YATRA CAPITAL

Quarterly Report

For the Quarter ended December 2013

As on 14 February, 2014

Section I – Economic & Real Estate Current Status

The most recent World Economic Update, December 2013, released by International Monetary Fund, is aptly titled "Is the Tide Rising?". Global activity and world trade has picked up in the second half of 2013; in fact stronger than was expected in October 2013. While in advanced economies, demand expanded, an export rebound was the main driver for emerging market economies. Financial conditions have also eased in advanced economies during the previous quarter; this despite the announcement by the U.S. Federal Reserve on December 18, 2013 that it will begin tapering its quantitative easing measures. In emerging market economies, however, financial conditions have remained tight, notwithstanding fairly resilient capital flows. Equity prices have not fully recovered, many sovereign bond yields have edged up, and some currencies have been under pressure

Growth momentum in the advanced economies has benefited Developing Asia. The region's growth is expected to hover around 6% this year, and the next. Infrastructure investments have marginally improved the growth outlook for China by 0.1% points to 7.5% in 2014. South Asia is also on track to meet growth expectation of 5.5% in 2014. Southeast Asia's growth forecast is however marginally tempered by 0.1% points to 5.2%. Typhoon damage will moderate growth in the Philippines and the unfolding political turmoil in Thailand is expected to undermine its growth this year

In India, the outlook remains guarded. The Reserve Bank of India (RBI) has termed the slowdown in growth as "increasingly worrisome". Industrial growth continues to stagnate and leading indicators of the services sector exhibit a mixed picture. Private consumption has stayed low in the face of high inflation and the investment cycle is yet to turnaround. RBI's decision to increase the policy repo rate by 25 basis points in January 2014 may further impede the turnaround. This unexpected rate increase seems to have been driven by inflations concerns. Despite the moderation in December 2013, CPI inflation continued to remain high near 10% with inflation excluding food and fuel components also remaining persistent at 8%

However, corporate sales have improved during Q2, indicating that demand may have started improving. Aggregate demand is expected to receive support from rural demand and exports, though downside risks emanate from public spending cuts. Reduction in current account deficit, expected at 2.5% in FY2014, compared to 4.8% in 2013 has also been a positive development

The Indian financial markets also successfully withstood the effect of the Fed's tapering decision in December 2013. In fact, equity markets gained by over 9% during Q3 as markets priced in macroeconomic improvement arising mainly from lower external sector risks and better-than-expected corporate results. However, primary capital markets remained subdued. While global investors had turned overweight on Indian equities in the 2014 asset allocations, the performance of markets in the near term will be conditioned by the (expected) outcome of the National Elections

Given the overall slowdown in economy and adverse macro-economic factors (high interest rates, high inflation, etc), the Indian real estate sector has witnessed lower demand growth phase during the first three quarters of the year. This resulted in increase of unsold inventory across sub-sectors. However, there was improvement in activity levels compared to last quarter. This trend has been aided by the developers' focus on increasing sales volumes to improve liquidity, which has seen them focusing on execution and supply rationalization.

In the residential sub-sector, there was decrease in new launches by 4% and absorption volumes increased by 4% q-o-q. This is primarily due to increased sales volumes in Bengaluru, Pune and Kolkatta. In addition, the absorption rate increased by 11% q-o-q. In terms of overall volumes, NCR continues to be the lead contributor followed by Mumbai. The unsold inventory (in months) is highest in Hyderabad (41 months) followed by Mumbai (34 months) and NCR- Delhi (26 months) The appreciation in average capital values for residential units slowed down further to 1.4%

In the Office space segment, supply overhang scenario persists. During Q4CY2013, around 8.5 mn ft2 of office space became operational taking the overall stock to 376.1 mn ft2. The new supply was led by Mumbai and Bengaluru. The pan India absorption was 7.9 mn ft2 compared to 5.9 mn ft2 in the previous quarter. Mumbai and NCR continue to see high vacancy rates (around 22%+) due to supply overhang, whereas Bengaluru and Hyderabad continue to have low vacancy levels (less than 10%) due to lack of fresh supply. The rentals have shown marginal to negligible increase in certain micro-markets of leading cities

