apartments sold has proved of interest. In CY09, cities which have witnessed a quick bounce-back from lows have seen a reduction in the average size of apartments, whereas regions such as Bangalore and Kolkata have not witnessed any significant reduction in apartment sizes. This indicates that the reduction in prices from their peak has not been sufficient and hence buyers have had to compromise on the living area. However a trend of increasing apartment sizes has begun again in the past two to three months.





Commercial Property

I Industry data published by real estate intelligence firm PropEquity, shows an estimated 62.3 mn sq. ft of leasable commercial space is likely to get completed in CY2010E and 45.6 mn sq. ft in CY2011E across Mumbai, NCR, Bangalore, Pune, Chennai and Hyderabad, with potential absorption significantly below these levels. Demand trends indicate a pick up in commercial activity in 3QCY09 but the absorption levels remain at sub-50%. This is likely to result in (1) more vacancies and (2) project completion delays, thus slowing additional supply creation. . Cushman and Wakefield data indicates that the slowest commercial absorption will occur in NCR where absorption levels were below 25% while Mumbai and Bangalore were relatively better placed as far as commercial demand is concerned.

Reasons for supply overhang: At end of FY2008, total IT employees were 2 mn and various companies were expanding facilities based on 25% plus projected growth in employees. Thus, commercial construction took place with potential incremental employees of 1.1 mn in FY2008-10E while actual employee accretion is 40% of projected demand. These projects assumed a 18-24 month construction cycle. However, significantly lower-than-estimated employee growth has led to a substantial number of unfinished commercial projects. Some planned commercial projects have been converted into residential projects by developers, others have slowed down.

Growth in IT/ITes to drive commercial demand
Estimation of commercial area required, FY2010-11E, March fiscal year-ends

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009E	2010E	2011E
IT employees (in '000)												
IT, Engineering and R&D, Software product exports	110	162	170	205	296	390	513	690	860	946	993	1,093
IT-enabled services exports	42	70	106	180	216	316	415	553	700	812	893	1,027
Domestic sector	132	198	246	285	318	352	365	378	450	518	585	672
Total	**284**	**430**	**522**	**670**	**830**	**1,058**	**1,293**	**1,621**	**2,010**	**2,276**	**2,471**	**2,792**
Addition space required (mn sq. ft)												
Total space required in India (assuming 100 sq. ft/ employee)		15	9	15	16	23	24	33	39	27	20	32
IT space required (assuming 33% built to suit)		10	6	10	11	15	16	22	26	18	13	21
Other commercial space		6	4	7	7	10	10	15	18	15	12	12
Total commercial space required		**16**	**10**	**16**	**18**	**25**	**26**	**36**	**44**	**32**	**25**	**33**
Growth rate in employee additions(%)												
IT, Engineering and R&D, Software product exports		47	5	21	44	32	32	35	25	10	5	10
IT enabled services Exports		67	51	70	20	46	31	33	27	16	10	15
Domestic sector		50	24	16	12	11	4	4	19	15	13	15
Total		**51**	**21**	**28**	**24**	**27**	**22**	**25**	**24**	**13**	**9**	**13**

Source: Kotak Institutional Equities

Increasing competition: Increasing competition is expected as the demand supply dynamics look Unfavouable. More IT companies are likely to use projects developed by group real estate companies. An example is Tata Realty which is developing IT SEZs at 8 locations around India – Hinjewadi, Trivandrum, Kochi, Ahmadabad, Hyderabad, Kolkata, Nagpur and Mangalore, where Tata Consultancy Services (TCS) are likely to be the anchor tenant to take advantage of economies of scale.

Supply of 62.3 mn sq. ft of leasable commercial space in CY2010E
Supply and absorption data from PropEquity, CY2010-CY2012E

	CY2010E	CY2011E	CY2012E	Total
	Supply	Supply	Supply	Supply
Lease				
Pune	6.0	4.6	1.0	11.6
NCR	12.2	7.1	12.3	31.7
Mumbai	9.3	7.1	6.2	22.6
Hyderabad	13.6	5.9	7.3	26.8
Bangalore	9.6	5.2	3.2	18.0
Chennai	11.6	15.6	6.0	33.2
Total	**62.3**	**45.6**	**35.9**	**143.9**
Sale				
Pune	2.1	0.9	0.0	3.1
NCR	8.6	6.5	9.8	24.8
Mumbai	7.9	4.1	1.2	13.3
Hyderabad	0.3	2.5	0.0	2.8
Bangalore	0.1	0.6	0.0	0.7
Chennai	1.4	0.0	0.0	1.4
Total	**20.4**	**14.6**	**11.0**	**46.1**

Source: PropEquity, Kotak Institutional Equities

The residential markets are seeing potential recoveries and there are increasing enquiries in the commercial space. These are hopeful signs for these markets in 2010.