In the retail sector, supply-demand mismatch exists with high vacancy in Mumbai and NCR-Delhi. This is due to polarization between good and bad malls, with the latter dragging overall occupancy levels. The hospitality sector has been affected by overall slowdown in the economy. In addition, increase in room supply has affected occupancy levels and ARRs, resulting in 5% decrease in RevPARs during H1FY2014

Section II – Economic & Real Estate Outlook

Economic growth is likely to accelerate in FY2015 to 6% as compared to the expected growth of 4.8% in FY2014. The pick-up will be aided by implementation of stalled projects, debottlenecking of the mining sector and a recovery in industry on higher external demand. Services sector is also expected to rebound driven by higher exports and industrial growth. The growth forecast is also supported by improved global outlook. The IMF expects US GDP growth to rise to 2.8% in 2014, up from 1.9% in 2013, while the Eurozone economy is forecast to expand by 1% after two years of recession. Post the general elections scheduled in May 2014 policy reforms are expected to gain further momentum

Q4 CY2013 witnessed improvement in absorption due to attractive discounts available on projects as developers focused on improving liquidity and on execution. However, new supply was limited due to low demand growth. The sub-sector will continue to witness limited growth due to high interest rates and increase in prices coupled with below average economy performance. However, IT centric cities would continue to do relatively better due to growth prospects of IT sector

The office space sector is expected to enter an initial growth phase with signs of growth in the IT/ITeS segment. A supply of 105 mn ft^2 is expected during the next three years. Almost 60% of this supply is being developed as IT/ IT SEZ projects. Mumbai and NCR will continue to be the lead cities with supply of 24.6 mn ft^2 and 27.4 mn ft^2 respectively till 2015. On the other hand, Bangalore and Chennai together are forecast to add nearly 25.1 mn ft^2

The overall vacancy rate is likely to decrease in the future due to supply rationalization. NCR-Delhi and Mumbai are expected to absorb 15.5 mn ft^2 and 19.0 mn ft^2 respectively, in the same period, while Bangalore and Chennai should together see take-up of 23.4 mn ft^2

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.

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
Residential Project, Bangalore *	Residential	Phoenix Mills	28.07	30.00%	100%	●	◕	◕	◔	◑
Batanagar, Kolkata	Residential	Riverbank Developers	20.28	50.00%	n/a*	●	●	●	◑	●
Residential Project, Pune	Residential	Kolte Patil	15.88	49.00%	100%	●	●	●	◕	◕
Market City Retail, Pune	Retail Mall	Phoenix Mills	17.05	24.00%	100%	●	●	●	●	◕
Forum IT SEZ, Kolkata	Office	Forum Group	16.68	49.00%	Uncertain^	Stressed asset. Substantial capital erosion is expected				
Treasure Market City, Indore	Mixed-use	TWDPL	10.13	27.90%	Uncertain^	Stressed asset. Complete capital erosion is expected				
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 Town, Bijalpur	Residential	TWDPL	7.71	40.00%	100%	●	●	●	◕	●
Taj Gateway, Kolkata	Hospitality	Jalan Group	4.64	40.00%	100%	●	●	●	●	◑
Market City Residential, Pune	Residential	Phoenix Mills	4.58	20.00%	100%	●	◑	◕	◔	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

 # includes two SPVs

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

^ Development in these projects has considerably slowed down; hence no relevance of financial closure

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

◕ Significantly complete ◔ Initial stage

Section IV – Yatra Financial position

The net capital commitments of Yatra towards the Indian Portfolio Companies as on 31 December 2013 is EUR 139.67 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 October 1, 2013	**19.00**
Add : Bank interest received during the period	0.01
Add : Proceeds from share disposal and share buy back of Portfolio Companies	5.12
Total	24.12
Less : Expenses (including share buy back)	10.72
Disbursements	-
Closing balance as on December 31, 2013	**13.40**