Outlook

The overall Indian economy has shown resilience in face of the strong headwinds which were seen in the aftermath of the global financial crisis. India along with other Asian countries has exhibited its ability to bounce back without significant damage to its financial system. With strong growth prospects the economy is expected to accelerate..

The real estate markets are also seeing some sectoral growth. Residential in Tier I cities has shown growth and other cities are exhibiting growth albeit slower than Tier I cities. Commercial space has seen a growing number of enquiries based on strong business performance. Corporates have announced hiring plans and are expected to step up their demand for real estate based on these plans.

Retail and hospitality sectors have also shown strong results which has raised hopes of a recovery in the sector. The recovery is expected to be led by the residential sector followed by the commercial sector in the coming quarters.

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	Location	Partner	Equity Committed EUR mn	Equity Stake	Land Acquisition	Planning Approvals	Pre-Construction Activities	Construction Status	Leasing/ Sales Status
Residential Project, Pune	Resi led Mixed Use	Pune	Kolte Patil	17.04	49.00%*	●	◕	◐	○	◔
Market City Retail, Pune	Retail led Mixed Use	Pune	Phoenix Mills	17.05	24.00%	●	●	●	◕	◐
Market City Hospitality, Pune	Hospitality	Pune	Phoenix Mills	4.58	20.00%	●	●	●	◐	n/a
The Phoenix Mills Ltd	Listed Entity Level	Mumbai	Phoenix Mills	3.73	0.44%	n/a	n/a	n/a	n/a	n/a
Nashik City Centre, Nashik	Retail	Nashik	Sarda Group	11.09	50.00%	●	●	●	●	◕
Treasure Market City, Indore	Retail led Mixed Use	Indore	EWDPL	10.95	29.30%	●	●	●	◐	◔
Treasure City, Bijalpur	Resi led Mixed Use	Indore	EWDPL	7.71	40.00%	●	◐	◐	◔	◔
Phoenix United Mall, Agra	Retail	Agra	Big Apple	4.04	28.00%	●	◐	◕	○	○
Himalaya Mall, Bhavnagar	Retail led Mixed Use	Bhavnagar	Modi Developers	6.24	50.00%	●	●	●	◕	◔
Batanagar IT SEZ, Kolkata	Commercial/ IT SEZ	Kolkata	Hiland Group	20.28	50.00%	●	●	●	◔	○
Forum IT Parks, Kolkata	Commercial/ IT SEZ	Kolkata	Forum Group	16.68	49.00%	●	●	●	◔	○
Market City, Bangalore	Retail	Bangalore	Phoenix Mills	20.04	30.00%	●	◔	◐	○	○
Market City, Bangalore	Hospitality/ Resi	Bangalore	Phoenix Mills	8.03	30.00%	●	◔	◐	○	○
Saket Engineers	Unlisted Entity Level	Hyderabad	Saket Group	6.84	26.05%	n/a	n/a	n/a	n/a	n/a
Taj Gateway, Kolkata	Hospitality	Kolkata	Jalan Group	4.35	40.00%	●	◔	◐	◐	●

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

◕ Significantly complete ◔ Initial stage

*Current stake 55%, post buyback eventual stake 49%

Section IV – Yatra Financial position

The capital commitments of Yatra towards the Indian Portfolio Companies as on date is EUR 158.83 mn and the amount disbursed towards these is EUR 154.99 mn. The company has sufficient cash to honour its outstanding capital commitments.

Disbursements during the Quarter

During the Quarter thefollowing disbursements aggregating € 2.5 million were made to the joint venture partners:

Yatra Capital Limited	
Disbursements to IPCs made during the period October 09-December 09	**Amount in EUR**
Modi Organisers Private Limited	730,179.19
Jalan Intercontinental Hotels Private Limited	1,722,158.47
Total	**2,452,337.66**

Cash Flow summary for the Quarter

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

Opening balance as on October 1, 2009	**45.13**
Add : Bank interest received during the period	0.05
Total Receipts	45.18
Less : Expenses	0.33
Disbursements	2.45
Closing balance as on December 31, 2009	**42.40**